

Eksportfinans ASA

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Eksporthfinans ASA

Major Rating Factors

Strengths:

- Very high likelihood of government support.
- Excellent loan asset quality.
- Robust capitalization.

Weaknesses:

- Limited diversity as a specialized lender.
- Low profitability.
- High dependence on wholesale funding.

Counterparty Credit Rating

AA/Stable/A-1+

Rationale

The ratings on Eksporthfinans ASA reflect our opinion that there is a very high likelihood of extraordinary support from the Norwegian government (if necessary). They are further underpinned by the company's excellent loan asset quality and robust capitalization. The ratings are constrained by Eksporthfinans' limited product and geographic diversity, low profitability, and high dependence on wholesale funding.

Eksporthfinans finances Norwegian exports; provides medium- and long-term credit to promote exports; and, on behalf of the Kingdom of Norway, manages government support schemes for export credits and grants credits to developing countries.

The Norwegian government holds a 15% stake in Eksporthfinans and the remaining 85% is held by commercial banks--the three largest owners being DnB NOR Bank ASA (A+/Stable/A-1), Nordea Bank Norge ASA (AA-/Stable/A-1+), and Danske Bank A/S (A/Negative/A-1). In line with our enhanced criteria for rating government-related entities, we assess the likelihood of timely and sufficient extraordinary government support to Eksporthfinans, in the event of financial distress, to be 'very high', which results in an uplift from the stand-alone credit profile of three notches. This is based on our assessment that Eksporthfinans plays a 'very important' role for the government and that the link between Eksporthfinans and the government is 'very strong'.

Eksporthfinans' consolidated assets as at March 31, 2010 stood at Norwegian krone (NOK) 233.4 billion (€29.2 billion at NOK7.97 to €1). Following the divestment of Kommunekreditt in June 2009, Eksporthfinans plans to gradually wind down its municipal lending operations over the next two years and assume a significantly narrower business profile as a pure lender to the Norwegian export industry. The company will, however, expand the scope of its business to include environmental, infrastructure, and sustainable energy projects.

The company's loan asset quality remains excellent, with the entire loan portfolio either guaranteed by the Norwegian government or by domestic and foreign banks. We expect the company's sole loan loss provision to date, related to a NOK508 million claim on an Icelandic bank in 2008, to prove an isolated case.

Eksporthfinans' core earnings to average adjusted assets were 0.39% in the first quarter of 2010, which was an improvement from previous years. Even though the profitability of Eksporthfinans' core operations remains low, we

believe that the company's returns are adequate in view of the nature of its operations and because it is under no shareholder pressure to meet higher profitability targets.

We view its capital as robust. At the end of March 2010, the company's Tier 1 capital ratio was 9.5%. At year-end 2009, Standard & Poor's risk-adjusted capital ratio was 7.5%.

Eksportfinans is entirely dependent on wholesale funding as a result of its business model. We consider Eksportfinans' funding strategy to be prudent, and the company benefits from strong name recognition in the international capital markets. Its funding is diverse across maturities, currencies, and instruments, even though we note its relatively high reliance on the Japanese funding market. The company continued to have good access to both short-term and long-term funds during the global liquidity squeeze in the latter part of 2008.

Outlook

The stable outlook reflects Eksportfinans' close ties with the Norwegian government, as well as its good relationships with its other shareholders. It also reflects the company's continued strong credit fundamentals, and our expectation that it will maintain very strong loan asset quality and robust capitalization.

A negative rating action could follow if there were indications that government support would be less forthcoming than we currently expect, even though we consider this scenario unlikely. Any significant deterioration in terms funding, capital ratios, or risk profile could put pressure on the ratings. A positive rating action is unlikely at this stage.

