

EKSPORTKREDITT

Export Credit Norway

QUARTERLY REPORT
Q2 2017



HELPING NORWEGIAN ICT BUSINESSES TO ENTER NEW MARKETS

Export Credit Norway's lending balance totalled NOK 73.1 billion at the end of Q2 2017. The company disbursed NOK 546 million in new loans during the quarter. Export Credit Norway has been making targeted long-term efforts to secure new international contracts for Norwegian ICT businesses. Thus far in 2017, the company has helped finance four projects (2016: two) that directly or indirectly relate to the ICT industry. In the second quarter of the year, the company provided financing for UK retailer A.F. Blakemore & Son Limited's purchase of a software solution from the Norwegian Visma Retail Software group. In assisting with the transaction, Export Credit Norway and GIEK have helped Visma gain a foothold in a new market.

DEVELOPMENTS IN THE LENDING PORTFOLIO

Export Credit Norway's lending portfolio totalled NOK 73.1 billion as at 30 June 2017. Exchange rate movements reduced the lending balance by NOK 1 billion in Q2 2017, compared to Q1.¹ Market loans accounted for 38% (Q2 2016: 39%) of the lending balance at quarter-end, while fixed rate (CIRR²) loans accounted for 62% (Q2 2016: 61%). Of the company's disbursements during the quarter, 18% took the form of market loans, and 82% the form of CIRR loans.

Repayments in Q2 2017 amounted to NOK 1.9 billion, while early loan redemptions totalled NOK 159 million. Export Credit Norway received NOK 525 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 62 loan applications representing a total application volume of NOK 29.7 billion. The number of applications and application volume are lower than in the second quarter of last year (Q2 2016: 77 applications/NOK 121.8 billion).

Of the total number of applications received by Export Credit Norway in Q2 2017, 61% (Q2 2016: 53%) related to projects in the oil and gas and maritime industries, while the remaining 39% (Q2 2016: 47%) concerned financing for pro-

jects 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 30 June 2017, the probability-adjusted order book totalled NOK 14.9 billion, compared to NOK 19.3 billion as at the same date in 2016. At the end of Q2 2017, the probability-adjusted order book was distributed as follows: maritime industries (ships and ship equipment): 25%; oil and gas: 60%; industry and environmental technology: 15%.

GUARANTEE ARRANGEMENTS AND INSTALMENT DEFERMENTS

As at quarter-end, 73.1% of the company's lending portfolio was guaranteed by GIEK. The remaining 26.9% of the portfolio was guaranteed by Norwegian banks (13.6%) and foreign banks (13.3%). The largest individual guarantor among the Norwegian banks had a portfolio share of 8.1%, while the corresponding figure for the largest foreign guarantor was 2.6%. As at 30 June 2017, the lowest rating class in the company's guarantor portfolio was BBB.

Export Credit Norway is processing numerous instalment deferments and loan restructurings, 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 2017, particularly in the rig sector. It may also be necessary to refinance and restructure previously adjusted loans to certain borrowers, as the economic downturn has proven to be more prolonged than initially expected.

FUTURE OUTLOOK

Loan application numbers have been stable in recent years. Going forward, disbursements and the lending balance are expected to be somewhat lower than in previous years due to a decline in the number of major oil and gas projects. Nonetheless, transaction volume is expected to remain fairly stable due to reorientation towards new segments. In the maritime industry, these include fisheries and aquaculture, smaller cruise and passenger vessels and wellboats. New treatment requirements relating to ship ballast water and exhaust emissions mean further strong opportunities for Norwegian exporters in these segments. Individual businesses in other industries, for example green technology and ICT, are expanding internationally, boosted by the relatively weak krone exchange rate and growing export markets. Export Credit Norway has increased its focus on small and medium-sized businesses (SMBs) in the past year. These efforts will be intensified going forward, and the company expects this to result in more applications from SMBs.

¹ The Norwegian krone appreciated against the US dollar from Q1 2017 to the end of Q2 2017.

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.

