

EKSPORTKREDITT

Export Credit Norway

QUARTERLY REPORT
Q2 2016



LARGE STANDALONE PROJECTS ARE BOOSTING THE APPLICATION VOLUME

Export Credit Norway's lending balance totalled NOK 75.4 billion at the end of Q2 2016, with the company disbursing NOK 2.4 billion in new loans during the quarter. While application numbers remained stable from the first to the second quarter, the company has registered a sharp rise in the application volume. The increase – primarily driven by demand from suppliers in oil and gas-related segments – has come about despite ongoing difficult market conditions.

DEVELOPMENTS IN THE LENDING PORTFOLIO

Export Credit Norway's lending portfolio totalled NOK 75.4 billion as at 30 June 2016. Changes in the value of the Norwegian krone against foreign currencies, particularly the US dollar, increased the lending balance by approximately NOK 604 million from Q1 to Q2 2016.¹ Market loans accounted for 39% (Q2 2015: 41%) of the lending balance at quarter-end, while fixed rate (CIRR²) loans accounted for 61% (Q2 2015: 59%). The company disbursed NOK 2.4 billion in new loans in Q2 2016 – 45% in the form of market loans and 55% in the form of CIRR loans. Maritime industries and oil and gas equipment continue to dominate the company's loan disbursements. While a total of NOK 5.4 billion has been disbursed thus far in 2016.

Repayments in Q2 2016 amounted to NOK 1.8 billion, and there were no early loan redemptions. Export Credit Norway received NOK 454 million in interest income from its lending activities during the quarter.³

DEVELOPMENTS IN THE APPLICATION VOLUME AND ORDER BOOK

In the second quarter, Export Credit Norway received 77 loan applications representing a total application volume of NOK 121.8 billion. Although the total number of applications is on par with the previous quarter, the application volume has increased significantly compared to the corresponding period last year (Q2 2015: 72 applications/application volume

of NOK 32.2 billion). Approximately 32% of applications came from small and medium-sized businesses (SMBs).

Of the total number of applications received in Q2 2016, 53% (Q2 2015: 47%) related to projects in the oil and gas and maritime industries, while the remaining 47% (Q2 2015: 53%) concerned financing for projects in the industry and environmental technology sector.

Application numbers in the second quarter were on a par with earlier quarters, but the application volume increased in all three main segments. Application volume growth was particularly strong in the oil and gas production equipment sector. Although these applications represent large volumes, the current market situation means that the related projects are generally given low completion probabilities. As a result of changes in the maritime and oil and gas industries, Export Credit Norway is seeing growth in the number of enquiries from new exporters who have not previously used the expert credit scheme.

Export Credit Norway calculates a probability-adjusted order book – the company's best estimate of future loan disbursements linked to the loan applications it has received. As at 30 June 2016, the probability-adjusted order book totalled NOK 19.3 billion. The non-probability-adjusted order book totalled NOK 64.8 billion as at the same date. At the end of Q2 2016, the probability-adjusted order book was distributed as

follows: maritime industries (ships and ship equipment): 57%; oil and gas: 35%; industry and environmental technology: 8%.

GUARANTEE ARRANGEMENTS AND DEFAULTS

As at quarter-end, 74% of the company's lending portfolio was guaranteed by GIEK. The remaining 26% of the portfolio was guaranteed by Norwegian banks (14%) and foreign banks (12%). The largest individual guarantor among the Norwegian banks had a portfolio share of 7%, while the corresponding figure for the largest foreign guarantor was 3%. As at 30 June 2016, the lowest rating class in the company's lending portfolio was BBB.

Export Credit Norway is still receiving requests regarding instalment deferment and loan restructuring, primarily due to the challenging market conditions faced by many borrowers following the decline in oil prices. While some restructurings have already been agreed in the first half of the year, further large-scale loan restructurings are expected to follow.

FUTURE OUTLOOK

Despite high application numbers, quarterly disbursements are expected to decline going forward, reflecting the reduced order book for major oil and gas projects. Building up the order book for other segments will take time. The trend observed in Q1 of increased demand from segments such as fishing vessels, well boats, passenger craft and other non-offshore vessel types is

¹ The Norwegian krone strengthened against the USD dollar from year-end 2015 to 31. March 2016.

