

EKSPORTKREDITT

Export Credit Norway

QUARTERLY REPORT
Q1 2016



EXTRAORDINARY INCREASE IN APPLICATION VOLUME

Export Credit Norway's lending balance totalled almost NOK 74.6 billion at quarter-end. The company disbursed NOK 3 billion in new loans in Q1 2016, funding things such as aquaculture equipment, storage systems and a construction ship. In the first quarter, the company experienced a substantial increase in the application volume compared to the corresponding period last year.

DEVELOPMENTS IN THE LENDING PORTFOLIO

Export Credit Norway's lending portfolio totalled NOK 74.6 billion as at 31 March 2016. In Q1, changes in the value of the Norwegian krone against foreign currencies, particularly the US dollar, reduced the lending balance by approximately NOK 3.2 billion compared to year-end 2015¹. Market loans accounted for 39 percent (Q1 2015: 41%) of the lending balance at the end of the quarter, while fixed rate (CIRR²) loans accounted for 61 percent (Q1 2015: 59%). The company disbursed NOK 3 billion in new loans during the quarter – 13 percent in the form of market loans and 87 percent in the form of CIRR loans.

Repayments in Q1 2016 amounted to NOK 1.45 billion, including NOK 53.8 million in early loan redemptions. During the quarter, the company received NOK 369.2 million in interest income from its lending activities on behalf of the Norwegian State³.

DEVELOPMENTS IN THE APPLICATION VOLUME AND ORDER BOOK

In the first quarter, Export Credit Norway received 72 loan applications representing a total application volume of NOK 39.9 billion. Although overall the number of applications and application volume are on par with the preceding quarter, the application volume has increased significantly compared to the corresponding period last year (Q1 2015: 57 applications/application volume of NOK 15.2 billion).

In the maritime sector – ship financing and ship equipment – both the application volume and the number of applications declined compared to Q1 2015, with a 32 percent drop in the number of applications and a 10 percent fall in application volume.

As regards financing for oil and gas equipment, the company experienced a substantial increase in the application

volume and number of applications compared to the same period last year. Applications in this segment have traditionally related to financing for drilling rigs and drilling ships. The company has noted a shift in application subject matter, with more applications now concerning equipment deliveries, e.g. to subsea and field development projects. The number of applications in this segment more than tripled, and the application volume increased by a factor of over 11, compared to Q1 2015. Specifically, the company received 25 applications representing a total application volume of NOK 26.9 billion in this market segment in the first quarter of 2016 (Q1 2015: seven applications/application volume NOK 2.4 billion). The increase in the application volume in Q1 2016 continues the trend noted by the company in Q4 2015. Export Credit Norway considers the increase an extraordinary and direct consequence of intensifying need for export financing among offshore oil and gas suppliers seeking to boost their competitiveness in very challenging market conditions.

As for industry and environmental technology, the number of applications and application volume were both higher in Q1 2016 than Q1 2015. The number of applications rose by 20 percent and the application volume by 33 percent. The increase in the application volume is primarily linked to a small number of major projects. Export Credit Norway has noted a shift in the subject matter of applications in this market segment, with an increase in projects linked to mainland industry and a decline in renewable energy projects. In the first quarter, approximately 57 percent of industry and environmental technology applications came from small and medium-sized businesses.

In Q1 2016, 58 percent (Q1 2015: 56%) of applications related to projects in the oil, gas and maritime industries. The

remaining 42 percent (Q1 2015: 44%) 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 March 2016, the probability-adjusted order book totalled NOK 20.9 billion. The non-probability-adjusted order book totalled NOK 79.9 billion as at the same date. At the end of Q1 2016, the probability-adjusted order book was distributed as follows: maritime sector (ships and ship equipment): 62 percent; oil and gas: 31 percent; industry and environmental technology: 7 percent.

Export Credit Norway receives an increasing number of requests for deferred repayment from borrowers. This is primarily as a result of the difficult market conditions faced by many borrowers due to falling oil prices. During 2015 and 2016 the company granted repayment deferments to 13 borrowers representing a total lending volume of NOK 970 million.

