

EKSPORTKREDITT

Export Credit Norway

Q4 2020



Business sector characterised by pandemic and transition

In Q4 Export Credit Norway received 106 loan applications at a total value of NOK 34.0 billion. The number of applications was similar to Q4 2019, but the value was 22% lower. 13 of the applications related to the domestic ship financing scheme, and 60% of applications were submitted by small and medium-sized enterprises (SMEs)*.

Export Credit Norway received 308 applications at a value of NOK 98.9 billion in 2020. In Q4 the company paid out new loans at a value of NOK 529 million, a reduction compared with Q4 2019, when the company paid out NOK 5.2 billion. In 2020, a total of NOK 5.6 billion was paid out in new loans. At the end of the year, the probability-adjusted order book was NOK 14.5 billion, an increase compared with the same period in 2019.

Pandemic and green transition

2020 was a challenging year. The Covid-19 pandemic strongly affected export-led trade and industry. Export Credit Norway has endeavoured to give our clients support and advice in a difficult year. There were fewer opportunities for face-to-face interaction, but we managed to maintain good customer service by swapping face-to-face meetings and meeting venues for digital meetings and events.

2020 was also the year when the green transition began to pick up momentum – in Norway and globally. This creates huge opportunities for Norwegian export-led trade and industry within offshore and onshore wind power, hydrogen technology and battery technology.

Among our disbursements in 2020 several were related to green projects, including major supplier and service agreements for offshore wind projects.

Investment in the green maritime sector resulted in several disbursements for hybrid vessels and offshore service ships that are being converted for use in the aquaculture industry. We expect to see a further increase in “green” disbursements in 2021. In October the Norwegian government announced that the domestic ship financing scheme will be extended into 2021. This is important to uphold activity at Norwegian shipyards.

Merger process in full swing

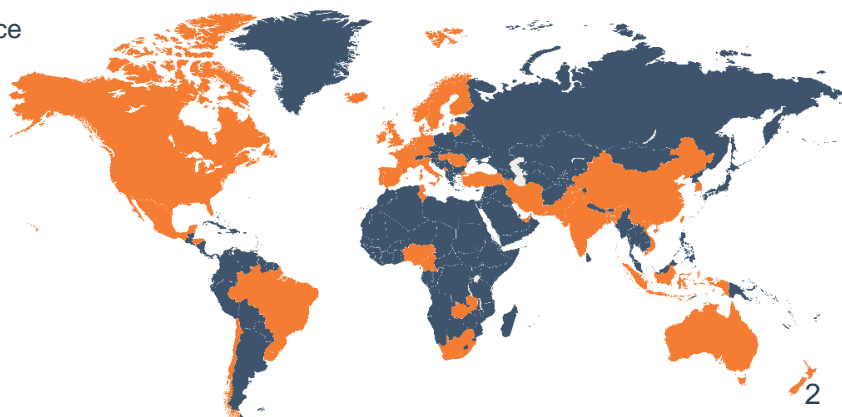
On 1 July 2021 Export Credit Norway and GIEK will merge to form a new government agency. A great deal of work was undertaken during Q4 to prepare for this. A large number of employees are involved in the ongoing merger process. Normal day-to-day operations and services are continuing parallel to this process.

Marketing activities

Despite the Covid-19 restrictions, the company maintained a high activity level in Q4. Export Credit Norway, the Ministry of Petroleum and Energy and NORWEP launched two reports on the status of Norway’s energy industries, as well as a report on the opportunities within offshore wind energy for Norwegian industry. The company has, individually and with partners, arranged four webinars. In addition to ensuring good customer contact and service from their home offices, our employees have held talks and participated in panel debates at a number of webinars/digital events to inform about the Norwegian export financing scheme.

184 Administered loans

52 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.

Q4 2020

Applications, portfolio and probability-adjusted order book

Applications

Export Credit Norway received 106 loan applications in Q4 2020, at a total value of NOK 34.0 billion. Although applications during the quarter were similar in number to Q4 2019, the value of the applications was 22% lower. The value reduction was mainly due to a small number of individual applications within shipping, including cruise ships, which pushed up the value in Q4 2019.

Applications received in Q4 2020 were submitted across all three of the company's segments: energy and industry, shipping, and fisheries and aquaculture. There was an increase in applications in the shipping segment compared with Q4 2019, but a reduction in applications in the energy and industry and fishing and aquaculture segments. Shipping and energy and industry generated respectively 43.4% and 35.0% of the total number of applications received, with the remaining 21.6% in the fisheries and aquaculture segment.

The company reported an increase in the number and a reduction in the value of received applications in 2020. The company received 308 applications compared with 282 in 2019. The value of applications in 2020 was NOK 98.9 billion compared with NOK 128.2 billion in 2019. The value reduction was mainly due to a lower average application amount in 2020 as compared to 2019.

