

# EKSPORTKREDITT

Export Credit Norway

Report Q4 2018  
**Export Credit Norway**



## Q4 2018

## Increasing application inflow

In the fourth quarter of the year, Export Credit Norway received 81 financing applications representing a total application volume of NOK 23.6 billion. The *number* of applications is higher than in the corresponding quarter of last year, while the application volume (value) is somewhat lower. Some 52 % of the applications received during the quarter came from small and medium-sized enterprises (SMEs)\*. In 2018, the company registered a clear increase in both the number of applications (+26 %) and the application volume (+41 %) compared to 2017. This development can in part be explained by the introduction of the new ship financing solution.

### Diverse range of applications

Norwegian shipyards and ship equipment suppliers are exploring new market segments in response to the decline in offshore-related activities. This is reflected in both the order books of Norwegian shipyards and Export Credit Norway's application figures. The number of fisheries-related applications is also growing. Moreover, while 2018 saw an increase in the number of applications linked to oil and gas equipment deliveries, this segment did not achieve a corresponding increase in volumes. Generally speaking, the 2018 application inflow encompassed a diverse range of industries and projects.

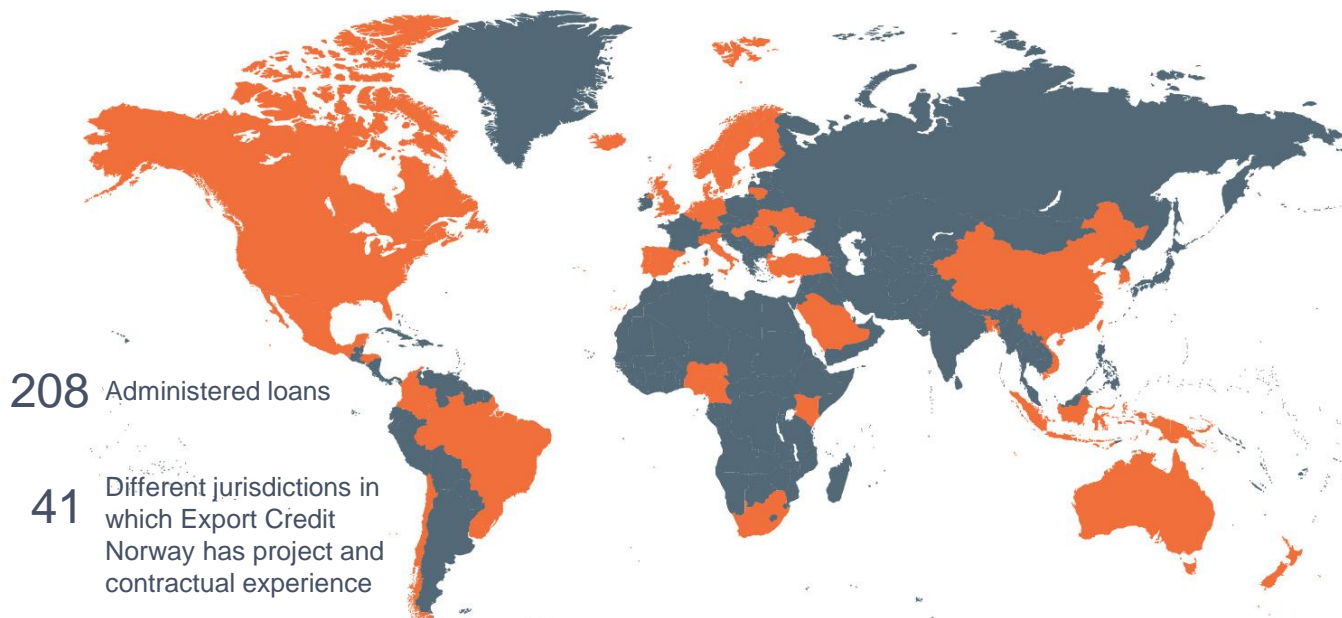
### Special focus on onshore

In terms of onshore industries, Export Credit Norway is focused on ICT, defence, offshore wind energy, solar energy, and water and sanitation. The proportion of projects in which Export Credit Norway's products provide an optimal solution is lower in onshore industries, however, the company has taken measures as to address this. For instance, Export Credit Norway has focused particularly on the ICT industry and during the fourth quarter the company completed an initial survey of the industry's foreign revenues in cooperation with ICT Norway and Menon.

At the beginning of 2019, Brexit and the trade dispute between USA and China continue to cause turbulence, but to date Export Credit Norway has seen few concrete examples of customers losing contracts as a result.

### Marketing activity

In Norway, the company's export financing solutions has been presented to potential customers at seminars in Grimstad, Oslo and Skei. Separate seminars on the new ship financing solution were held in Fosnavåg, Ålesund and Bekkjarvik in the fourth quarter. The company has also been present at events such as the Smart City EXPO in Barcelona and Aqua Sur in Chile.



\* Export Credit Norway uses the EU definition of SMEs: enterprises with fewer than 250 employees and less than EUR 50 million in turnover.

## Q4 2018

## Applications, portfolio and probability-adjusted order book

## Applications

Export Credit Norway received 81 financing applications in Q4 2018, representing a total application volume of NOK 23.6 billion. Compared to Q4 2017, this represents an increase in the number of applications but a decrease in volume in the final quarter of the year.

In 2018 as a whole, the company registered a significant increase in the total number of applications. In total, 304 applications were received in 2018, compared to 241 in 2017. In terms of value, the received applications amounted to NOK 175.6 billion, up from NOK 124.4 billion last year.

