

# Corporate Governance

Eksportfinans aims to ensure a high standard of corporate governance. Eksportfinans insist on equal treatment of shareholders, compliance with laws, regulations and ethical standards. Eksportfinans also elects independent and well-qualified Board members to safeguard these values.

Eksportfinans' corporate governance principles will guarantee:

- Establishment of, and information about the Group's objectives, strategies and values
- Clear distribution of roles and responsibilities between different bodies and management
- Predictability and equal treatment of all shareholders
- Shareholders' contribution and influence
- Relevant, up-to-date reporting to shareholders and other interested parties
- Independent, qualified Board members
- Appropriate compensation of the Board and management
- The Board's and management's understanding and control of the group's development and operations
- Compliance with laws, rules and ethical standards
- Independent internal and external auditing

## BACKGROUND

For Eksportfinans, corporate governance includes management processes, descriptions of roles and responsibilities, independence requirements, compensation systems and the opportunities of shareholders to exert influence and protect the interest of shareholders and other interested parties, including employees and authorities.

The Norwegian Code of Practices for Corporate Governance was launched in 2004 and has subsequently been updated. The Management and the Board periodically review the principles of corporate governance and their functionality. In November 2006 The Norwegian Code for Corporate Governance was amended with respect to risk management and internal control, principles on equal treatment of shareholders and the provisions of information in respect of take-overs. Also, the amendments comprised additional features of the nomination committee making the general meeting responsible for electing the chairperson and for approving the committee's remuneration, as well as further clarifications for the role of the audit committee in the election of the auditor. The Board of Directors resolved to adopt these changes.

## FACTS

The Norwegian Code of Practice for Corporate Governance as of December 4, 2007 involves the following main points:

1. Implementation and reporting of corporate governance
2. Business
3. Equity and dividends
4. Equal treatment of shareholders and transactions with close associates
5. Freely negotiable shares
6. General meetings
7. Nomination Committee
8. Corporate assembly and Board of Directors: composition and independence
9. The work of the Board of Directors
10. Risk management and internal control
11. Remuneration of the Board of Directors
12. Remuneration of executive management
13. Information and communications
14. Take-overs
15. Auditor

The figures in parenthesis below refer to the main points of the Norwegian corporate governance recommendation.

**Eksportfinans' corporate governance principles will guarantee:**

- Establishment of and information about the Group's objectives, strategies and values (1, 2)
- Clear distribution of roles and responsibilities between different bodies and management (6, 7, 8, 9, 10, 11, 14)
- Predictability and equal treatment of all shareholders (3, 4, 5)
- Shareholders' contribution and influence (6, 7, 8, 13)
- Relevant, up-to-date reporting to shareholders and other interested parties (12)
- Independent, qualified Board members (7, 8)
- Appropriate compensation of the Board and management (9, 10, 11)
- The Board's and management's understanding and control of the group's development and operations (9)
- Compliance with laws, rules and ethical standards (1)
- Independent internal and external auditing (9, 14)

Unlike many other countries, rules regarding good corporate governance of financial institutions are to a great extent laid down in Norwegian legislation. Eksportfinans is also subject to the international rules that apply to global issuers of bonds with high credit rating.

#### COMMUNICATION OF CORPORATE OBJECTIVES, STRATEGIES AND VALUES

Eksportfinans' purpose according to its Articles of Association is to provide financing to export businesses in accordance with the license and Articles of Association, applicable Norwegian Law, and decisions by- and guidelines from the Board. The institution also grants loans to municipalities and local government administrations through Eksportfinans' wholly-owned subsidiary Kommunekreditt Norge AS. In addition, Eksportfinans may extend loans for other purposes in conjunction with, or by assignments from, Norwegian authorities. The Articles of Association also provides for the operation of the Group.

In the Annual Report Eksportfinans provides in-depth articles on its objectives, business model and principle strategies. This makes the inclusion of the Object Clause of the Articles of Association redundant.

The Board has set the company values, ethical guidelines and annual action plans for the Group and the business areas. The main descriptions and ethical guidelines have been published on the web site. The Board has also drawn up guidelines to ensure relevant, up-to-date and identical information to investors and other actors in the international capital markets. The market is updated through annual registration of Form F20 with the Securities and Exchange Commission in the USA, as well as annual reports and interim reports. Employees have access to policies, guidelines, ethical standards and directives through the web site.

