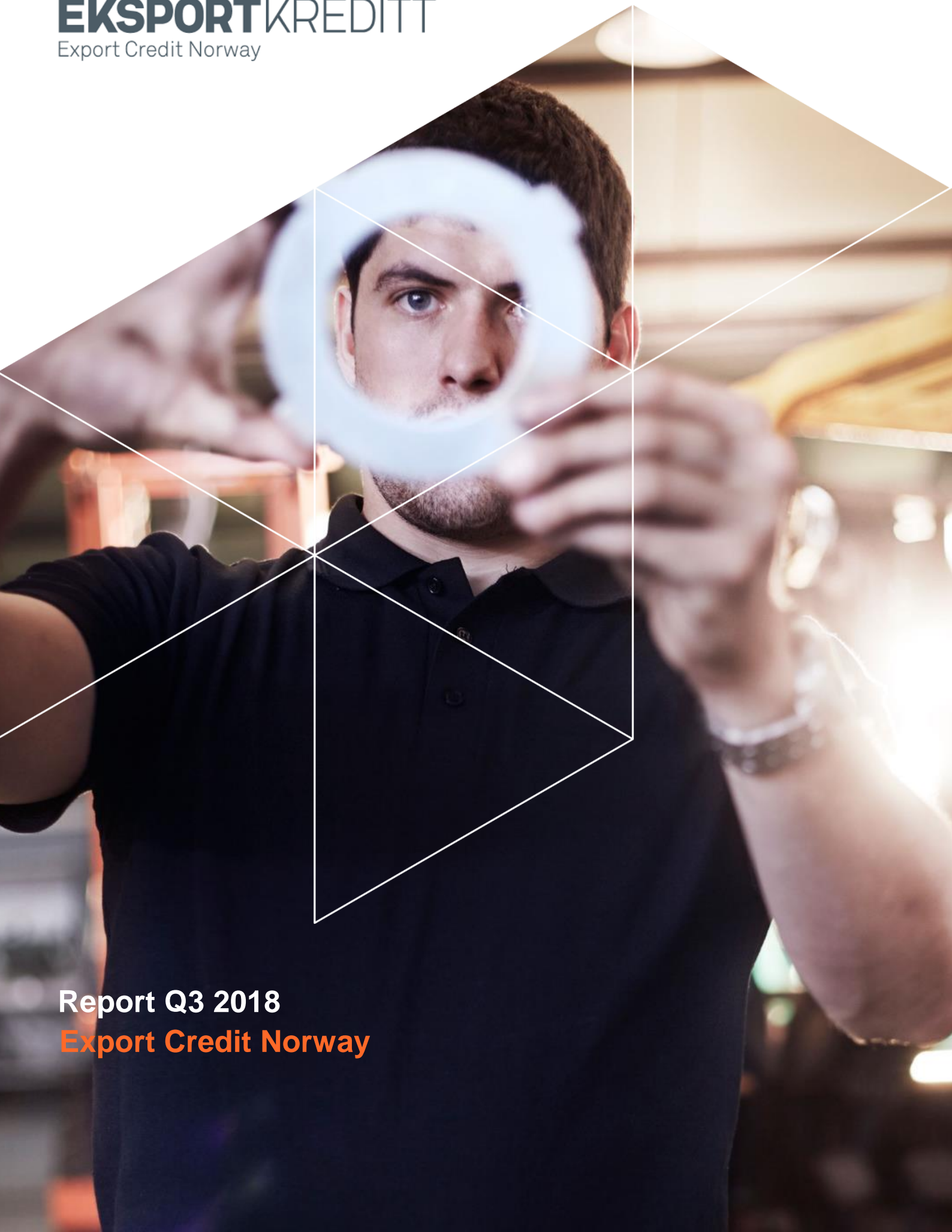


EKSPORTKREDITT

Export Credit Norway



Report Q3 2018
Export Credit Norway

Q3 2018

Stable application inflow

In the third quarter of the year, Export Credit Norway received 49 financing applications representing a total application volume of NOK 16.4 billion. The number of applications is on a par with the corresponding quarter of last year, while the application volume is somewhat lower.

In 2018 as a whole, the company has registered a sharp increase in application numbers, not least following the launch of the new ship financing solution.

Changes in application profile

The reorientation of the ocean industries sector is also reflected in Export Credit Norway's application inflow, with the proportion of oil and gas and offshore shipping-related applications falling markedly over the past one-two years.