The increase in the number of new applications was spread across all market segments, but was particularly high for the oil and gas equipment, passenger vessels and merchant shipping segments. The strongest growth areas in 2018 in terms of volume were industry and renewable energy, passenger vessels and merchant shipping. The application profile changed during the course of the year and represents a more diverse range of market segments than reflected in the company's overall lending portfolio at year-end. On a full-year basis, the total number of applications has the following distribution: industry and renewable energy (27%), oil and gas-related projects (22%), other ship types (*passenger vessels and merchant shipping*) (23%), fisheries and aquaculture (20%) and offshore support vessels (8%).

Total number of applications	Q4 2018	Q4 2017	YTD 2018	2017	2016
Loan applications received (number)	81	69	304	241	278
Value of loan applications (NOK billion)	23.6	24.2	175.6	124.4	209.1

## New loan agreements signed

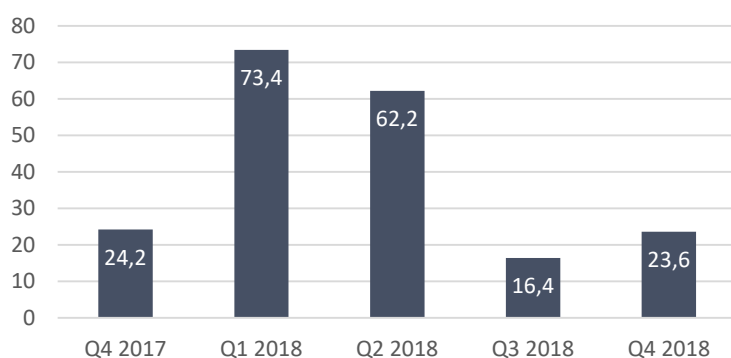
New loan agreements signed in the fourth quarter totalled NOK 2.2 billion, compared to NOK 2.5 billion in Q4 2017. Overall, loan agreements valued at NOK 4.9 billion were signed in 2018. The total is lower than what had been predicted at the beginning of the year, mainly due to unforeseen delays in a number of transactions.

Signed agreements*	Q4 2018	Q4 2017	YTD 2018	2017	2016
Value (NOK billion)	2.2	2.5	4.9	9.8	11.3

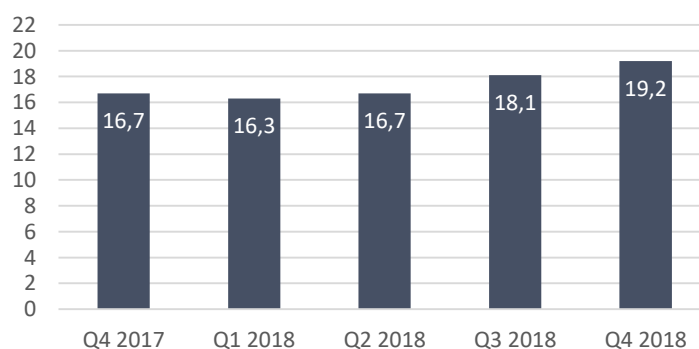
## Probability-adjusted order book

Export Credit Norway calculates a best estimate of future loan disbursements based on the loan applications it has received. As of 31 December 2018, the company's probability-adjusted order book totalled NOK 19.2 billion, which is NOK 2.5 billion higher than at the end of Q4 2017.

## Application volume by quarter (NOK billion)



## Probability-adjusted order book by quarter (NOK billion)



\* Signed agreements denominated in other currencies have been converted into NOK based on the exchange rate at the close of business at month-end.

Totals in tables and figures may differ due to rounding. This applies throughout the report.  
The portfolio figures for 2018 include applications linked to the new ship financing solution.

## Q4 2018

### New disbursements

In total, Export Credit Norway disbursed loans of NOK 474 million in the fourth quarter. The disbursements were linked to projects including a battery system for a supply vessel operating in the North Sea, node-handling systems for use in seismology, and ship upgrades involving the installation of scrubbers. The company also made its first disbursement in the cruise ship segment. In comparison, a total of NOK 884 million was disbursed in the same period last year. In 2018 as a whole, Export Credit Norway disbursed NOK 2.9 billion in loans.

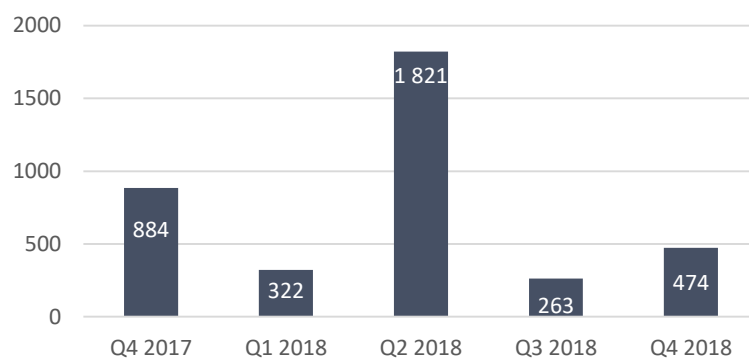
### Lending balance

The lending balance amounted to NOK 61.2 billion as of 31 December 2018, compared to NOK 69.4 billion at the end of the corresponding period last year. The decline in the company's lending balance is primarily due to large early loan redemptions in several individual projects during the year. 96% of the company's lending balance in 2018 were linked to ocean industries, with the remaining 4% relating to industry and renewable energy projects.

### Guarantors

As of 30 December 2018, 72% of Export Credit Norway's lending portfolio was guaranteed by GIEK. The remainder of the portfolio was guaranteed by Norwegian banks (14%) and foreign banks (14%).

