

**EKSPORTKREDITT**  
Export Credit Norway

Report Q2 2019  
**Export Credit Norway**



**Q2 2019****Increase in number of signed loan agreements and disbursements**

In the second quarter of the year, Export Credit Norway received 56 financing applications representing a total application volume of NOK 64.4 billion. Some 39% of the applications received during the quarter came from small and medium-sized enterprises (SMEs)\*. While the number of applications was lower than in Q2 2018, the application volume was higher. Applications linked to major standalone projects in the energy and industry segment accounted for a large proportion of the total quarterly application volume.

In Q2 2019, the company disbursed NOK 3.1 billion in new loans, the highest quarterly disbursement volume since 2015. Disbursements linked to cruise ships dominated the quarter, and the company expects additional shipping-related disbursements in the second half of the year. The company has disbursed loans totalling NOK 4.3 billion thus far in 2019. The company's probability-adjusted order book totalled NOK 17.4 billion at quarter-end – 4% higher than at the end of Q2 2018.

During the quarter, Export Credit Norway signed new loan agreements valued at NOK 5.7 billion. This represents a significant increase on the same period last year (NOK 1.4 billion).

**New conditions demand new tools**

Norway is home to world-class exporters, but is losing market share. Compared to the other OECD member states, it has experienced the greatest loss of market share (in volume terms) across all industry sectors over the past 20 years. Combined with Norway's narrow industrial structure, this makes future business growth challenging.

The Government is carrying out a comprehensive review of its policy instruments, with the objective of creating an improved and integrated set of instruments for providing optimal support to businesses during necessary future restructuring. We consider this particularly important for SMEs which face substantial challenges with regard to commercialisation, scaling and internationalisation.

**Simultaneous optimism and uncertainty**

As in the first quarter, growth estimates and forecasts for the Norwegian economy are characterised by optimism. At the same time, the geopolitical situation and ongoing trade conflicts represent substantial uncertainty factors for Norwegian exporters. At the segment level, the company has noted large differences between companies. Some companies are profitable, while other important supplying businesses face considerable profitability challenges. This applies among others to maritime suppliers.

**Marketing activity**

This year's Export Conference was held in April, with the Export Award 2019 being presented to Asker-based Cambi AS. During the second quarter, the company also participated in and contributed to conferences, trade fairs, forums and debates, both in Norway and abroad. In June, Export Credit Norway organised several activities connected to the Nor-Shipping fair in collaboration with Innovation Norway, GIEK and GIEK Kredittforsikring.

210 Administered loans

42 Different jurisdictions in which Export Credit Norway has project and contractual experience



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

## Q2 2019

## Applications, portfolio and probability-adjusted order book

## Applications

Export Credit Norway received 56 financing applications in Q2 2019, representing a total application volume of NOK 64.4 billion. This represents a decrease in the number of applications but an increase in volume compared to Q2 2018. Thus far in 2019, the company has received 117 applications valued at NOK 88.2 billion.

The inflow of new applications received in Q2 2019 was spread across all market segments. The energy and industry segment experienced an increase in volume compared to the same period last year, and accounted for almost 90% of the total quarterly application volume. The fisheries and aquaculture segment received approximately the same number of application as in the same period last year, while the shipping segment recorded a decline in both application numbers and volume.

Total number of applications	Q2 2019	Q2 2018	YTD 2019	YTD 2018	2018
Loan applications received (number)	56	75	117	174	304
Value of loan applications (NOK billion)	64.4	62.2	88.2	135.6	175.6

## New loan agreements signed

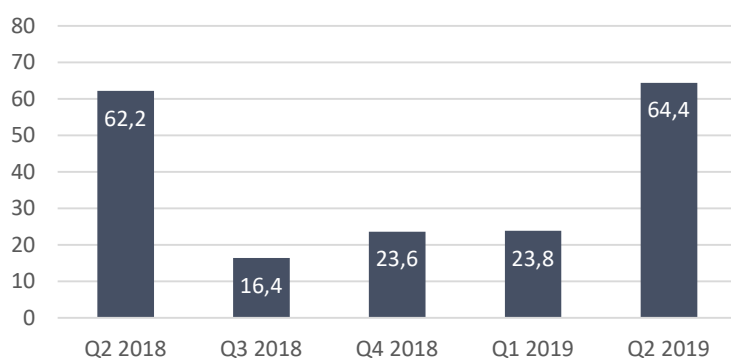
New loan agreements signed in the second quarter totalled NOK 5.7 billion. This represents an expected substantial increase compared to the corresponding quarter of 2018, when new loan agreements valued at NOK 1.4 billion were signed. Thus far in 2019, the company has signed new loan agreements totalling NOK 6.6 billion.

Signed agreements*	Q2 2019	Q2 2018	YTD 2019	YTD 2018	2018
Value (NOK billion)	5.7	1.4	6.6	2.5	4.9

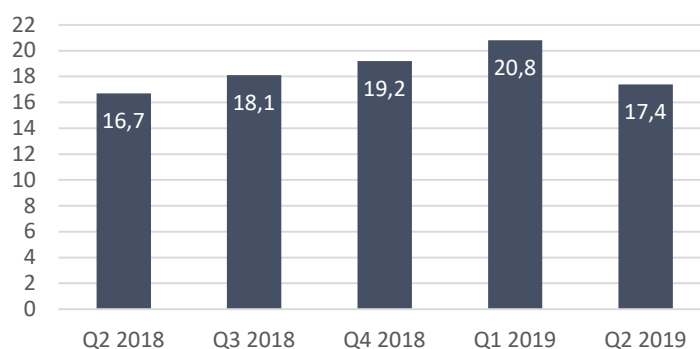
## Probability-adjusted order book

Export Credit Norway calculates a best estimate of future loan disbursements based on the loan applications it has received and associated signed export contracts. As at 30 June 2019, the company's probability-adjusted order book totalled NOK 17.4 billion, 4% or NOK 690 million higher than at the end of Q2 2018.

## 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 also include applications linked to the new ship financing solution.

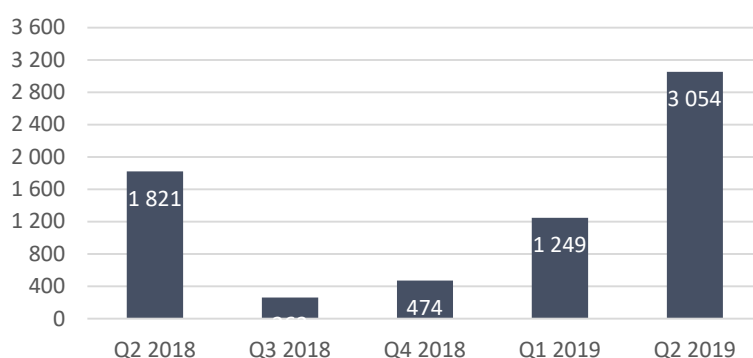
The industry and segment distribution of the company's lending portfolio was adjusted in Q2 2019. While figures for 2018 and 2019 reflect the new distribution, earlier reports will not be directly comparable with the 2018/2019 figures.

## Q2 2019

### New disbursements

Export Credit Norway disbursed NOK 3,054 million in the second quarter. This represents an increase in the disbursement volume compared to the same period last year, when a total of NOK 1,821 million was disbursed. The second-quarter disbursements primarily related to shipping, as Norwegian yards delivered completed cruise ships. The company expects further disbursements in the shipping segment in the second half of 2019. Thus far this year, Export Credit Norway has disbursed NOK 4.3 billion in loans.

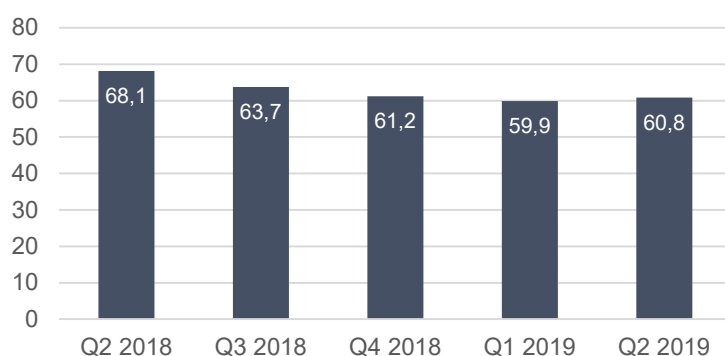
Disbursements over time (NOK million)



### Lending balance

The lending balance amounted to NOK 60.8 billion as at 30 June 2019, compared to NOK 68.1 billion at the end of the corresponding period of last year. The decline in the company's lending balance is primarily due to large early loan redemptions in several individual projects in the second half of 2018. The early loan redemptions are primarily linked to restructurings under which loan guarantors have taken over loan liability. As at quarter-end, 25.5% of the company's lending balance related to energy and industry, 70.8% to shipping and 3.7% to fisheries and aquaculture projects.

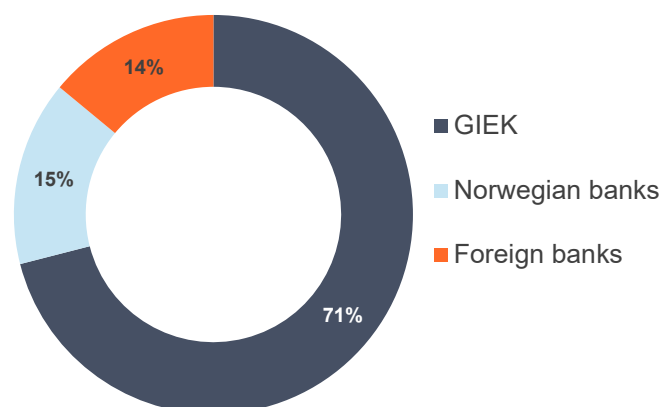
Lending balance by quarter (NOK billion)



### Guarantors

As at 30 June 2019, 71% of Export Credit Norway's lending portfolio was guaranteed by GIEK. The remainder of the portfolio was guaranteed by Norwegian banks (15%) and foreign banks (14%). In other words, approximately NOK 17.5 billion is guaranteed by banks.

Guarantors as at 30 June 2019 (%)



## Developments, activities and the portfolio

### Energy and industry

The energy and industry portfolio comprises renewable energy projects, energy-related oil and gas equipment deliveries, and projects in sub-segments including infrastructure, ICT, biotechnology, water and sanitation equipment, defence technology and environmental technology.

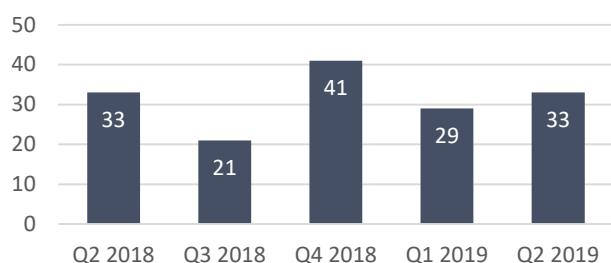
#### Applications

In the second quarter, Export Credit Norway received 33 applications – representing a combined application volume of NOK 57.5 billion – concerning financing for energy and industry projects. The application inflow is on a par with Q2 2018, but the volume is higher. The high application volume is mainly due to three very large individual transactions.

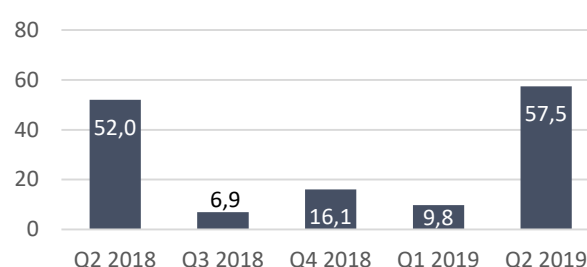
#### Portfolio

The energy and industry category accounted for 25% of Export Credit Norway’s lending portfolio at quarter-end. The diagram at the bottom of the page provides a further breakdown of the portfolio by sub-segment. Oil and gas equipment – primarily rig financing – accounted for 85% of the segment lending balance. The quarterly disbursement volume totalled NOK 49 million, representing a considerable drop compared to the same period last year.

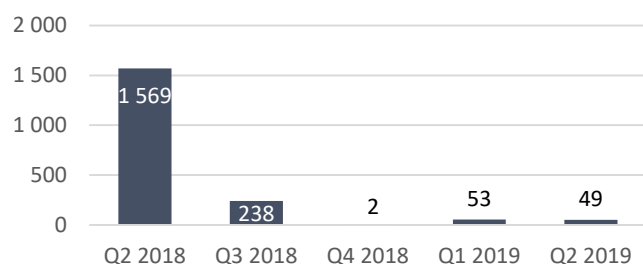
Application numbers by quarter



Application volume by quarter (NOK billion)



Disbursements by quarter (NOK million)



Lending balance by quarter (NOK billion)

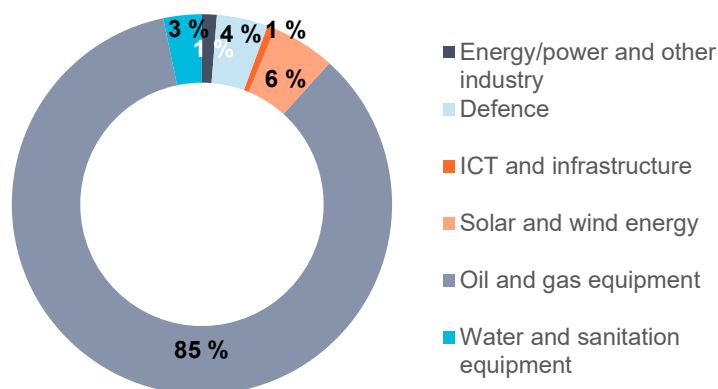


#### Market developments

Energy forecasts show an ongoing rise in oil and gas consumption over the next 10 years, and investment in the sector in recent years has proven insufficient in terms of securing adequate oil and gas reserves to meet future demand.\*\* Forecasts also show a need for considerable investment in renewable energy.

Large field developments and FPSO projects are fuelling high demand for ECA financing. The same trend is apparent in the offshore wind sector. Export Credit Norway has noted high activity levels in this area, but also that such projects have extremely long lead times.

Lending balance by sub-segment as at 30 June 2019 (%)



\* Source: International Energy Agency - World Energy Outlook 2018 / [iea.org/weo](http://iea.org/weo)

## Developments, activities and the portfolio

### Shipping

Export Credit Norway's shipping portfolio comprises loans relating to all types of ships other than vessels used for fisheries and aquaculture purposes. In practice, the largest sub-segments are miscellaneous offshore support vessels, smaller cruise ships, passenger vessels and merchant shipping.