Improved access to capital for some

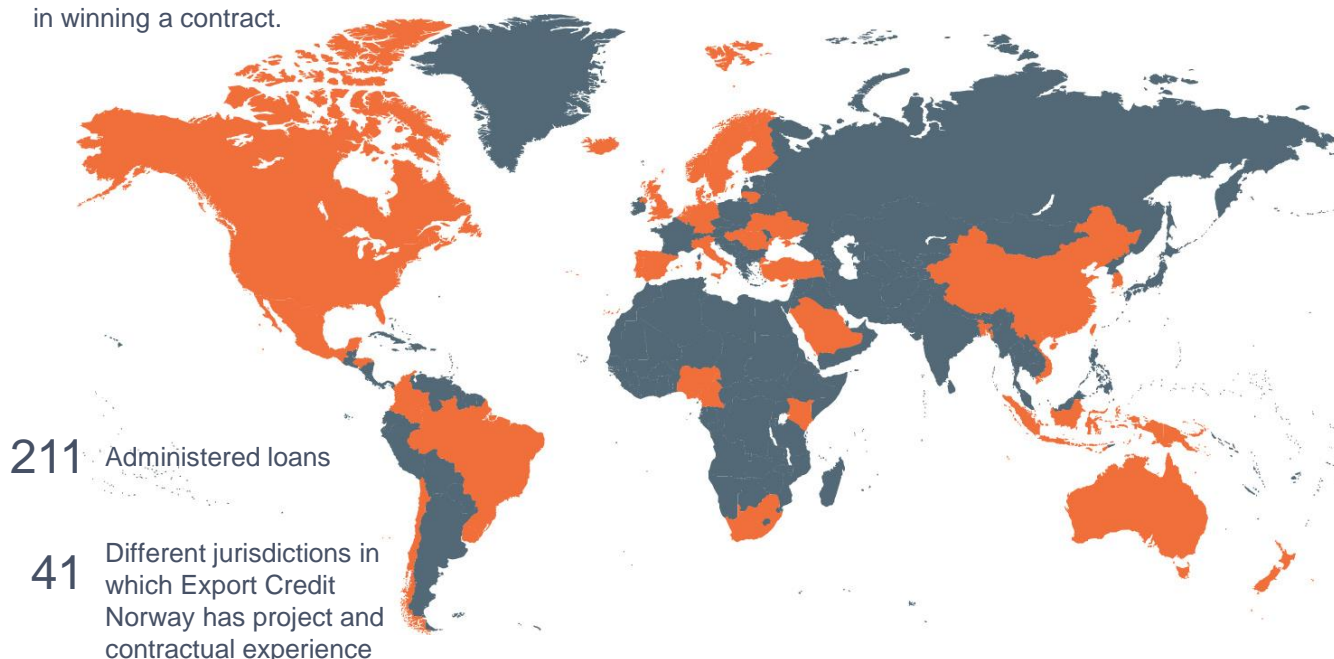
Capital access appears to have improved considerably in some industries and for certain customers, as indicated by several large early loan redemptions and customer feedback. Customers are nevertheless continuing to apply for financing from Export Credit Norway for new projects, as a firm financing offer can be a decisive factor in winning a contract.

Export Credit Norway expects only some of the applications received in 2018 to result in new loans. In the company's experience, the number of actual disbursements is influenced by the competitive situation, exporters' success in the market and the availability of alternative sources of capital.

The trade conflict between the USA and China continues to create waves, but to date Export Credit Norway has seen few concrete examples of customers losing contracts as a result of it.

Marketing activity

Export Credit Norway cooperates extensively with the other policy instruments, including Innovation Norway and GIEK. Several new measures were developed in the third quarter to make it easier to refer customers to the right policy instrument. Export Credit Norway also participated in and hosted several export financing seminars in Q3, including in Kristiansand, Stavanger and Oslo. Finally, company representatives attended the Global Wind Summit and the SMM Hamburg, ONS 2018, Rio Oil & Gas and Nor-Fishing trade fairs.



Q3 2018

Applications, portfolio and probability-adjusted order book

Applications

Export Credit Norway received 49 financing applications in Q3 2018, representing a total application volume of NOK 16.4 billion. Compared to the two previous quarters, this represents a decline in the *number* of applications which is largely attributable to seasonal fluctuations, with low activity levels in the summer.

The company has received 223 applications thus far in 2018. In terms of value (NOK 152.0 billion), the application inflow already exceeds last year's full-year total. The application profile generally reflects the reorientation process that is ongoing in the ocean industries sector, and has the following distribution in numerical terms: offshore support vessels (8%); fisheries and aquaculture (19%); oil and gas-related projects (21%); other ship types (25%) and industry and renewable energy (28%). In the third quarter, the company registered an increase in the number of applications concerning ship upgrades through the installation of exhaust scrubbers and ballast-water treatment systems. Both categories of applications are being driven by new international emissions requirements.

Total number of applications	Q3 2018	Q3 2017	YTD 2018	2017	2016
Loan applications received (number)	49	45	223	241	278
Value of loan applications (NOK billion)	16.4	22.3	152.0	124.4	209.1

New loan agreements signed

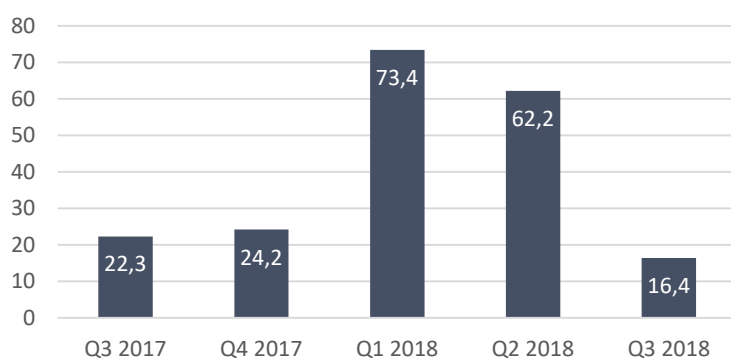
New loan agreements signed in the third quarter totalled NOK 36.8 million, compared to NOK 2.3 billion in Q3 2017. The number of signed loan agreements, and their value, fluctuates from quarter to quarter. Large individual contracts boosted the volume in the third quarter of 2017, and for last year as a whole. In 2018, Export Credit Norway expects the total number of signed agreements to be significantly lower than in 2017 due to delays in ongoing lending processes, some of which have already been deferred until 2019.