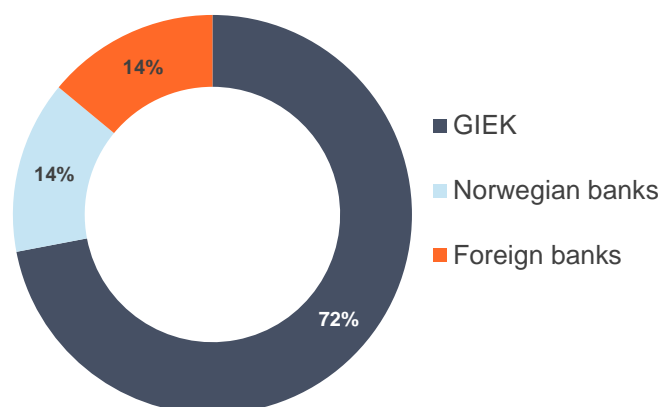
Disbursements over time (NOK million)



Lending balance by quarter (NOK billion)



Guarantors as of 31 December 2018 (%)



## Developments, activities and the portfolio

### Ocean industries

The ocean industries portfolio comprises transactions involving oil and gas equipment, offshore support vessels and ship equipment, passenger vessels and merchant shipping, and fisheries and aquaculture.

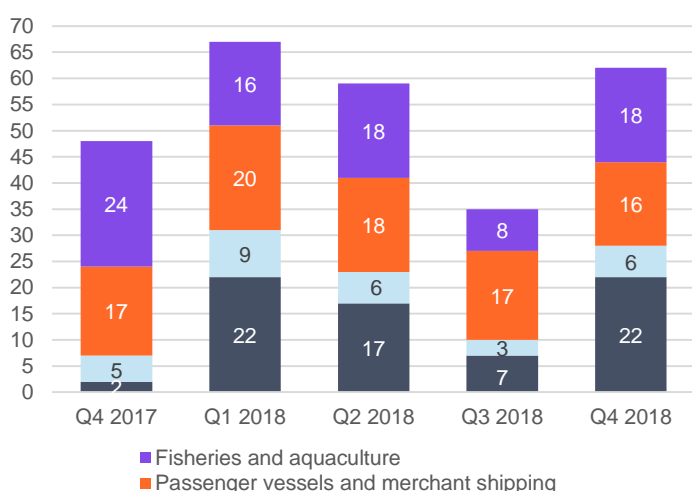
#### Applications

In the fourth quarter, Export Credit Norway received 62 applications\* – representing a combined application volume of NOK 15.3 billion – linked to financing for ocean industries. The company registered an increase in the number of applications during the fourth quarter, compared to the same period last year. The increase is mainly related to applications concerning oil and gas equipment deliveries. However, the volume for the oil and gas segment remained on a par with Q4 2017.

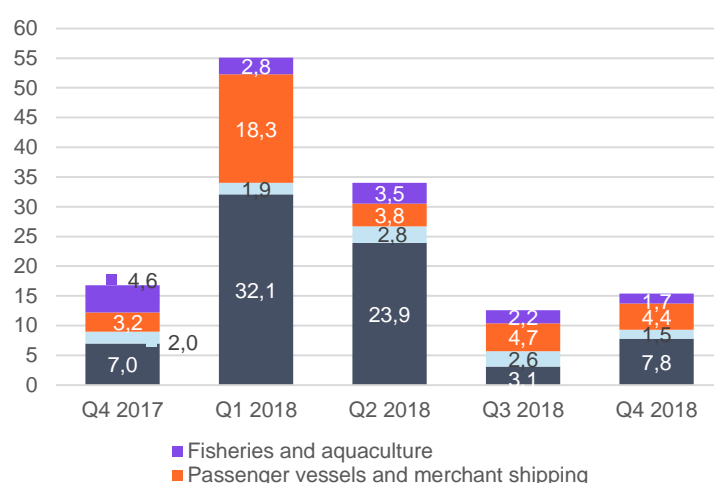
#### Portfolio

The ocean industries category accounted for 96% of Export Credit Norway's lending portfolio at year-end. The diagram on the next page provides a further breakdown of the portfolio by sub-segment. Financing for offshore ships and oil and gas equipment currently constitutes the majority of the lending volume. Loans totalling NOK 474 million were disbursed to ocean industries in the fourth quarter.

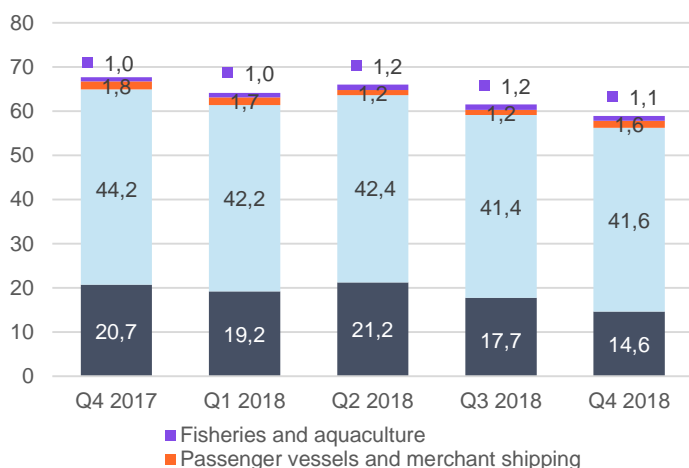
**Ocean industries:  
Application numbers by industry and quarter**



