

# EKSPORTKREDITT

Export Credit Norway

Q3 2020



## Q3 2020

**Good application influx despite uncertain prospects for the business sector**

Export Credit Norway received 64 loan applications with a total value of NOK 23.8 billion in Q3. There was also a good inflow of applications during the quarter, with a stable number of applications and an increase in value of NOK 10 billion compared with Q3 2019. Four of the applications received related to the domestic ship financing scheme, and 53% of applications received during the quarter were submitted by SMEs.

The company paid out new loans at a value of NOK 1.5 billion in Q3, a slight reduction compared with the same period in 2019, when the company paid out NOK 1.9 billion. At the end of Q3, the probability-adjusted order book was NOK 10.8 billion. The company's loan portfolio was worth NOK 60.4 billion as of 30 September. The reduction in the loan portfolio is the result of both the company having to call on more guarantees, and early redemptions.

**Export Credit Norway and GIEK merge**

The Ministry of Trade, Industry and Fisheries has announced a merger of Export Credit Norway and GIEK into a new government agency to be operational by 1 July 2021. The aim is to make the export financing system more efficient and user-friendly. Export Credit Norway believes the new agency will be an effective, market-oriented unit for export-led trade and industry, securing the Norwegian state's investments.

**Challenging times for the Norwegian business sector**

The Covid-19 pandemic, combined with an oil price reduction, is negatively impacting the Norwegian business sector. Statistics Norway figures\*\* show that the Norwegian trade balance was negative for the quarter, and for the first time since 1980 Norway reported a trade deficit for four consecutive months.

A survey by the Federation of Norwegian Industries\*\*\* shows that around half of companies are seeing a downturn in both orders and sales compared with last year. Despite the negative economic trend, the number of applications received by Export Credit Norway has remained relatively stable compared with Q3 2019. The long-term effects of the pandemic on Norwegian export businesses going forward are, therefore, uncertain.

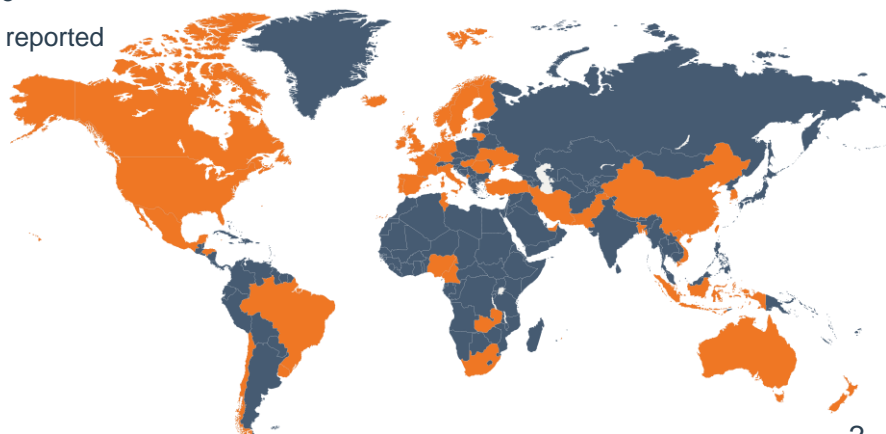
In Q3 Export Credit Norway published a Menon-report comparing export credit institutions in the Nordic region. The report shows that Norway uses fewer resources and is less ambitious than the other Nordic countries. Export Credit Norway's response was to launch six proposals for Norwegian export success. To follow up on the report, a digital seminar was organised, with the suggestions from individual sessions involving seven industries being forwarded to the Ministry of Trade, Industry and Fisheries.

**Marketing activities**

Export Credit Norway follows the recommendations of the Norwegian authorities to limit the spread of the Covid-19 and the effects of the pandemic. Customers are primarily being assisted through digital channels, although during the quarter Export Credit Norway resumed some face-to-face customer contact. The company has both organised and participated in a number of digital seminars on the development of Norwegian exports in cooperation with other stakeholders from the policy implementation system and industry clusters.

209 Administered loans

50 Different jurisdictions where the company has project and contract experience



\*Export Credit Norway uses the EU's definition of SMEs: businesses with fewer than 250 employees and sales of less than EUR 50 million.

\*\*Statistics Norway's foreign trade statistics for August 2020, updated 15 September

\*\*\*The Federation of Norwegian Industries' coronavirus survey, published 24 September 2020

## Q3 2020

## Applications, portfolio and probability-adjusted order book

## Applications

Export Credit Norway received 64 loan applications in Q3 2020, at a total value of NOK 23.7 billion. This is an increase in both the number and value of applications compared with Q3 2019. The increase is largely due to the increased number of applications associated with renewable projects, in particular offshore wind and special vessels within fisheries and fish farming.

New applications received in Q3 2020 were submitted across all three of the company's segments – energy and industry, shipping and fisheries and aquaculture. The increase in the number and value of applications is mainly related to the fisheries and aquaculture and shipping segments. Energy and industry, and shipping generated respectively 37.5% and 36% of the total number of applications received, with the remaining 26.5% in the fisheries and aquaculture segment.