Signed agreements*	Q3 2018	Q3 2017	YTD 2018	2017	2016
Value (NOK billion)	0.37	2.3	2.6	9.8	11.3

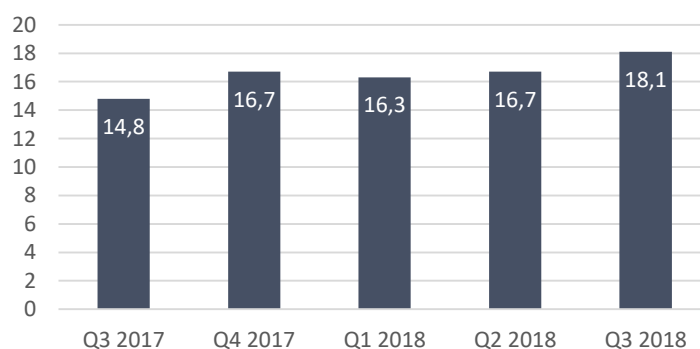
Probability-adjusted order book

Export Credit Norway calculates a best estimate of future loan disbursements based on the loan applications it has received. As at 30 September 2018, the company's probability-adjusted order book totalled NOK 18.1 billion, NOK 3.3 billion higher than at the end of Q3 2017. Segment information is provided in the remainder of the report.

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.

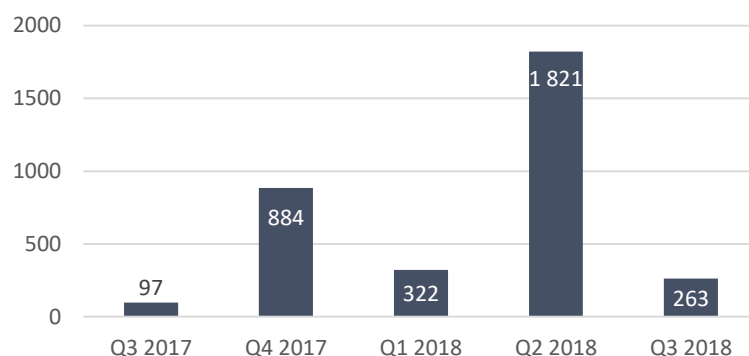
Totals in tables and figures may differ due to rounding. This applies throughout the report.
The portfolio figures for 2018 include applications linked to the new ship financing solution.

Q3 2018

New disbursements

In the third quarter, Export Credit Norway disbursed NOK 263 million in new loans, compared to NOK 97 million in Q3 2017. The disbursements made in the third quarter went to projects including support vessels for offshore wind farms and equipment for aquaculture facilities in Ireland. Several large disbursements have been deferred until 2019, and the company therefore expects to disburse around NOK 2.5 billion in loans in 2018.

Disbursements over time (NOK million)



Lending balance

The lending balance amounted to NOK 63.7 billion as at 30 September 2018, compared to NOK 69.2 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 individual projects, foreign exchange developments and a reduced number of new disbursements in 2017 and 2018. As at 30 September 2018, industry and renewable energy accounted for 4% of the company's lending balance, up from 3% the previous quarter. The remaining 96% of loans relate to ocean industries. The industry distribution of the lending balance has remained relatively stable over time.

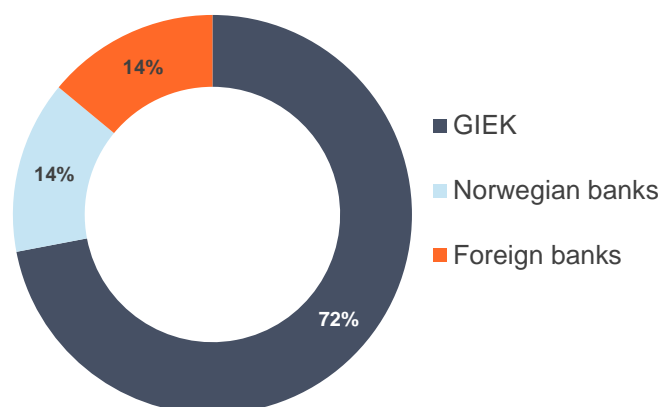
Lending balance by quarter (NOK billion)



Guarantors

As at 30 September 2018, 72% of Export Credit Norway's lending portfolio was guaranteed by GIEK. The remaining 28% of the portfolio was guaranteed by Norwegian banks (14%) and foreign banks (14%).

Guarantors as at 30 September 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, merchant shipping and fisheries and aquaculture.*

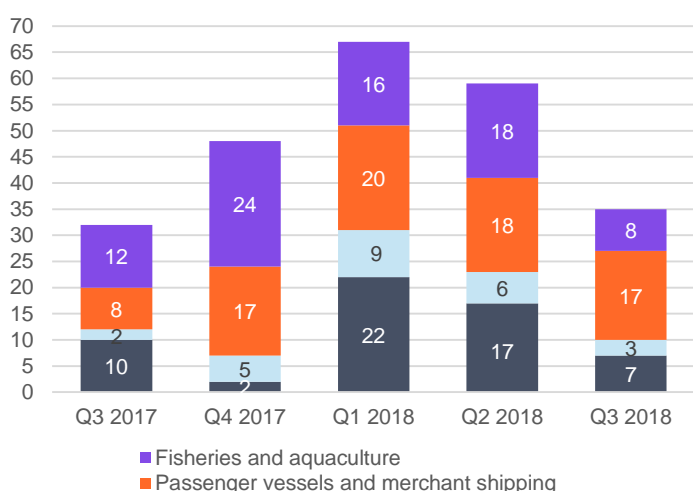
Applications

In the third quarter, Export Credit Norway received 35 applications* – representing a combined application volume of NOK 12.6 billion – linked to financing for ocean industries. The company has registered increasing interest in financing for equipment and systems to reduce sulphur levels in exhaust emissions and ballast-water treatment systems. Export Credit Norway received six applications related to such systems in the third quarter, compared to a total of nine applications in the first and second quarters of the year.