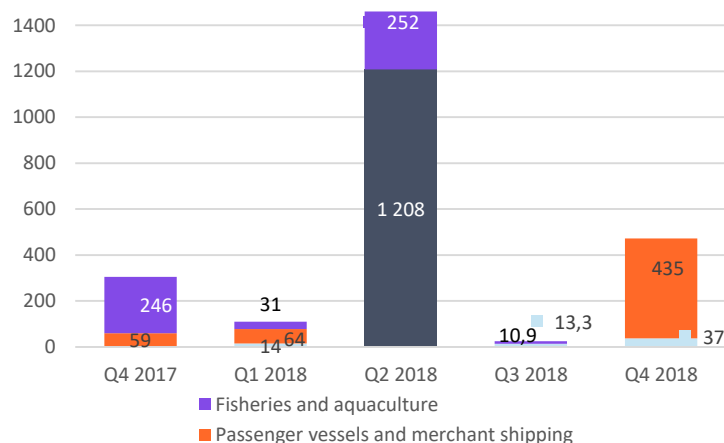
**Ocean industries:  
Application volume by industry and quarter (NOK billion)**



**Ocean industries:  
Lending balance by segment and quarter (NOK billion)**



**Ocean industries:  
Disbursements by segment and quarter (NOK million)**



\* Five of the applications received in the fourth quarter were linked to the new ship financing solution.

## Developments, activities and the portfolio

### Ocean industries cont.

#### Market developments

##### Order inflow Norwegian shipyards

In total, Norwegian shipyards secured six contracts valued at NOK 1.4 billion\* in the fourth quarter of 2018. In 2018, 48 contracts valued at NOK 24.5 billion were entered into. This represents the highest order inflow in both numerical and volume terms since 2012.

##### • Passenger vessels and merchant shipping

From 2016 and throughout 2018, passenger vessels and merchant shipping have contributed to a boost in Norwegian shipyards' order books. The second half of 2018 saw continued investment in the installation of on-board environmental technologies by an increasing number of shipping companies. New international requirements are providing good opportunities for Norwegian exporters of such equipment. Export Credit Norway made its first disbursement linked to such technology in the fourth quarter of the year, and the first cruise ship loan was also disbursed in Q4. Both disbursements were important milestones for the company.

##### • Fisheries and aquaculture

Export Credit Norway has experienced a high level of activity in the fisheries and aquaculture segments, and expects further growth for Norwegian suppliers in this segment in the future. The company's inflow of applications concerning other fisheries and aquaculture-related vessels is growing, and in the fourth quarter, Export Credit Norway received four such applications. Providers of services to the fisheries and aquaculture segment are benefiting from developments in this market.

##### • Domestic ship financing solution

The domestic ship financing solution is now fully operational. The ship financing solution allows Export Credit Norway to finance vessels purchased by Norwegian shipping companies and ships that are constructed at Norwegian yards for operations in Norwegian waters. At the end of Q4 2018, a total of 27 applications valued at NOK 7.6 billion had been received, five of them were received in the fourth quarter. The applications received by Export Credit Norway under the new ship financing solution represents 46% of the *number* of ships contracted for by Norwegian shipyards in 2018. In terms of value, these contracts represent approximately 40% of the yards'\* total order inflow in 2018.

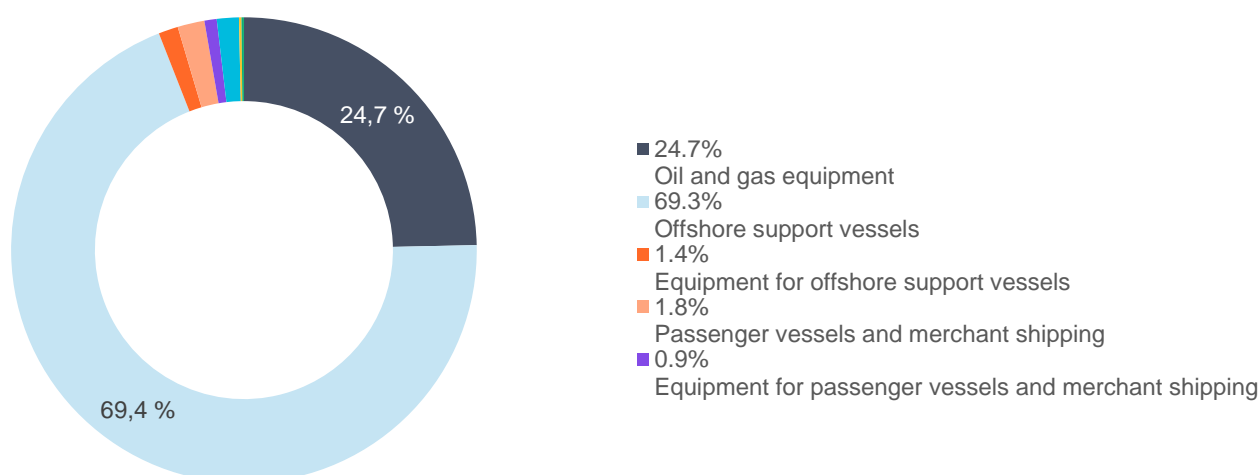
##### • Offshore support vessels

The market for offshore support vessels remains challenging. Despite the fact that oil prices were higher in 2018 compared to previous years, oil company activity levels remain low. There is still a large over-supply of ships in the market, with just over 100 ships currently laid up. Norwegian shipyards have concluded few new offshore/supply-related contracts since June 2015.

##### • Oil and gas equipment

Generally speaking, Export Credit Norway considers the prospects of the oil and gas market to be positive in the long term. With oil prices at approximately USD 60 per barrel, more projects are expected to be approved in 2019. This should result in more Norwegian export contracts, particularly for the delivery of Norwegian subsea infrastructure and different platform and production solutions.