Table 1

| Eksportfinans ASA Risk-Adjusted Capital Data | | | | | |
|---|------------------|---------------------|--------------------------------|----------------------------------|---|
| (NOK 000s) | Exposure* | Basel II RWA | Average Basel II RW (%) | Standard & Poor's RWA | Average Standard & Poor's RW (%) |
| Credit risk | | | | | |
| Government and central banks | 2,244,344 | 417,850 | 19 | 135,424 | 6 |
| Institutions | 109,637,692 | 20,656,325 | 19 | 19,161,975 | 17 |
| Corporate | 70,802,841 | 9,377,966 | 13 | 10,125,606 | 14 |
| Retail | 0 | 0 | 0 | 0 | 0 |
| Of which mortgage | 0 | 0 | 0 | 0 | 0 |
| Securitization | 0 | 0 | 0 | 0 | 0 |
| Other assets | 418,081 | 386,863 | 93 | 627,122 | 150 |
| Total credit risk | 183,102,958 | 30,839,004 | 17 | 30,050,127 | 16 |
| Market risk | | | | | |
| Equity in the banking book¶ | 0 | 0 | 0 | 0 | 0 |
| Trading book market risk | -- | 5,752,075 | -- | 8,628,113 | -- |
| Total market risk | -- | 5,752,075 | -- | 8,628,113 | -- |
| Insurance risk | | | | | |
| Total insurance risk | -- | -- | -- | 0 | -- |
| Operational risk | | | | | |
| Total operational risk | -- | 2,689,000 | -- | 2,688,999 | -- |

Table 1

| Eksportfinans ASA Risk-Adjusted Capital Data (cont.) | | | | |
|--|----------------|------------------|------------------------|---------------------------------|
| (NOK 000s) | Basel II RWA | | Standard & Poor's RWA | % of Standard & Poor's RWA |
| Diversification adjustments | | | | |
| RWA before diversification | 39,280,079 | | 41,367,239 | 100 |
| Total adjustments to RWA | -- | | 4,407,771 | 11 |
| RWA after diversification | 39,280,079 | | 45,775,010 | 111 |
| (NOK 000s) | Tier 1 capital | Tier 1 ratio (%) | Total adjusted capital | Standard & Poor's RAC ratio (%) |
| Capital ratio | | | | |
| Capital ratio before adjustments | 3,819,295 | 9.7 | 3,424,000 | 8.3 |
| Capital ratio after adjustments§ | 3,819,295 | 9.7 | 3,424,000 | 7.5 |

*Exposure at default. †Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

§Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. NOK--Norwegian krone. Sources: Company data as of Dec. 31, 2009, Standard & Poor's.

Table 2

| Eksportfinans ASA Asset Quality, Funding, And Liquidity Ratios | | | | | |
|--|------------------------|---------|---------|---------|------|
| | --Year-ended Dec. 31-- | | | | |
| (%) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Gross nonperforming assets/customer loans plus other real estate owned | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 |
| New loan loss provisions/average customer loans | N.M. | N.M. | 0.4 | N.M. | N.M. |
| Total loans/customer deposits plus long-term funds | 1,684.4 | 1,668.7 | 1,476.7 | 2,721.1 | 63.6 |
| Customer loans (net)/assets (adjusted) | 51.8 | 54.3 | 47.6 | 57.2 | 54.7 |

*Data as of March 31. N.M.--Not meaningful.

