

2020 annual report



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EKSPORTKREDITT
Export Credit Norway

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KEY FIGURES 2020

LENDING BALANCE:

51.3 NOK billion

APPLICATION VOLUME:

98.9 NOK billion

NEWLY SIGNED CONTRACTS:

3.0 NOK billion

WELL-SATISFIED CUSTOMERS (SCORE):

4.4 OF 5

MANAGED LOANS:

184 

NEW APPLICATIONS:

308 

DISBURSEMENT VOLUME:

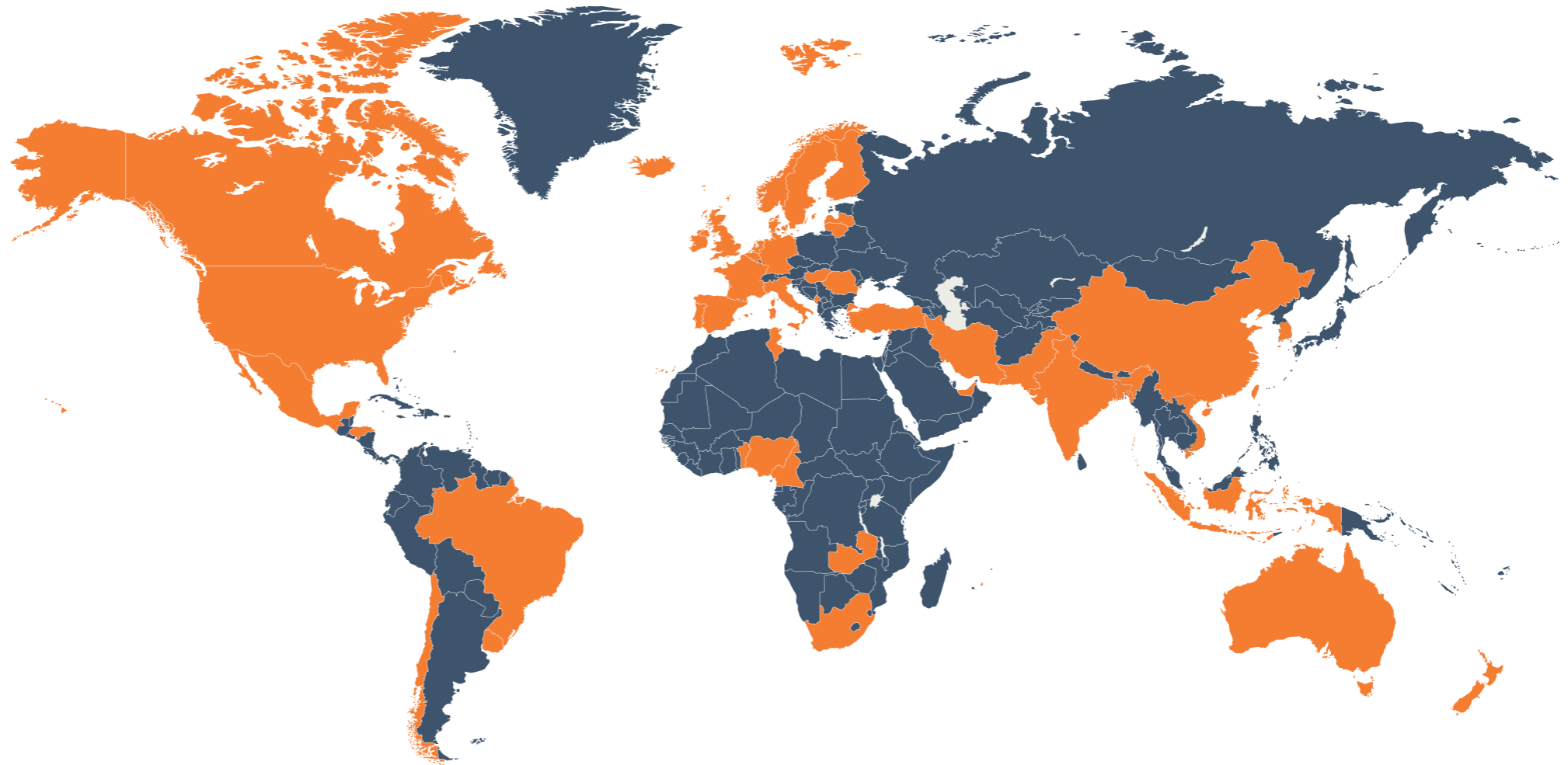
5.6 NOK billion

EMPLOYEES:

51 

THE COMPANY HAS PROJECT AND CONTRACT EXPERIENCE IN

52 different jurisdictions



IMPORTANT EVENTS 2020

Export Credit Norway disburses a loan of USD 1.48 million to SMT Carisbrooke Holding LTD. The loan will finance the shipping company's purchase of ballast water purification systems for five ships from the Sandnes company Optimarin. This is the first loan the company has disbursed for this type of purification system.



Export Credit Norway and Norwegian Energy Partners (NORWEP) release a report which assesses hydropower opportunities in a total of 23 countries. The purpose of the report is to provide Norwegian hydropower operators with information about opportunities in the international market.