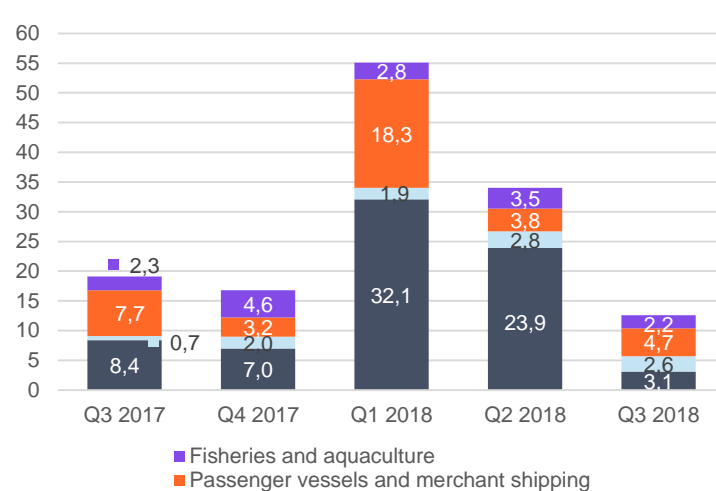
Portfolio

The ocean industries category accounted for 96% of Export Credit Norway's lending portfolio at quarter-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 dominates the lending volume. NOK 24.2 million in loans was disbursed to ocean industries in the third quarter.

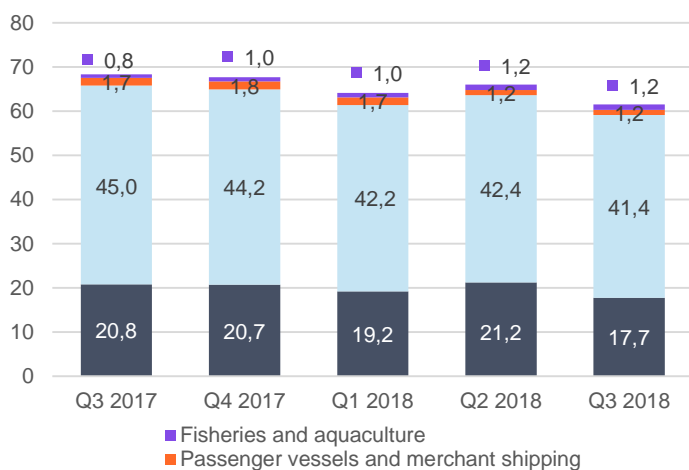
Number of applications by industry and quarter (NOK billion)



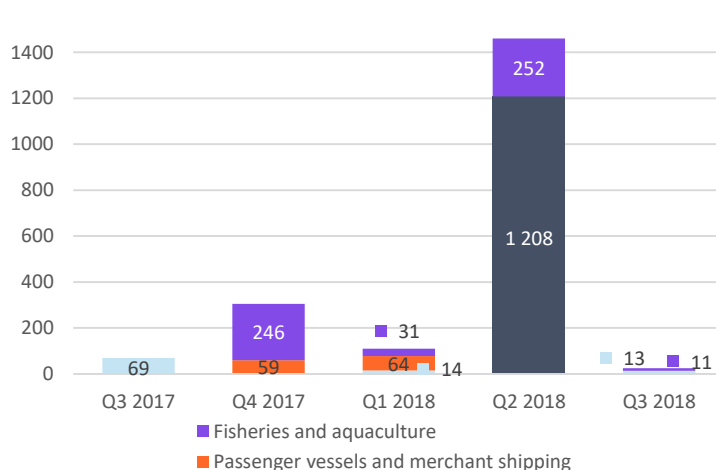
Application volume by industry and quarter (NOK billion)



Lending balance by segment and quarter (NOK billion)



Disbursements by segment and quarter (NOK million)



* Two of the applications received in the third 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 15 contracts valued at NOK 10.6 billion* in the third quarter of 2018. Order inflow continues to vary greatly from yard to yard. As in the preceding quarter, the concluded contracts related to vessels such as fishing boats, service vessels for offshore wind farms, cruise boats and cable-laying units. The cruise market, which accounted for almost two-thirds of the order inflow volume, remains important for the Norwegian maritime industry.

• Offshore support vessels

The market for offshore support vessels remains challenging. Despite the fact that oil prices have been high for a period, there is still a large over-supply of ships in the market. Norwegian shipyards have concluded few new offshore/supply-related contracts since June 2015.

• Passenger vessels and merchant shipping

Many shipping companies are currently deciding to invest in the installation of environmental technologies aboard their ships. These decisions are being made in response to new international requirements, which are providing opportunities for Norwegian exporters of such equipment. Export Credit Norway's order book for ocean industries is currently dominated by smaller cruise ships, which accounted for approximately 46% of the order book volume as at 30 September 2018.

• Domestic ship financing solution

The new ship financing solution launched by the Government in the autumn of 2017 is fully operational. The solution allows Export Credit Norway to finance vessels purchased by Norwegian shipping companies and constructed at yards in Norway, even when these are not destined for offshore operation or use in foreign trade. As at the end of Q3 2018, a total of 22 applications valued at NOK 6.8 billion had been received. Two of these were received in the third quarter.