Table 3

| Eksportfinans ASA Profitability Ratios | | | | | |
|---|------------------------|--------|---------|-----------|-------|
| | --Year-ended Dec. 31-- | | | | |
| (%) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Net interest income/average earning assets | 0.7 | 0.6 | 0.5 | 0.3 | 0.3 |
| Net interest income/revenues | (159.1) | (63.5) | 19.9 | (2,337.5) | 94.7 |
| Fee income/revenues | 0.5 | 0.2 | (0.7) | 16.7 | (0.2) |
| Market-sensitive income/revenues | 259.5 | 163.9 | 80.7 | 2,450.0 | 4.5 |
| Personnel expense/revenues | (18.2) | (6.6) | 2.2 | (433.0) | 19.9 |
| Noninterest expenses/revenues | (22.7) | (8.1) | 3.8 | (775.9) | 34.8 |
| New loan loss provisions/revenues | 0.0 | 0.0 | 9.5 | 0.0 | 0.0 |
| Net operating income before loan loss provisions/loan loss provisions | N.M. | N.M. | 1,017.3 | N.M. | N.M. |
| Net operating income after loan loss provisions/revenues | 122.7 | 108.1 | 86.7 | 875.9 | 65.2 |
| Pretax profit/revenues | 122.7 | 93.4 | 86.7 | 875.9 | 65.2 |
| Tax/pretax profit | 28.1 | 32.3 | 28.0 | 29.0 | 27.0 |
| Core earnings/revenues | (102.0) | (41.7) | (3.9) | (998.2) | 47.6 |
| Core earnings/average adjusted assets | 0.4 | 0.4 | (0.1) | 0.1 | 0.2 |
| Noninterest expenses/average adjusted assets | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |

Table 3

| Eksportfinans ASA Profitability Ratios (cont.) | | | | | |
|---|--------|--------|-------|-------|------|
| Core earnings/average risk-weighted assets | N.M. | N.M. | (1.0) | 0.6 | 0.7 |
| Core earnings/average adjusted common equity | 23.7 | 28.3 | (7.7) | 10.7 | 10.1 |
| Pretax profit/average common equity (%) | (20.3) | (34.3) | 94.4 | (8.0) | 12.9 |

*Data as of March 31. N.M.--Not meaningful.

Table 4

| Eksportfinans ASA Capital Ratios | | | | | |
|---|-------------------------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | |
| (%) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Adjusted common equity/risk assets (%) | N.M. | N.M. | N.M. | 5.2 | 6.8 |
| Tier 1 capital ratio | 9.5 | 9.7 | 8.1 | 6.3 | 8.3 |
| Adjusted total equity/adjusted assets | 1.8 | 1.5 | 1.1 | 1.2 | 1.8 |
| Adjusted total equity/managed assets | 1.8 | 1.5 | 1.1 | 1.2 | 1.8 |
| Adjusted total equity plus loan loss reserves (specific)/customer loans (gross) | 3.4 | 2.8 | 2.4 | 2.1 | 3.3 |
| Common dividend payout ratio | 0.0 | (47.9) | 0.0 | 0.0 | 0.0 |

*Data as of March 31. N.M.--Not meaningful.

Table 5

| Eksportfinans ASA Summary Balance Sheet | | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | |
| (Mil. NOK) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Assets | | | | | |
| Cash and money market instruments | 19,905.0 | 8,506.0 | 7,737.0 | 941.0 | 664.0 |
| Securities | 73,808.0 | 76,090.0 | 108,137.5 | 80,133.0 | 63,403.0 |
| Trading securities (marked to market) | 46,572.0 | 46,131.0 | 63,514.1 | 29,380.0 | 25,110.0 |
| Nontrading securities | 27,236.0 | 29,959.0 | 44,623.5 | 50,753.0 | 38,293.0 |
| Loans to banks (net) | 0.0 | 0.0 | 0.0 | 0.0 | 8,745.0 |
| Customer loans (gross) | 120,842.0 | 122,297.0 | 141,201.6 | 125,170.0 | 90,314.0 |
| Loan loss reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Customer loans (net) | 120,842.0 | 122,297.0 | 141,201.6 | 125,170.0 | 90,314.0 |
| Earning assets | 214,555.0 | 206,893.0 | 257,076.1 | 206,244.0 | 163,126.0 |
| Intangibles (nonservicing) | 24.0 | 26.0 | 26.8 | 27.0 | 25.0 |
| Fixed assets | 205.0 | 208.0 | 217.4 | 222.0 | 124.0 |
| Derivatives credit amount | 15,830.0 | 14,344.0 | 27,294.2 | 9,744.0 | N/A |
| Accrued receivables | N/A | N/A | 0.0 | 0.0 | 1,059.0 |
| All other assets | 2,750.0 | 3,783.0 | 12,286.8 | 2,483.0 | 849.0 |
| Total assets | 233,364.0 | 225,254.0 | 296,901.5 | 218,720.0 | 165,183.0 |
| Intangibles (nonservicing) | 24.0 | 26.0 | 26.8 | 27.0 | 25.0 |
| Adjusted assets | 233,340.0 | 225,228.0 | 296,874.6 | 218,693.0 | 165,158.0 |
| Liabilities | | | | | |
| Total deposits | 43.0 | 38.0 | 326.6 | 324.0 | 47.0 |
| Noncore deposits | 43.0 | 38.0 | 326.6 | 324.0 | 47.0 |
| Core/customer deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Table 5