Photo: Chandler Crutt/Unsplash

Export Credit Norway publishes a report showing the impact the coronavirus crisis and fall in oil prices may have on the following Norwegian export industries: industrial processes, seafood, tourism, and maritime and offshore supplier industries. According to the report, the maritime and oil service industries would be particularly hard hit.

The last of two new fish factory vessels are delivered from Fitjar Mek. Verksted for the processing vessel company Napier. "Taumar" and its sister ship "Taupier" were both funded by Export Credit Norway under the ship financing scheme, which has the aim of making it easier for shipping companies to choose Norwegian shipyards and equipment suppliers.



Photo: Napier

Vard Søviknes at Sunnmøre delivers "Le Jacques Cartier", the second of a total of three expedition cruise ships ordered by the French shipping company Compagnie du Ponant. Export Credit Norway contributed financing with a loan of around EUR 53 million.



SEPTEMBER

The Ministry of Trade, Industry and Fisheries announce that Export Credit Norway and the Norwegian Export Credit Guarantee Agency (GIEK) will merge into a new agency. The objective is to make the export financing service even easier and more effective for Norwegian businesses to use. The new agency will be operational from 1 July 2021.

The Sarpsborg-based company Borregaard is named the winner of the Export Prize for 2020. In awarding the prize, the jury stated that the company had been able to strongly adapt, and had gone from being a rather traditional Norwegian industrial company that developed cellulose and paper to becoming a modern industrial group with an extensive product range and customers all over the world.

Photo: Dogger Bank Wind Farm



Export Credit Norway disburses its second loan to an offshore wind project: Equinor and SSE Renewables' development of Dogger Bank A and B off the United Kingdom's east coast. The two Norwegian suppliers are Aibel and OHT ASA. The total loan amount is GBP 90 million.

NOVEMBER

JANUARY

MARCH

MAY

JULY

FEBRUARY

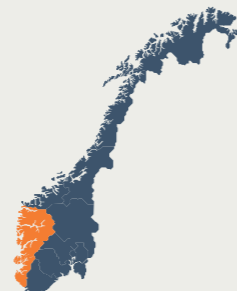
The subsea installation vessel "Island Victory" is delivered to Island Offshore. The ship was built by Vard and has a towing force of 477 tons, which is a world record as of February 2020. The ship was financed by Export Credit Norway through the ship financing scheme, with a loan of NOK 712 million.



Photo: Gunder Tande Sandersen

APRIL

Export Credit Norway publishes a sub-report that addresses the Coronavirus crisis's impact on the Norwegian export industry by region. The report shows that Western Norway is the most vulnerable to adverse effects.



JUNE

Export Credit Norway and Finance Norway present a report assessing how leading Norwegian banks and international banks, export finance stakeholders and other lending institutions facilitate and market green loans.

Export Credit Norway becomes a member of Skift. This business-led climate initiative that has the objective of taking the lead and demonstrating the potential



Photo: Vilde Odmundson / Nordlaks / Deadline Media

business opportunities associated with the transition to a zero-emission society.

Export Credit Norway disburses a loan of NOK 250 million to Norlaks in connection with the financing of Norwegian deliveries to the "Jostein Albert" sea farm, which can be located in more exposed seas. The sea farm is located off Hadseløya in Nordland.

AUGUST



Export Credit Norway, the Confederation of Norwegian Enterprise (NHO) and Finance Norway arrange the conference "Status: Export – How to succeed with Norwegian export initiatives", at which Norway's future as an export nation was the topic. Stakeholders from seven different industries were invited to the conference to provide suggestions that would later be passed on to the Ministry of Trade, Industry and Fisheries in connection with the work on a new export action plan.

Photo: Moment Studio NHO, Geir Mogen / SINTEF, Nordisk Råd, Marte Garmann, Sturlason

OCTOBER

Export Credit Norway, the Ministry of Petroleum and Energy and NORWEP present two reports on the development of Norwegian energy industries. The reports show that 2019 resulted in sales growth of almost 30 per cent for the Norwegian-based renewables industry. For the oil and gas supplier industry, 2019 resulted in sales growth of 16 per cent.



During the 2020 Offshore Wind Conference, Export Credit Norway, the Federation of Norwegian Industries, the Norwegian Shipowners' Association and Stavanger Municipality present a report which estimates that the Norwegian offshore wind industry could reach total sales of NOK 85 billion by 2050.

DECEMBER

Poseidon Principles' first annual report is published. The Vessels' emissions in the lending portfolios of a total of 15 financing institutions were weighted in accordance with the outstanding balance. Among these 15 are three financing institutions with a shipping portfolio that is on track to meet the International Maritime Organization's, (IMO) climate targets. Export Credit Norway is one of these.



Photo: Sturlason

1. Report of the CEO and Annual Report of the Board of Directors

1.1 REPORT OF THE CEO

A challenging and busy year

At the start of 2020, the Norwegian economy's outlook was relatively good. However, there was some uncertainty relating to the potential impact of the virus outbreak in China. When we now summarise the year that has been, we know that the virus's outbreak had major consequences. The coronavirus crisis resulted in shutdowns; oil price falls, layoffs, downsizing and bankruptcies. The pandemic is still not under control, which means we can assume that 2021 will also be a challenging year in which normalisation will take place in step with the population's vaccination.