Total applications	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Loan applications received (number)	64	60	206	179	282
Value of loan applications (BNOK)	23.7	13.7	71.1	85.5	128.2

## New loan agreements signed

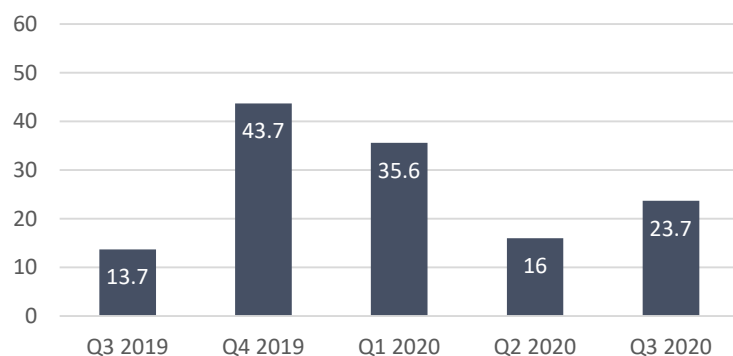
In Q3, new loan agreements at a value of NOK 0.5 billion were signed. In the corresponding quarter in 2019, no new loan agreements were signed. The signing of loan agreements will naturally vary from one quarter to another. Fisheries and aquaculture accounted for 100% of the value of signed agreements in the quarter.

Signed agreements*	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Value (BNOK)	0.5	0	1.2	7.0	7.9

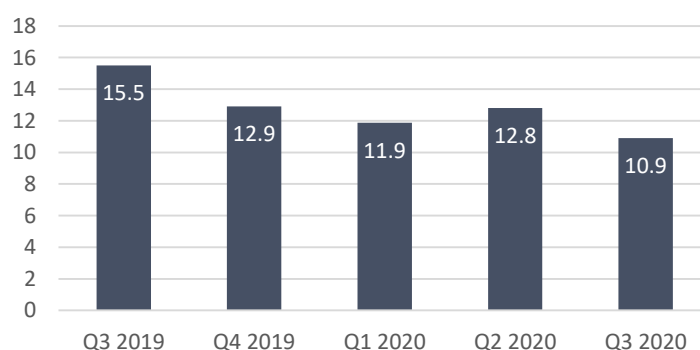
## Probability-adjusted order book

Export Credit Norway calculates a best estimate of future loan disbursements based on a valuation of loan applications received. Using this, a probability assessment of projects is carried out in which export contracts are compared to potential future disbursements. As of 30 September 2020, Export Credit Norway's probability-adjusted order book was valued at NOK 10.9 billion. This represents a decrease of 29.9% or NOK 4.6 billion compared with Q3 2019. The reason for the reduction in the order book is complex, but is largely due to oil-related projects and significant disbursements associated with vessels in fisheries and shipping during 2019/the first half of 2020. At the end of the quarter, the order book is divided (in value) between the following segments: 40% energy and industry, 35% shipping and 25% fisheries and aquaculture.

## 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 scheme.

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

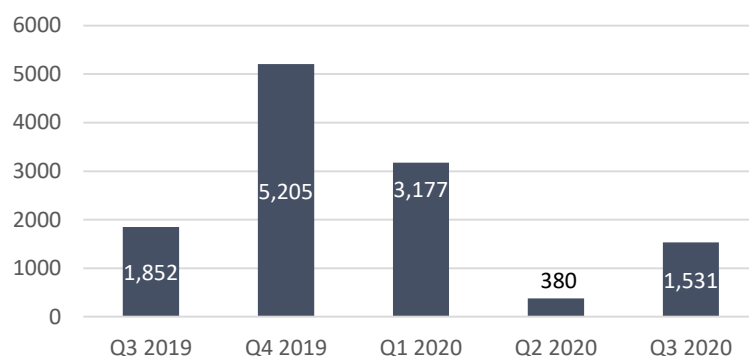


## Q3 2020

### New disbursements

Export Credit Norway paid out NOK 1.5 billion in loans in Q3 2020. This is a reduction compared with Q3 2019, when a total of NOK 1.9 billion was paid out in loans. Loans to the shipping segment represented 85% of the disbursement value for the quarter. The loans for disbursement are dominated by various types of offshore vessels, as well as cruise ships and other vessels.

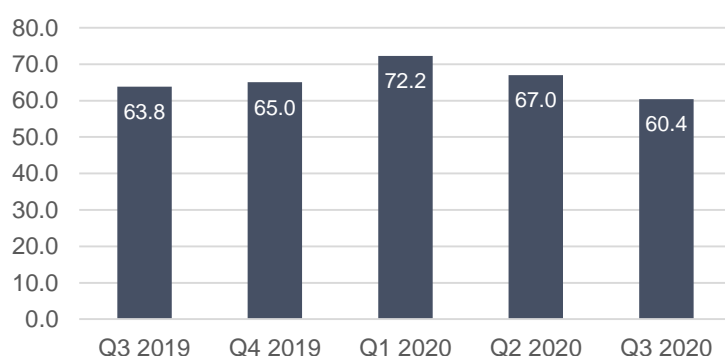
Disbursements (MNOK)



### Lending balance

The lending balance at the end of Q3 2020 amounted to NOK 60.4 billion. The balance at the corresponding measurement point in 2019 was NOK 63.8 billion. The reduction in the loan portfolio is due to both Export Credit Norway having to call on more guarantees during the quarter and to early redemptions. As of 30 September 2020, 70.5% of Export Credit Norway's lending balance related to shipping, 24.0% to energy and industry, and 5.4% to fisheries and aquaculture projects.