Total applications	Q4 2020	Q4 2019	2020	2019
Loan applications received (number)	106	104	308	282
Value of loan applications (BNOK)	34.0	43.7	98.9	128.2

New loan agreements signed

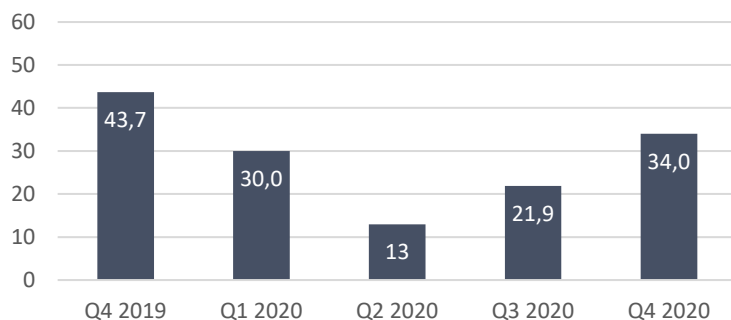
In Q4, loan agreements at a value of NOK 1.9 billion were signed. In Q4 2019, loan agreements at a value of NOK 1.5 billion were signed. For the year as a whole, Export Credit Norway signed new loan agreements at a value of NOK 3.0 billion, compared with NOK 7.9 billion in 2019. The fisheries and aquaculture and energy and industry segments accounted for 59.7% and 34.7% of the value of the signed agreements in 2020.

Signed agreements	Q4 2020	Q3 2019	2020	2019
Value (BNOK)	1.9	1.5	3.0	7.9

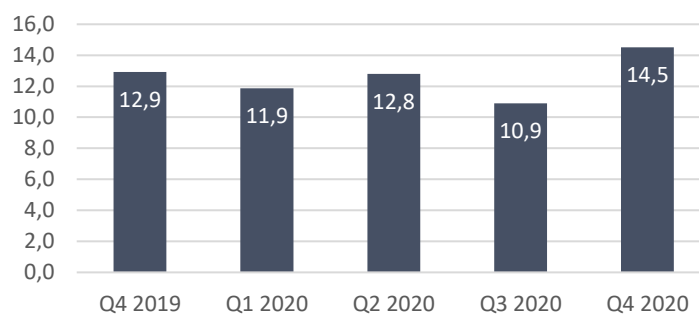
Probability-adjusted order book

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 31 December 2020, Export Credit Norway's probability-adjusted order book was valued at NOK 14.5 billion. This represents an increase of 11.9% or NOK 1.5 billion compared with Q4 2019. The increase in the probability-adjusted order book is largely related to future defence deliveries. The positive trend in fisheries and aquaculture has continued in 2020 and has had a positive impact on the order book. Due to the Covid-19 pandemic and the general market situation within the cruise industry, the order book for this segment decreased in 2020. At the end of the year, the order book is divided (in value) between the following segments: 52% energy and industry, 25% shipping and 23% fisheries and aquaculture.

Application value by quarter (BNOK)



Probability-adjusted order book (BNOK)



- The value of signed agreements and applications is translated into NOK at the closing rate on the last working day of the month. This applies throughout the report.

- 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 2020 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.

Q4 2020

New disbursements

Export Credit Norway paid out NOK 529 million in loans in Q4 2020, a reduction compared with Q4 2019, when a total of NOK 5.2 billion was paid out. The disbursements are within two segments; fisheries and aquaculture (55 %) and energy and industry (45 %). The loans for disbursement are mainly associated with fishing boats and equipment for fishing boats, as well as offshore wind.

For the year as a whole, Export Credit Norway has disbursed loans worth a total of NOK 5.6 billion.

Lending balance

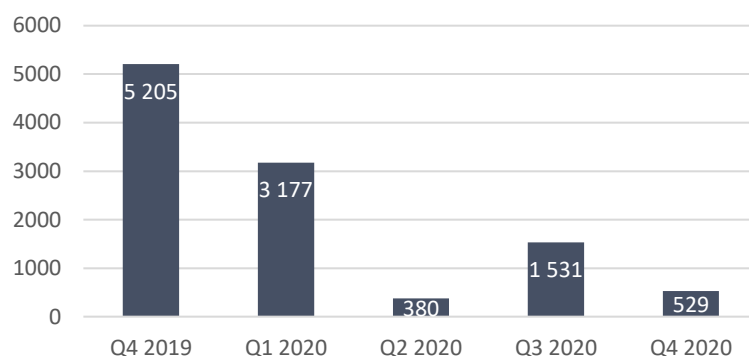
The lending balance at the end of Q4 2020 amounted to NOK 51.3 billion. The balance at the corresponding measurement point in 2019 was NOK 65.0 billion. The reduction in the loan portfolio is largely due to claims under guarantees and partial redemptions on several commitments. As of 31 December 2020, 68.3% of Export Credit Norway's lending balance related to shipping, 25.2% to energy and industry, and 6.5% to fisheries and aquaculture projects.

At the end of Q4 approximately 50% of the lending portfolio was either granted or in the process of being granted a temporary suspension of payments. An increasing number of guarantors have regarded it as appropriate to intervene, paying the outstanding loan balance under the guarantees. Due to this, Export Credit Norway's lending portfolio has decreased.