From mid-March, the authorities initiated what were, at times, extensive measures to combat the pandemic. Since then, Export Credit Norway's employees have primarily worked from home. This has been difficult, but has proven to function satisfactorily. We have endeavoured – and managed – to maintain the level of activity, and the employees must be commended for the impressive manner in which they have managed



the new work situation. We have maintained contact with the market, and the Norwegian business sector has shown that restructuring and development are still taking place despite the challenges. Export Credit Norway has experienced this through the high number of applications received, both in total and from the SMB segment. The number of applications is well above the previous year and at a historically high level.

We are registering greater uncertainty with regard to the export markets. The road back to normality for this will also be linked to the vaccination of the population, however the impact of the pandemic on local business and industry, and thus the opportunities to realise export contracts, still appears uncertain.

Possible steps for improved export development

In 2019, Export Credit Norway commenced a comprehensive assessment of Norwegian export businesses' challenges and opportunities. This continued in 2020 and has resulted in the presentation of several reports and analyses, conferences and professional arrangements. The overarching goal has been to highlight how we can succeed as an exporter when oil and gas production falls in the coming years and it also appears highly probable that global demand for these products will decline.

The development in Norwegian exports for the past 20 years has been weak. In real terms, Norway has been the OECD country that has developed the worst in this area. Therefore, it has become abundantly clear that it is essential that Norway develops new, more significant and sustainable industries that can be commercialised and scaled into export markets. This needs to take place on such a scale that Norway is able to realise growth that will produce a positive development

in the balance of trade over the next decade. Norway will need to improve export growth to finance our desired future welfare.

This will be a comprehensive restructuring process that we have barely just started. The spring of 2020 also brought a new challenge: the coronavirus crisis. In late March and early April, Export Credit Norway published two reports assessing the impact the coronavirus crisis could have on Norwegian export businesses and the country's challenges in general¹⁾. The reports concluded that the maritime industry and the oil service industry were particularly vulnerable and that Western Norway would be the hardest hit in terms of regions.

When, later in the year, the government requested input for a new export action plan, Export Credit Norway prepared a report that compared Norway's export development and work with promoting exports with the situation in other countries²⁾. Particular emphasis was placed on comparing Norway with Sweden and Denmark. The report showed that the Norwegian export promotion work and use of policy instruments are much more limited and less specific and market-oriented than in our neighbouring countries. In other words, Norway is less competitive than the countries that it is natural to compare ourselves with.

In connection with the aforementioned report, Export Credit Norway prepared a proposal with six measures that we believe will be a prerequisite for ensuring the necessary development of the export industry into the future. These were presented in August during the conference "Status: Export - how to succeed with the export initiatives of the future". During the conference, seven key export industries were also invited to submit proposed measures. Together with the proposal for six measures for improved export development,

these results were sent to the Ministry of Trade, Industry and Fisheries as input into their work on the export action plan.

It was decided in October that the government will continue the ship financing scheme until the end of 2021. The scheme is administered by Export Credit Norway and GIEK, and helps keep the wheels of the Norwegian shipyard industry turning. This is a correct and important decision that ensures activity in an industry that the coronavirus crisis has hit hard.

Green transition gaining momentum

Despite significant challenges in 2020, it is pleasing to note that, in Norway, we have a willingness to change and the ability to think long-term and focus on new areas. The green transition has gained momentum – not only in Norway, but also globally. This has created major opportunities for Norwegian export businesses, particularly within offshore wind, wind power, hydrogen technology and battery technology. This was stated in two reports presented by Export Credit Norway, the Ministry of Petroleum and Energy and NORWEP in autumn 2020.³⁾

Several of Export Credit Norway's disbursements in 2020 were also linked to green projects such as hybrid vessels, conversion of offshore service vessels, and supplier and service agreements for offshore wind projects. We expect this trend to continue in the years ahead.

Further export initiatives are more critical than ever

Export Credit Norway receives around 300 loan applications each year and is in contact with several hundred exporters. Even in a year marked by the coronavirus crisis and an ongoing merger process, the company has managed to maintain normal operations and been available

to Norwegian export businesses. Export Credit Norway's role is not only to offer financing of export contracts, but also to advise and assist Norwegian exporters when they seek to realise contracts. This close cooperation with business and industry, clusters, exporters and customers of the exporters will be continued and is crucial for the continued development of export businesses.

Export Credit Norway and GIEK will become Export Finance Norway

In September, the Ministry of Trade, Industry and Fisheries decided to merge Export Credit Norway and GIEK into a new agency that will be operational from 1 July 2021. This is an important step in streamlining the export financing system and making this service more accessible and easier for businesses and industries to use. The merger process commenced in the fourth quarter under the management of an interim board appointed by the Ministry of Trade, Industry and Fisheries. The preparations and planning of the actual merger, which is scheduled to be carried out on 1 July 2021, have been organised into several different working groups that involve a larger number of employees from both organisations. The work was well underway in 2020 and has continued into 2021 in accordance with the established objectives and plans. The new agency has been named Export Finance Norway (Eksportfinansiering Norge (Eksfin)), and will provide essential support to Norwegian business and industry. As support in scaling and internationalising their operations, business and industry will come into contact with Norway's foremost experts in export financing, and an effective entity that can contribute financing, guarantees and targeted advice to exporters and their customers.