#### Ocean industries lending balance by sub-segment as of 31 December 2018 (%)



\* Source: Norwegian shipyards/nssm.no

## Developments, activities and the portfolio

### Industry and renewable energy

#### Applications

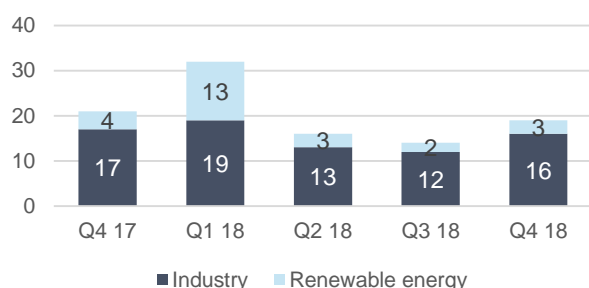
In the fourth quarter, Export Credit Norway received 19 applications linked to industry and renewable energy, representing a total application volume of NOK 8.3 billion. This figure is approximately on a par with the total for Q4 2017. There is great diversity in the received applications in terms of industry sectors and geography.

#### Portfolio

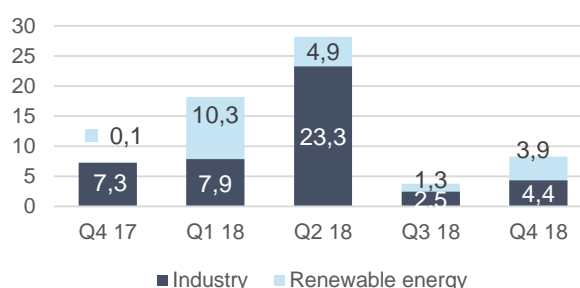
The industry and renewable energy segment accounted for 4% of Export Credit Norway's total lending portfolio at quarter-end. The portfolio is complex and diverse and, unlike the rest of the lending portfolio, is dominated by small and medium-sized loans. The diagram at the bottom right of the page provides a further breakdown of the portfolio by sub-segment. The majority of the lending volume comprises financing for projects involving wind energy, defence technology, water and sanitation equipment, and solar energy.

In the fourth quarter, the company disbursed NOK 2.3 million in loans related to industry and renewable energy projects.

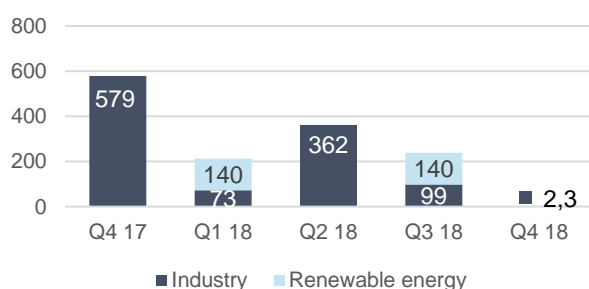
**Industry and renewable energy:  
Number of applications by quarter**



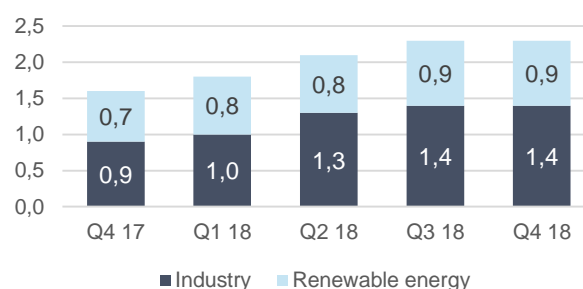
**Industry and renewable energy:  
Application volume by quarter (NOK billion)**



**Industry and renewable energy:  
Disbursements by quarter (NOK million)**



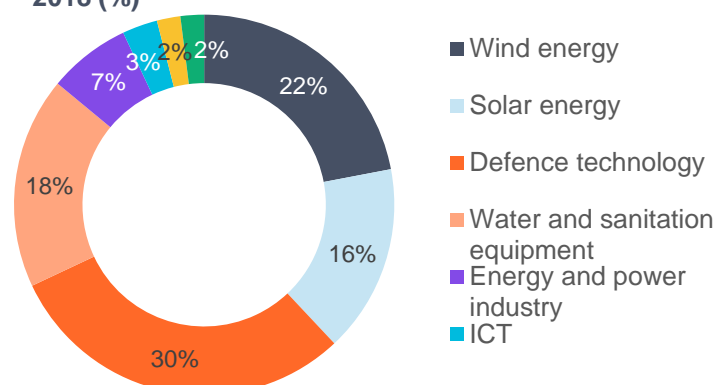
**Industry and renewable energy:  
Lending balance by quarter (NOK billion)**



#### Market developments

Mainland industry segments have generally maintained export growth, driven not least by a low krone exchange rate. Export Credit Norway expects this positive trend to continue, albeit with some variation among the different industry segments.

**Industry and renewable energy:  
Lending balance by sub-segment as at 31 December 2018 (%)**



## Small and medium-sized enterprises (SMEs)

### 52% of applications from SMEs

More than 99% of all Norwegian businesses and more than 90% of Norwegian exporters are SMEs. Helping these businesses to expand abroad is a high priority in the company's marketing strategy. Moreover, SME exporters account for the majority of the requests received by Export Credit Norway for sales support and general advice on the financing of export activities.