#### CLEAR DISTINCTION OF ROLES AND RESPONSIBILITIES BETWEEN DIFFERENT CORPORATE BODIES AND MANAGEMENT

Clear distinction of roles and responsibilities between the different corporate bodies of the institution has been established in the Articles of Association, directives, guidelines and reporting systems. Eksportfinans' main bodies are shown in the figure on page 77. Guidelines have been established in order to handle potential conflicts of interest between Board members, executive decision makers and the organization.

According to the Articles of Association, Eksportfinans should have a Nomination Committee that prepares elections to the Board, the Council of Representatives and the Control Committee. The Articles of Association also stipulate that the Chair of the Council of Representatives shall be the head of the Nomination Committee, and how the committee will work.

Due to the limited number of shareholders Eksportfinans does not have a separate Compensation Committee. However the Nomination Committee suggests compensation for the different governing bodies to the relevant decision makers.

Clear guidelines for line responsibility have been drawn up for management and the business areas. Eksportfinans is a client-oriented organization, divided into business areas. This includes support areas and staff. The business areas have full responsibility for client relations. They also ensure that the products offered to the market are adapted to market conditions at any given time. The business areas have clear objectives with regards to results, growth and profit. The support staff assists the business areas within their areas of responsibilities.

#### PREDICTABILITY AND EQUAL TREATMENT OF ALL SHAREHOLDERS

The Board and management emphasize equal treatment of shareholders. Paragraph 2 of the Articles of Association states that only banks and the Norwegian state can own shares in Eksportfinans, but the Board does not have any authority to approve share transfers. Four of the institution's shareholders have entered into an agreement regarding first refusal of shares upon disposal.

Norwegian law requires that the authorities approve transactions regarding the acquisition of over 10 percent of the shares of a financial institution. The Norwegian recommendation for good corporate governance is that companies must not place any limits on sale of shares. Eksportfinans has difficulty following this point of the recommendation.

As a manager of state subsidies related to the financing of Norwegian exports, Eksportfinans recognizes the exporters' expectation of equal treatment within the legislation on state-supported loans. Exporters are entitled to such loans when they comply with the terms imposed. The company follows the principles related to equal treatment of clients within this legislation.

Eksportfinans has a number of ongoing business transactions with the banks that own it. All the transactions are of a business nature. For example, the company has entered into agreements with its owner banks to acquire loans from them that fall under Eksportfinans' statutory preamble and the requirements regarding security for loans. All of these loans are transferred at market terms, and the amounts can be substantial over time. It is the Board's assessment that the proposal in the Norwegian recommendation to evaluate the value of this type of transactions is not necessary because it falls under activities that can be characterized as ongoing business.

The company emphasizes and practices a predictable dividend policy.

The objective is to achieve the highest possible rate of return, considering the fact that Eksportfinans has a very conservative risk profile. At the same time Eksportfinans' rate of return must match those of the shareholders. Dividend is determined with the aim to ensure an adequate level of growth and profitability for Eksportfinans as well as a satisfactory return for the shareholders. As more fully described on page 13, the Company, as a

consequence of its agreement with The Norwegian State dated November 26, 2008 had to create a class of Preference Shares with one share. The Preference Share has a preferred right to 22.5% of the resolved dividend as long as the agreement is in force and effect. The Norwegian state also has the power to restrict other payment of dividends. It is the obligation of the Company to redeem or buy the Preference Share in accordance with the agreement.

The Financing Activities Act of 1988 provides that any acquisition of shares resulting in an ownership of 10 percent or more is subject to the approval of the Norwegian authorities. Four of the shareholders have entered into an agreement securing reciprocal rights of first refusal in case of sale of shares by any of the four participants.

The Nomination Committee will submit a recommendation regarding election of shareholder-elected members to the Council of Representatives and to members of the Control Committee. Based on this the Council of Representatives will elect the Board of Directors. The Nomination Committee will also suggest the Chairperson and a Deputy Chairperson among the members.