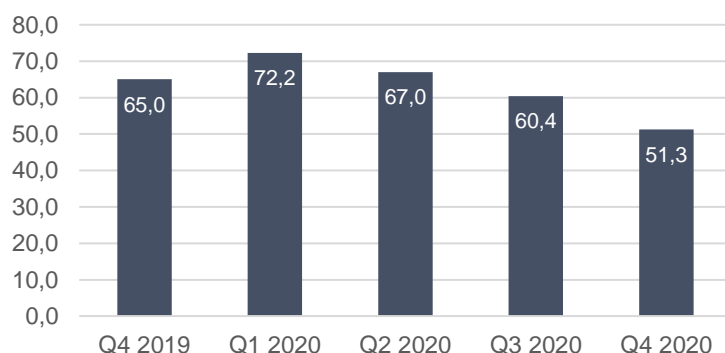
Guarantors

GIEK was guarantor for 74% of Export Credit Norway's lending portfolio as of 31 December 2020. The remainder of the portfolio was guaranteed by Norwegian banks (12%) and foreign banks (14%), making approximately NOK 13.3 billion guaranteed by commercial banks.

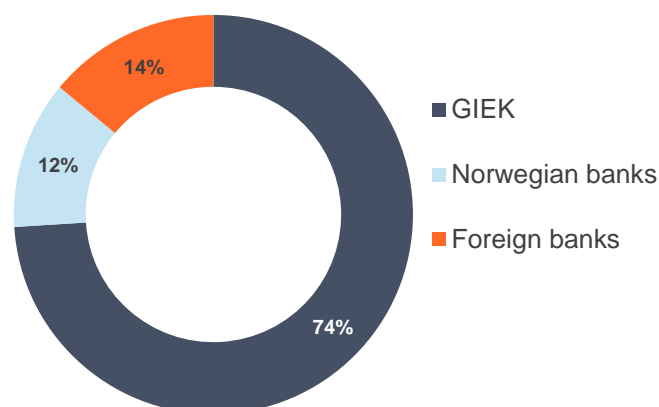
Disbursements (MNOK)



Lending balance by quarter (BNOK)



Guarantor distribution as of 31 December 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.

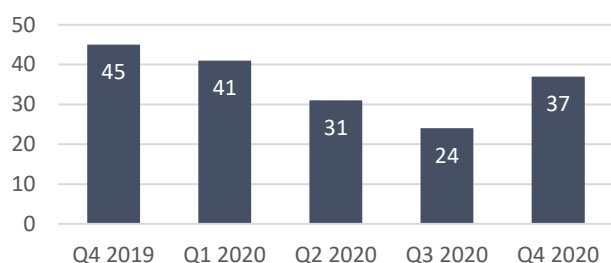
Applications

In Q4, Export Credit Norway received 37 applications relating to the financing of energy and industry projects worth a total of NOK 21.1 billion. Compared with the same period in 2019, the number of applications has decreased slightly, while the value of applications has increased.

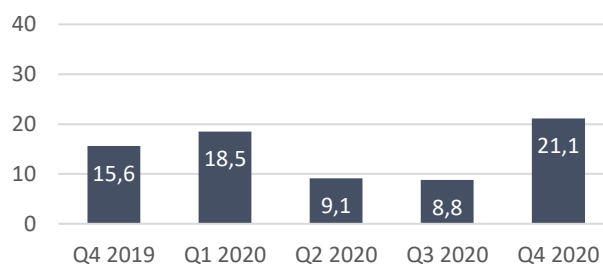
Portfolio

At the end of Q4, energy and industry accounted for 25.2% 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 80.6% of the segment's lending balance as of 31 December. NOK 238 million was paid out within the segment in Q4 2020.

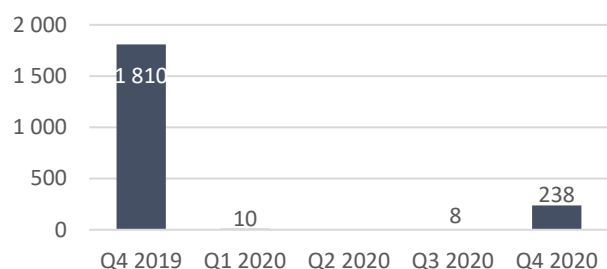
Number of applications by quarter



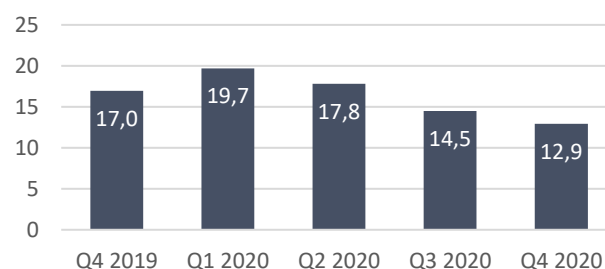
Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance by quarter (BNOK)