GUARANTEE ARRANGEMENTS

As at 31 March 2016, 74 percent of the company's lending portfolio was guaranteed by GIEK. The remaining 26 percent of the portfolio was guaranteed by Norwegian banks (14 percent) and foreign banks (12 percent). The largest individual guarantor among the Norwegian banks had a portfolio share of 7 percent, while the corresponding figure for the largest foreign guarantor was 2 percent. At the end of Q1, the lowest rating class in the company's lending portfolio was BBB+.

FUTURE OUTLOOK

The depreciation of the Norwegian krone, continued low interest rates and increased supply of qualified labour are

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.

contributing positively to restructuring among Norwegian exporters. Export Credit Norway has also observed reorientation in the maritime equipment industry towards segments such as fishing vessels, well boats, passenger craft and other non-offshore vessel types. The applications received by the company vary randomly from quarter to quarter, as illustrated by the extraordinary influx of applications relating to financing for oil and gas equipment in this and the preceding quarter.

Falling oil prices, reduced investment and cost-cutting by oil companies are creating challenges for offshore shipping companies, yards and equipment suppliers. A number of borrowers in this segment are in financial difficulties, and engaging in dialogue with lenders to find solutions. Export Credit Norway will work with loan guarantors to identify effective solutions which are sustainable in the long run. The company will also seek to provide the supplier industry with maximum commercial and sales support

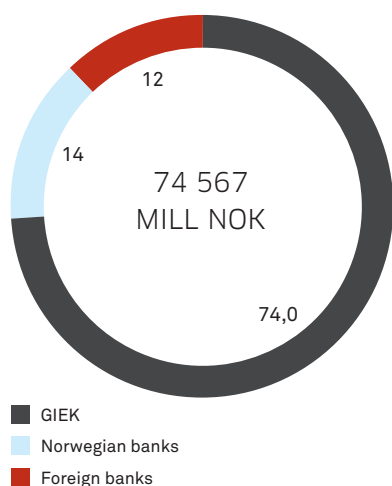
in the present challenging market situation.

The company expects continued growth in export financing demand from mainland industry and small and medium-sized businesses.

MANAGEMENT AND OPERATIONS

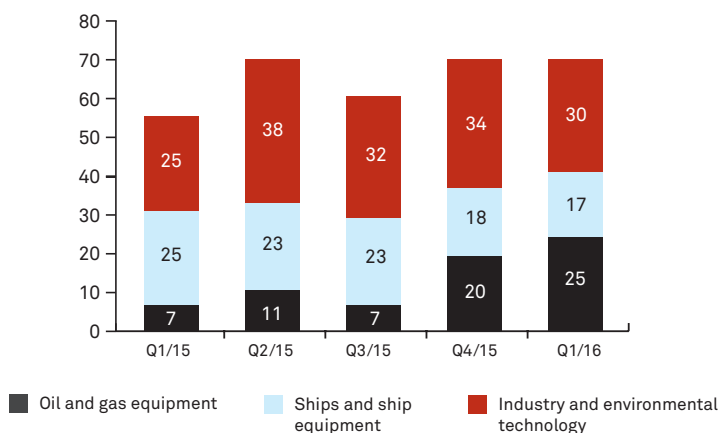
In the first quarter of 2016, Export Credit Norway's administrative costs equalled 0.03% of the lending balance. This figure is on a par with preceding quarters.

LENDING PORTFOLIO GUARANTORS (PERCENTAGES)