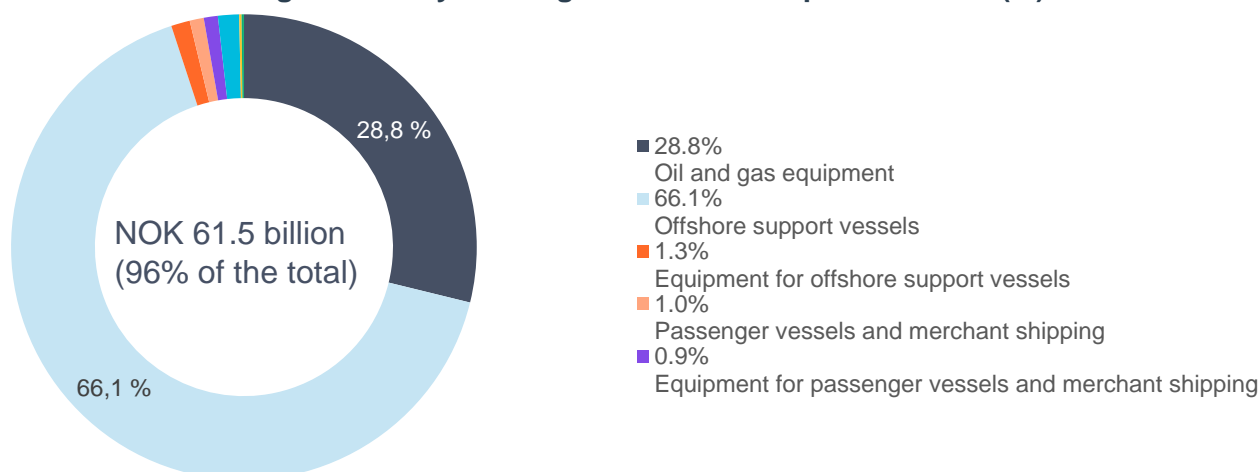
• Fisheries and aquaculture

Export Credit Norway has observed relatively strong activity levels in the fisheries and aquaculture segments, driven particularly by demand for fishing boats and wellboats. Going forward, the company expects to see more Norwegian suppliers achieve growth in this segment. The new ship financing solution is expected to generate additional enquiries as awareness of the solution increases further among stakeholders in the fisheries, aquaculture and well-boat segments.

• Oil and gas equipment

Despite a seasonal decline, Export Credit Norway has registered improved activity levels concerning equipment deliveries for the oil and gas production. International interest in upstream activity in the oil and gas industry is boosting demand for Norwegian deliveries linked to subsea sector. Increasing installations, as well as for modules and equipment for use in different platform and floating solutions.

Ocean industries lending balance by sub-segment as at 30 September 2018 (%)



* Source: Norwegian shipyards/nssm.no

Developments, activities and the portfolio

Industry and renewable energy

Applications

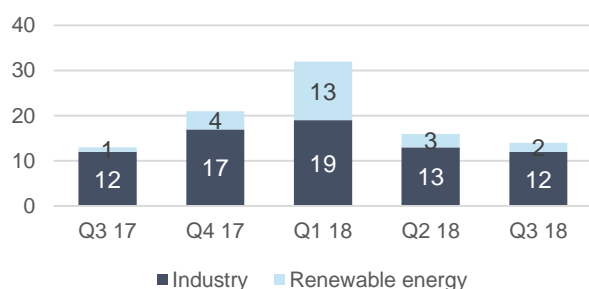
In the third quarter, Export Credit Norway received 14 applications linked to industry and renewable energy, representing a total application volume of NOK 3.8 billion. This figure is on a par with the total for Q3 2017. The subject matter of the received applications varies greatly in terms of industry sectors and geography.

Portfolio

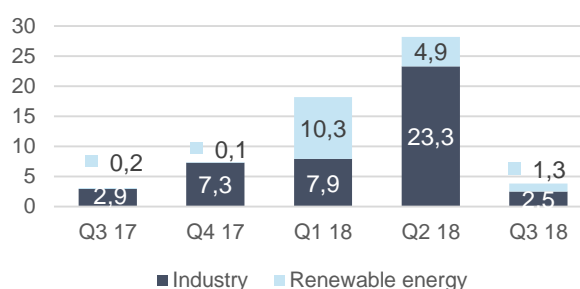
In volume terms, the industry and renewable energy segment accounted for 4% of Export Credit Norway's total lending portfolio at quarter-end. The portfolio is complex and diverse, and unlike the rest of the lending portfolio is dominated by small and medium-sized loans. The diagram at the bottom right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

In the third quarter of 2018, the company disbursed NOK 238 million in loans related to industry and renewable energy projects.

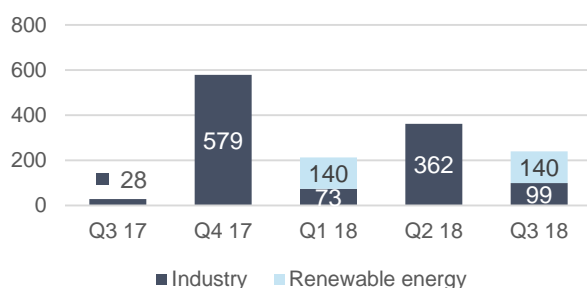
Number of applications by quarter



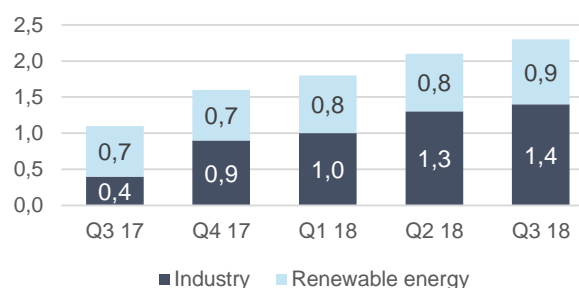
Application volume by quarter (NOK billion)