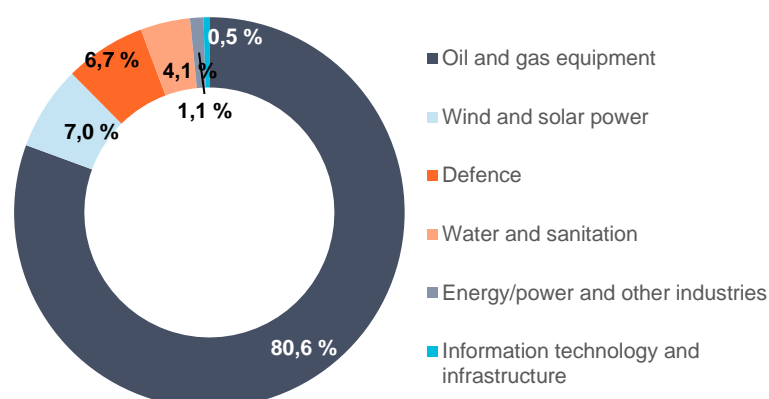
Market developments

The Covid-19 pandemic has led to a huge international downturn in demand for oil. This has had a negative impact on the activity level within the global oil industry. Investment decisions for new 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.

Market prospects for renewable energy in the long term continue to be positive. For bottom-fixed offshore wind power, the costs are now so low that projects are profitable without state support. Floating offshore wind power will only be competitive once the costs are lower. It may be an important industry for Norwegian exporters of capital goods, 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 of 31 December 2020 (%)



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. The largest segments are miscellaneous offshore support vessels, smaller cruise ships and passenger vessels and merchant shipping.

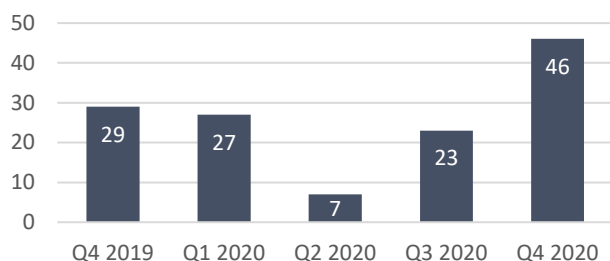
Applications

In Q4, Export Credit Norway received 46 applications relating to the financing of shipping projects worth a total of NOK 8.2 billion. Compared with the same period in 2019, the number of applications has increased, while the value of applications has decreased.

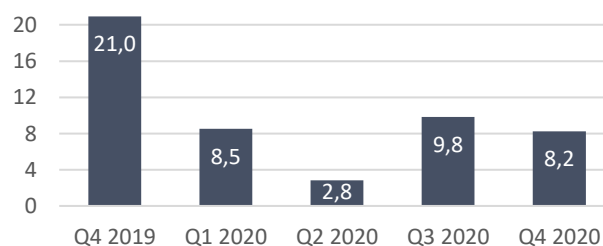
Portfolio

At the end of Q4, shipping accounted for 68.3% 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. There were no disbursements within the segment during Q4.

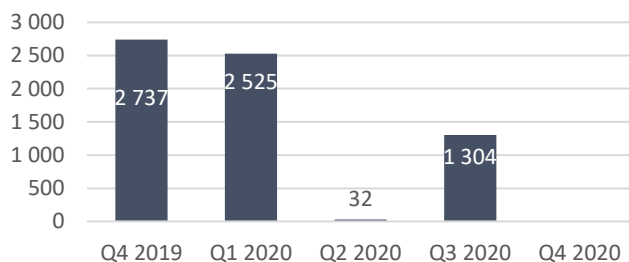
Number of applications by quarter



Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance by quarter (BNOK)



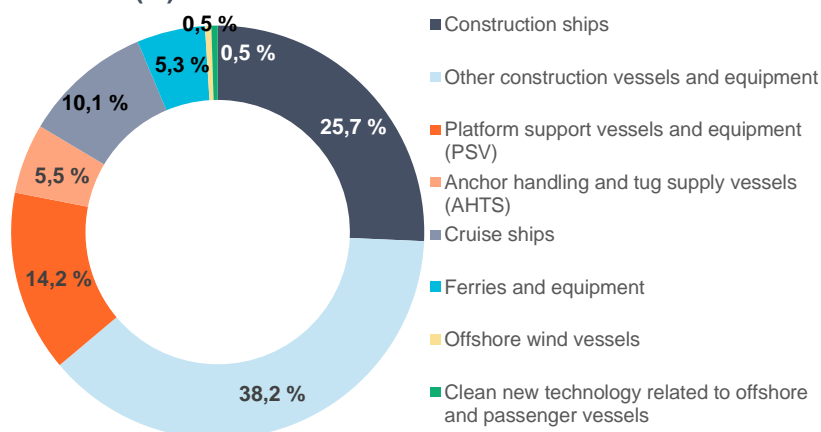
Market developments

2020 has been an unusual year characterised by the Covid-19 pandemic. New ship building activity globally was historically low, and the Covid-19 pandemic has negatively affected all shipyards in an already difficult situation.

Travel restrictions and global economic uncertainty is affecting the shipping industry. Shipyards have been hit by a difficult situation in terms of both liquidity and solvency. It is also uncertain when cruise companies can get their existing fleets back into service.