Lending balance by quarter (BNOK)

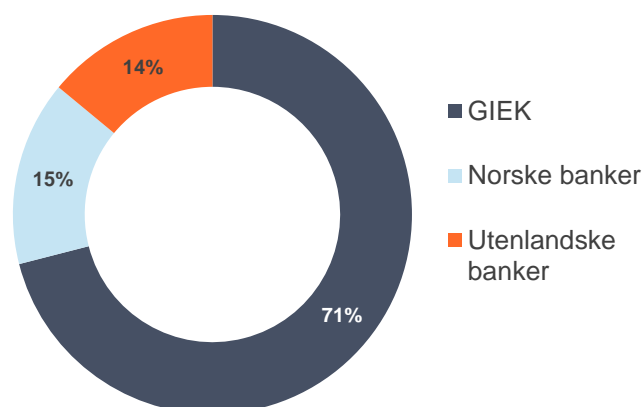


At the end of Q3, more than 60% of the loan portfolio is subject to either an application for instalment deferment or has been granted a deferment. During Q3, the guarantors began to intervene in more commitments than previously due to liquidity challenges.

### Guarantors

GIEK was guarantor for 71% of Export Credit Norway's lending portfolio as of 30 September 2020. The remainder of the portfolio was guaranteed by Norwegian banks (15%) and foreign banks (14%). This means that approximately NOK 17.5 billion was guaranteed by commercial banks.

Guarantor distribution as of 30 September 2020 (%)



## 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.

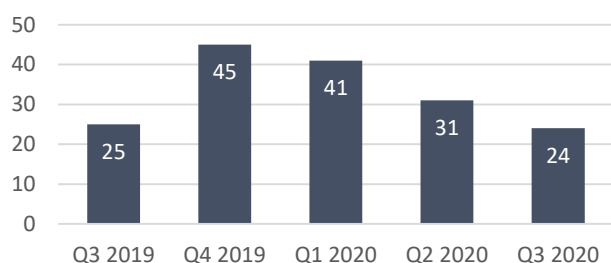
#### Applications

In Q3, Export Credit Norway received 24 applications relating to the financing of energy and industry projects worth a total of NOK 9.5 billion. Both the number and value of applications were stable compared with applications in Q3 2019, with a weak increase in value and a weak reduction in number.

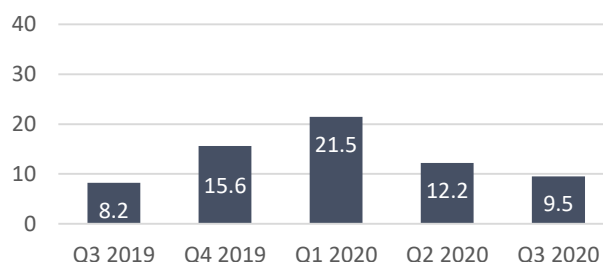
#### Portfolio

At the end of Q3, energy and industry accounted for 24% of Export Credit Norway's total lending portfolio. The diagram at the bottom right of the page provides a further breakdown of the portfolio into sub-segments. Oil and gas equipment, primarily rig financing, accounts for 85.4% of the segment's lending balance as of 30 September. NOK 8 million was paid out within the segment in Q3 2020.

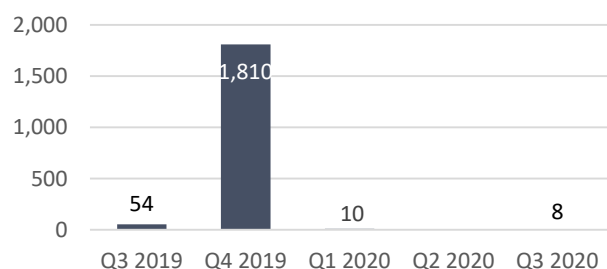
Number of applications by quarter



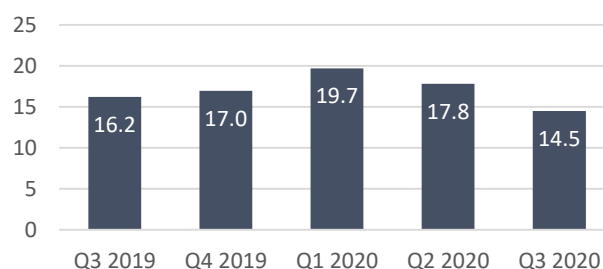
Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance by quarter (BNOK)



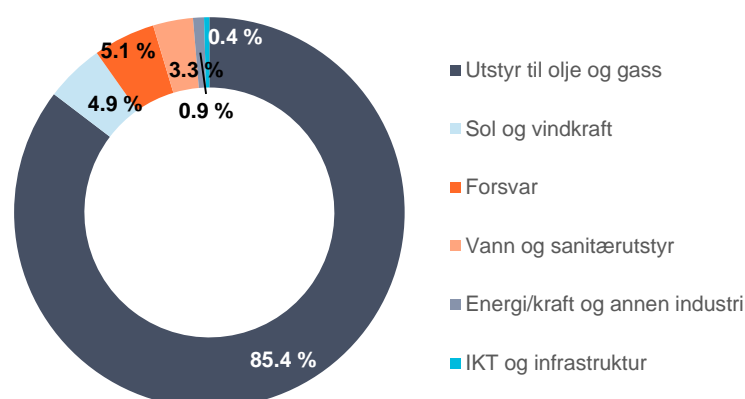
#### Market developments

The pandemic has led to a huge international downturn in oil demand. This has had a negative impact on the activity level within the global oil industry. Investment decisions for new oilfield development projects are also being postponed indefinitely. This makes it difficult for Norwegian shipyards and equipment suppliers in the sector to win new export contracts.

Long-term market prospects for renewable energy continue to be positive. For bottom-fixed offshore wind power the costs are so low that projects are profitable without state support. Floating offshore wind power will only be competitive once the costs are lower. It might become an important industry for Norwegian exporters, with technology transfer from the oil and gas sector. There are also growth opportunities within renewable technology, including solar power and hydropower.

Export Credit Norway is finding that export financing is an attractive tool in the competition for major public contracts for the development of infrastructure in developing countries, and has received a number of major applications linked to power lines, pumping stations, water and sanitation, and oil pipelines. The prospects for other onshore sectors (excluding oil and renewables) is uncertain due to the Covid-19 pandemic.

Lending balance by sub-segment as at 30 September 2020 (%)



## Developments, activities and the portfolio

### Shipping

Export Credit Norway's shipping portfolio covers the financing of all types of ships except for 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.

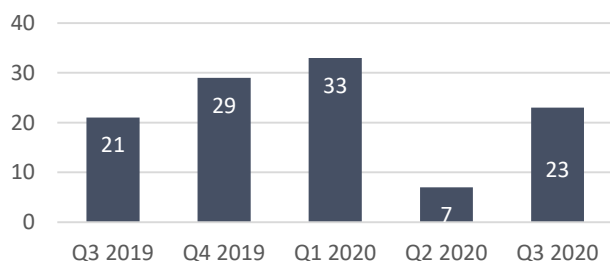
#### Applications

In Q3, Export Credit Norway received seven applications relating to the financing of shipping projects worth a total of NOK 10.7 billion. Compared with the same period in 2019, the number of applications has increased slightly, while the value of applications has increased significantly.

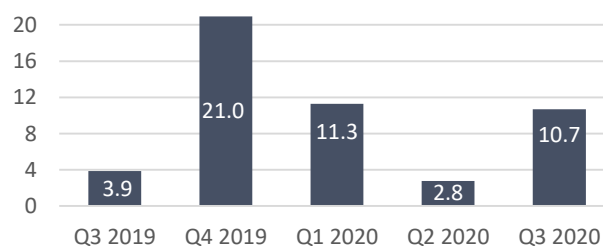
#### Portfolio

At the end of Q3, shipping accounted for 70.5% of Export Credit Norway's total lending portfolio. The diagram at the bottom right of the page provides a further breakdown of the lending portfolio into sub-segments. Export Credit Norway paid out NOK 1.3 billion in the shipping segment in Q3.

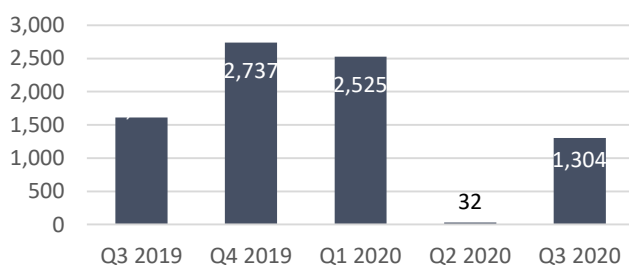
Number of applications by quarter



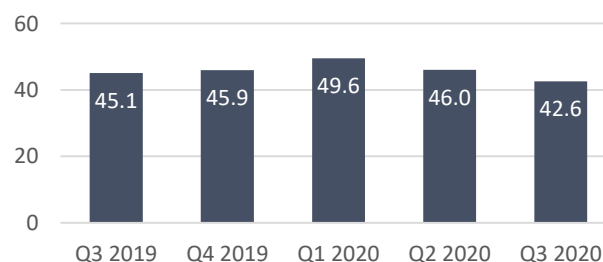
Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance by quarter (BNOK)



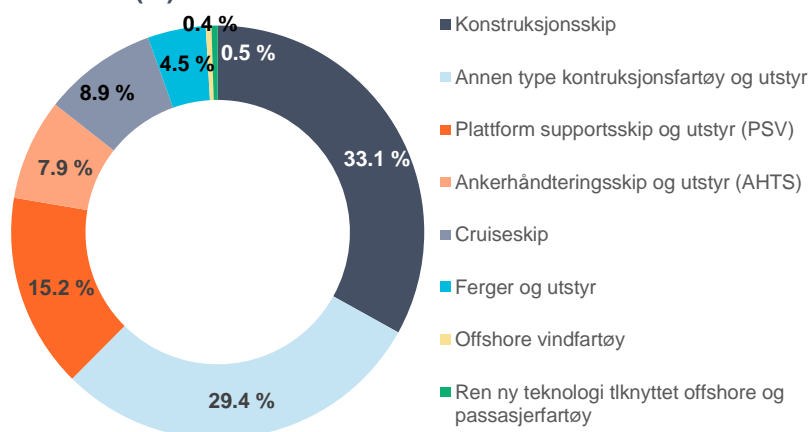
#### Market developments

The market prospects for shipping are unchanged from previous quarters. The Covid-19 pandemic is creating liquidity challenges and new contracts are expected to be low in 2020 and into 2021.

There is little to suggest that there will be any new cruise projects, as the cruise industry has been hit hard by the pandemic, and it will take time for the cruise companies to get their existing fleets back into service. Nor can any significant new contracts be expected within the offshore segment as a result of continuing low activity in the oil industry.

However, there is significant activity in the offshore wind segment, and regarding ferries and high-speed crafts we expect shipping companies to continue to order new builds until the Norwegian ferry fleet has been renewed with zero- and low-emission ferries.

Lending balance by sub-segment as at 30 September 2020 (%)



## 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 pens, wellboats and workboats.

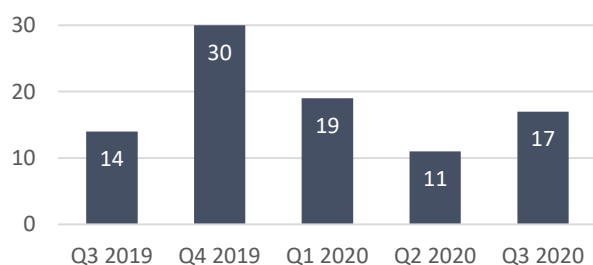
#### Applications

In Q3, Export Credit Norway received 17 applications relating to fisheries and aquaculture worth a total of NOK 3.5 billion. The application inflow was higher in both numerical and value terms compared with the same period in 2019.

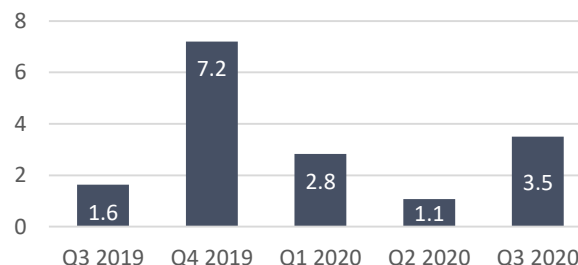
#### Portfolio

At the end of Q2, fisheries and aquaculture accounted for 5.4% of Export Credit Norway's total lending portfolio. The diagram at the bottom right of the page provides a further breakdown of the lending portfolio into sub-segments. Fishing boats dominate the portfolio with 68.0% of the segment's lending balance. A total of NOK 219.0 million was paid out in the segment in Q3. Disbursements during the quarter are related to special vessels and fish-farming equipment.

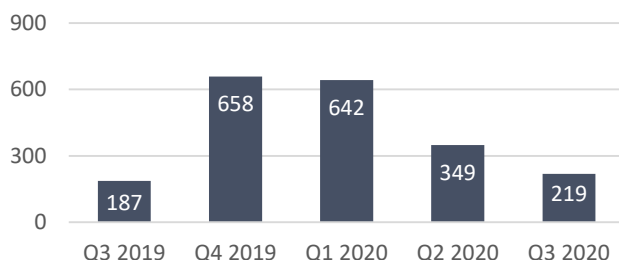
Number of applications by quarter



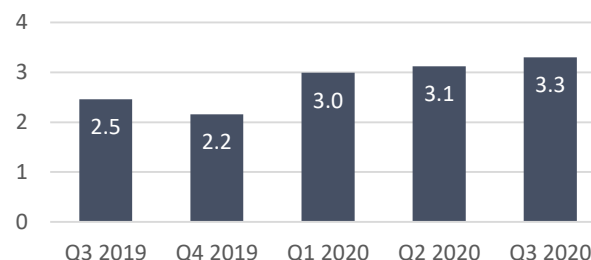
Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance by quarter (BNOK)



#### Market developments

The export value of Norwegian seafood was NOK 76.7 billion at the end of Q3. This represents a growth in value of 1% compared with the same period last year, according to the Norwegian Seafood Council.

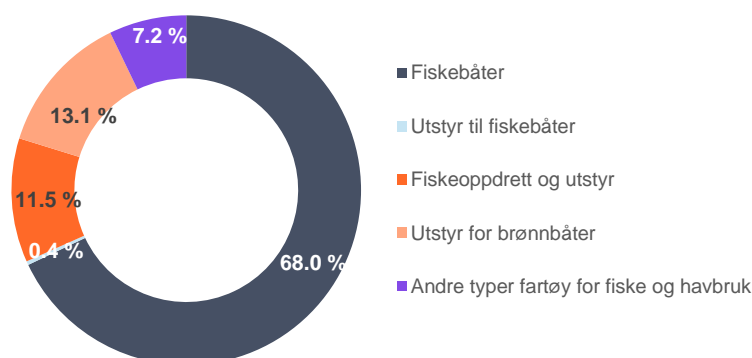
However, there are differences in the value increase between species.

The Covid-19 pandemic is having an impact on demand in individual markets and for individual species, such as dried cod exports and exports of fresh cod. Otherwise we are seeing a shift in salmon exports to markets where they are processed for onward sale, with Poland being the largest market.

Although the pandemic also involves some uncertainty about the future for the seafood industry, it has been relatively less severely affected than other industries.

Export Credit Norway is expecting more contracts for smaller service vessels for the aquaculture industry in the future, as demand remains strong. We are also seeing more companies that traditionally delivered equipment and services to the offshore petroleum industry investing more in offshore wind and offshore aquaculture.

Lending balance by sub-segment as at 30 September 2020 (%)



## Developments, activities and the portfolio

### The ship financing scheme

#### Market developments

##### Order inflow Norwegian shipyards

Norwegian shipyards secured 13 contracts with a value of NOK 3.0 billion at the end of Q3 2020\*. For 2019, a total of 27 contracts at a value of NOK 8.2 billion were signed. Tendering activity in the shipyard sector was low in 2019, and this pattern has continued so far in 2020. This is due to a combination of market conditions and the situation at individual shipyards.

##### The ship financing scheme

The ship financing scheme 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. The scheme was introduced in December 2017, initially for a three-year period. In the state budget for 2021, the government announced that the ship financing scheme would be extended until 2021. So far the primary vessel types for the scheme have been fishing boats, wellboats and ferries.

##### Applications

In Q3 2020, Export Credit Norway received four applications linked to the ship financing scheme. At the end of Q3 2020, a total of 16 applications had been received relating to the scheme, at a total value of NOK 2.376 billion. In total, 66 applications at a value of approximately NOK 12.8 billion have been received since the scheme launched. The applications relate to several different types of vessel, but predominantly ferries, wellboats and fishing boats.

Applications	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Number	4	8	16	14	22
Value (TNOK) (historic rates)	396,800	732,000	1,903,500	2,376,000	3,329,800

##### Loan agreements signed

No new loan agreements associated with the scheme were signed in Q3 2020.

##### Disbursements

As of 30 September 2020, Export Credit Norway has disbursed six loans at a loan value of NOK 1.232 billion as part of the ship financing scheme. Export Credit Norway was processing 20 potential loans at the end of Q3 and is experiencing a good application inflow to the ship financing scheme given Norwegian shipyards' total access to contracts. More disbursements associated with the scheme are expected in Q4.

\*Source: Norwegian Shipbuilders / nssm.no



## Small and medium-sized enterprises (SMEs)

### Small and medium-sized enterprises account for 53% 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 for Export Credit Norway'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. However, it is Export Credit Norway's belief that the current product ranges quite suit the SME segment.

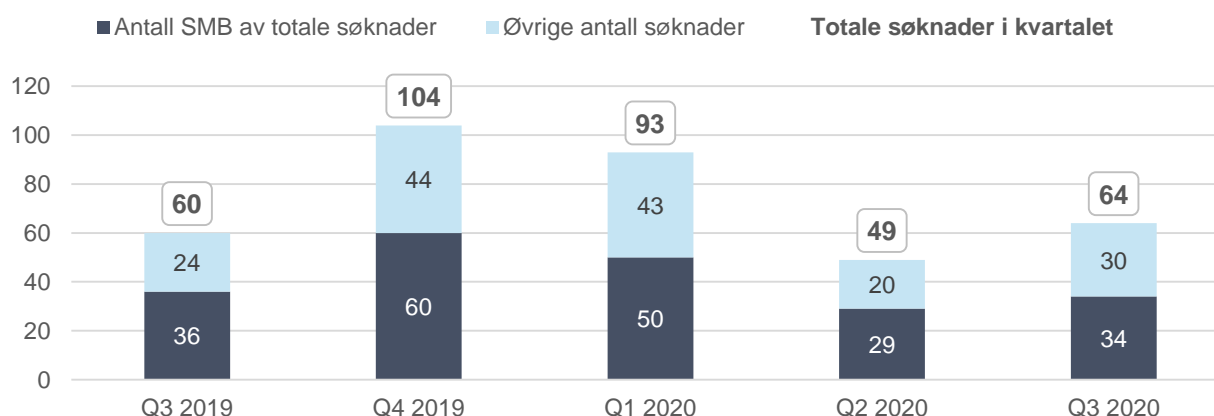
#### Applications

In Q3, Export Credit Norway received a total of 64 loan applications, of which 53% in numerical terms came from exporters classified as SMEs. SME applications accounted for 13% of the total application value in Q3. The proportion of SME applications was lower in numerical terms but higher in value terms compared with Q3 2019. As before, the percentage difference compared to the total application inflow shows that SME applications have a significantly lower value on average.

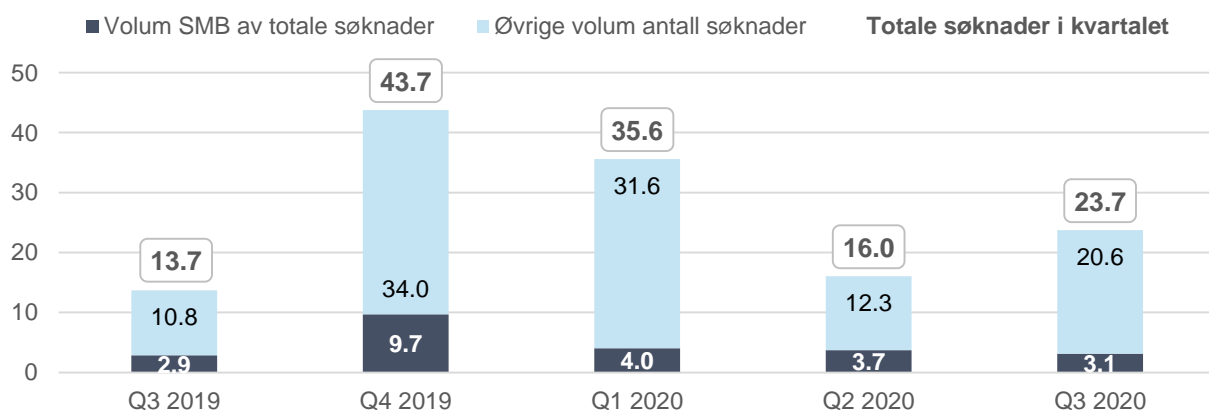
#### About the portfolio

SME exporters accounted for 2.4% of the total value of the lending portfolio at the end of Q3 2020. 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 of number of applications by quarter



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

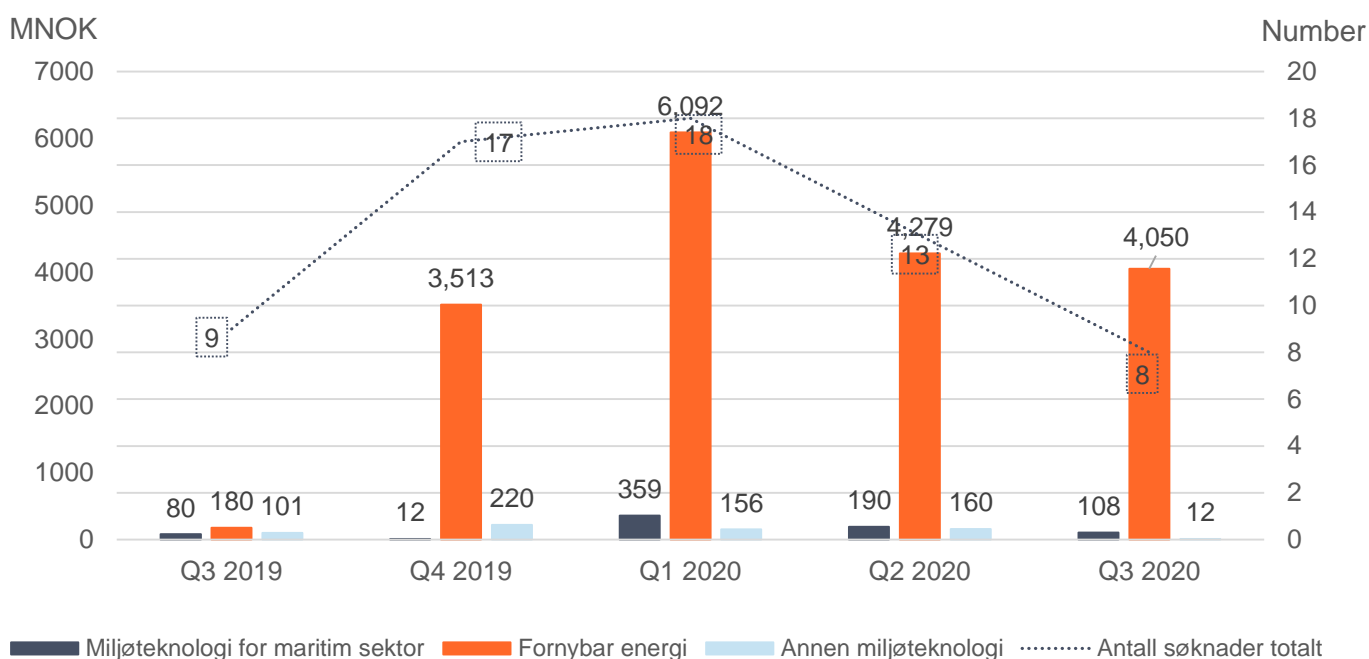


## Environmental technology

### Inflow of environmental technology applications

In Q3 2020, Export Credit Norway received eight loan applications relating to environmental technology and renewable energy. In terms of value, these applications account for 17.6% of the total amount applied for. The applications inflow for environmental technology was lower in numerical terms, but significantly higher in value terms in Q3 2019. Four of the eight applications received relate to renewable energy, and Export Credit Norway is seeing an increase in the value of applications in this segment so far in 2020.

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

The Norwegian export industry linked with the export of capital goods is based mainly in the coastal areas, centred on the counties of Vestland, Rogaland and Møre og Romsdal, in addition to Oslo and Viken. This is supported by mapping of Norwegian exports in 2019, which was performed by Menon Economics.

In Export Credit Norway's lending portfolio Møre og Romsdal is the largest exporting county in the portfolio, followed by Agder. These two counties accounted for 80.4% of Export Credit Norway's lending balance as of Q3 2020.

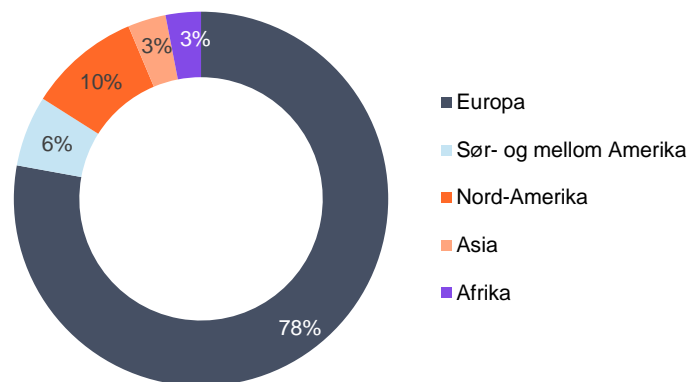
#### To the world

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

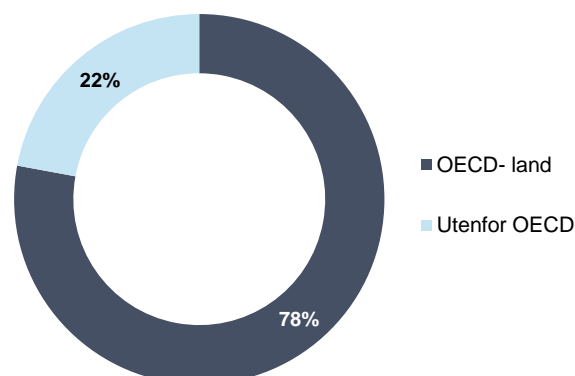
As of 30 September 2020, 78% of the lending balance is related to exports to OECD countries, the remaining 22% to non-OECD countries. This distribution has been relatively stable in the previous quarters.

Amongst the SMEs in the portfolio, the proportion of the lending balance to non-OECD countries is higher than in the total portfolio. Export Credit Norway is experiencing a rising demand in advice and guidance on CSR, anti-corruption and money-laundering from these companies.

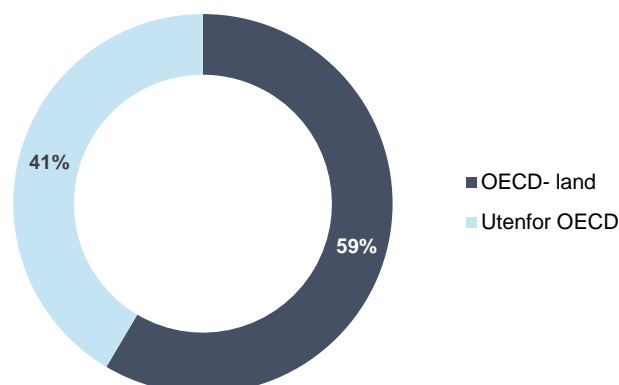
Export by region, project country as at 30 September 2020 (%)



Lending balance by project countries as of 30 September 2020 (%)



SME lending balance by project countries as of 30 September 2020 (%)



## Key figures portfolio

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<b>Lending balance (MNOK)</b>	<b>60,428</b>	<b>63,789</b>	<b>60,428</b>	<b>63,789</b>	<b>65,040</b>
CIRR	40,905	41,864	40,905	41,864	42,746
Market loans	19,523	21,925	19,523	21,925	22,294
<b>Disbursements (new loans, MNOK)</b>	<b>1,531</b>	<b>1,852</b>	<b>5,088</b>	<b>6,155</b>	<b>11,361</b>
CIRR	1,046	1,813	1,866	4,096	7,126
Market loans	485	39	3,222	2,059	4,235
<b>Probability-adjusted order book (MNOK)</b>	<b>10,866</b>	<b>15,497</b>	<b>10,866</b>	<b>15,497</b>	<b>12,913</b>
Energy and industry	4,399	2,321	4,399	2,321	3,205
Shipping	3,774	9,754	3,774	9,754	6,872
Fisheries and aquaculture	2,693	3,422	2,693	3,422	2,836
<b>Gross interest income (MNOK)</b>	<b>323</b>	<b>324</b>	<b>1,031</b>	<b>1,098</b>	<b>1,527</b>
Instalments (MNOK)	5,814	1,140	11,504	4,564	6,928
Of which early redemptions (MNOK)	1,246	101	4,001	516	1,450
Administration costs	0.05%	0.04%	0.13%	0.12%	0.18%
<b>Applications</b>					
<b>Number (total and by sector)</b>	<b>64</b>	<b>60</b>	<b>206</b>	<b>179</b>	<b>282</b>
Energy and industry	24	25	96	88	133
Shipping	23	21	63	51	80
Fisheries and aquaculture	17	14	47	40	69
<b>Value (total and by sector, MNOK)</b>	<b>23,719</b>	<b>13,674</b>	<b>71,106</b>	<b>85,499</b>	<b>128,218</b>
Energy and industry	9,493	8,164	39,092	59,071	74,371
Shipping	10,712	3,875	24,504	20,045	40,400
Fisheries and aquaculture	3,514	1,635	7,510	6,383	13,447
<b>SME number of applications of total applications (industrial sector)</b>	<b>34</b>	<b>36</b>	<b>113</b>	<b>86</b>	<b>151</b>
Energy and industry	14	15	60	46	80
Shipping	13	14	31	23	36
Fisheries and aquaculture	7	7	22	17	35
<b>SME share of total applications value (MNOK)</b>	<b>3,105</b>	<b>2,850</b>	<b>10,412</b>	<b>6,920</b>	<b>21,206</b>
Energy and industry	640	1,090	6,359	3,581	12,726
Shipping	810	1,124	1,778	1,609	3,396
Fisheries and aquaculture	1,655	636	2,275	1,730	5,084
<b>New loan agreements (BNOK)</b>	<b>458</b>	<b>0</b>	<b>1,181</b>	<b>6,990</b>	<b>8</b>
<b>Guarantors (% of portfolio)</b>					
GIEK	71%	71%	71%	71%	72%
Norwegian banks	15%	15%	15%	15%	14%
Foreign banks	14%	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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