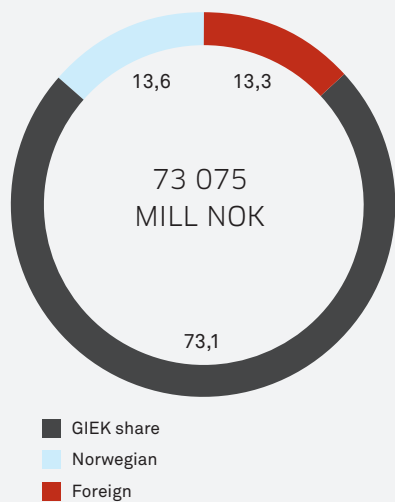
Export Credit Norway will continue to strengthen its operational and strategic collaboration with GIEK, Innovation Norway and GIEK Kredittforsikring in order to improve and simplify access to the policy instruments designed for Norwegian exporters. Close cooperation with the

banking sector will also be crucial for successful project execution. Export Credit Norway will maintain its focus on early-stage cooperation with exporters to market export financing as a sales argument vis-à-vis potential customers.

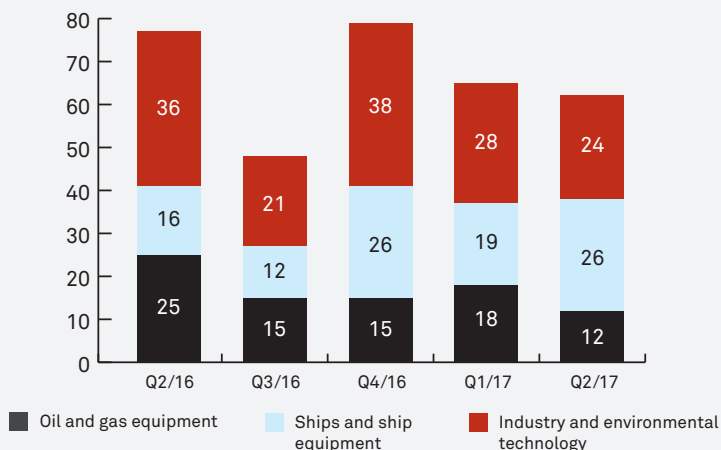
MANAGEMENT AND OPERATIONS

In the second quarter of 2017, Export Credit Norway's administrative costs equalled 0.03% of the lending balance. This figure is on a par with preceding quarters.

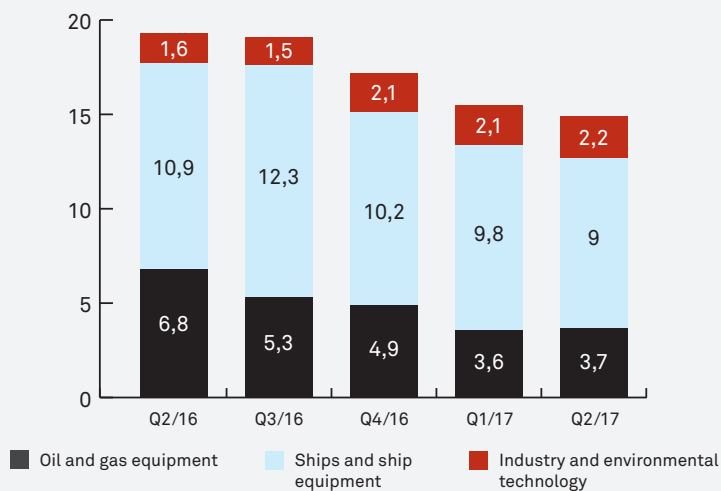
LENDING PORTFOLIO GUARANTORS (PERCENTAGES)