Disbursements by quarter (NOK million)



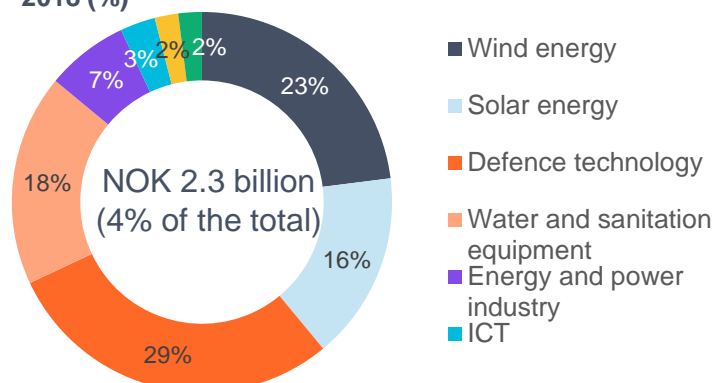
Lending balance by quarter (NOK billion)



Market developments

Mainland industry segments have generally maintained export growth, driven not least by an ongoing low krone exchange rate. This trend is expected to continue, albeit with some variation among the many industry segments.

Lending balance by sub-segment as at 30 September 2018 (%)



Small and medium-sized enterprises (SMEs)

49% 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, most of the exporters who ask Export Credit Norway for sales support in export-focused customer initiatives, or who request general advice on the financing of export activities, are SMEs.

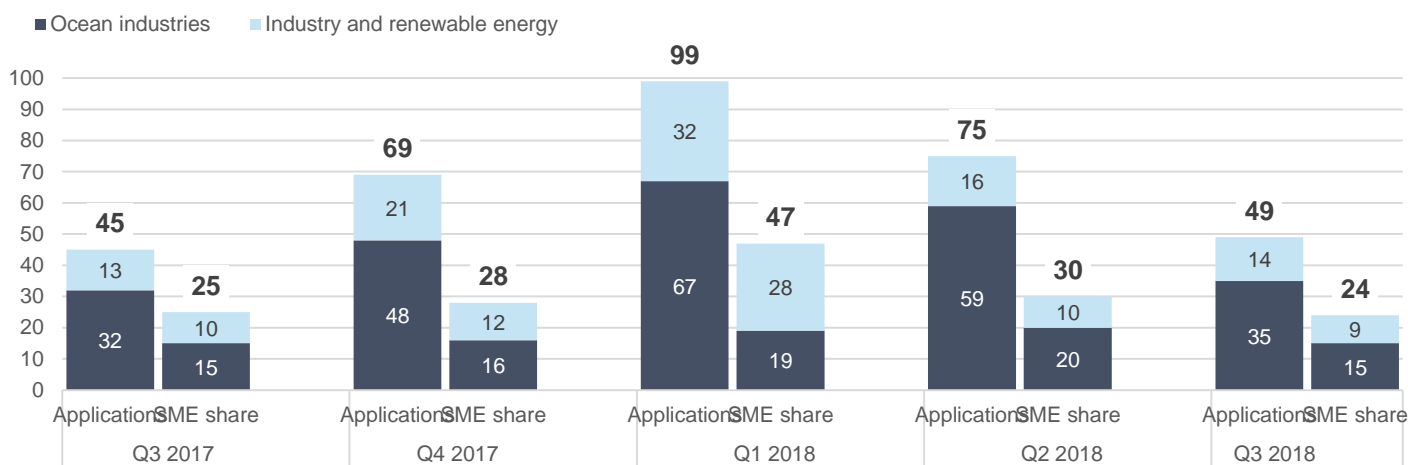
Applications

In the third quarter of 2018, some 49% of the 49 financing applications received by the company came from SME exporters. In total, SMEs accounted for 24.5% of the third-quarter application volume.

