

EKSPORTKREDITT

Export Credit Norway

QUARTERLY REPORT
Q4 2016



INCREASED INTEREST FROM MAINLAND INDUSTRY

Export Credit Norway's lending balance totalled NOK 76.5 billion at the end of Q4 2016. The company disbursed NOK 2.5 billion in new loans during the quarter, including financing for the export of Norwegian gas containers to Uruguay. Export Credit Norway is receiving a stable and strong stream of applications from operators in the environmental technology and mainland industries.

DEVELOPMENTS IN THE LENDING PORTFOLIO

Export Credit Norway's lending portfolio totalled NOK 76.5 billion as at 31 December 2016. Exchange rate movements, particularly against the US dollar, increased the lending balance by NOK 3.4 billion in Q4 2016, compared to Q3¹. Market loans accounted for 39% (Q4 2015: 41%) of the lending balance at quarter-end, while fixed rate (CIRR²) loans accounted for 61% (Q4 2015: 59%). The company disbursed NOK 2.5 billion in new loans in Q4 2016 – 89% in the form of market loans and 11% in the form of CIRR loans. Maritime industries and oil and gas equipment continue to dominate the company's loan disbursements. A total of NOK 10.1 billion has been disbursed in 2016.

Repayments in Q4 2016 amounted to NOK 2.0 billion, while early loan redemptions totalled NOK 357 million. Export Credit Norway received NOK 490 million in interest income from its lending activities during the quarter³.

DEVELOPMENTS IN THE APPLICATION VOLUME AND ORDER BOOK

In the fourth quarter, Export Credit Norway received 79 loan applications representing a total application volume of NOK 21.9 billion. Although the total number of applications was higher than in the fourth quarter of last year, the application volume decreased (Q4 2015: 72 applications/application volume of NOK 41.3 billion). The number of applications rose somewhat from the previous quarter,

while the loan amounts applied for were approximately on a par with Q3 2016.

Of the total number of applications received by Export Credit Norway in Q4 2016, 52% (Q4 2015: 53%) related to projects in the oil and gas and maritime industries, while the remaining 48% (Q4 2015: 47%) concerned financing for projects in the industry and environmental technology sector.

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 31 December 2016, the probability-adjusted order book totalled NOK 17.2 billion. The non-probability-adjusted order book totalled NOK 42.0 billion as at the same date. At the end of Q4 2016, the probability-adjusted order book was distributed as follows: maritime industries (ships and ship equipment): 59%; oil and gas: 29%; industry and environmental technology: 12%.

GUARANTEE ARRANGEMENTS AND INSTALMENT DEFERMENTS

As at quarter-end, 74.4% of the company's lending portfolio was guaranteed by GIEK. The remaining 25.6% of the portfolio was guaranteed by Norwegian banks (13.2%) and foreign banks (12.4%). The largest individual guarantor among the Norwegian banks had a portfolio share of 6.6%, while the corresponding figure for the largest foreign guarantor was 2.3%. As at 31 December 2016, the

lowest rating class in the company's guarantor portfolio was BBB.

Export Credit Norway is processing a large number of enquiries regarding instalment deferment and loan restructuring, primarily occasioned by the challenging market conditions faced by many borrowers following the decline in oil prices. While some companies completed restructurings in 2016, further large-scale restructurings are expected to follow in the first half of 2017. It may also be necessary to restructure previously restructured loans to certain borrowers, as the economic downturn has proven to be more prolonged than generally expected.

FUTURE OUTLOOK

Disbursements are expected to be lower going forward, reflecting the restructuring taking place in Norwegian industry in response to reduced activity in offshore-related sectors. However, the number of applications received remains stable and high, with an increase in applications from mainland industry, the maritime industry excluding offshore, and certain oil and gas segments.

Shipyards will continue to shift focus away from the offshore sector onto different passenger vessels, marine vessels, fishing boats, wellboats, service ships for offshore wind farms, etc. The export credit scheme is a highly relevant tool for the yards in this reorientation. In the oil and gas industry, large volumes of Norwegian equipment are being exported to foreign oil service and oil

¹ The Norwegian krone depreciated against the US dollar from Q3 2016 to the end of Q4 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.

companies. To strengthen the competitiveness of exporters, Export Credit Norway will offer lines of credit to selected buyer groups in this segment. Such framework agreements may involve substantial sums.