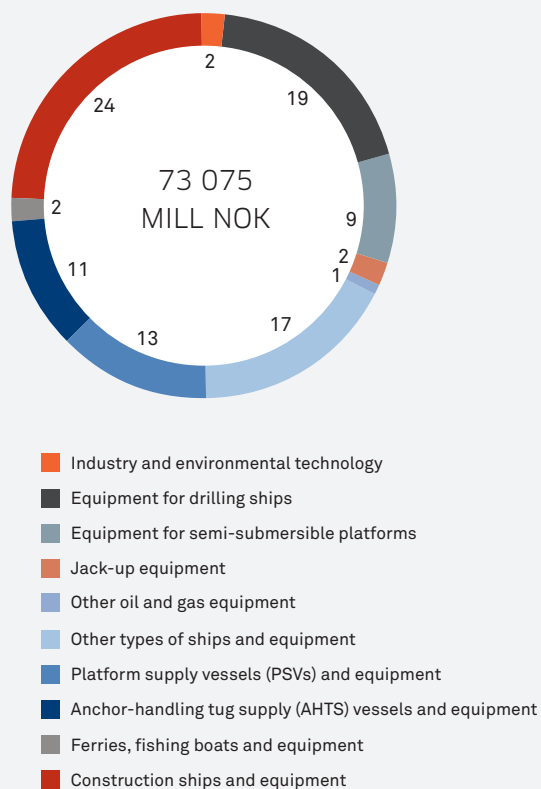
NUMBER OF LOAN APPLICATIONS BY SECTOR AND QUARTER



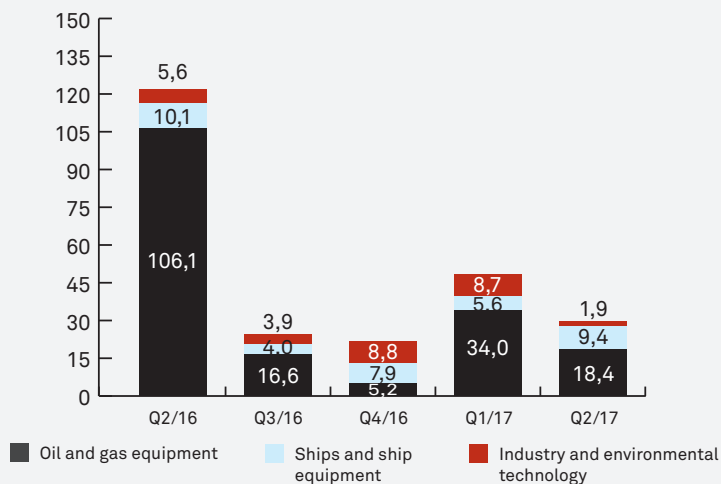
DEVELOPMENT OF THE PROBABILITY-ADJUSTED ORDER BOOK (NOK BILLION)



LENDING PORTFOLIO BY SEGMENT (PERCENTAGES)



DEVELOPMENT OF THE APPLICATION VOLUME (NOK BILLION)



Totals in tables and figures may vary due to rounding.

KEY FIGURES FOR THE LENDING PORTFOLIO AS AT 30 JUNE 2017

QUARTERLY LENDING BALANCE BY CURRENCY AND LOAN TYPE

(All figures in NOK million)

Currency ⁴	Balance 30 June 2016	Balance 30 Sept. 2016	Balance 31 Dec. 2016	Balance 31 March 2017	Balance 30 June 2017
CIRR LOANS					
CAD					440
NOK	16,200	16,034	15,369	14,955	14,625
GBP	337	308	309	258	271
JPY				94	92
EUR	614	782	1,028	1,090	1,105
USD	28,663	28,749	30,004	30,420	28,790
SEK		34	39	45	46
Total	45,814	45,907	46,749	46,862	45,369
MARKET LOANS					
NOK	7,647	7,713	7,645	7,704	7,454
GBP	256	227	229	231	199
EUR	582	554	560	548	632
USD	21,128	18,403	21,322	20,465	19,421
Total	29,613	26,897	29,756	28,948	27,706
TOTAL					
CAD					440
NOK	23,847	23,747	23,014	22,659	22,079
GBP	593	535	538	489	470
JPY				94	92
EUR	1,196	1,336	1,588	1,638	1,737
USD	49,791	47,152	51,326	50,885	48,211
SEK		34	39	45	46
Total	75,428	72,803	76,505	75,811	73,075

LENDING PORTFOLIO BY SECTOR

	(NOK million)	Share
Oil and gas equipment	22,608	30.9%
Ship equipment	2,656	3.6%
Ships	46,248	63.3%
Environmental technology	1,071	1.5%
Industry	493	0.7%
Total	73,075	100%

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

(All amounts in NOK million)	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Lending balance at end of period	75,428	72,803	76,505	75,811	73,075
Costs during the period	21.3	25.1	32.5	27.4	19.8
Administrative costs as a percentage of the lending balance⁵	0.03%	0.03%	0.04%	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.

Totals in tables and figures may vary due to rounding.