According to the Financing Activities Act of 1988 and the Articles of Association the Board including its chairperson is elected by the Council of representatives.

The expertise and experience of the shareholders has not traditionally been provided in the Annual Report. However, in the company's Form 20F as filed with the Securities and Exchange Commission in the USA, all of this information is provided.

### SHAREHOLDERS' CONTRIBUTION AND INFLUENCE

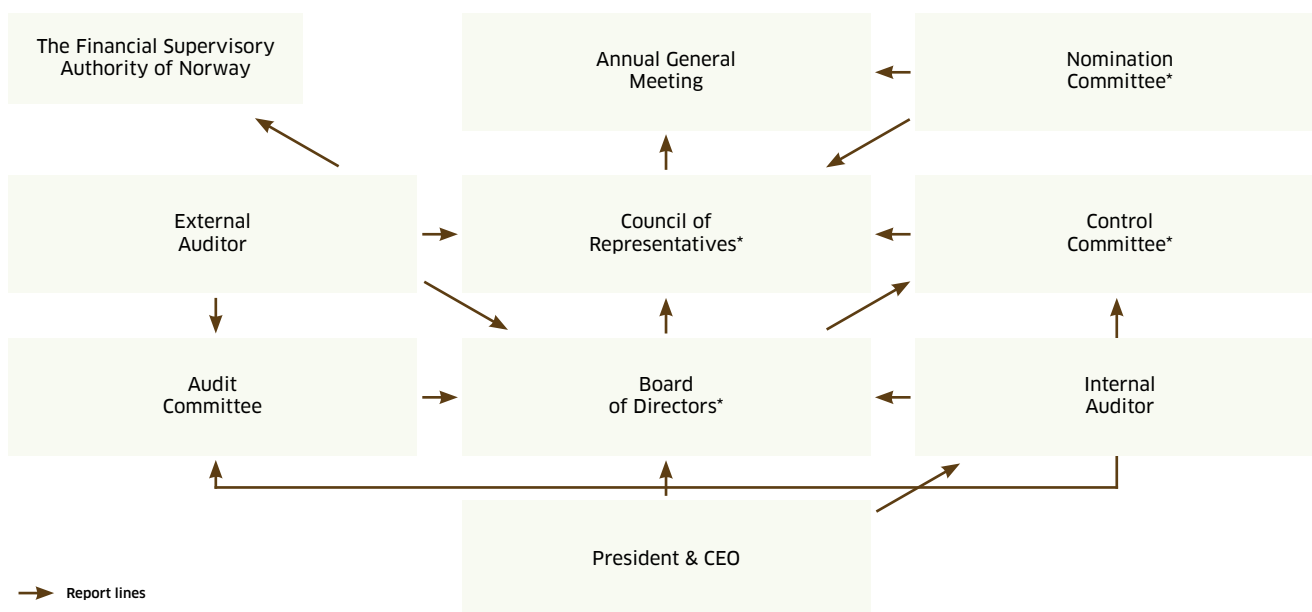
According to the Articles of Association, the Annual General Meeting shall be held before the end of April. The notice and documents must be sent to the shareholders no later than two weeks before the Annual General Meeting. Shareholders may issue proxies to third-parties.

Due to the very low number of shareholders, Eksportfinans has decided against announcing General Meetings on the website. Due to the shareholders being commercial and/or savings banks and the Government, the company has deemed it unnecessary to post procedures for setting forth proposals to the General Meeting or how to set up proxies on the web.

### RELEVANT AND UP-TO-DATE REPORTING TO SHAREHOLDERS AND OTHER INTERESTED PARTIES

Set procedures have been established to guarantee relevant, up-to-date and identical information to shareholders and other actors in the securities markets. Eksportfinans provides the market with comprehensive analytical material in connection with submission of the accounts and separate investor presentations. Quarterly and annual accounts are reviewed by the Audit Committee for approval by the Board. The information is made available to all stock exchanges on which the company's debt instruments are listed concurrently, and on the company's Web site.

## Eksportfinans' control system



\* The Nomination Committee suggests new members.