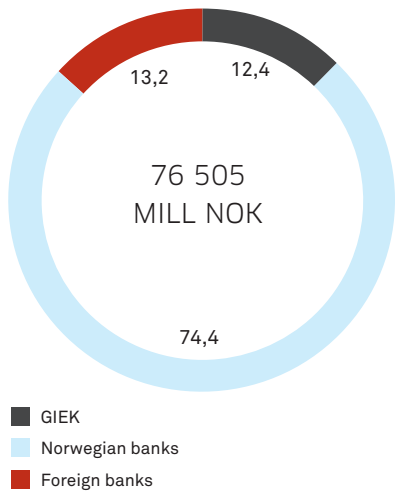
Export Credit Norway is financing exports

from former offshore suppliers who have found new customers in new industry segments. The company will continue to work closely with banks, GIEK, Innovation Norway and GIEK Kredittforsikring to provide a coordinated range of solutions for Norwegian exporters.

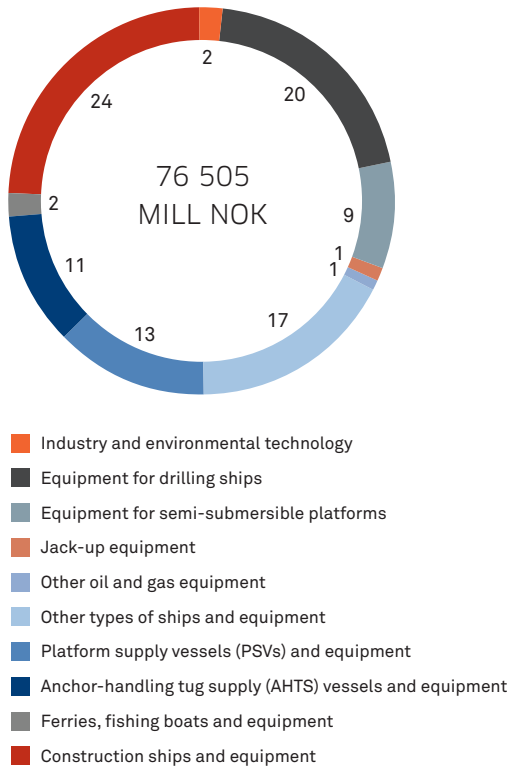
MANAGEMENT AND OPERATIONS

In the fourth quarter of 2016, Export Credit Norway's administrative costs equalled 0.04% of the lending balance. This figure is on a par with preceding quarters.

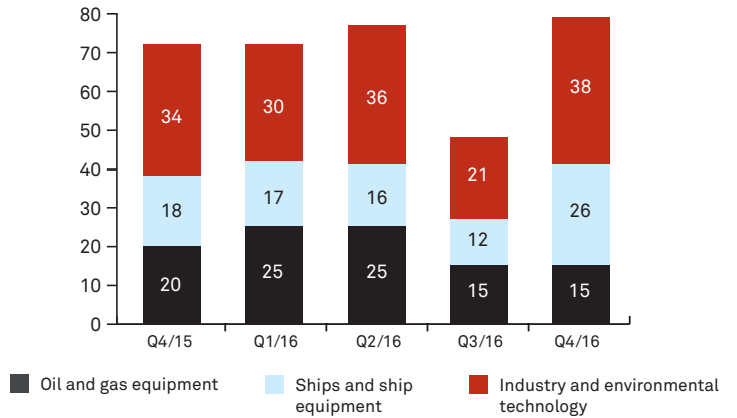
LENDING PORTFOLIO GUARANTORS (PERCENTAGES)



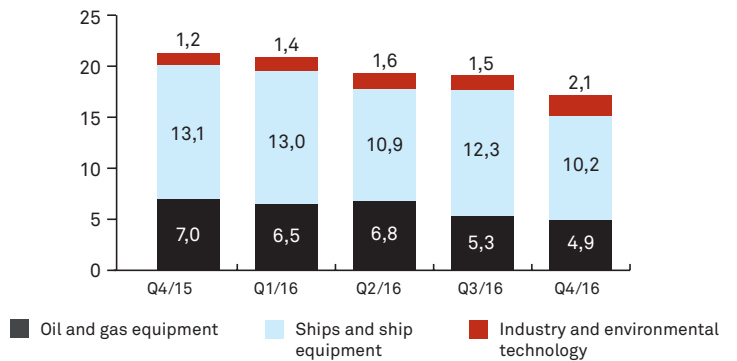
LENDING PORTFOLIO BY SEGMENT (PERCENTAGES)



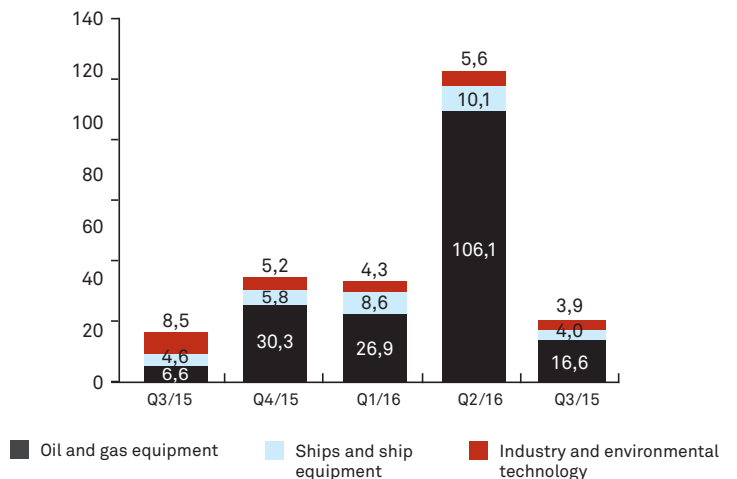
NUMBER OF APPLICATIONS BY SECTOR AND QUARTER



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



DEVELOPMENT OF THE APPLICATION VOLUME (NOK BILLION)⁴



⁴ Balance at quarter-end. Provisional pre-audit figures.

Totals in tables and figures may differ due to rounding.

KEY FIGURES FOR THE LENDING PORTFOLIO AS AT 31 DECEMBER 2016

(ALL AMOUNTS IN NOK MILLION)

QUARTERLY LENDING BALANCE BY CURRENCY AND LOAN TYPE

| Currency ⁶ | Balance 31 Dec. 2015 | Balance 31 March 2016 | Balance 30 June 2016 | Balance 30 Sept. 2016 | Balance 31 Dec. 2016 |
|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| CIRR LOANS | | | | | |
| NOK | 16,784 | 16,564 | 16,200 | 16,034 | 15,369 |
| GBP | 416 | 361 | 337 | 308 | 309 |
| EUR | 616 | 629 | 614 | 782 | 1,028 |
| USD | 26,997 | 27,739 | 28,663 | 28,749 | 30,004 |
| SEK | | | | 34 | 39 |
| Total | 44,812 | 45,293 | 45,814 | 45,906 | 46,749 |
| MARKET LOANS | | | | | |
| NOK | 7,452 | 7,450 | 7,647 | 7,713 | 7,645 |
| GBP | 313 | 273 | 256 | 227 | 229 |
| EUR | 658 | 589 | 582 | 554 | 560 |
| USD | 23,264 | 20,962 | 21,128 | 18,403 | 21,322 |
| Total | 31,686 | 29,274 | 29,613 | 26,897 | 26,756 |
| TOTAL | | | | | |
| NOK | 24,235 | 24,014 | 23,848 | 23,747 | 23,014 |
| GBP | 729 | 633 | 593 | 534 | 537 |
| EUR | 1,273 | 1,217 | 1,196 | 1,336 | 1,588 |
| USD | 50,261 | 48,702 | 49,791 | 47,153 | 51,326 |
| SEK | | | | 34 | 39 |
| Total | 76,499 | 74,567 | 75,428 | 72,803 | 76,505 |

LENDING PORTFOLIO BY SECTOR

| | (NOK million) | Share |
|--------------------------|---------------|-------------|
| Oil and gas equipment | 23,938 | 31.3% |
| Ship equipment | 3,430 | 4.5% |
| Ships | 4,648 | 62.3% |
| Environmental technology | 1,047 | 1.4% |
| Industry | 443 | 0.6% |
| Total | 76,505 | 100% |

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

| (All amounts in NOK million) | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 |
|--|--------------|--------------|--------------|--------------|--------------|
| Lending balance at end of period | 76,499 | 74,567 | 75,428 | 72,803 | 76,505 |
| Costs during the period | 30.1 | 24.7 | 21.3 | 25.1 | 31.7 |
| Administrative costs as a percentage of the lending balance⁶ | 0.04% | 0.03% | 0.03% | 0.03% | 0.04% |

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. Provisional pre-audit figures.

Totals in tables and figures may vary due to rounding.