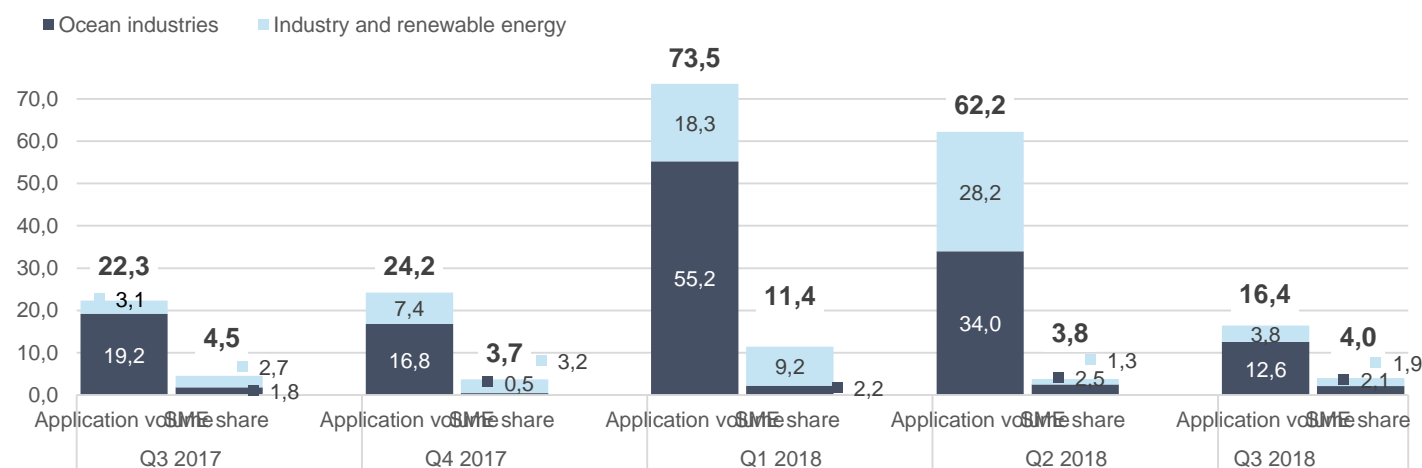
Portfolio

The customer segments in the SME category are fragmented, and developmental trends are less clear. Long-term contractual financing entails long-term financing for the export customer (the purchaser), and only end customers can qualify for long-term financing. In many cases, SMEs account for a large proportion of the sub-deliveries made in a larger project financed by Export Credit Norway, and therefore benefit from the long-term export financing arrangement in their capacity as sub-contractors. To reduce transactional complexity for SMEs, Export Credit Norway and GIEK have made considerable investments in simplification and ongoing procedural improvement processes in recent years. 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. SMEs accounted for 2.5% of the total lending portfolio as at 30 September 2018.

SMB share (number) of applications by quarter



SMB share of application volume by quarter (NOK billion)

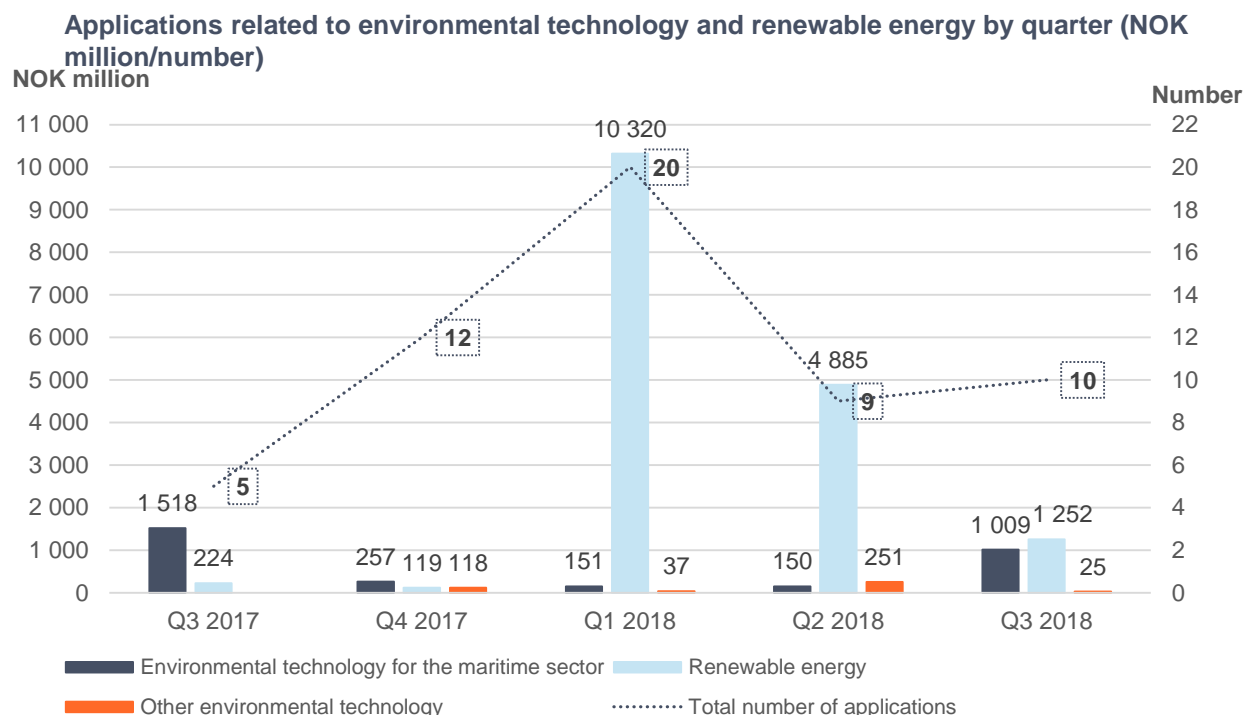


Environmental technology

Strong inflow of environmental technology applications

Applications

In the third quarter, Export Credit Norway received 10 financing applications linked to environmental technology and renewable energy. These totalled NOK 2,3 billion and accounted for 13.9% of the total third-quarter application volume. In terms of both application numbers and value, application growth has been higher thus far in 2018 than in 2017. Growth has been mainly driven by applications related to hydropower and solar energy, as well as equipment for scrubbing exhaust emissions on large passenger and merchant shipping vessels.



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

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

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 some 80% of the company's lending balance as at the end of Q3 2018.