However, there is significant activity in the offshore wind segment, where many Norwegian companies are actively working to establish a position in this market. We also expect shipping companies to continue to order new builds until the Norwegian ferry fleet has been renewed with zero- and low-emission ferries. We are also seeing increased activity within environmental technology for ships, including battery packs, and we expect to see increased demand for financing of refurbishment/retrofits of ships.

Lending balance by sub-segment as of 31 December 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.

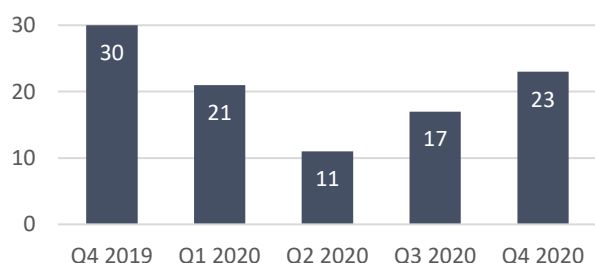
Applications

In Q4, Export Credit Norway received 23 applications relating to fisheries and aquaculture worth a total of NOK 4.6 billion. The application inflow was slightly lower in both numerical and value terms compared with the same period in 2019.

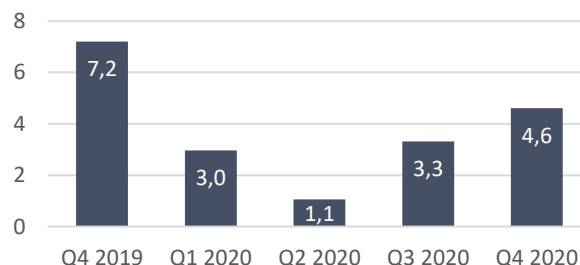
Portfolio

At the end of Q4, fisheries and aquaculture accounted for 6.5% 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. Fishing boats dominate the portfolio with 63.9% of the segment's lending balance. A total of NOK 291.0 million was paid out in the segment in Q4. Disbursements during the quarter are related to fishing boats and equipment for fishing boats.

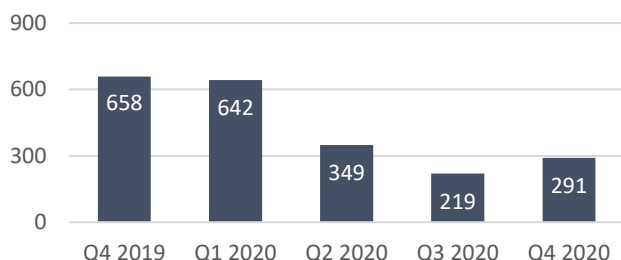
Number of applications by quarter



Value of applications by quarter (BNOK)



Disbursements by quarter (MNOK)



Lending balance by quarter (BNOK)



Market developments

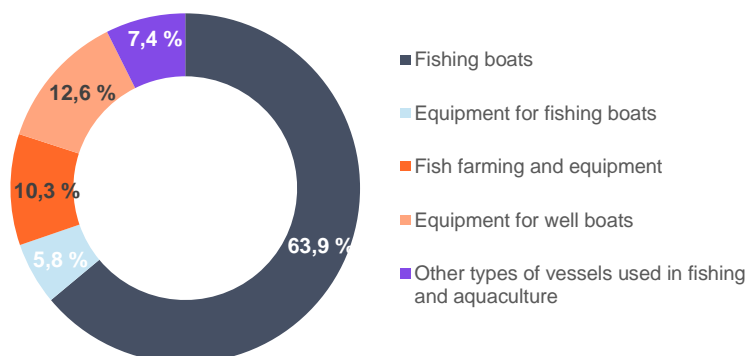
According to the Norwegian Seafood Council, the export value of Norwegian seafood was NOK 105.7 billion in 2020 (NOK 107.3 billion in 2019) – a strong result despite logistics challenges and the loss of the restaurant and hotel market as a result of Covid-19.

The applications still show good variation in the types of projects, although vessels do dominate. This includes fishing vessels, wellboats and service vessels for the aquaculture industry. The applications cover projects at both Norwegian and foreign shipyards.

The wellboat market still looks positive in terms of demand for new builds in the future, and this is where Norwegian shipyards are relevant. We also expect increased activity within smaller fishing vessels and land-based fish farming.

In December 2020, the report "Verdiskapingspotensiale og veikart for havbruk til havs" (The value creation potential and roadmap for aquaculture at sea) was released. This points out, among other things, the key role played by the supplier industry in the move towards a more exposed aquaculture at sea and transition in practice as a result of suppliers, who have traditionally supplied petroleum companies and the maritime sector, using their expertise and technology within new sea-based activities.

Lending balance by sub-segment as of 31 December 2020 (%)



Developments, activities and the portfolio

The ship financing scheme

Market developments

Order inflow Norwegian shipyards

Norwegian shipyards secured 11 contracts at a value of NOK 3.8 billion* in Q4 2020. For 2020 a total of 24 contracts at a value of NOK 6.8 billion were signed. Tendering activity in the shipyard sector for 2020 was at its lowest level since 2009. This is attributable 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 October the government announced that the ship financing scheme would be extended out 2021. So far the primary vessel types for the scheme have been fishing boats, wellboats and ferries.

Applications

In Q4 2020, Export Credit Norway received 13 applications linked to the ship financing scheme. In 2020, a total of 29 applications had been received relating to the scheme, at a total value of NOK 4.2 billion. Since the scheme was introduced a total of 81 applications have been received at a value of approximately NOK 15.2 billion. The applications relate to several different types of vessel, but predominantly ferries, wellboats and fishing boats.

Applications	Q4 2020	Q4 2019	2020	2019	2018
Number	13	9	29	22	22
Value (TNOK) (historic rates)	2,299,000	921,800	4,215,843	3,329,800	6,610,540

Loan agreements signed

One new loan agreement associated with the scheme was signed in Q4 2020. There was a total of four new agreements signed under the scheme in 2020.

Disbursements and lending balance

As of 31 December 2020, Export Credit Norway has disbursed seven loans at a loan value of NOK 1.2 billion as part of the ship financing scheme. The lending balance associated with the scheme was NOK 1.0 billion at the end of Q4 2020. The balance at the corresponding measurement point in 2019 was NOK 133 million.

Export Credit Norway was processing 20 potential loans at the end of the quarter 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 2021.

Small and medium-sized enterprises (SMEs)

Small and medium-sized enterprises account for 60% 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. 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, Export Credit Norway believes that the current product ranges and requirements are ill-suited to the SME segment.

Applications

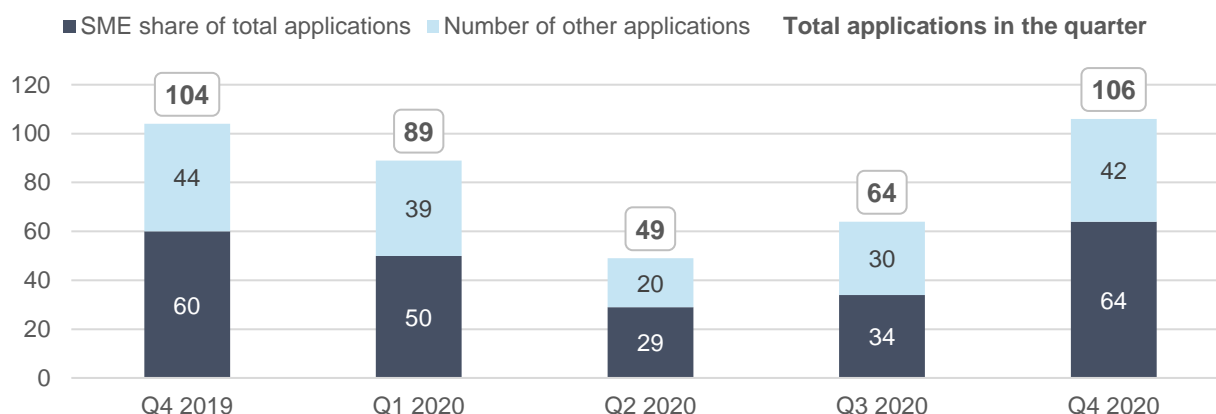
In Q4, Export Credit Norway received a total of 106 loan applications, of which 60% in numerical terms came from exporters classified as SMEs. SME applications accounted for 9.9% of the total application value in Q4. The proportion of SME applications was higher in numerical terms but lower in value terms compared with Q4 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

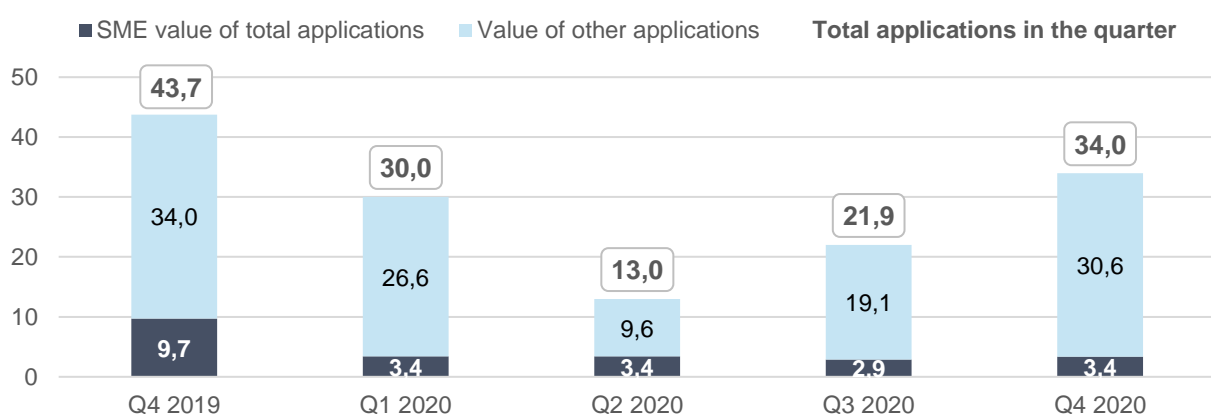
SME exporters accounted for 2.6% of the total value of the lending portfolio at the end of Q4 2020. The current portfolio of SMEs is diverse and includes suppliers in the ICT, maritime and fish-farming industries as well as other suppliers of capital goods and services.