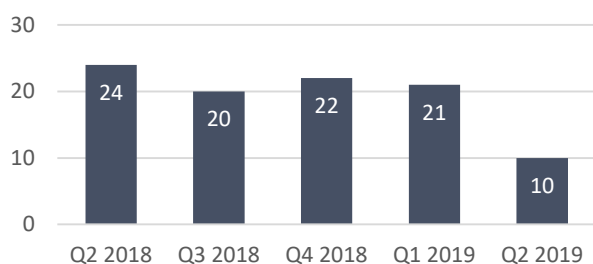
#### Applications

In the second quarter, Export Credit Norway received 10 applications linked to shipping, representing a total application volume of NOK 3.8 billion. Compared to the same period last year, the quarterly application inflow has almost halved in numerical and volume terms.

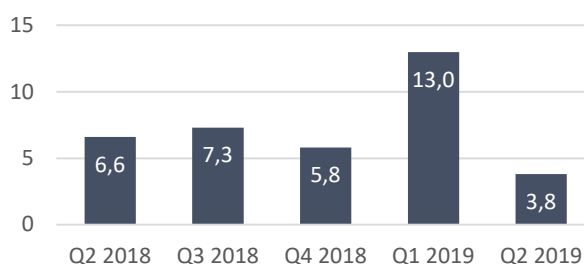
#### Portfolio

Shipping accounted for 71% of Export Credit Norway's total lending portfolio at quarter-end. The diagram at the bottom of the page provides a further breakdown of the portfolio by sub-segment. The shipping portfolio is more diverse than those of the company's other two segments. In the second quarter, Export Credit Norway disbursed NOK 2.8 billion in connection with shipping transactions, primarily related to cruise ships. The company expects to make further large cruise ship-related disbursements in the second half of 2019.

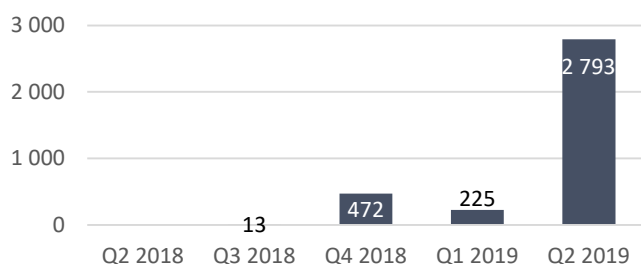
Application numbers by quarter



Application volume by quarter (NOK billion)



Disbursements by quarter (NOK million)



Lending balance by quarter (NOK billion)

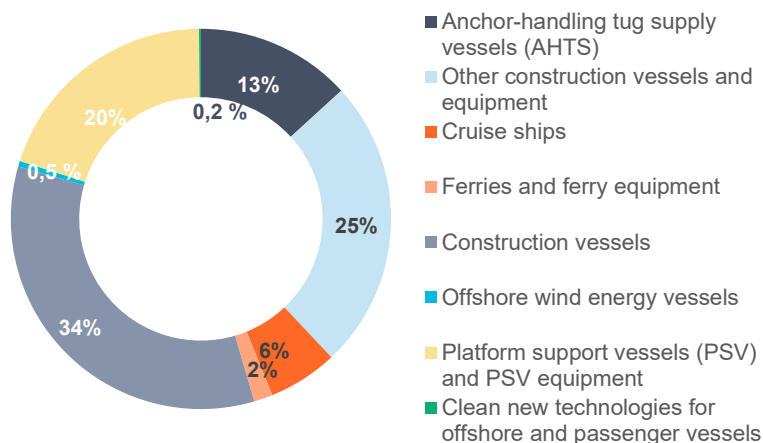


#### Market developments

The market outlook for the shipping segment is not clear-cut. Globally, new-build activity is very low, a situation confirmed by the reduced order inflow registered by Norwegian shipyards compared to preceding quarters.

Some shipping sub-segments are developing positively. For example, many new ferries have been ordered, and additional new-build transactions are expected going forward. Norwegian shipyards report tough competition from foreign yards.

Lending balance by sub-segment as at 30 June 2019 (%)



## Developments, activities and the portfolio

### Fisheries and aquaculture

The fisheries and aquaculture portfolio includes loans for fishing boats and equipment for the fisheries industry, as well as equipment and ships used in the aquaculture industry, such as offshore fish cages, wellboats and workboats.

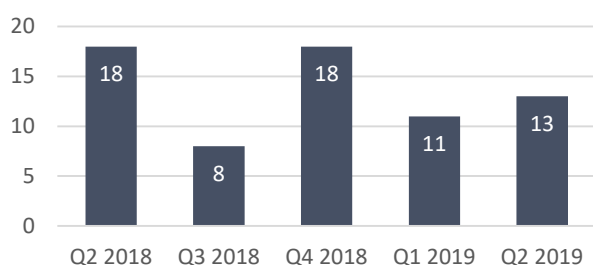
#### Applications

In the second quarter, Export Credit Norway received 13 applications related to fisheries and aquaculture, representing a total application volume of NOK 3.2 billion. The application inflow has remained relatively stable since the same period last year.