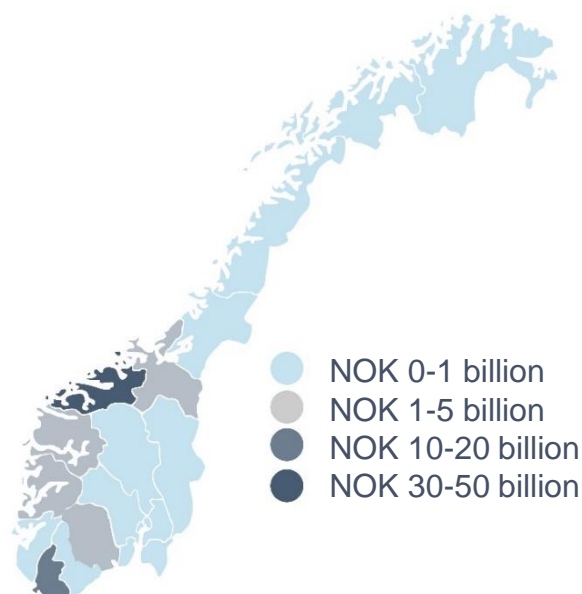
To the world

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

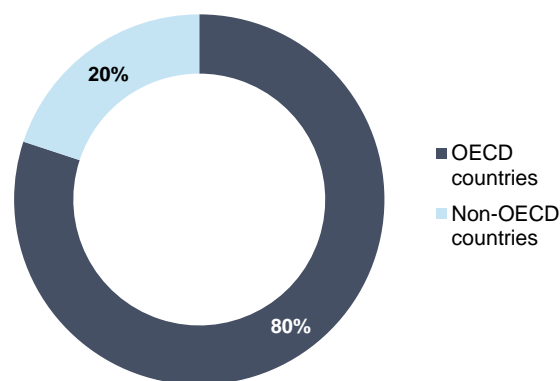
As at 30 September 2018, 80% of the lending balance related to exports to OECD countries, and the remaining 20% to exports to non-OECD countries. This distribution has been relatively stable in recent quarters.

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

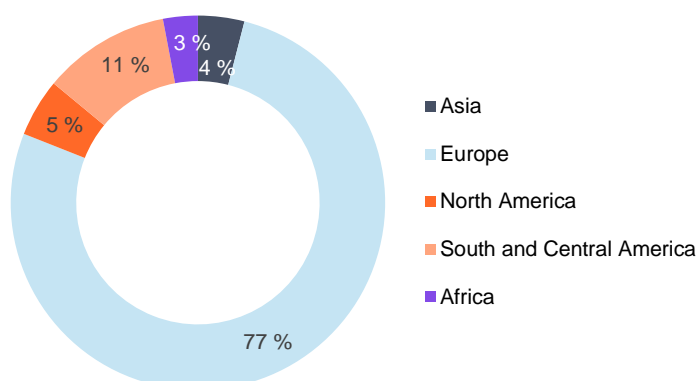
Exports financed by Export Credit Norway by county (NOK)



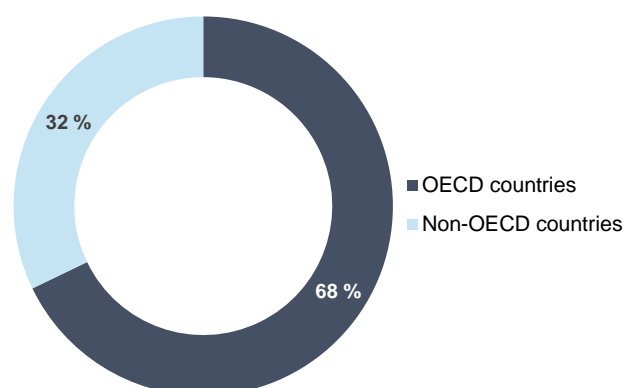
Distribution of project countries in the lending balance as at 30 September 2018 (%)



Exports by region, project countries as at 30 September 2018 (%)



Distribution of SME project countries in the lending balance as at 30 September 2018 (%)



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

** More than 60% of the lending balance as at 30 September 2018.

KEY PORTFOLIO FIGURES

	Q3 2018	Q3 2017	YTD 2018	2017	2016
Lending balance* (NOK million)	63,727	69,212	63,727	69,359	76,505
CIRR	39,554	42,977	39,554	43,503	46,749
Market loans	24,173	26,235	24,173	25,856	29,756
Disbursements (new loans, NOK million)	263	97	2,406	3,418	10,076
CIRR	106	28	831	2,677	6,138
Market loans	157	69	1,575	741	3,938
Probability-adjusted order book (NOK million)	18,115	14,775	18,115	16,674	17,198
Ocean industries	17,776	12,906	17,776	15,330	15,126
Industry and renewable energy	339	1,869	339	1,334	2,072
Gross interest income (NOK million)	396	396	1,235	1,744	1,711
Instalments (NOK million)	4,520	1,380	7,305	7,174	8,922
Early loan redemptions (NOK million)	3,453	127	3,514	1,174	1,981
Administrative costs	0.04%	0.04%	0.12%	0.15%	0.14%
Applications					
<i>Number (total and by segment)</i>	49	45	223	241	278
Oil and gas equipment	7	10	46	42	80
Offshore support vessels	3	2	18	27	22
Passenger vessels and merchant shipping	17	8	55	47	40
Fisheries and aquaculture	8	12	42	50	36
Industry and renewable energy	14	13	62	75	100
<i>Volume (total and by segment, NOK million)</i>	16,400	22,284	151,962	124,418	209,143
Oil and gas equipment	3,099	8,423	59,124	67,780	159,951
Offshore support vessels	2,588	710	7,316	8,103	4,529
Passenger vessels and merchant shipping	4,691	7,732	26,856	18,204	25,098
Fisheries and aquaculture	2,229	2,307	8,467	10,445	4,740
Industry and renewable energy	3,793	3,112	50,199	19,886	14,825
New contracts (NOK billion)**	0.37	2.3	2.6	9.8	11.3
Guarantors (% of portfolio)					
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, subject to 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 application figures for 2018 include applications related to the new ship financing solution.

EKSPORTKREDITT

Eksportkreditt.no

kontakt@eksportkreditt.no

Tel: (+47) 22 31 35 00

Hieronymus Heyerdahls gate 1

P.O. Box 1315 Vika, 0112 Oslo, Norway

Follow us:

