

# EKSPORTKREDITT

Export Credit Norway

Report Q4 2019  
Export Credit Norway



## Robust increase in disbursements

In the fourth quarter, Export Credit Norway received 104 loan applications with a total value of NOK 43.7 billion. The number and value of applications was higher than the fourth quarter of 2018. Nine of the applications received in the quarter related to the domestic ship financing solution, and almost 58% of applications were submitted by small and medium-sized enterprises (SMEs)\*. In 2019, Export Credit Norway received a total of 282 applications with a value of NOK 128.2 billion.

In the fourth quarter, the company paid out new loans with a value of NOK 5.2 billion, which represents a robust increase compared with the corresponding period in 2018, when the company paid out NOK 474 million. In 2019, a total of 11.4 billion was paid out in new loans. At the end of the year, the probability-adjusted order book was NOK 12.9 billion. This was lower than the comparable period in 2018 due to large disbursements in 2019.

### Norway must create a green export shift

Norway depends on growth through exports and outward investments for its prosperity. The Norwegian economy is performing very well, but is losing international export shares. No other country has lost greater export volume shares in the last 20 years than Norway. Oil and gas currently generate almost 50% of Norwegian exports, and income from the oil and gas industry is expected to fall moving forward\*\*. The Norwegian economy will have to adjust to a clearly lower demand from the oil sector, and will have to plug its “export gap” by generating profitable growth in both traditional and new sectors.

While the majority of value creation in Norwegian industry is generated by sectors that can be characterised as green, a large proportion of Norwegian exports come from industries with high greenhouse gas emissions\*\*\*. If green businesses are to continue to grow and create new jobs, Norway will have to significantly sharpen its export focus. Therefore Norway must set itself a goal of doubling non-oil and gas exports by 2040 and link this export focus to clear sustainability and climate goals.

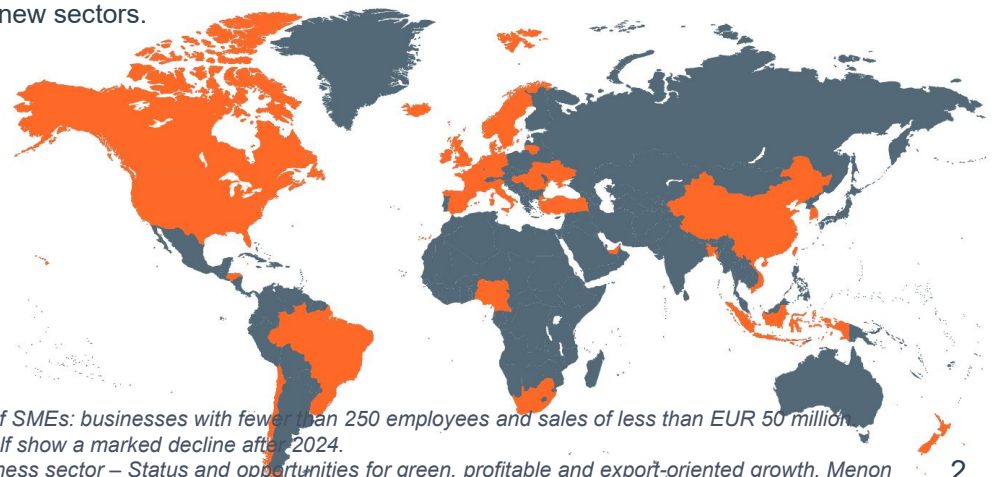
The shift requires a robust support system. The Norwegian government is currently carrying out a comprehensive review with the objective of making support mechanisms less complex and more user-friendly and efficient. The “export gap”, a high sector concentration and a need for climate adaptation in Norwegian industry is creating both challenges and opportunities. The review provides a unique opportunity to organise the support mechanisms to incorporate internationally competitive products that secure Norway green competitiveness, and facilitate scaling and internationalisation of Norwegian businesses.

### Marketing activities

In the reporting period, the company presented the outlook for Norway’s energy industries together with organisations such as Norwegian Energy Partners and the Ministry of Petroleum and Energy. The groundbreaking report “Climate change in the Norwegian business sector” was also presented at the 2019 Zero Emission Conference.

217 Administered loans

42 Different jurisdictions where the company has project and contract experience



\* Finance Credit Norway uses the EU’s definition of SMEs: businesses with fewer than 250 employees and sales of less than EUR 50 million.  
 \*\* Projections for production on the Norwegian shelf show a marked decline after 2024.  
 \*\*\* Report: Climate change in the Norwegian business sector – Status and opportunities for green, profitable and export-oriented growth. Menon Report no.95/2019. Green industry means industries with the lowest emissions per NOK of value created.

## Q4 2019

## Applications, portfolio and probability-adjusted order book

## Applications

Export Credit Norway received 104 loan applications in the fourth quarter of 2019, with a total application value of NOK 43.7 billion. This represents an increase in both the number and value of applications compared with the fourth quarter of 2018.

New applications were submitted across all three of the company's segments – energy and industry, shipping as well as fisheries and aquaculture – during the reporting period. The quarterly application inflows for energy and industry, and shipping were roughly on a par with the same period in 2018, while the application inflow in fisheries and aquaculture increased. Energy and industry, and shipping generated respectively 43% and 28% of total number of applications received, with the remaining 29% in the fisheries and aquaculture segment.

The company experienced a slight reduction in the total application inflow over the year as a whole. In 2019, the company received 282 applications, compared with 304 applications in 2018. The value of applications in 2019 came to NOK 128.2 billion, compared with NOK 175.6 billion the previous year. The change in value is attributable to the submission of individual applications with a particularly high value in 2018.

Total applications	Q4 2019	Q4 2018	2019	2018
Loan applications received (number)	104	81	282	304
Value of loan applications (BNOK)	43.7	23.6	128.2	175.6

## New loan agreements signed

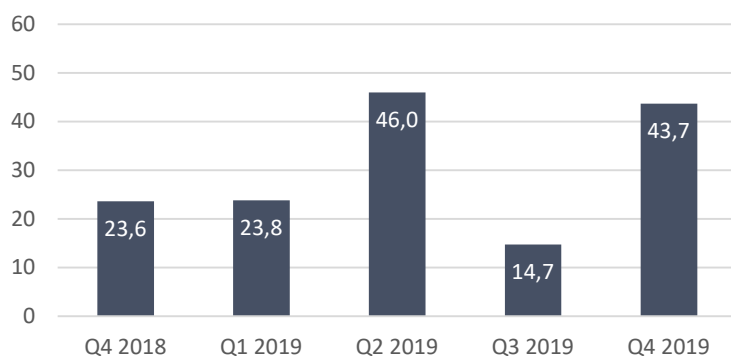
New loan agreements were signed with a value of NOK 1.5 billion in the fourth quarter. In the corresponding quarter in 2018, new loan agreements were signed with a value of NOK 2.2 billion. For the year as a whole, Export Credit Norway signed new loan agreements with a value of NOK 7.9 billion, compared with NOK 4.9 billion in 2018. Shipping and fisheries and aquaculture accounted for respectively 72% and 28% of the value of signed agreements in 2019.

Signed agreements*	Q4 2019	Q4 2018	2019	2018
Value (BNOK)	1.5	2.2	7.9	4.9

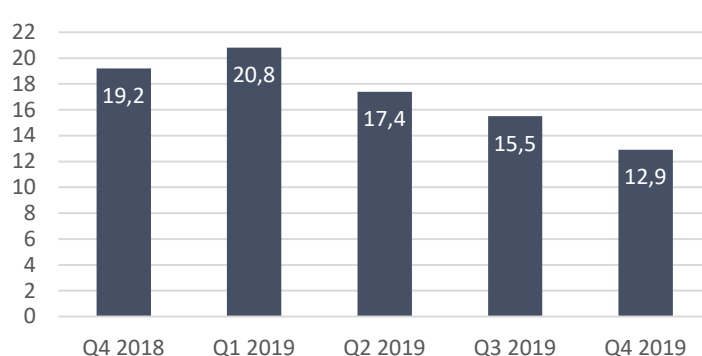
## Probability-adjusted order book

Export Credit Norway calculates a best estimate of future loan disbursements based on the loan applications it has received as well as associated signed export contracts and potential future disbursements from Export Credit Norway. As of 31 December 2019, Export Credit Norway's probability-adjusted order book was valued at NOK 12.9 billion. This represents a decrease of 32.8% or NOK 6.3 billion compared with the corresponding period in 2018. The reduction is primarily attributable to large disbursements in shipping and energy and industry during 2019.

## Application value by quarter (BNOK)



## Probability-adjusted order book (BNOK)



\* The value of signed agreements is translated into NOK at the closing rate on the last working day of the month.

- Totals in tables and graphics may differ due to rounding. This applies throughout the report.

- The portfolio figures also include applications linked to the new ship financing solution.

- The number and value of applications have been restated for each quarter in 2019 compared to previously reported figures. The changes are primarily attributable to a reclassification of applications between segments, the financing solution, foreign exchange adjustments and revaluations of contract amounts. This applies throughout the report.

## Q4 2019

### New disbursements

Export Credit Norway paid out NOK 5.2 billion in the fourth quarter. This is a marked increase in disbursement volume compared with the corresponding period in 2018 when a total of NOK 474 million was paid out. The disbursements primarily relate to the shipping and energy and industry segments, as Norwegian shipyards completed deliveries of cruise ships, as well as oil and gas equipment. Export Credit Norway expects to make more disbursements for shipping in the first half of 2020.

For the year as a whole, Export Credit Norway paid out loans with a total value of NOK 11.4 billion.

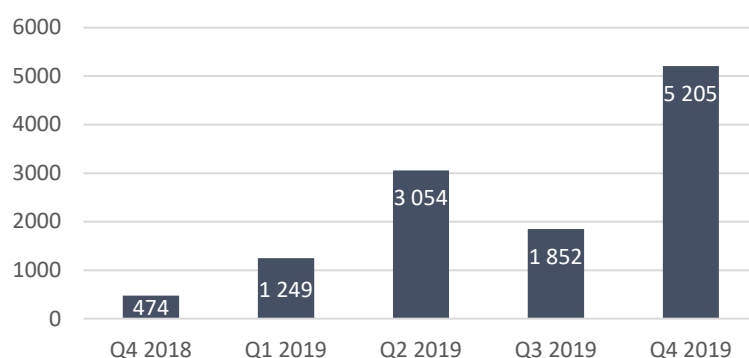
### Lending balance

The lending balance at the end of the fourth quarter of 2019 amounted to NOK 65 billion. The balance in the corresponding period in 2018 was NOK 61.2 billion. The increase in Export Credit Norway's lending balance is attributable to new disbursements. At the end of the fourth quarter, 70.6% of Export Credit Norway's lending balance related to shipping, 26.1% to energy and industry, and 3.3% to fisheries and aquaculture projects.

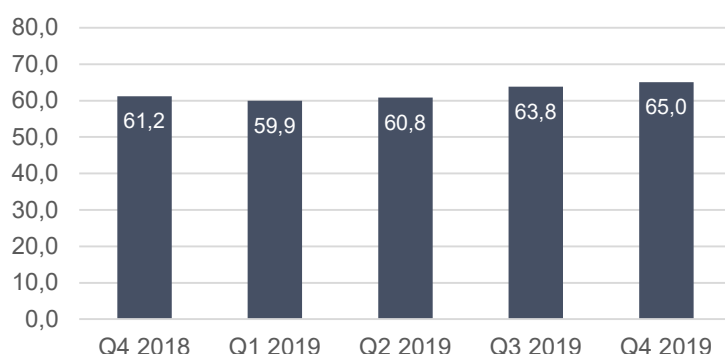
### Garantors

GIEK was guarantor for 72% of Export Credit Norway's lending portfolio as of 31 December 2019. The remainder of the portfolio was guaranteed by Norwegian banks (14%) and foreign banks (14%). This means that approximately NOK 18 billion was guaranteed by banks.

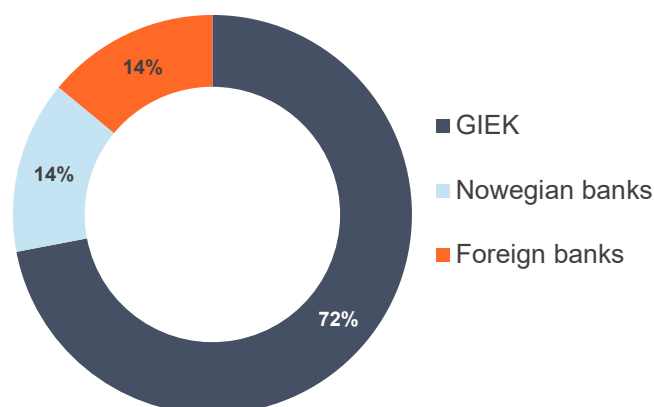
Disbursements (MNOK)



Lending balance by quarter (BNOK)



Guarantor distribution as at 31 December 2019 (%)



## Developments, activities and the portfolio

### Energy and industry

The energy and industry portfolio encompasses the financing of renewable energy projects and energy-related oil and gas equipment deliveries as well as projects in sub-segments including infrastructure, ICT, biotechnology, water and sanitation equipment, defence technology and environmental technology.

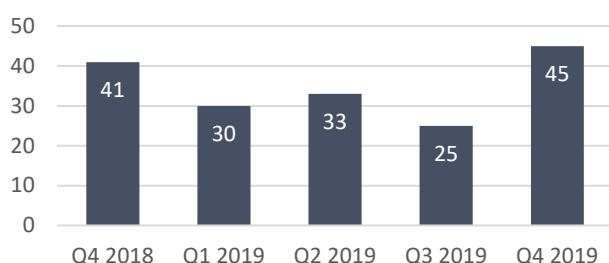
#### Applications

In the fourth quarter, Export Credit Norway received 45 applications relating to the financing of energy and industry projects worth a total of NOK 15.6 billion. Both the number and value of applications were roughly on a par with applications in the fourth quarter of 2018.

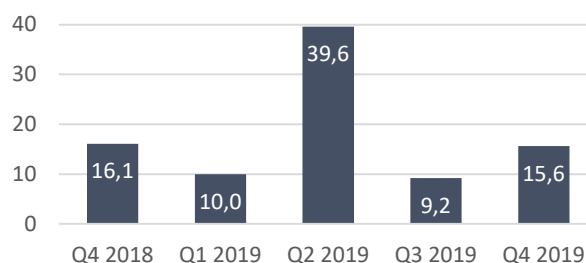
#### Portfolio

At the end of the fourth quarter, energy and industry accounted for 26.1% of Export Credit Norway's total lending portfolio. The diagram at the bottom of the page provides a further breakdown of the lending portfolio into sub-segments. Oil and gas equipment, primarily rig financing, accounts for 85% of the segment's lending balance. The disbursement volume in the quarter was NOK 1.8 billion, which represents a significant increase compared with the same period in 2018.

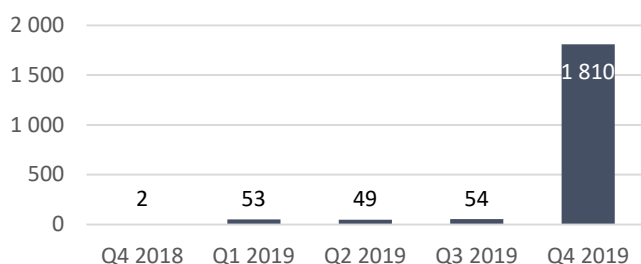
Number of applications by quarter



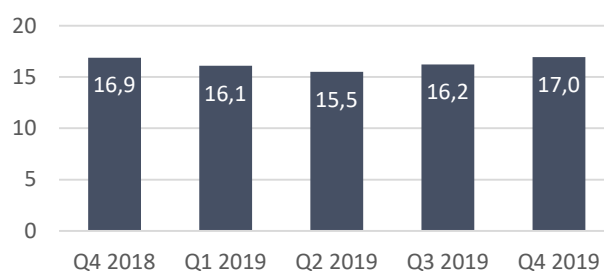
Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance per quarter (BNOK)



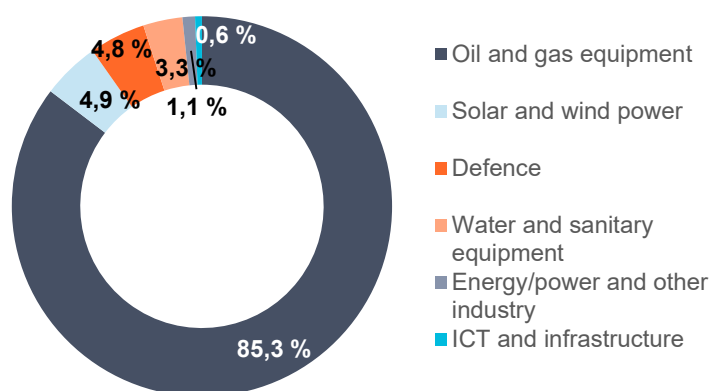
#### Market developments

Energy forecasts indicate that consumption of oil and gas will continue to increase over the next ten years and that investment in the sector in recent years has proven insufficient to secure adequate oil and gas reserves to meet future demand\*. The forecasts also show that significant investments are needed in renewable energy. This outlook remains unchanged from the previous quarter.

Major field developments and FPSO projects are fuelling high demand for ECA financing. The same trend is being observed in the offshore wind sector. Export Credit Norway is experiencing high activity levels in this area; however, the projects in question generally have extremely long lead times.

We are experiencing a relatively stable application inflow within other onshore industry. Based on current market assessments, Export Credit Norway expects growth moving forward, in particular in the defence industry.

Lending balance by sub-segment as at 31 December 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 covers the financing of all types of ships apart from vessels used for fisheries and aquaculture purposes. In practice, the largest segments are miscellaneous offshore support vessels, smaller cruise ships and passenger vessels and merchant shipping.

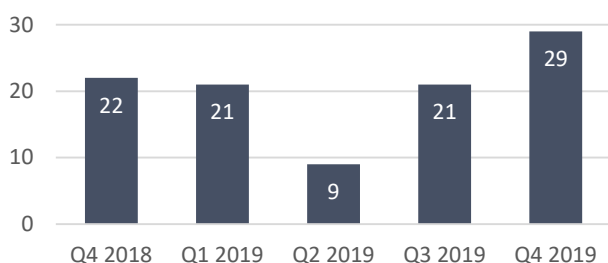
#### Applications

In the fourth quarter, Export Credit Norway received 29 loan applications relating to shipping worth a total of NOK 21 billion. This is roughly the same number compared with the same period in 2018, but the value is higher.

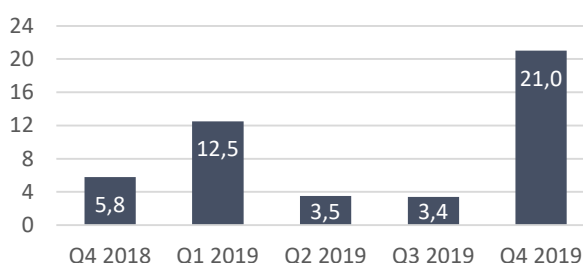
#### Portfolio

At the end of the fourth quarter, shipping accounted for 70.6% of Export Credit Norway's total lending portfolio. The diagram at the bottom of the page provides a further breakdown of the lending portfolio into sub-segments. The shipping portfolio is more diverse than those of the company's other two segments. In the fourth quarter, Export Credit Norway paid out NOK 2.7 billion in the shipping segment, where the disbursement volume was dominated by cruise ships. Export Credit Norway expects the disbursement volume for this segment to remain high in the first half of 2020.

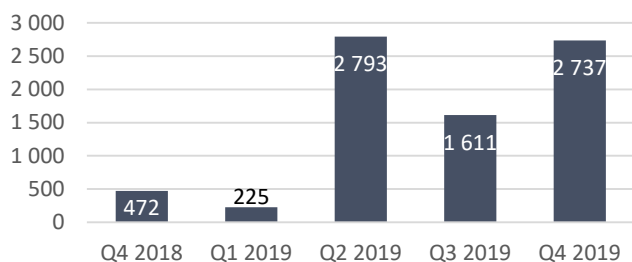
Number of applications by quarter



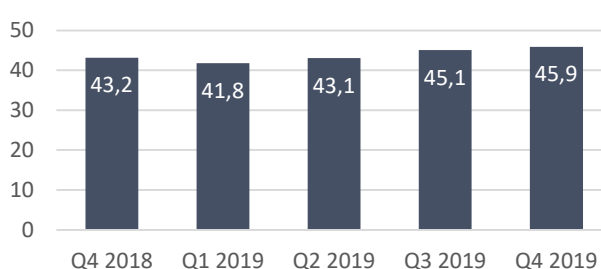
Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance by quarter (BNOK)

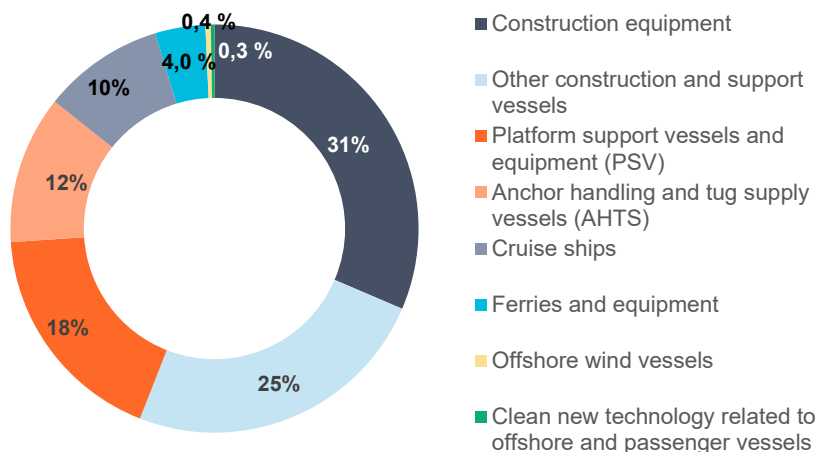


#### Market developments

The market outlook varies for each segment and is not clear-cut. Globally, shipping is characterised by extremely low new-build activities. This was also the case at Norwegian shipyards where the order book in 2019 was low compared to historical levels.

Despite this, some shipping segments, such as ferries, speedboats, fishing vessels and wellboats, are performing well. Competition from foreign shipyards in these segments is also tough. Good financing solutions for shipyards and shipping companies are often decisive elements in securing contracts for Norwegian shipyards.

Lending balance by sub-segment as of 31 December 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, including fish cages, wellboats and workboats.

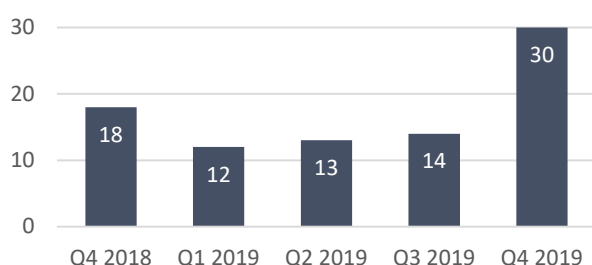
#### Applications

In the fourth quarter, Export Credit Norway received 30 applications relating to fisheries and aquaculture worth a total of NOK 7.2 billion. The application inflow was higher in both numerical and value terms compared with the same period in 2018.

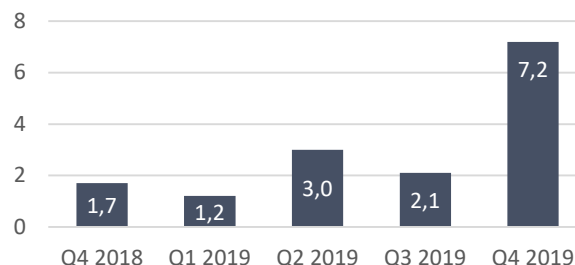
#### Portfolio

At the end of the fourth quarter, fisheries and aquaculture accounted for 3.3% of Export Credit Norway's total lending portfolio. The diagram at the bottom of the page provides a further breakdown of the lending portfolio into sub-segments. Fishing boats dominate the portfolio with 89% of the segment's lending balance. A total of NOK 658 million was paid out in the segment in the fourth quarter.

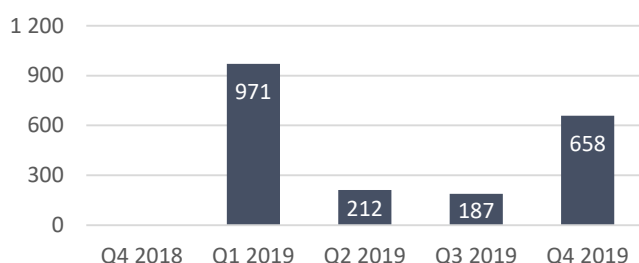
Number of applications by quarter



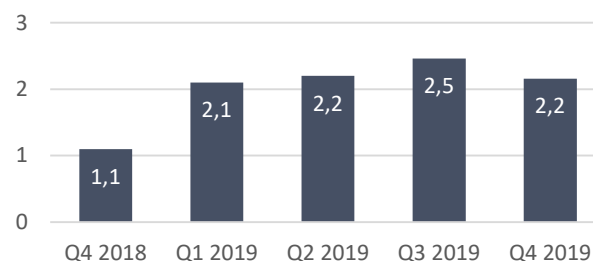
Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance by quarter (BNOK)

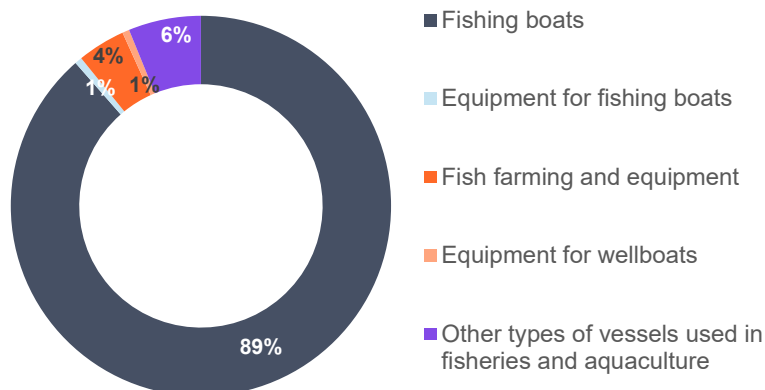


#### Market developments

Norwegian seafood exports exceeded NOK 100 billion in 2019. The high investment level in the industry is reflected in the application figures for 2019. Norwegian seafood technology and expertise is in high demand in the export market.

Export Credit Norway's projects primarily relate to exports of equipment for fish farming, fishing boats and wellboats for construction in Norway or export of equipment for these types of vessels for construction abroad.

Lending balance by sub-segment as at 31 December 2019 (%)



## Developments, activities and the portfolio

### The ship financing solution

#### Market developments

##### Order inflow Norwegian shipyards

In total, Norwegian shipyards secured eight contracts with a value of NOK 3.1 billion in the fourth quarter of 2019\*. In 2019, 27 contracts were signed with a value of NOK 8.2 billion. This compares to 48 contracts with a value of NOK 24.5 billion in 2018. Tendering activity in the shipyard sector was low in 2019. This is attributable to a combination of market conditions and the situation at individual shipyards.

##### The domestic ship financing solution

The financing solution for domestic shipping is fully operational. The solution allows Export Credit Norway to finance vessels built at Norwegian shipyards for Norwegian shipping companies, even when a vessel is not designed for foreign trade or generates revenue from offshore activities. This applies in particular to fishing boats, wellboats and ferries.

##### Applications

In the fourth quarter, Export Credit Norway received nine applications linked to the ship financing solution. At the end of the fourth quarter of 2019, a total of 50 applications had been received relating to the solution, with a total value of NOK 11.1 billion. Received applications relate to several different types of vessel, but predominantly ferries, wellboats and fishing boats.

The new ship financing solution was evaluated by the the Ministry of Trade, Industry and Fisheries in autumn 2019 and the result is expected to be published during 2020. The shipping finance solution was adopted for an initial three-year period in December 2017.

Applications	Q4 2019	Q4 2018	2019	2018	2017
<i>Number</i>	9	5	22	22	6
<i>Value (TNOK)</i>	921 800	789 087	3 329 800	6 613 374	922 560

##### Disbursements

At the end of 2019, Export Credit Norway had paid out two loans under the ship financing solution with a value corresponding to NOK 304 million. Export Credit Norway is currently processing 30 potential loans, and is experiencing a good application inflow given Norwegian shipyards' access to contracts.

\*Source: Norwegian Shipbuilders / nssm.no

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



## Small and medium-sized enterprises (SMEs)

### Small and medium-sized enterprises account for 58% of applications

More than 99% of all Norwegian businesses, and more than 90% of Norwegian export businesses, are small and medium-sized enterprises. 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 general and specific advice on export activities, including advice and guidance on CSR and anti-corruption measures.

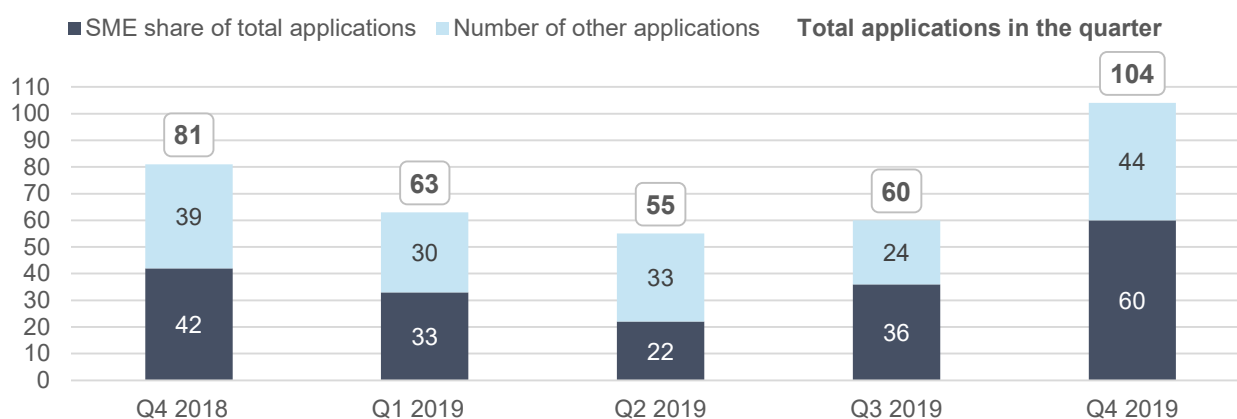
#### Applications

In the fourth quarter, Export Credit Norway received a total of 104 loan applications, of which in numerical terms 58% came from exporters classified as SMEs. SME applications accounted for 22% of the total application value in the fourth quarter. The proportion of SME applications was higher in numerical terms and similar in value terms to the fourth quarter of 2018. The percentage difference compared to the total application inflow shows that SME applications have a significantly lower value on average.

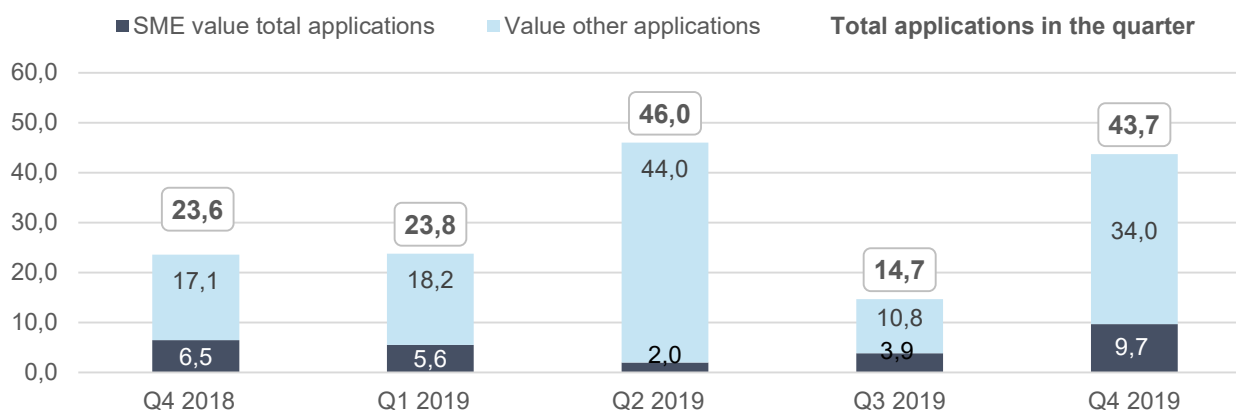
#### About the portfolio

SME exporters accounted for 2% of the total value of the lending portfolio at the end of the fourth quarter of 2019. The current portfolio of SMEs is diverse and includes suppliers in the ICT, maritime and fish-farming industries as well as other suppliers of capital goods and services.

#### SME share (number) by quarter



#### SME share of total application value by quarter (BNOK)



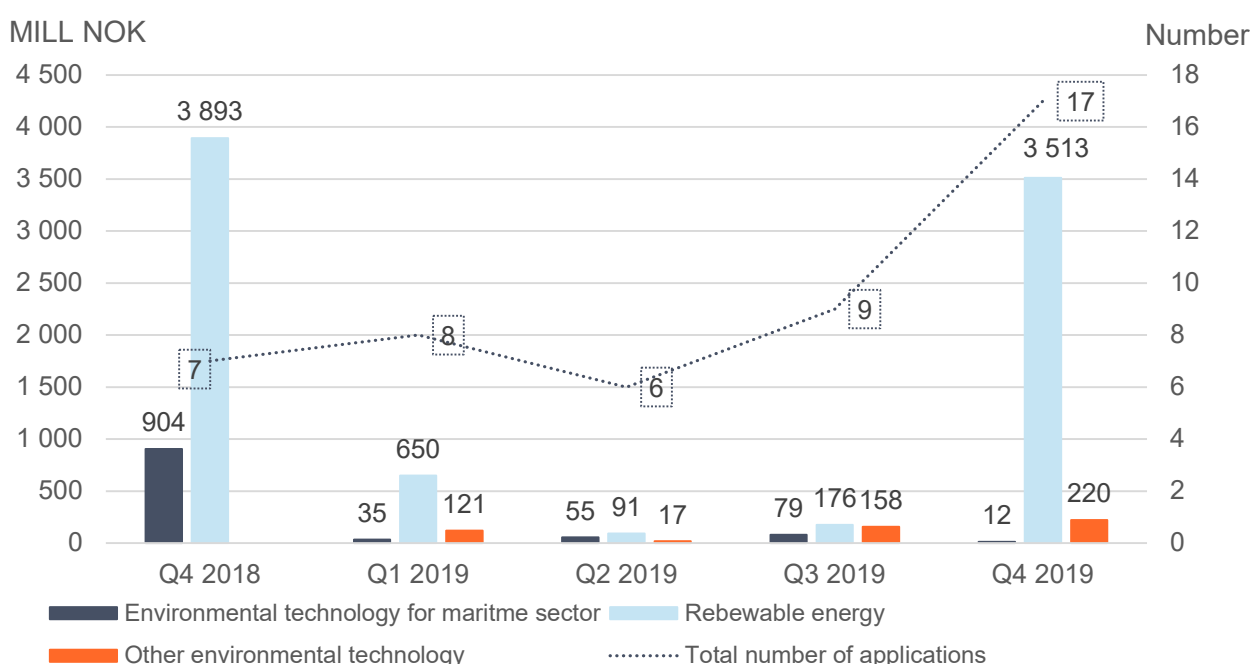
Environmental technology

# Inflow of environmental technology applications

In the fourth quarter of 2019, Export Credit Norway received 17 loan applications relating to environmental technology and renewable energy. In terms of value, these applications account for 9% of the total amount applied for. The application inflow for environmental technology was higher in the fourth quarter of 2019 in numerical terms but lower in terms of value, compared with the same period in 2018.

I

Applications relating to environmental technology and renewable energy by quarter (MNOK/number)



### Segment distribution

#### Environmental technology for maritime sector

- Environmental technology for oil and gas industry
- Environmental technology for offshore-related vessels
- Environmental technology for passenger and merchant shipping
- Environmental technology for fishing 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 western Norway also account for a substantial 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, these two counties accounted for around 82% of Export Credit Norway's lending balance at the reporting date.

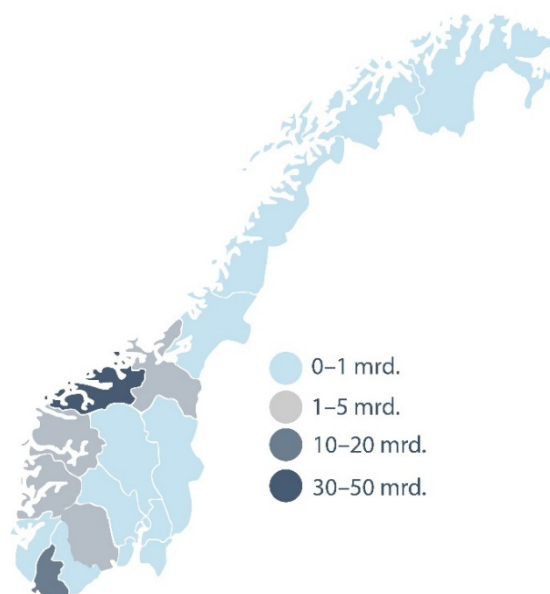
#### To the world

Export Credit Norway provides financing for projects in a number of different countries, but the majority of financing transactions currently involve exports to Europe.

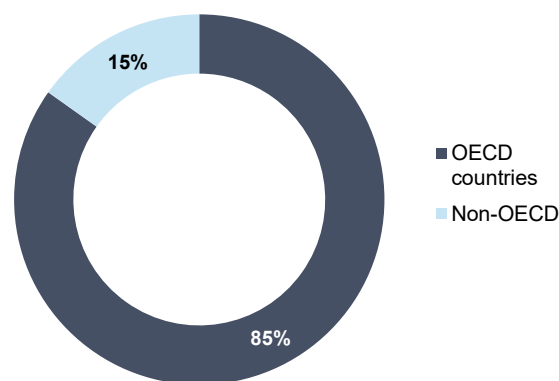
As of 31 December 2019, 85% of the lending balance related to exports to OECD countries, the remaining 15% to non-OECD countries. This distribution has been relatively stable in the previous quarters.

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

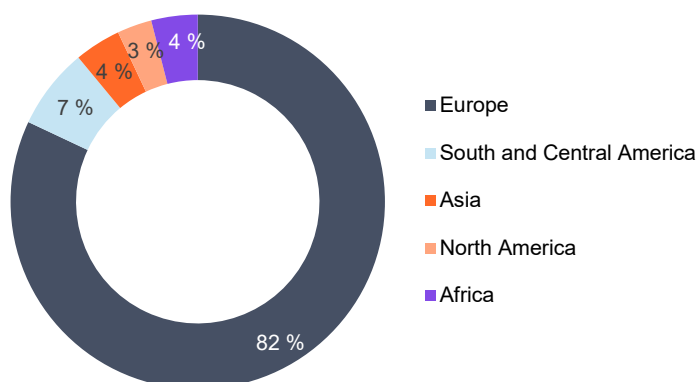
#### Exports financed by Export Credit Norway by county (NOK)



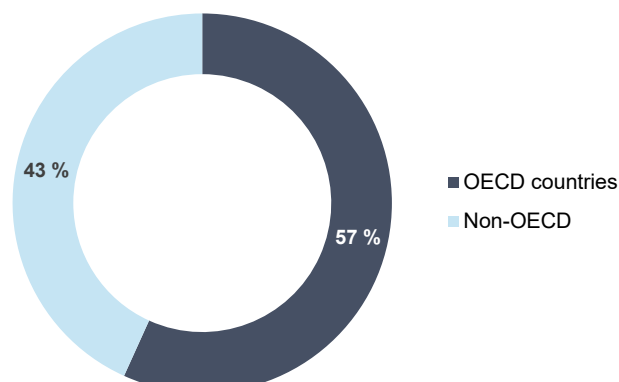
#### Lending balance by project countries as of 31 December 2019 (%)



#### Exports by region, project countries as at 31 December 2019 (%)



#### SME lending balance by project countries as of 31 December 2019 (%)



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

\*\*More than 67% of the lending balance as at 31 December 2018.

## Key figures portfolio

	Q4 2019	Q4 2018	2019	2018
<b>Lending balance (MNOK)</b>	<b>65 039</b>	<b>61 220</b>	<b>65 039</b>	<b>61 220</b>
CIRR	42 746	39 507	42 746	39 507
Market loans	22 294	21 713	22 294	21 713
<b>Disbursements (new loans, MNOK)</b>	<b>5 205</b>	<b>474</b>	<b>11 360</b>	<b>2 880</b>
CIRR	3 029	437	7 126	1 268
Market loans	2 176	37	4 235	1 612
<b>Probability-adjusted order book(MNOK)</b>	<b>12 913</b>	<b>19 213</b>	<b>12 913</b>	<b>19 213</b>
Energy and industry	3 205	2 052	3 205	2 052
Shipping	6 872	14 476	6 872	14 476
Fisheries and aquaculture	2 836	2 685	2 836	2 685
<b>Gross interest income (MNOK)</b>	<b>429</b>	<b>492</b>	<b>1 527</b>	<b>1 727</b>
Instalments (MNOK)	2 400	4 382	7 045	11 687
Of which early redemptions (MNOK)	960	3 804	1 813	7 538
Administration costs	0.05%	0.05%	0.17%	0.18%
<b>Applications</b>				
<b>Number (total and by sector)</b>	<b>104</b>	<b>81</b>	<b>282</b>	<b>304</b>
Energy and industry	45	41	133	149
Shipping	29	22	80	95
Fisheries and aquaculture	30	18	69	60
<b>Value (total and by sector, MNOK)</b>	<b>43 749</b>	<b>23 609</b>	<b>128 218</b>	<b>175 571</b>
Energy and industry	15 599	16 072	74 371	125 395
Shipping	20 950	5 846	40 400	40 018
Fisheries and aquaculture	7 200	1 692	13 447	10 158
<b>SME (number) of applications of total applications</b>	<b>60</b>	<b>42</b>	<b>151</b>	<b>143</b>
Energy and industry	31	27	80	89
Shipping	13	5	36	28
Fisheries and aquaculture	16	10	35	26
<b>SME share of total applications value (MNOK)</b>	<b>9 715</b>	<b>6 422</b>	<b>21 206</b>	<b>25 651</b>
Energy and industry	4 749	5 072	12 726	20 829
Shipping	1 805	332	3 396	1 916
Fisheries and aquaculture	3 161	1 018	5 084	2 906
<b>New loan agreements* (BNOK)</b>	<b>1.5</b>	<b>2.2</b>	<b>7.9</b>	<b>4.9</b>
<b>Guarantors (% of portfolio)</b>				
GIEK	72%	72%	72%	72%
Norwegian banks	14%	14%	14%	14%
Foreign banks	14%	14%	14%	14%

\* The value of new loan agreements is translated to NOK at the closing rate on the last working day of the month. .

Totals in tables and graphics may differ due to rounding. All figures in NOK are based on exchange rates on the last working day of the month with two exceptions: interest income (which is based on the actual exchange rate) and instalments (which are based on the historic exchange rate).

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