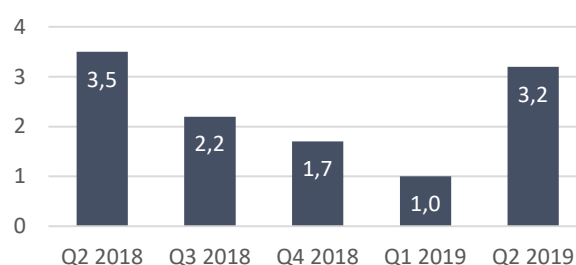
#### Portfolio

As at quarter-end, fisheries and aquaculture accounted for 3.6% of Export Credit Norway's lending portfolio. The diagram at the bottom of the page provides a further breakdown of the portfolio by sub-segment. Fishing boats and wellboats currently dominate, with 64% and 28% of the segment lending balance, respectively. A total of NOK 212 million was disbursed in the segment in the second quarter.

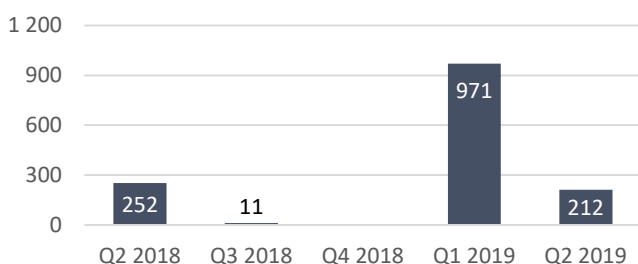
Application numbers by quarter



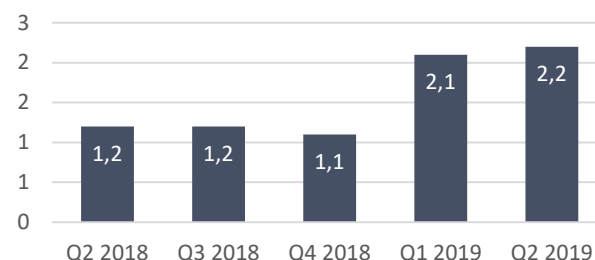
Application volume by quarter (NOK billion)



Disbursements by quarter (NOK million)



Lending balance by quarter (NOK billion)

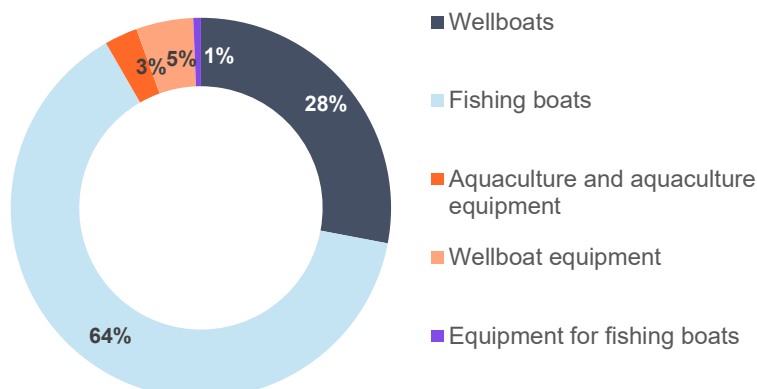


#### Market developments

The first half of 2019 saw an all-time high in the export value of Norwegian seafood. Export Credit Norway continues to observe strong growth in the aquaculture sub-segment, driven not least by investments, but also by international demand for Norwegian technology.

Export Credit Norway has observed a strong market for wellboats, and expects several contract signatures in the near future. Wellboats continue to generate strong earnings for shipping companies. However, fishing boats and wellboats also face strong competition from foreign shipyards.

Lending balance by sub-segment as at 30 June 2019 (%)



## Developments, activities and the portfolio

### The ship financing solution

#### Market developments

##### Order inflow of Norwegian shipyards

In total, Norwegian shipyards secured five contracts valued at NOK 1.4 billion in Q2 2019.\* In the first half of the year, 10 contracts valued at NOK 3.5 billion were signed, compared to 27 contracts with a value of NOK 12.4 billion in the first half of 2018. One reason for the reduction is that several shipyards have filled their order books in previous quarters and have an order reserve of one-and-a-half to two years' activity. In addition, many yards have completed tough restructurings in the past three to four years, again impacting the order inflow.

##### The domestic ship financing solution

The financing solution for domestic shipping is fully operational. It allows Export Credit Norway to finance vessels built by Norwegian shipyards for Norwegian shipping companies, even though the vessel is not destined for use in foreign trade or have earnings from offshore business. In the second quarter of 2019, the company received five applications under the ship financing solution. As at quarter-end, a total of 33 applications valued at NOK 8.9 billion had been received. These encompass a range of different vessel types, but primarily wellboats, ferries and fishing boats.

The new ship financing solution will be evaluated by the Ministry of Trade, Industry and Fisheries in the second half of 2019, having been approved for an initial three-year period in December 2017.

Applications	Q2 2019	Q2 2018	YTD 2019	YTD 2018	2018	2017
<i>Number</i>	5	8	6	16	22	5
<i>Volume (NOK million)</i>	1,280,000	1,405,067	1,644,000	5,699,087	6,560,174	747,560

\* Source: Norske Skipsverft / nssm.no

\*\* Source: International Energy Agency - World Energy Outlook 2018 / iea.org/weo



## Small and medium-sized enterprises (SMEs)

### 39% 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 most of the requests received by Export Credit Norway for sales support, general and specific advice on financing of export activities, including advice and guidance on CSR and anti-corruption measures.

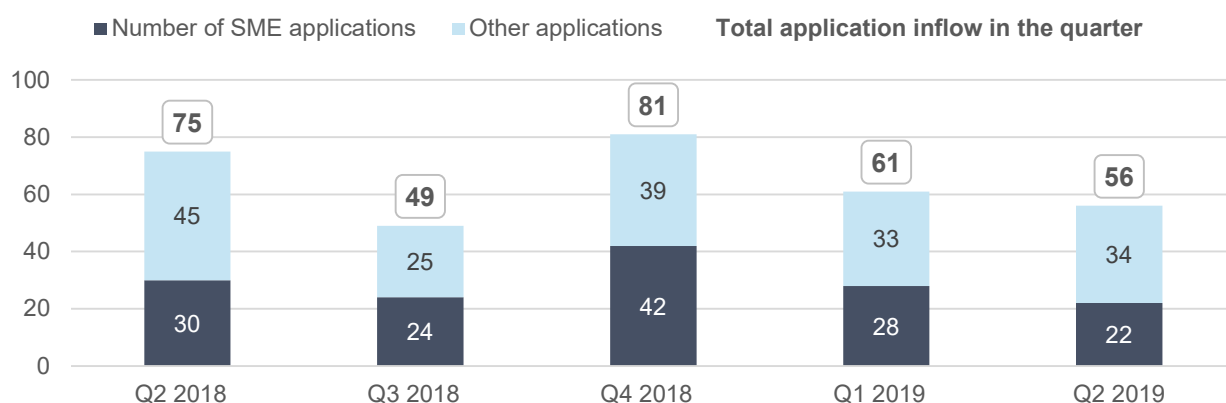
#### Applications

In the second quarter of 2019, some 39% of the 56 financing applications received by the company came from SME exporters. In total, SMEs accounted for 3.1% of the second-quarter application volume. Both the proportion of SME applications and the application volume were lower than in Q2 2018. The percentage difference compared to the total application inflow shows that SME applications have a significantly lower volume on average.

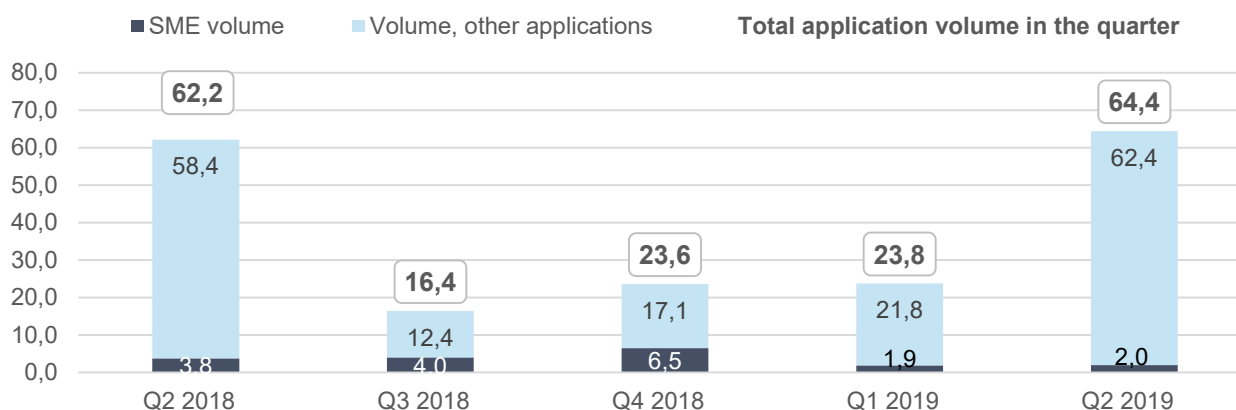
#### Portfolio

In volume terms, SME exporters accounted for 2.5% of the total lending portfolio as at 30 June 2019. 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: undertakings with fewer than 250 employees and less than EUR 50 million in turnover.

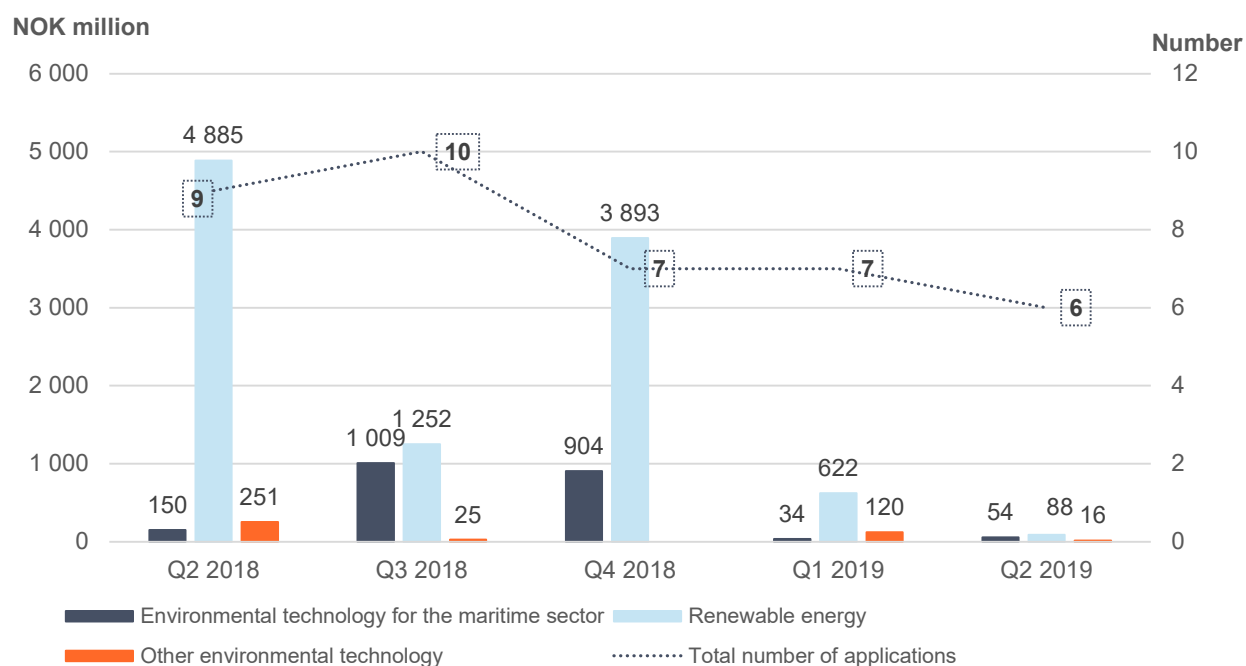
## Environmental technology

### Inflow of environmental technology applications

I andre kvartal 2019 mottok Eksportkreditt Norge 6 søknader om finansiering relatert til miljøteknologi og fornybar energi. I volum utgjør disse søknadene 0,2 % av kvartalets totale søknadsvolum.

Søknadsinngangen innen miljøteknologi er lavere i andre kvartal 2019, både i antall og volum, sammenliknet med samme periode i fjor.

Applications related to environmental technology and renewable energy by quarter (NOK million/number)



#### 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 81% of the company's lending balance as at the end of Q2 2019.

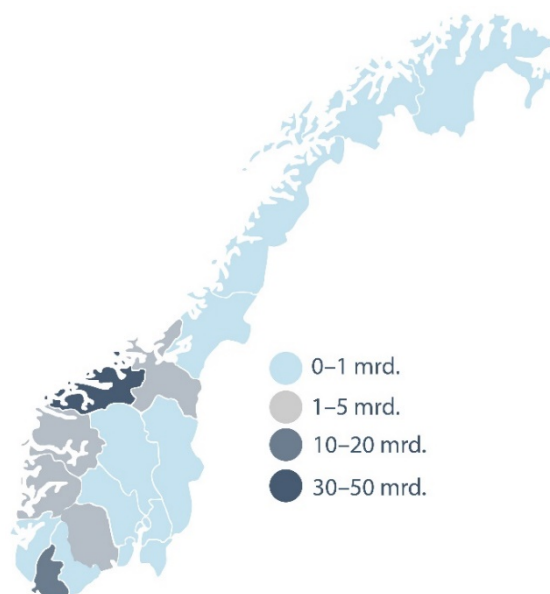
#### To the world

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

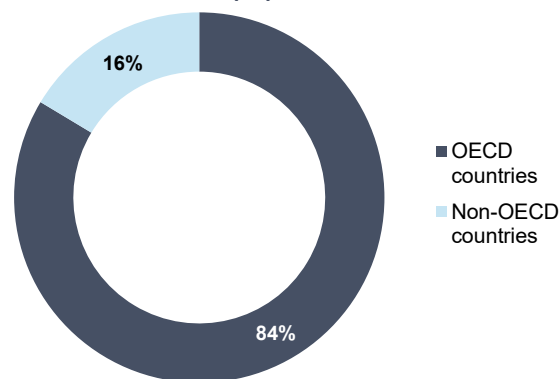
As at 30 June 2019, 84% of the lending balance related to exports to OECD countries, and the remaining 16% to exports to non-OECD countries. This distribution has been relatively stable in recent quarters.

In the SME part of the portfolio, the proportion of non-OECD export destinations is higher, with a higher proportion of disbursements to non-OECD countries. This development has resulted in Export Credit Norway giving extensive advice and guidance to SMEs on topics including CSR and measures to combat corruption and money laundering.