² CIRR (Commercial Interest Reference Rate) loans are 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 on the 15th of each month. CIRR loans may be made in all OECD currencies. Repayment periods vary from two to 12 years. Loans made for certain defined purposes may have repayment periods of up to 18 years.

³ Interest income is stated at the actual exchange rate.

expected to continue. Export financing demand from mainland industry and SMBs is also expected to continue growing. Approximately 10% of projects involving SMBs are being realised. Export Credit Norway will collaborate closely with Innovation Norway, GIEK and GIEK Kredittforsikring to optimise the products on offer to businesses engaged in restructuring and businesses facing demanding market conditions.

Export Credit Norway will also give priority to developing sustainable solutions for borrowers who need to restructure their debts in response to difficult market conditions. This will be done in close consultation with affected borrowers and guarantors.

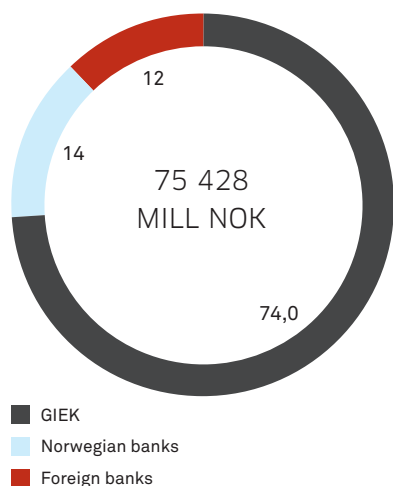
The company's products are best suited to businesses that sell to end users, and Export Credit Norway sees a need

for suppliers to shift the focus of their marketing initiatives accordingly.

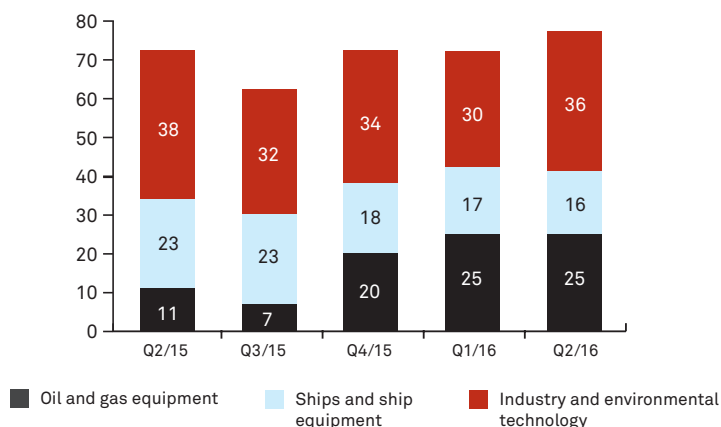
MANAGEMENT AND OPERATIONS

In the second quarter of 2016, Export Credit Norway's administrative costs equalled 0.03% of the lending balance. This figure is on a par with preceding quarters.

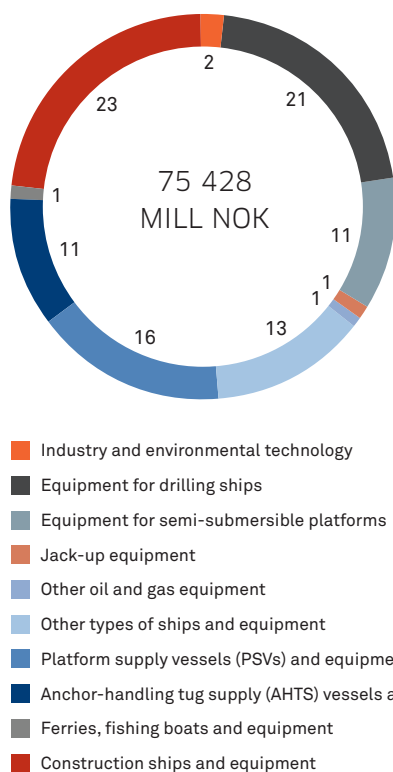
LENDING PORTFOLIO GUARANTORS (PERCENTAGES)



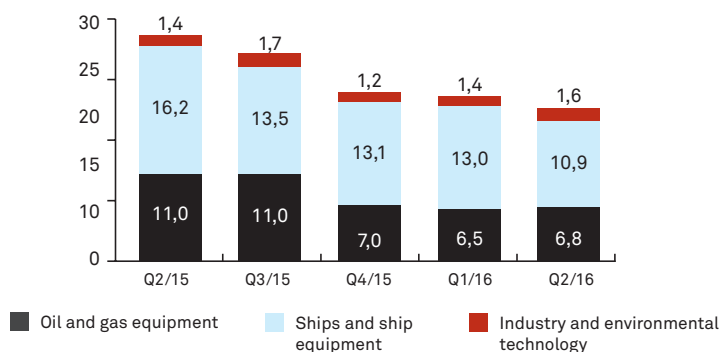
NUMBER OF APPLICATIONS BY SECTOR AND QUARTER



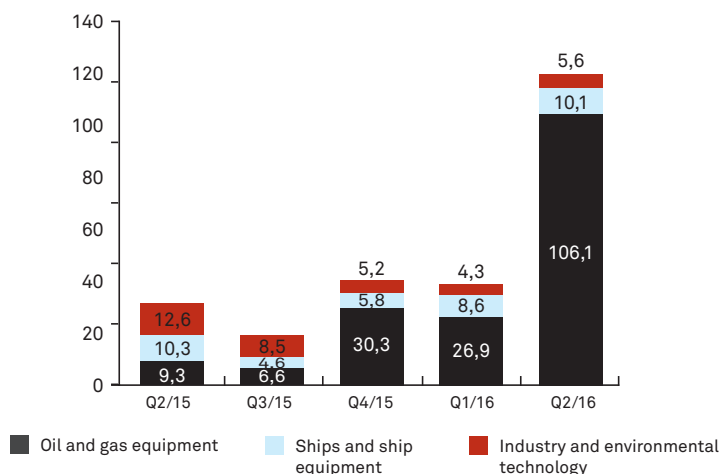
LENDING PORTFOLIO BY SEGMENT (PERCENTAGES)



DEVELOPMENT OF THE PROBABILITY-ADJUSTED ORDER BOOK (NOK BILLION)



DEVELOPMENT OF THE APPLICATION VOLUME (NOK BILLION)⁴



⁴ Export Credit Norway experienced a significant increase in application volume in the second quarter of 2016. The increase is mainly due to a small number of applications with large volumes.

Totals in tables and figures may differ due to rounding.

KEY FIGURES FOR THE LENDING PORTFOLIO AS AT 30 JUNE 2016

(ALL AMOUNTS IN NOK MILLION)

QUARTERLY LENDING BALANCE BY CURRENCY AND LOAN TYPE

Currency ⁴	Balance 30 June 2015	Balance 30 Sept. 2015	Balance 31 Dec. 2015	Balance 31 March 2016	Balance 30 June 2016
CIRR LOANS					
NOK	17,541	17,252	16,784	16,564	16,200
GBP	415	415	416	361	337
EUR	573	612	616	629	614
USD	23,062	25,125	26,997	27,739	28,663
Total	41,591	43,404	44,812	45,293	45,814
MARKET LOANS					
NOK	7,316	7,653	7,452	7,450	7,647
DKK	526				
GBP	258	256	313	273	256
EUR	619	652	658	589	582
USD	19,961	22,678	23,264	20,962	21,128
Total	28,681	31,240	31,686	29,274	29,613
TOTAL					
NOK	23,827	24,857	24,905	24,235	24,014
DKK	520	526			
GBP	584	673	671	729	633
EUR	1,123	1,192	1,265	1,273	1,217
USD	41,517	43,023	47,803	50,261	48,702
Total	70,272	74,644	76,499	74,567	75,428

LENDING PORTFOLIO BY SECTOR

	(NOK million)	Share
Oil and gas equipment	25,766	34.2%
Ship equipment	3,559	4.7%
Ships	44,815	59.4%
Environment technology	1,085	1.4%
Industry	203	0.3 %
Total	75,428	100%

COSTS (PERCENTAGE OF TOTAL LENDING PORTFOLIO, SHARE OF LOANS DISBURSED DURING THE PERIOD)

(All amounts in NOK million)	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Lending balance at end of period	70,272	74,644	76,499	74,567	75,428
Costs during the period	19.1	23.6	30.1	24.7	21.3
Administrative costs as a percentage of the lending balance⁵	0.03%	0.03%	0.04%	0.03%	0.03%

⁵ The amounts have been converted into NOK based on Norges Bank's mid-rate on the last banking day of the month.

⁶ Balance at quarter-end.

Totals in tables and figures may differ due to rounding.