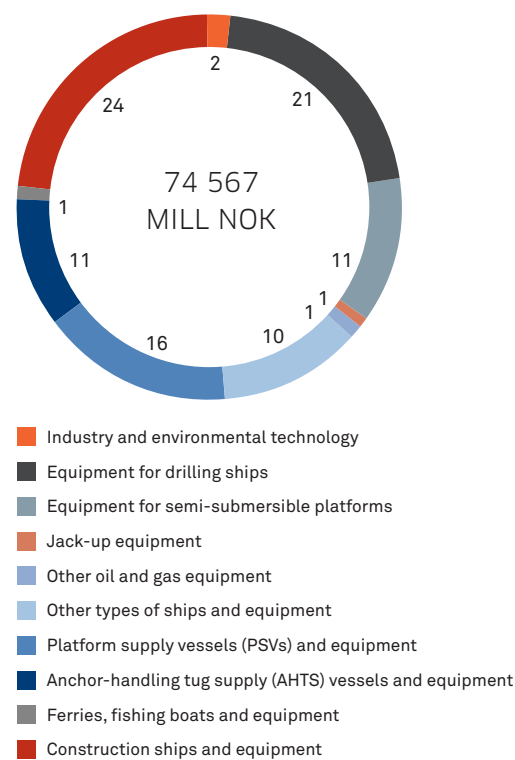


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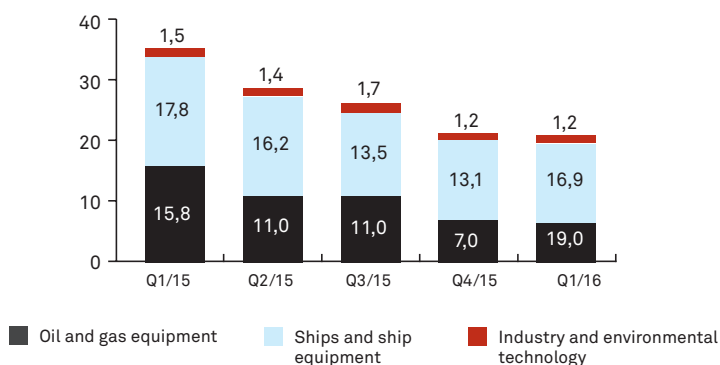
NUMBER OF APPLICATIONS BY SECTOR AND QUARTER



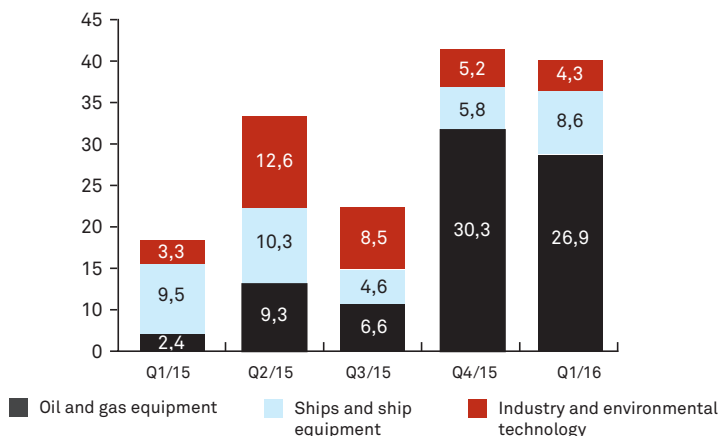
LENDING PORTFOLIO BY SEGMENT (PERCENTAGES)



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



DEVELOPMENT OF THE APPLICATION VOLUME (NOK BILLION)



Totals in tables and figures may differ due to rounding.

KEY FIGURES FOR THE LENDING PORTFOLIO AS AT 31 MARCH 2016

(ALL AMOUNTS IN NOK MILLION)

QUARTERLY LENDING BALANCE BY CURRENCY AND LOAN TYPE

Currency ⁴	Balance 31 March 2015	Balance 30 June 2015	Balance 30 Sept. 2015	Balance 31 Dec. 2015	Balance 31 March 2016
CIRR LOANS					
NOK	17,297	17,541	17,252	16,784	16,564
GBP	334	415	415	416	361
EUR	509	573	612	616	629
USD	22,852	23,062	25,125	26,997	27,729
Total	40,992	41,591	43,404	44,812	45,293
MARKET LOANS					
NOK	6,529	7,316	7,653	7,452	7,450
DKK	520	526			
GBP	250	258	256	313	273
EUR	614	619	652	658	589
USD	18,665	19,961	22,678	23,264	20,962
Total	25,265	26,579	28,681	31,240	31,686
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	67,571	70,272	74,644	76,499	74,567

LENDING PORTFOLIO BY SECTOR

	(NOK million)	Share
Oil and gas equipment	26,326	35.3%
Ship equipment	3,642	4.9%
Ships	43,288	58.1%
Environmental technology	1,114	1.5%
Industry	197	0.3%
Total	74,567	100%

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

(All amounts in NOK million)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Lending balance at end of period	60,858	67,571	70,272	74,644	76,499
Costs during the period	26.9	24.8	19.1	23.6	31.6
Administrative costs as a percentage of the lending balance⁵	0.04%	0.03%	0.03%	0.04%	0.03%

⁴ The amounts have been converted into NOK based on Norges Bank's mid-rate on the last banking day of the month.

⁵ Balance at quarter-end.

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