At the end of 2020 around 35% of the SME portfolio was classified as at risk**. As a proportion of the total lending balance, this represents about 1%. For comparison, about 50% of the total lending portfolio was classified as at risk at the end of 2020. This difference is largely due to the fact that a high proportion of the at-risk commitments relate to the shipping segment, which for the most part consists of larger commitments and where SMEs are not as widely represented.

SME share of number of applications by quarter



SME share of total application value by quarter (BNOK)



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

**At risk refers to loans that have either been granted a repayment deferral or are in the process of being granted one.

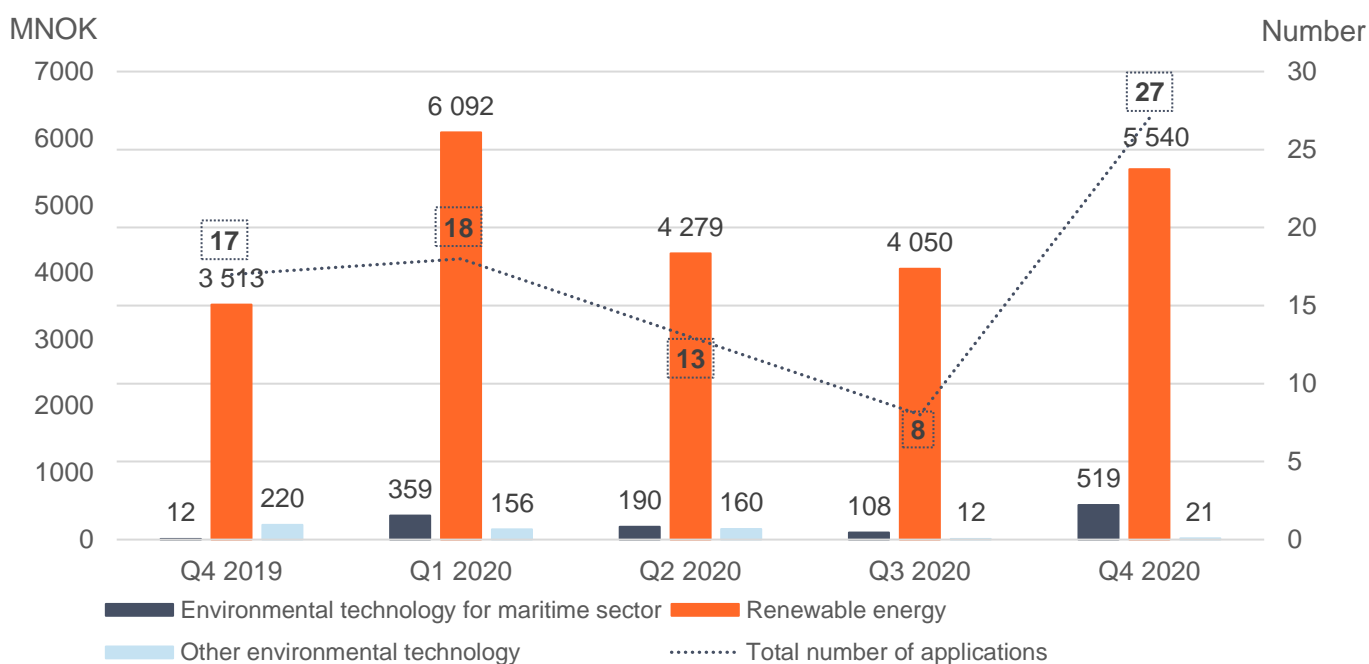
Environmental technology

Inflow of environmental technology applications

In Q4 2020, Export Credit Norway received 27 loan applications relating to environmental technology and renewable energy. In terms of value, these applications account for 17% of the total amount applied for. The application inflow for environmental technology was higher both in numerical terms and value terms than in Q4 2019.

Eighteen of the 27 applications received relate to environmental and cleaning technology within shipping and equipment. The largest value is in clean technology associated with wind power, hydro power and solar energy, with NOK 5.5 billion during the quarter.

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

Norwegian export-led trade and industry is spread throughout the country. In 2019 (the last available figure), the largest export county was Vestland, followed by Oslo, Viken, Rogaland and Møre og Romsdal. Emerging sectors and value chains with small and medium-sized enterprises are appearing throughout the country. This is evident in, among other things, the cluster programmes supported by Innovation Norway.

Export Credit Norway received applications from export companies in all Norwegian counties in 2020. In terms of numbers, most applications came from Viken (24%), followed by Rogaland (21%), Vestland (18%) and Møre og Romsdal (13%). In terms of value, Viken was the largest county with 52%, followed by Oslo (10%), Rogaland (10%), Vestland (9%) and Møre og Romsdal (9%).

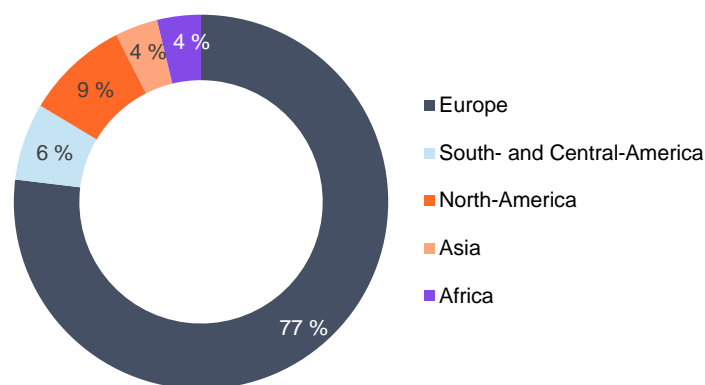
To the world

Export Credit Norway provides financing for projects in a number of different countries, but the majority of financing transactions currently involve exports to Europe. Approximately 4% of the financing transactions are associated with exports to Asia, where the largest growth in economies is being realised.

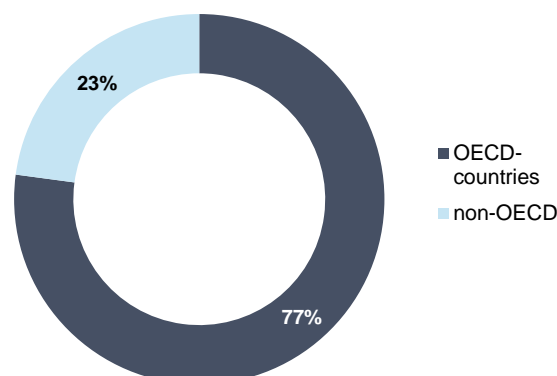
As of 31 December 2020, 77% of the lending balance is related to exports to OECD countries, the remaining 23% to non-OECD countries. This distribution has been relatively stable in the previous quarters.

Amongst the SMEs in the portfolio, the proportion of the lending balance to non-OECD countries is higher than in the total portfolio. This has resulted in Export Credit Norway giving extensive advice and guidance to SMEs on CSR, anti-corruption and money-laundering.

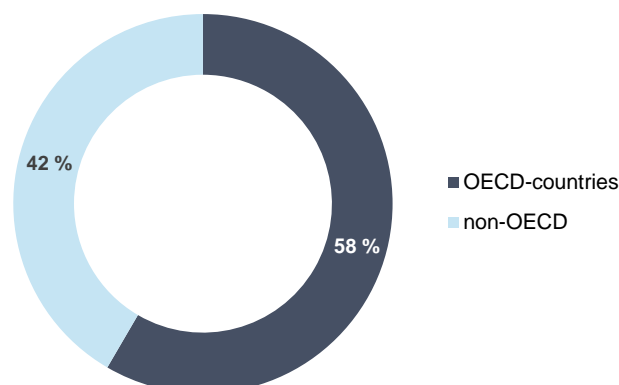
Export by region, project country as of 31 December 2020 (%)



Lending balance by project countries as of 31 December 2020 (%)



SME lending balance by project countries as of 31 December 2020 (%)



Key figures portfolio

	Q4 2020	Q4 2019	2020	2019
Lending balance (MNOK)	51,269	65,039	51,269	65,039
CIRR	32,635	42,746	32,635	42,746
Market loans	18,634	22,294	18,634	22,294
Disbursements (new loans, MNOK)	529	5,205	5,617	11,360
CIRR	193	3,029	2,059	7,126
Market loans	336	2,176	3,558	4,235
Probability-adjusted order book (MNOK)	14,456	12,913	14,456	12,913
Energy and industry	7,504	3,205	7,504	3,205
Shipping	3,641	6,872	3,641	6,872
Fisheries and aquaculture	3,312	2,836	3,312	2,836
Gross interest income (MNOK)	562	429	1,592	1,527
Instalments (MNOK)	5,163	2,400	16,666	6,928
Of which early redemptions (MNOK)	869	960	4,929	1,813
Administration costs	0.07%	0.05%	0.23%	0.18%
Applications				
Number (total and by sector)	106	104	308	282
Energy and industry	37	45	133	133
Shipping	46	29	103	80
Fisheries and aquaculture	23	30	72	69
Value (total and by sector, MNOK)	33,964	43,749	98,881	128,218
Energy and industry	21,109	15,599	57,463	74,371
Shipping	8,242	20,950	29,461	40,400
Fisheries and aquaculture	4,613	7,200	11,957	13,447
SME number of applications of total applications (industrial sector)	64	60	177	151
Energy and industry	23	31	83	80
Shipping	31	13	61	36
Fisheries and aquaculture	10	16	33	35
SME share of total applications value (MNOK)	3,367	9,715	13,024	21,206
Energy and industry	1,079	4,749	6,896	12,726
Shipping	1,882	1,805	3,571	3,396
Fisheries and aquaculture	406	3,161	2,557	5,084
New loan agreements (BNOK)	1,875	1,489	3,033	7,929
Guarantors (% of portfolio)				
GIEK	74%	72%	74%	72%
Norwegian banks	12%	14%	12%	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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