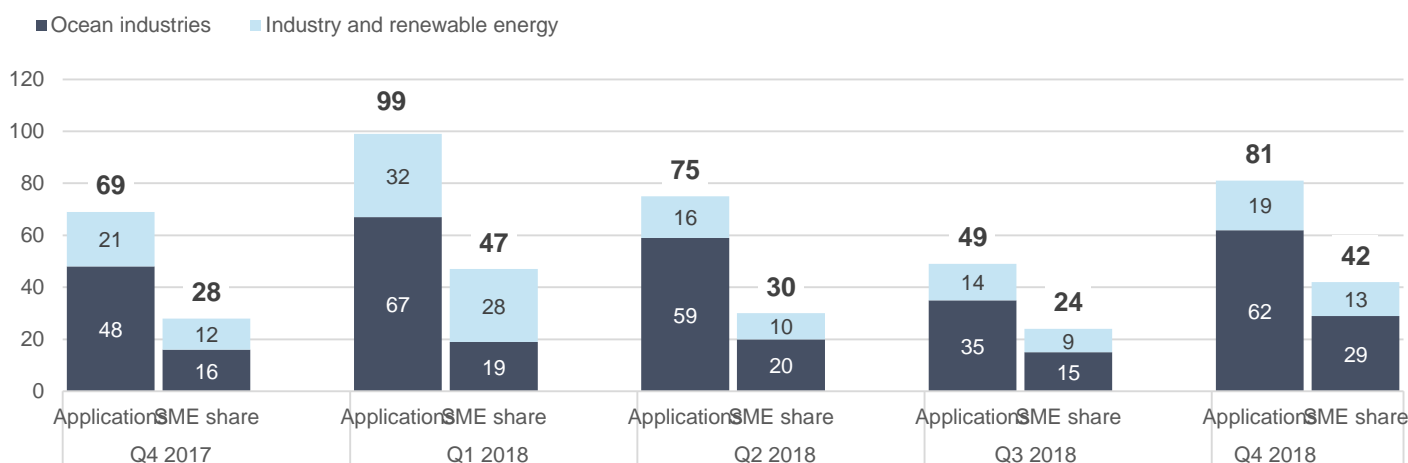
#### Applications

In the fourth quarter of 2018, 52% of the 81 financing applications received by the company came from SME exporters. In total, SMEs accounted for 27.2% of the fourth-quarter application volume. The proportion of SME applications in the fourth quarter was the highest in the company's history.

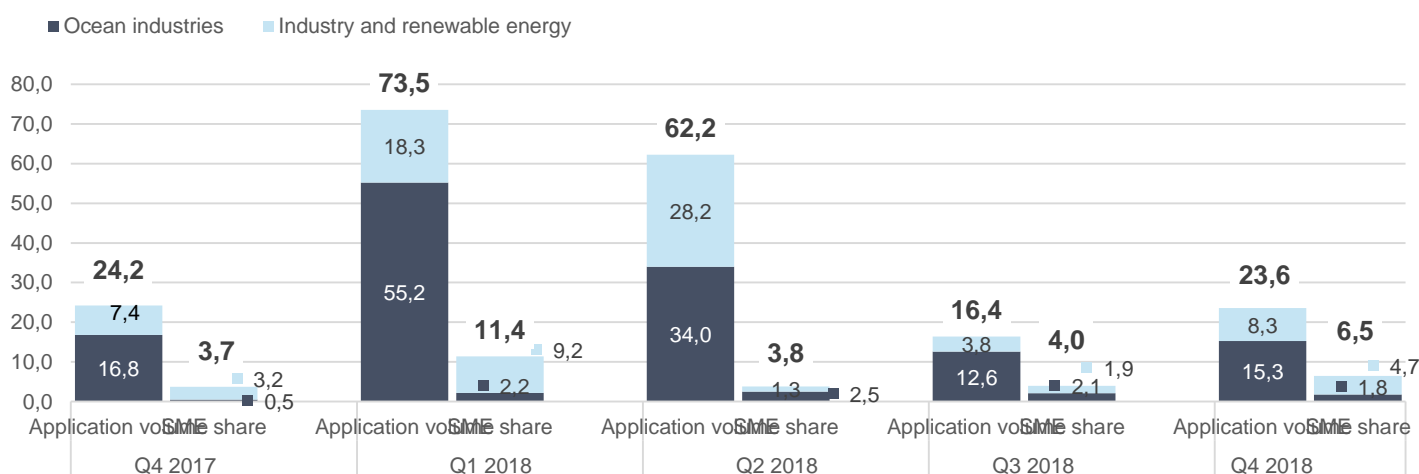
#### Portfolio

SME exporters accounted for 2.6% of the total lending portfolio as of 31 December 2018. The current SME portfolio is diverse, and includes suppliers operating in the ICT, maritime and aquaculture industries, as well other suppliers of capital goods and services.

#### SME share (number) of applications by quarter



#### SME share of application volume by quarter (NOK billion)



\* Export Credit Norway uses the EU definition of SMEs: enterprises with fewer than 250 employees and less than EUR 50 million in turnover.