Otto Søberg
Chief Executive Officer

¹⁾ "Effect of coronavirus on Norwegian export businesses" and "Regional effect of coronavirus for Norwegian export businesses", Menon Economics.

²⁾ "Can Norway close the export gap?" A comparison of ambitions, resource use and results within export promotion between Norway, Sweden and Denmark", Menon Economics, August 2020.

³⁾ "Offshore wind – Opportunities for the Norwegian industry", Thema Consulting Group and "Assessment of the Norwegian-based renewables industry in 2019", Multiconsult.

1.2 ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 CIRRR loans and variable-rate CIRRR-qualified market loans to customers of Norwegian exporters.⁴⁾ The export credit scheme has also been expanded to include financing services in the form of market loans to purchase 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 local office in Ålesund. For further information on the export credit scheme, see chapter 2 of Export Credit Norway's annual report (Introduction and headline figures).

2020 was not as expected. The coronavirus crisis and fall in oil prices around the start of the year hit Norwegian export industries hard. 2020 was the first time since the 1980s that Norway had experienced an overall balance of trade deficit (including oil and gas) for several consecutive months. Figures from Statistics Norway⁵⁾ show that Norwegian exports for 2020 fell by 15.5 per cent compared to 2019.

Export Credit Norway strove to provide customers with close follow-up and advice during a challenging year. There were few physical meetings; however, the company managed to maintain good customer contact and received good feedback from many companies in the customer universe.

The board considers that in 2020 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 the export credit scheme is considered competitive and that the scheme provides positive additionality, i.e., that it triggers new exports and contributes to employment in Norway.

The Ministry of Trade, Industry and Fisheries has decided to merge Export Credit Norway and GIEK into one agency. The new agency has been named Export Finance Norway (Eksfin) and will be operational from 1 July 2021. The objective is to make the service easier for businesses and industries and create a more efficient export finance system. The merger will take place in the form of a transfer of undertaking. As a consequence of the merger, the plan is to dissolve Export Credit Norway as a company during 2021. The export credit scheme will be continued at the new agency together with all existing loan and customer arrangements.

Market and lending activity

In 2020, Export Credit Norway received 308 loan applications, representing a total application volume of NOK 98.9 billion. In contrast, the company received 282 applications representing an application volume of NOK 128.2 billion in 2019. The increase in the number of new applications compared to 2019 was primarily related to the market area of shipping. The change in application volume between 2019 and 2020 was primarily due to a lower average number of applications in 2019. The proportion of applications in which the exporter was an SMB increased from 54 per cent to 58 per cent in 2020.

Applications within energy and industry were concentrated on oil and gas, renewable energy and other industries, for example, defence deliveries and environmental technology. Within the shipping market area, applications covered both the construction of new vessels at Norwegian shipyards and the export of ship equipment in connection with construction at foreign shipyards. There were also applications related to upgrading vessels, such as installing ballast water treatment systems, desulfurization systems, and installing battery packs for conversion to hybrid propulsion machinery. The shipping-related applications were marked by the coronavirus pandemic, with low demand for new cruise and passenger vessels. Fisheries and aquaculture is a growing market area. The principal areas within fisheries and aquaculture are fish farms, sea farms, wellboats, work and service vessels and fishing vessels. There was also a mix of applications relating to construction at Norwegian shipyards and the export of equipment linked to construction at foreign shipyards for fisheries and aquaculture.

29 of the applications in 2020 related to the domestic ship financing scheme. The ship financing scheme enables the financing of contracts between Norwegian shipping companies and Norwegian shipyards, even if the vessel is not involved in foreign trade nor has earnings from offshore operations. The number of applications emphasises the fact that there is a need for this scheme in the market.

Due to the coronavirus pandemic, there was some apprehension about the development in the total number of applications. Systematic follow-up of the companies helped to keep the number of applications at the same level as 2019. However, the conversion rate for the applications, defined as the proportion of realised applications, was somewhat lower than in 2019.

The loan applications are received at an early stage, before the contract is entered into between the Norwegian supplier and the buyer. This is a requirement under the export credit scheme because the scheme aims to trigger Norwegian

TABLE 1 LOAN APPLICATIONS

Export Credit Norway's application volume for 2020 and 2019 was as follows:⁶⁾

| Amounts in NOK million | Number of applications | Number of applications | Application volume | Application volume |
|---------------------------|------------------------|------------------------|--------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Energy and industry | 133 | 133 | 57,463 | 74,371 |
| Shipping | 103 | 80 | 29,461 | 40,400 |
| Fisheries and aquaculture | 72 | 69 | 11,957 | 13,447 |
| Total | 308 | 282 | 98,881 | 128,218 |

⁴⁾ CIRRR (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. CIRRR 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.

⁵⁾ Statistics Norway's foreign trade statistics for 2020, updated 27 January 2021.