### INDEPENDENT, QUALIFIED BOARD MEMBERS

The Nomination Committee proposes Board candidates to the Council of Representatives, which then makes the decision. No Board members or management representatives are on the Nomination Committee. The composition of the Nomination Committee is described in the Articles of Association. The Board itself discusses its members' independence and legal competence. Each Board member's background is listed in the Annual Report and the 20F, which can be found on the company's Web site.

Eksportfinans' Board has three members who do not represent ownership interests. They are representatives of one of the company's most important interest groups – the export industry. In addition one Board member is elected by and from the employees.

### APPROPRIATE COMPENSATION OF THE BOARD AND MANAGEMENT

In accordance with the Articles of Association, fees to Board members and fees to members of the Audit Committee are proposed by the Nomination Committee and set by the Annual General Meeting. The fees do not depend on results or any form of options or bonuses. Any other compensation from Eksportfinans to the Board members must be approved by the Board.

The Board sets the limits for compensation of leading employees, in accordance with the proposal offered by the President and CEO. For more information see the Remuneration policy on page 80.

### CONTROL OF DEVELOPMENTS AND OPERATION

The Board has fixed directives and an annual plan for its work. The Board has also issued directives for the President and CEO.

Based on approved strategies and objectives, budgets and forecasts are drawn up for each unit. The Board approves strategies and the budget, and receives monthly reports on developments in relation to budgets and plans.

Eksportfinans' internal auditor ensures that risk analyses are conducted and that management is followed up in relation to defined risks. The internal auditor will also ensure that the activities are conducted in accordance with external rules, approved strategies and guidelines. The internal audit is an integrated part of the management and planning process. The status and risk of the control process is reported to the CEO and the Board through the organization.

The Control Committee reviews the Board's decisions and makes sure that they comply with Norwegian legislation and other relevant rules. The external auditor attends the meetings of the Control Committee. The Board's Chairperson and the Chairperson of the Audit Committee has annual meetings with the Control Committee to ensure good communication between the Control Committee and the Board.

Risk management is a key element of Eksportfinans' management process. The Board sets the limits for the different types of risk and receives reports on developments.

### COMPLIANCE WITH LAWS, RULES AND ETHICAL STANDARDS

The financial institution's activities are covered by a number of laws, regulations and guidelines. Compliance with the legislation is a line responsibility and is tested by the internal auditor. The Compliance function is centrally organized in terms of registration and communication of tasks, while responsibility for implementation and ongoing compliance is taken care of by the line.

Eksportfinans has comprehensive ethical guidelines that apply to all employees. This contributes to Eksportfinans' positive reputation. The ethical guidelines cover legal competence, conflicts of interest, relationships with clients and suppliers, confidentiality, the duty to provide information, its relationship with the media, securities trading, insider trading and relevant issues related to private finances, and more. Breaking the ethical guidelines can have a variety of consequences.

The Board has approved Eksportfinans' environmental poster, which provides guidelines for practical application of environmental considerations in the group's activities. The poster has been published on the website. It confirms, among other things, that Eksportfinans will practice international environmental standards in accordance with the OECD's recommendations regarding projects that are financed through export credits.

### INDEPENDENT EXTERNAL AUDIT

An independent, effective external audit will contribute to appropriate internal control and reliability of the financial reporting. As a registered lender in the USA, Eksportfinans is subject to section 404 of the Sarbanes Oxley Act. This means that the institution must perform very thorough identification of key earnings and risk areas, the operative processes and controls of these processes, and how they are documented and reported. Management and the external auditor shall submit a declaration of control of the financial reporting.

Eksportfinans has an Audit Committee that consists of three members from the Board, and normally meets four to five times a year.

The purpose, tasks and function of the Audit Committee comply with American and other international rules and standards. Among other things, the Audit Committee reviews the draft quarterly and annual accounts before they are presented to the Board. When reviewing the accounts, the Committee has discussions with management and auditors. The Committee also has meetings with the external and the internal auditor, without the presence of the administration, to ensure that the audits are independent and effective.

The internal auditor receives instructions from the Board, which also approves the internal auditor's annual plans. The internal audit is performed by the auditing firm Ernst & Young.

Guidelines have been drawn up for the relationship with the external auditor. This includes limitations on the type of additional work that can be performed, and approval of fees. The General Assembly elects the auditor.