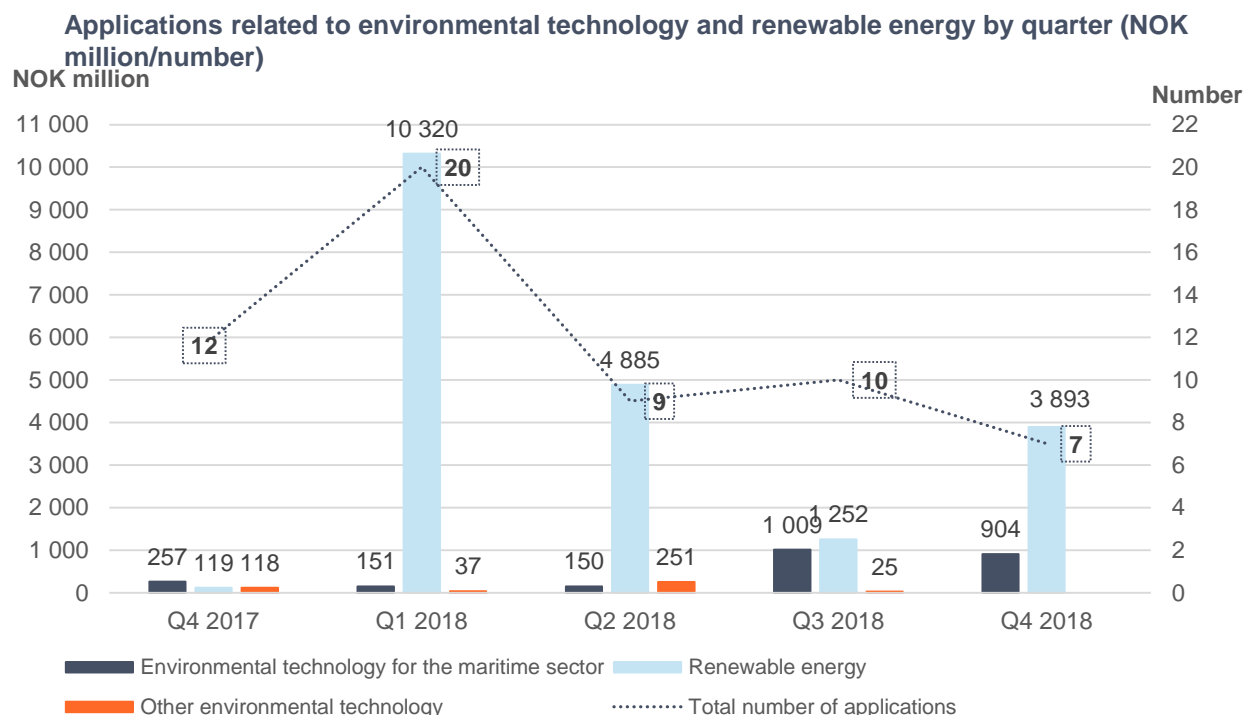


## Environmental technology

# Strong inflow of environmental technology applications

### Applications

In the fourth quarter, Export Credit Norway received seven financing applications linked to environmental technology and renewable energy, accounting for 20.3% of the total fourth-quarter application volume. In terms of both application numbers and volume, application growth was higher in 2018 than in preceding years. The numerical growth registered in 2018 was driven by applications related to equipment for scrubbing exhaust emissions on large passenger and merchant shipping vessels, while the volume increase is primarily attributable to solar and wind energy applications.



### Segment distribution

#### Environmental technology for the maritime sector

Environmental technology for the oil and gas industry
Environmental technology for offshore support vessels
Environmental technology for passenger vessels and merchant shipping
Environmental technology for fishing boats and wellboats

#### Renewable energy

Hydropower
Wind energy
Solar energy
Other renewable energy

## Exports from Norway

### Export destinations

#### From Norway

Although Norway's exporters are spread across the entire country, three of Norway's five largest exporting counties are found in western Norway, according to a survey conducted by Menon\*.

Exports from counties on Norway's west coast also make up a significant proportion of Export Credit Norway's lending portfolio\*\*. Møre og Romsdal is clearly the largest exporting county in the portfolio, followed by Vest-Agder. Together, the two counties accounted for 78% of the company's lending balance at the end of Q4 2018

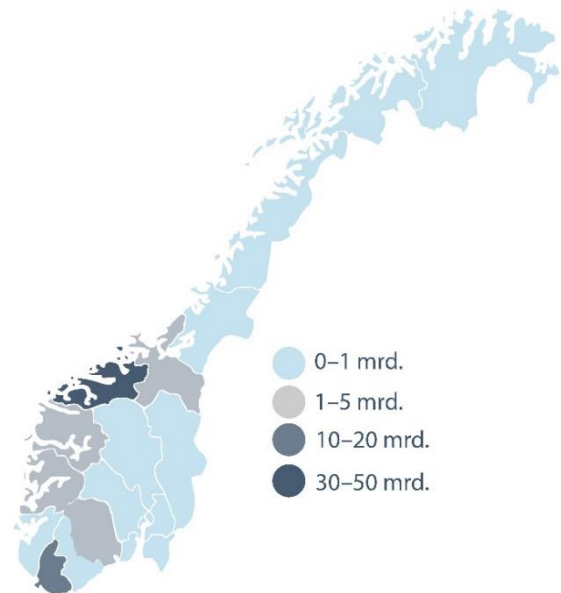
#### To the world

Although Export Credit Norway provides financing for projects in numerous countries, the majority of transactions currently involve exports to Europe.

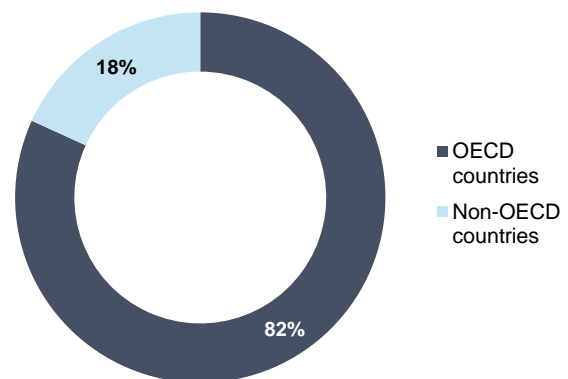
As of 31 December 2018, 82% of the lending balance related to exports to OECD countries, and the remaining 18% to exports to non-OECD countries. This distribution has been relatively stable in recent quarters.