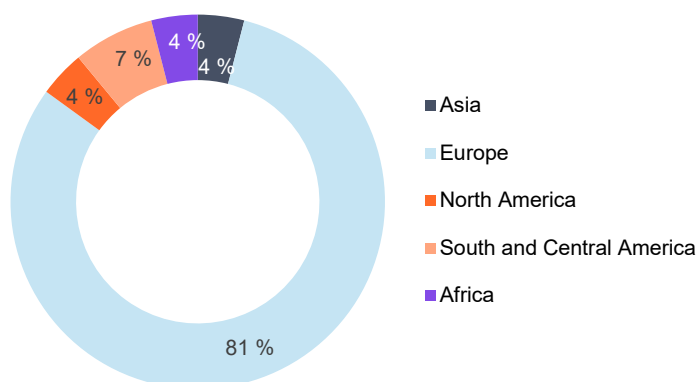
Exports financed by Export Credit Norway by county (NOK)



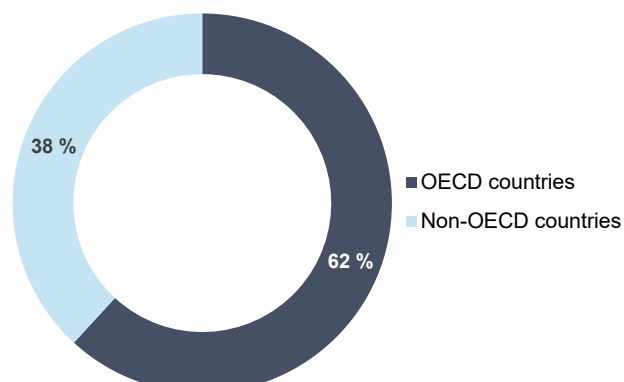
Distribution of project countries in the lending balance as at 30 June 2019 (%)



Exports by region, project countries as at 30 June 2019 (%)



Distribution of SME project countries in the lending balance as at 30 June 2019 (%)



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

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

## Key portfolio figures

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	2018
<b>Lending balance* (NOK million)</b>	<b>60,805</b>	<b>68,065</b>	<b>60,805</b>	<b>68,065</b>	<b>61,220</b>
CIRR	39,199	42,035	39,199	42,035	39,507
Market loans	21,606	26,030	21,606	26,030	21,713
<b>Disbursements (new loans, NOK million)</b>	<b>3,054</b>	<b>1,821</b>	<b>4,303</b>	<b>2,143</b>	<b>2,880</b>
CIRR	1,067	588	2,283	725	1,268
Market loans	1,986	1,233	2,020	1,418	1,612
<b>Probability-adjusted order book (NOK million)</b>	<b>17,430</b>	<b>16,740</b>	<b>17,430</b>	<b>16,740</b>	<b>19,213</b>
Energy and industry	2,672	2,814	2,672	2,814	2,052
Shipping	11,766	12,010	11,766	12,010	14,476
Fisheries and aquaculture	2,992	1,916	2,992	1,916	2,685
<b>Gross interest income (NOK million)</b>	<b>449</b>	<b>471</b>	<b>774</b>	<b>839</b>	<b>1,727</b>
Instalments (NOK million)	1,639	1,549	3,424	2,785	11,687
Early loan redemptions (NOK million)	41	55	632	68	7,538
Administrative costs*	0.04%	0.03%	0.08%	0.07%	0.18%
<b>Applications</b>					
<b>Number (total and by segment)</b>	<b>56</b>	<b>75</b>	<b>117</b>	<b>174</b>	<b>304</b>
Energy and industry	33	33	62	87	149
Shipping	10	24	31	53	95
Fisheries and aquaculture	13	18	24	34	60
<b>Volume (total and by segment, NOK million)</b>	<b>64,408</b>	<b>62,154</b>	<b>88,198</b>	<b>135,562</b>	<b>175,571</b>
Energy and industry	57,470	52,037	67,291	102,431	125,395
Shipping	3,751	6,646	16,750	26,893	40,018
Fisheries and aquaculture	3,187	3,471	4,157	6,238	10,158
<b>SME share (number) of applications by sector</b>	<b>22</b>	<b>30</b>	<b>50</b>	<b>77</b>	<b>143</b>
Energy and industry	15	14	30	48	89
Shipping	3	9	9	16	28
Fisheries and aquaculture	4	7	11	13	26
<b>SME share of application volume by quarter (NOK million)</b>	<b>1,965</b>	<b>3,800</b>	<b>3,909</b>	<b>15,211</b>	<b>25,651</b>
Energy and industry	1,062	2,950	2,383	13,339	20,829
Shipping	151	331	470	570	1,916
Fisheries and aquaculture	753	518	1,056	1,302	2,906
<b>New contracts (NOK billion)</b>	<b>5.7</b>	<b>1.4</b>	<b>6.6</b>	<b>2.5</b>	<b>4.9</b>
<b>Guarantors (% of portfolio)</b>					
GIEK	71%	74%	71%	74%	72%
Norwegian banks	15%	14%	15%	14%	14%
Foreign banks	14%	12%	14%	12%	14%

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 (based on actual exchange rates) and instalments (based on historical exchange rates).

The industry and segment distribution of the company's lending portfolio was adjusted in Q2 2019. While figures for 2018 and 2019 reflect the new distribution, earlier reports will not be directly comparable with the 2018/2019 figures.

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