⁶⁾ Experience has shown that projects are lost in such a way that expected disbursements will be significantly lower.

exports. Receiving applications at an early stage is important in terms of being able to provide information about the loan scheme and to provide advice in a sales situation for the Norwegian exporter. No offer is made at an early stage, only information about further steps for the exporter and buyer regarding the continued process for financing the delivery with the assistance of export credit. In connection with this, Export Credit Norway also provides advice regarding alternative financing options and shares experiences from equivalent projects. Experience indicates that less than 10 per cent of registered applications result in a disbursed loan. The most important reasons why early-phase loan applications do not result in disbursement are

that the exporter does not win the contract or that the buyer selects alternative financing. Around ten per cent of the applications are not successful because either Export Credit Norway or the guarantor cannot grant approval.

The probability-adjusted order book increased in 2020 compared to 2019 (NOK 14.5 billion).⁷⁾ The increase in the probability-adjusted order book was primarily related to future defence deliveries in terms of volume. The positive trend in fisheries and aquaculture continued in 2020 and positively impacted the order book. Due to the coronavirus pandemic and the general market situation within the cruise ship industry, this segment's probability-adjusted order book decreased in 2020.

TABLE 2 PROBABILITY-ADJUSTED ORDER BOOK

Export Credit Norway's probability-adjusted order book⁸⁾ at the end of 2020 and 2019 was as follows:

| Amounts in NOK million | Number in 2020 | Number in 2019 | Volume 2020 | Volume 2019 |
|---------------------------|----------------|----------------|---------------|---------------|
| Energy and industry | 8 | 6 | 7,504 | 3,205 |
| Shipping | 17 | 17 | 3,641 | 6,872 |
| Fisheries and aquaculture | 20 | 13 | 3,312 | 2,836 |
| Total | 45 | 36 | 14,456 | 12,913 |

TABLE 3 CASH FLOW STATEMENT FOR THE EXPORT CREDIT SCHEME

The export credit scheme's cash flows were as follows in 2020 and 2019:

| Amounts in NOK million | 2020 | 2019 |
|---------------------------------|--------|--------|
| New disbursements ⁹⁾ | 5,617 | 11,360 |
| Interest income | 1,592 | 1,527 |
| Repayments ¹⁰⁾ | 16,666 | 7,045 |
| Fee income | 25 | 38 |

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

⁸⁾ Best estimate for future loan disbursements. Based on applications received, a probability assessment is carried out in connection with potential future loan disbursement.

⁹⁾ New disbursements in foreign currency are presented based on the exchange rate as of the most recent bank day in December 2020.

¹⁰⁾ The repayments in foreign currencies in 2020 are recorded at historical cost, i.e. at the exchange rate on the original disbursement date.

Export Credit Norway signed 18 new loan agreements with a combined lending volume of NOK 3.0 billion in 2020. The number of signed loan agreements was at the same level as previous years, while the overall volume was lower. This was principally due to a decrease in the average size of the agreements, particularly within shipping. Approximately 33 per cent of the volume was disbursed in 2020 and the remainder is expected to be disbursed in the next three years.

Export Credit Norway disbursed NOK 5.6 billion in loans in 2020, compared to NOK 11.4 billion in 2019. The decrease in the disbursement volume was principally related to large disbursements within shipping in 2019 in connection with the delivery of finished cruise ships from Norwegian shipyards, as well as equipment for oil and gas. 37 per cent of the disbursement volume in 2020 was linked to CIRR loans. The repayments consist of regular repayments, claims under guarantees, as well as early repayments. Repayments increased significantly in 2020 when compared to 2019. This was due to an increasing number of the guarantors having found it appropriate to enter

into multiple commitments by paying outstanding loan balances under the guarantees.

As of 31 December 2020, Export Credit Norway had a total of 181 managed loans, with a total volume of NOK 51.3 billion.¹¹⁾ In comparison, the company had 217 managed loans, with a total volume of NOK 65.0 billion at the end of 2019. The loan portfolio decrease was primarily due to claims under guarantees and early repayments on several major commitments in 2020. The lending balance related to shipping accounts for 68 per cent of the total lending balance, while energy and industry account for 25 per cent and the figure for fisheries and aquaculture is 7 per cent. The distribution by segment is at the same level as the previous year. The lending balance principally consists of USD and NOK loans because loans within offshore vessels and oil and gas equipment are dominated by these two currencies.

As of 31 December 2020, GIEK guaranteed 74 per cent of Export Credit Norway's lending portfolio. Of the remainder, 12 per cent is guaranteed by Norwegian banks and 14 per cent by foreign

TABLE 4 LENDING BALANCE

Export Credit Norway's lending balance at the end of 2020, 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 | 2,597 | 427 | 0 | 525 | 15 | 9,346 | 12,909 |
| Shipping | 446 | 4 | 3,845 | 122 | 0 | 12,612 | 0 | 18,020 | 35,049 |
| Fisheries and aquaculture | 0 | 110 | 1,147 | 14 | 72 | 1,089 | 0 | 879 | 3,311 |
| Total | 446 | 114 | 7,589 | 563 | 72 | 14,226 | 15 | 28,245 | 51,269 |
| Share of total balance as a % | 0.9 | 0.2 | 14.8 | 1.1 | 0.1 | 27.8 | 0.03 | 55.1 | |

¹¹⁾ Based on Norges Bank's mid-rates on the final banking day of December 2020. USD:NOK 8.5326, EUR:NOK 10.4703, GBP:NOK 11.6462, SEK:NOK 104.35, CAD:NOK 6.6976, JPY:NOK 8.2776, DKK:NOK 140.71.

banks. In other words, NOK 13.3 billion is guaranteed by financial institutions other than GIEK.

Initiatives targeting small and medium-sized businesses

Export Credit Norway's initiatives aimed at small and medium-sized businesses (SMBs) with end-users who request long-term financing are a high priority for the company. When measured in terms of applications received, demand is fairly evenly distributed between SMBs and larger companies. Behind the large deliveries is often a significant value chain of subcontractors represented by several SMBs. Therefore, the export credit scheme has a direct and indirect triggering effect for new contracts for many SMBs. Export Credit Norway has recognised that the company's advice has a triggering effect for Norwegian exports, including for transactions in which the company does not end up contributing financing to itself. See chapter 3 of Export Credit Norway's Annual Report (Activities and results for the year).

Export Credit Norway received 177 applications from SMB exporters in 2020. This corresponds to 58 per cent of total loan applications received during the year. In comparison, the company received 151 loan applications from SMBs in 2019, which amounted to 54 per cent of loan applications received. The SMB applications represent a broad range of industries. This is also reflected in the company's SMB loan portfolio, which suppliers dominate in the ICT, maritime, renewable energy, aquaculture and other equipment segments. In the SMB 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 42 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 contributes

to increased exports from Norwegian SMBs, because major export contracts depend on deliveries from SMBs. The survey shows that just over 60 per cent of the contract value is used for Norwegian subcontractors, of which SMBs make up more than 80 per cent. The survey also shows that transactions in 2020 that Export Credit Norway financed contributed to more than NOK 3.4 billion in sales to Norwegian SMBs.

Export Credit Norway, single-entity financial statements

Export Credit Norway receives a grant under the fiscal budget to cover the administration of the export credit scheme. In 2020, the grant amounted to NOK 118.2 million, of which NOK 117.5 million was recognised as income. Operating expenses excluding depreciation and amortisation were NOK 117.4 million. The expenses primarily consisted of payroll costs, administrative costs and purchases of external services. Based on the guidelines issued by the Ministry of Trade, Industry and Fisheries, Export Credit Norway shall cover parts of the expenses relating to the merger process between Export Credit Norway and GIEK. In 2020, this amounted to NOK 2.8 million of total operating expenses.

Export Credit Norway's result for 2020 was a profit of NOK 0.6 million after tax, compared to a post-tax profit of NOK 4.1 million in 2019. The company has NOK 34.1 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 0.6 million be transferred to other equity.

The Storting (Norwegian parliament) has approved an operating grant of NOK 121.3 million

for Export Credit Norway for 2021. Half of this, NOK 60.65 million, will be allocated in the first half of 2021 until the new agency's transition on 1 July 2021. The merger of Export Credit Norway and GIEK entails that the company will be disbanded. The company is scheduled to be dissolved during 2021, and the financial statements will therefore not be prepared with the going concern assumption. All employees and assets at Export Credit Norway will be transferred to the new agency, and the ordinary accounting rules for the financial statements will thus be followed.

Pursuant to Sections 3-3a and 3-2a of the Accounting Act, the board confirms that the company's annual accounts and the cash flow statement for the export credit scheme provide an accurate picture of the company's assets and liabilities, financial position and result.

No matters have arisen since the end of the financial year that is 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 skills-building

Export Credit Norway is a knowledge-based organisation with employees who are highly educated with international experience. 73 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 skills-building. The company's business strategy sets guidelines for the development activities that are carried out. During 2020, Export Credit Norway continued and implemented the skills-building project initiated in 2019. The objective of this work has been to establish a good framework for necessary learning and

skills-building. The framework shall also contribute to good follow-up of agreed skills-building activities and provide a more precise overview of the company's status in terms of expertise within defined roles. In connection with the resignation of three employees in 2020, the company has focused on internal mobility. Rather than recruiting new employees, internal employees have been promoted and given responsibility for new tasks.

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 precise feedback, be flexible and contribute to a positive work environment.

2020 was a demanding and labour-intensive year due to the coronavirus pandemic however, there was still frequent contact between employees via Teams for meeting activities and some social meeting points during the year.

The company's overall sick leave rate was 2.8 per cent in 2020, with short-term sick leave at 0.62 per cent and long-term sick leave at 2.18 per cent. No work-related accidents or incidents resulting in significant damage or personal injury occurred or were reported during the year. In connection with the coronavirus pandemic, two risk assessments were carried out to assess the flow of information, experiences from and the need for home office equipment, as well as an assessment of infection control measures. An ergonomic assessment at the office workstation was also carried out in the autumn of 2020, when the office was partially open to employees in accordance with government guidelines for the coronavirus situation. In accordance with the company's routines, the company's working environment committee met twice in 2020. This complies with the working environment committee's assessment that there was no need for more meetings.

Gender equality and diversity

Export Credit Norway has long worked to ensure gender equality and diversity, which has resulted in a good gender balance at company level. At the end of 2020, the company had 46 full-time employees and five part-time 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 50 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 skills development, and adjusting pay and remuneration levels to eliminate any unfounded gender differentials.