| Eksportfinans ASA Summary Balance Sheet (cont.) | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Other borrowings | 207,980.0 | 199,555.0 | 261,394.6 | 207,694.0 | 158,602.0 |
| Other other borrowings | 196,506.0 | 178,560.0 | 225,431.5 | 175,226.0 | 0.0 |
| Other liabilities | 20,127.0 | 20,253.0 | 27,972.1 | 7,481.0 | 3,323.0 |
| Total liabilities | 228,150.0 | 219,846.0 | 289,693.3 | 215,499.0 | 161,972.0 |
| Total equity | 5,214.0 | 5,408.0 | 7,208.2 | 3,221.0 | 3,211.0 |
| Common shareholders' equity (reported) | 5,214.0 | 5,408.0 | 7,208.2 | 2,662.0 | 2,601.0 |
| Share capital and surplus | 2,948.0 | 2,948.0 | 2,947.7 | 1,756.0 | 1,756.0 |
| Revaluation reserve | N/A | N/A | N/A | N/A | 187.0 |
| Retained profits | N/A | N/A | N/A | N/A | N/A |
| Other equity | 2,266.0 | 2,460.0 | 4,260.5 | 906.0 | 658.0 |
| Total liabilities and equity | 233,364.0 | 225,254.0 | 296,901.4 | 218,720.0 | 165,183.0 |

*Data as of March 31. NOK--Norwegian krone. N/A--Not applicable.

Table 6

| Eksportfinans ASA Equity Reconciliation Table | | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | |
| (Mil. NOK) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Common shareholders' equity (reported) | 5,214.0 | 5,408.0 | 7,208.2 | 2,662.0 | 2,601.0 |
| Plus minority interest (equity) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minus dividends (not yet distributed) | (175.0) | (700.0) | 0.0 | 0.0 | 0.0 |
| Minus revaluation reserves | 0.0 | 0.0 | 0.0 | 0.0 | (187.0) |
| Minus nonservicing intangibles | (24.0) | (26.0) | (26.8) | (27.0) | (25.0) |
| Adjusted common equity | 4,159.0 | 3,424.0 | 3,382.4 | 2,107.0 | 2,389.0 |
| Plus admissible preferred and hybrids | 0.0 | 0.0 | 0.0 | 559.0 | 610.0 |
| Minus other adjustments | 856.0 | 1,258.0 | 3,799.0 | 528.0 | 0.0 |
| Adjusted total equity | 4,159.0 | 3,424.0 | 3,382.4 | 2,666.0 | 2,999.0 |

*Data as of March 31. NOK--Norwegian krone.