In the SME part of the portfolio, the proportion of non-OECD export destinations is higher and increasing, with a higher proportion of disbursements to non-OECD countries in the two previous quarters.

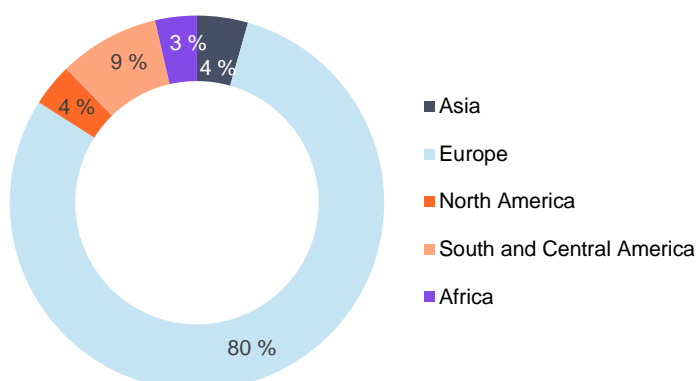
#### Exports financed by Export Credit Norway by county (NOK)



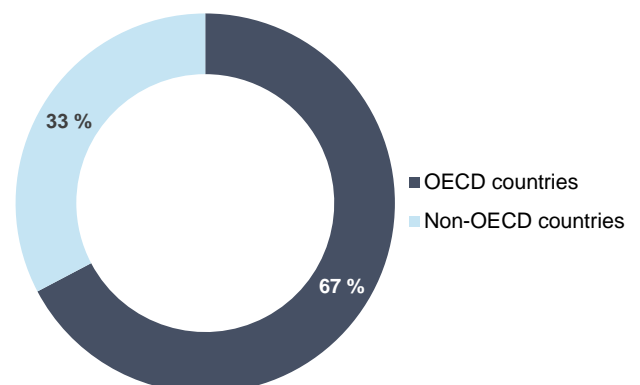
#### Distribution of project countries in the lending balance as of 31 December 2018 (%)



#### Exports by region, project countries as of 31 December 2018 (%)



#### Distribution of SME project countries in the lending balance as of 31 December 2018 (%)



\* Menon publication no. 9/2015: Exports from Norwegian regions.

\*\* More than 70% of the lending balance as of 31 December 2018.

## KEY PORTFOLIO FIGURES

	Q4 2018	Q4 2017	YTD 2018	2017	2016
<b>Lending balance* (NOK million)</b>	<b>61,220</b>	<b>69,359</b>	61,220	<b>69,359</b>	<b>76,505</b>
CIRR	39,507	43,503	39,507	43,503	46,749
Market loans	21,713	25,856	21,713	25,856	29,756
<b>Disbursements (new loans, NOK million)</b>	<b>474</b>	<b>884</b>	<b>2,880</b>	<b>3,418</b>	<b>10,076</b>
CIRR	437	638	1,268	2,677	6,138
Market loans	37	246	1,612	741	3,938
<b>Probability-adjusted order book (NOK million)</b>	<b>19,213</b>	<b>16,674</b>	<b>19,213</b>	<b>16,674</b>	<b>17,198</b>
Ocean industries	18,865	15,330	18,865	15,330	15,126
Industry and renewable energy	348	1,344	348	1,334	2,072
<b>Gross interest income (MILL NOK)</b>	<b>492</b>	<b>459</b>	<b>1,727</b>	<b>1,744</b>	<b>1,711</b>
Instalments (NOK million)	4,382	1,837	11,687	7,174	8,922
Early loan redemptions (NOK million)	3,804	453	7,538	1,174	1,981
Administrative costs	0.05%	0.05%	0.18%	0.15%	0.14%
<b>Applications</b>					
<i>Number (total and by segment)</i>	<b>81</b>	<b>69</b>	<b>304</b>	<b>241</b>	<b>278</b>
Oil and gas equipment	22	2	68	42	80
Offshore support vessels	6	5	24	27	22
Passenger vessels and merchant shipping	16	17	71	47	40
Fisheries and aquaculture	18	24	60	50	36
Industry and renewable energy	19	21	81	75	100
<i>Volume (total and by segment, MILL NOK)</i>	<b>23,609</b>	<b>24,181</b>	<b>175,571</b>	<b>124,418</b>	<b>209,143</b>
Oil and gas equipment	7,789	6,994	66,912	67,780	159,951
Offshore support vessels	1,462	1,959	8,778	8,103	4,529
Passenger vessels and merchant shipping	4,383	3,196	31,239	18,204	25,098
Fisheries and aquaculture	1,692	4,647	10,158	10,445	4,740
Industry and renewable energy	8,283	7,385	58,482	19,886	14,825
<b>New contracts (NOK billion)**</b>	<b>2.2</b>	<b>2.5</b>	<b>4.9</b>	<b>9.8</b>	<b>11.3</b>
<b>Guarantors (% of portfolio)</b>					
GIEK	72%	73%	72%	73%	74%
Norwegian banks	14%	14%	14%	14%	13%
Foreign banks	14%	13%	14%	13%	12%

\* Balance at quarter-end.

\*\* Signed agreements denominated in other currencies have been converted into NOK based on the exchange rate at the close of business at month-end.

Totals in tables and figures may differ due to rounding. All figures in NOK are based on the exchange rate at the close of business at month-end, with two exceptions: interest income is stated according to the actual exchange rate and instalments are stated according to the historical exchange rate.

The industry and segment classification of the company's lending portfolio was revised in Q1 2018. Figures for 2017 and 2018 reflect the new classification, but earlier figures are not directly comparable. The portfolio figures for 2018 include applications related to the new ship financing solution.

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