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

Sustainability and corporate social responsibility

The board of directors prioritises 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 concerning 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 is carried out in accordance with national and international laws and rules in the applicable area, including recognised international guidelines.

Export Credit Norway has a risk-based approach in its due diligence assessments. It focuses on areas where the company is most at risk and has the greatest opportunity to influence. Export Credit Norway endeavours to contribute to positive developments within a responsible business sector 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 strives to ensure that improvements are made through conditions linked to terms for the disbursement of loans and loan monitoring. A fundamental principle of this work is to strive to contribute to improvements over time.

In 2020, Export Credit Norway conducted a major stakeholder survey together with GIEK relating to the sustainability work. The survey provided valuable input for the company's sustainability work and was followed up with an update of the company's materiality analysis. An in-depth review has been carried out of the clauses in loan agreements used by the company, which relate to regulating the environment and social conditions. The updated clauses will be implemented during the first half of 2021. Through Webinars and other digital marketing initiatives, the company was still able in 2020 to raise awareness about accountability in the supply chains of the Norwegian exporters. A major webinar on the market for green loans was also arranged in June together with Finance Norway.

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

virus pandemic, travel activity in 2020 was considerably lower than usual. Based on experiences of having less travel activity and digital contact with customers during the pandemic, the board sees opportunities for reducing travel activity, including after society reopens.

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 disbursed loans since the company's establishment.

Export Credit Norway's operations entail counter-party risk relating to guarantors, market risk and operational risk. In 2020, 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 risk assessment, governance principles, control activities, roles and responsibilities and reporting follow-up.

In assessing 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 Export Credit Norway may differ.

Counterparty risk: In the administration of the export credit scheme, the company monitors ongoing rating levels, key figures and limit utilisation regarding all guarantors. Two guarantors were downgraded to a BBB rating in the spring of 2020. At the end of 2020, the export credit

scheme's exposure to the two above-mentioned guarantors exceeded the indicative limits per individual institution in accordance with the credit policy. The limits were therefore frozen to further exposure to these guarantors. Furthermore, the future outlook was negative at the lowest ordinary rating class of BBB for two guarantors. Any potential downgrade of these will lead to the indicative limits being further exceeded. The expected loss on the portfolio at the end of December 2020 was 0.52 basis points, which was within the target figure of two basis points. Export Credit Norway's counterparty risk is considered to be limited.

Market risk: Under the export credit scheme, 72 per cent of the lending balance at the end of 2020 was denominated in foreign currencies. In comparison, 71 per cent of all loans included in the lending balance at the end of 2019 were denominated in foreign currencies. 36 per cent of the lending balance comprised loans on market terms. This figure is on par with 2019, when it was 34 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 company's operation, 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 handling risk related to corruption, money laundering, sanctions, 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. Some operational risk also arises in the company in connection with loan disbursements and interest and instalment receipts, as well as general loan monitoring. Export Credit Norway has a strong focus on internal control. During 2020, the company updated its disbursement routines to compensate for the increased risk associated with external threats, for example, hacker attacks, which are becoming increasingly more advanced.

Operational risk monitoring in the company is undertaken by an expert legal team that ensures compliance with laws and regulations and the accuracy of loan and security documentation. Further, the company is focused on implementing robust control procedures for ongoing loan follow-up and ingoing and outgoing payments. The company has also appointed a dedicated in-house group to monitor at-risk loans, and a special anti-corruption group. The company's system for internal controls and operational risk management – its integrated management system – contributes to reducing and improving operational risk monitoring. 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 ten meetings in 2020, seven of which were ordinary meetings and four were telephone/circulation meetings. The board has a remuneration committee that prepares remuneration, pension and HR-related matters for consideration by the board. The committee had two meetings in 2020.

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. 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.

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 the company's acquisition.

Future outlook

The global growth outlook for 2021 is uncertain. Among other things, reconstruction will depend on how the pandemic develops. The World Bank estimates (January 2021) that global GDP growth will be 4.0 per cent in 2021 per cent, up from -4.3 per cent in 2020. According to World Bank forecasts, China is expected to have the strongest growth in 2021 with 7.9 per cent. These forecasts are expected to be revised during the year.

Emergency measures have resulted in a sharp increase in public and private debt in many countries. Necessary measures for rebuilding economies after the pandemic will further increase debt. When combined with rising prices of assets such as residential properties and equities, these represent destabilizing factors in many economies. The pandemic has affected industries in different ways, and tourism and hospitality have been among the hardest hit. Poverty has also increased as a result of the pandemic, particularly in the least developed countries.

The Norwegian economy has fared relatively well during the crisis. Analysts expect GDP growth of between 3.5 and 4.0 per cent in 2021, following a fall of 2.5 per cent in 2020. Once again, the forecasts are uncertain and will depend on how the pandemic develops and how quickly business and industry can establish profitable growth.

Many export-oriented value chains and companies were hit hard by weak demand and fewer orders. In March and April 2020, Export Credit Norway presented two reports by Menon Economics which analysed the pandemic's possible consequences and the fall in oil prices for the most important export industries. Menon expected a decline in employment, sales and value creation. According to the analysis, the maritime and offshore industries, in particular, may be permanently affected.

Preliminary figures show that Menon's forecasts were accurate. In 2020, Norwegian exports decreased more than imports. Consequently for the first time since the 1980s, in 2020, Norway had an overall trade deficit, including oil and gas. Back in 2012, the overall trade surplus was NOK 390 billion. In 2020, there was a trade deficit of NOK 20 billion. This is the result of several years of weak export development. Therefore, it is not only the present situation in 2020 that gives cause for concern, but also the negative development over time.

During 2020 and into 2021, Export Credit Norway and its partners have assessed and analysed developments in several export industries.

The renewable energy industry's annual assessment was carried out together with Norwegian Energy Partners (NORWEP) and the Ministry of Petroleum and Energy. Exports of technology and services for renewable energy increased from NOK 6 billion in 2017 to NOK 9 billion in 2018. Exports were flat between 2018 and 2019 at NOK 9 billion, equivalent to 0.7 per cent of total exports. Export Credit Norway expects increased activity within renewable energy, for example, offshore wind, solar and hydropower.

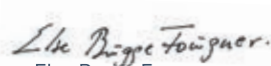
Exports from the maritime and offshore supplier industries increased from NOK 206 billion in 2017 to NOK 253 billion in 2019. This increase was probably reversed in 2020. (Figures by export industries for 2020 were not available as of the present date). "Green" sales increased the most within the maritime industry. In general, Export Credit Norway expects growth particularly within climate-related technologies and solutions in the coming years.

The health industry is an export segment that developed positively in 2020. Together with the Norway Health Tech cluster, Export Norway initiated an extensive analysis of the health

industries' export potential. Five other health clusters, Innovation Norway, the Industrial Development Corporation of Norway (SIVA), the Confederation of Norwegian Enterprise (NHO) and the Norwegian Confederation of Trade Unions (LO) joined as principals. The report will be ready in April 2021.

In 2021, Export Credit Norway will be merged with GIEK to form a new agency, Export Finance Norway (Eksfin). Therefore, moving forward, there will be a strong focus on the work associated with implementing this merger. Export Credit Norway is optimistic about the merger and believes Eksfin will become a powerful, market-oriented and user-friendly entity for export-oriented business and industry.

Oslo, 9 March 2021


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


Rolf Helmich Pedersen
Board Member



Otto Sjøberg
Chief Executive Officer

TABLE 6 KEY FIGURES 2020

| | 2020 | 2019 | 2018 |
|---|---------------|----------------|----------------|
| Lending balance (MNOK) | 51,269 | 65,039 | 61,220 |
| CIRR | 32,635 | 42,746 | 39,507 |
| Market loans | 18,634 | 22,294 | 21,713 |
| Lending balance (MNOK) | 51,269 | 65,039 | 61,220 |
| Energy and industry | 12,909 | 16,953 | 16,909 |
| Shipping | 35,049 | 45,928 | 43,180 |
| Fisheries and aquaculture | 3,311 | 2,158 | 1,130 |
| Disbursements (new loans. MNOK) | 5,617 | 11,360 | 2,880 |
| CIRR | 2,059 | 7,126 | 1,268 |
| Market loans | 3,558 | 4,235 | 1,612 |
| Disbursements (new loans. MNOK) | 5,617 | 11,360 | 2,880 |
| Energy and industry | 256 | 1,965 | 2,023 |
| Shipping | 3,861 | 7,367 | 563 |
| Fisheries and aquaculture | 1,500 | 2,028 | 294 |
| Probability-adjusted order book (MNOK) | 14 456 | 12 913 | 19 213 |
| Energy and industry | 7 504 | 3 205 | 2 052 |
| Shipping | 3 641 | 6 872 | 14 476 |
| Fisheries and aquaculture | 3 312 | 2 836 | 2 685 |
| Applications | | | |
| Number (total and by sector) | 308 | 282 | 304 |
| Energy and industry | 133 | 133 | 149 |
| Shipping | 103 | 80 | 95 |
| Fisheries and aquaculture | 72 | 69 | 60 |
| Value (total and by sector. MNOK) | 98,881 | 128,218 | 175,571 |
| Energy and industry | 57,463 | 74,371 | 125,395 |
| Shipping | 29,461 | 40,400 | 40,018 |
| Fisheries and aquaculture | 11,957 | 13,447 | 10,158 |
| SME number of applications of total applications (industrial sector) | 177 | 151 | 143 |
| Energy and industry | 83 | 80 | 89 |
| Shipping | 61 | 36 | 28 |
| Fisheries and aquaculture | 33 | 35 | 26 |
| SME share of total applications value (MNOK) | 13,024 | 21,206 | 25,651 |
| Energy and industry | 6,896 | 12,726 | 20,829 |
| Shipping | 3,571 | 3,396 | 1,916 |
| Fisheries and aquaculture | 2,557 | 5,084 | 2,906 |
| New loan agreements (BNOK) | 3 | 7.9 | 4.9 |
| Guarantors (% of portfolio) | | | |
| GIEK | 74 % | 72 % | 72 % |
| Norwegian banks | 12 % | 14 % | 14 % |
| Foreign banks | 14 % | 14 % | 14 % |
| Gross interest income (MNOK) | 1,592 | 1,527 | 1,727 |
| Instalments (MNOK) | 16,666 | 7,045 | 11,687 |



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