Table 7

| Eksportfinans ASA Profit And Loss | | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | |
| (Mil. NOK) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Net interest income | 350.0 | 1,470.0 | 1,068.3 | 561.0 | 484.0 |
| Interest income | 1,387.0 | 7,213.0 | 12,255.5 | 8,927.0 | 5,356.0 |
| Interest expense | 1,037.0 | 5,743.0 | 11,187.3 | 8,366.0 | 4,872.0 |
| Operating noninterest income | (570.0) | (3,784.0) | 4,304.1 | (585.0) | 27.0 |
| Fees and commissions | (1.0) | (5.0) | (38.3) | (4.0) | (1.0) |
| Trading gains | 77.0 | 615.0 | (1,079.8) | (590.0) | 23.0 |
| Other market-sensitive income | (648.0) | (4,408.0) | 5,415.7 | 2.0 | N/A |
| Other noninterest income | 2.0 | 14.0 | 6.5 | 7.0 | 5.0 |
| Operating revenues | (220.0) | (2,314.0) | 5,372.3 | (24.0) | 511.0 |
| Noninterest expenses | 50.0 | 187.0 | 204.5 | 186.2 | 177.7 |
| Personnel expenses | 40.0 | 152.0 | 118.8 | 103.9 | 101.5 |

Table 7

| Eksporfinans ASA Profit And Loss (cont.) | | | | | |
|---|---------|-----------|---------|---------|-------|
| Other general and administrative expense | 4.0 | 15.0 | 66.1 | 60.3 | 60.2 |
| Net operating income before loss provisions | (270.0) | (2,501.0) | 5,167.8 | (210.2) | 333.3 |
| Credit loss provisions (net new) | 0.0 | 0.0 | 508.0 | 0.0 | 0.0 |
| Net operating income after loss provisions | (270.0) | (2,501.0) | 4,659.8 | (210.2) | 333.3 |
| Nonrecurring/special income | N/A | 339.0 | 0.0 | 0.0 | 0.0 |
| Nonrecurring/special expense | N/A | N/A | 0.0 | 0.0 | 0.0 |
| Pretax profit | (270.0) | (2,162.0) | 4,659.8 | (210.2) | 333.3 |
| Tax expense/credit | (76.0) | (699.0) | 1,305.2 | (61.0) | 90.0 |
| Net income (before minority interest) | (194.0) | (1,463.0) | 3,354.6 | (149.2) | 243.3 |
| Net income before extraordinaries | (194.0) | (1,462.0) | 3,354.6 | (149.2) | 243.3 |
| Net income after extraordinaries | (194.0) | (1,462.0) | 3,354.6 | (149.2) | 243.3 |

*Data as of March 31. NOK--Norwegian Krone. N/A--Not applicable.

Table 8

| (Mil. NOK) | --Year-ended Dec. 31-- | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|
| | 2010* | 2009 | 2008 | 2007 | 2006 |
| Net income (before minority interest) | (194.0) | (1,463.0) | 3,354.6 | (149.2) | 243.3 |
| Minus nonrecurring/special income | 0.0 | (339.0) | 0.0 | 0.0 | 0.0 |
| Plus or minus other earnings adjustments | 418.3 | 2,766.3 | (3,565.4) | 388.8 | 0.0 |
| Core earnings | 224.3 | 964.3 | (210.7) | 239.6 | 243.3 |

*Data as of March 31. NOK--Norwegian Krone.

Ratings Detail (As Of June 14, 2010)*

Eksporfinans ASA

| | |
|-------------------------------|----------------|
| Counterparty Credit Rating | AA/Stable/A-1+ |
| Commercial Paper | |
| <i>Foreign Currency</i> | A-1+ |
| Junior Subordinated (1 Issue) | A |
| Senior Unsecured (72 Issues) | AA |
| Short-Term Debt (2 Issues) | A-1+ |
| Subordinated (3 Issues) | AA- |

Counterparty Credit Ratings History

| | |
|-------------|--------------------|
| 04-Sep-2009 | AA/Stable/A-1+ |
| 07-May-2009 | AA+/Watch Neg/A-1+ |
| 24-Oct-2008 | AA+/Negative/A-1+ |

Sovereign Rating

| | |
|---------------------|-----------------|
| Norway (Kingdom of) | AAA/Stable/A-1+ |
|---------------------|-----------------|

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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