EKSPORTFINANS

CAPITAL AND RISK MANAGEMENT

PILLAR 3 DISCLOSURE

2022

1 INTRODUCTION

This report contains information about Eksportfinans' risk management, risk measurement and capital adequacy. The report describes methods used in calculating the minimum capital requirement for credit risk, market risk and operational risk. In addition to these risk areas, concentration risk and business and strategic risk, are considered for possible additional capital.

The Pillar 3 report is updated and published annually and has been prepared in accordance with disclosure requirements in the Capital Requirement Regulation and Directive (CRR and CRD).
The capital adequacy regulations consist of three pillars. Pillar 1 establishes minimum capital requirements, defines eligible capital instruments and describes methods for calculating risk-weighted assets. Pillar 2 consists of requirements for the Internal Capital Adequacy Assessment Process (ICAAP) to ensure adequate capital to cover all risks, including risk types in addition to those described in Pillar 1. In connection with the ICAAP process, the liquidity situation is reviewed in the Internal Liquidity Adequacy Assessment Process (ILAAP). Pillar 3 describes the disclosure requirements.

The EU's Bank Recovery and Resolution Directive (BRRD) includes requirements for the preparation of recovery plans to deal with financially stressful situations. Eksportfinans' recovery plan is incorporated in the ICAAP document.

Eksportfinans continues to operate and manage its existing loan portfolio and other commitments with the objective of maintaining company value. The overall focus is to ensure that the company has sufficient funds to meet its obligations.

Eksportfinans´ risk profile is conservative. Capital adequacy is above the internally set risk capital level. Through the ICAAP-process, the board has decided that the company´s risk capital level should be NOK 1.2 billion including NOK 0.4 billion to cover large exposure regulations.

At year-end 2022, Eksportfinans had a core capital ratio of 178,3 percent. At year-end 2021, the core capital ratio was 156,6 percent. Leverage ratio was 66,6 percent as of December 31, 2022 compared to 56,3 percent as of December 31, 2021.

The Board of Directors ("the Board") has approved this Pillar 3 report. The Board stays informed about Eksportfinans risk development through regular reporting by Risk Management. Eksportfinans has established a framework to identify, monitor, measure, control and report on the company's risk exposure. The framework includes risk appetite statements and policies for risk management. The Board reviews and approves the framework at least once a year. The Board considers Eksportfinans' risk management sufficient and adapted to Eksportfinans risk appetite and business strategy. The Pillar 3 report is not subject to external audit.

1.1 Structure of the Pillar 3 disclosure

Eksportfinans calculates the minimum capital requirement, Pillar 1, by using the standardised method for credit risk, and the basic indicator approach calculating capital for operational risk.

In the company’s own risk assessment under Pillar 2, expected financial results are considered adjusted in accordance with qualified impact assessments from an adverse scenario for risk categories that are identified as significant for the company.

This Pillar 3 report is structured as follows:

- Chapter 2 (risk management and control) describes Eksportfinans' overall risk and capital management procedures.

- Chapter 3 (capital adequacy) provides information on items included in Eksportfinans’ capital base. The chapter also gives a capital adequacy analysis.

- Chapter 4 (ICAAP and internal capital requirement) describes Eksportfinans' internal capital adequacy assessment process and the methods which apply to items included in Eksportfinans’ capital base.

- Chapter 5 (own assessment of capital requirements) contains information on how Eksportfinans identifies and analyses credit risk, market risk, operational risk, concentration risk. For all important risk categories, the chapter describes risk management, risk control and capital requirements.

- Chapter 6 (liquidity risk and ILAAP) provides information about liquidity risk and regulations.

2 RISK MANAGEMENT AND CONTROL

Risk and capital are managed through a framework of principles, organizational structures as well as measurement and monitoring processes that are closely aligned with the activities of the business areas. Eksportfinans' current strategy is to actively manage the outstanding portfolio of loans, securities portfolio and bond debt.

2.1 Principles and control

Risk and capital management in Eksportfinans are governed by a framework of principles and procedures stated in guidelines set by the Board. In addition to defining authorities and key responsibilities, the guidelines are set to ensure that risk and capital are being measured, reported, monitored, and controlled according to the overall risk strategy of the company.

Eksportfinans organizational structure, has three lines of defense for the management of risk.

The first line is the responsibility where the risk is taken. Every employee needs to understand the risk in their daily work and carry out internal control. Each business unit must perform day-to-day activities within set limits and follow up the daily internal control. Each business unit is responsible for monitoring market movements that could cause a potential breach of limits and to make sure that risk reducing actions are taken, if necessary.

The second line of defense is provided by Risk Management and Compliance, that provides the necessary tools and systems to support the business units in identifying, managing, and monitoring risks. Risk Management and compliance reports are issued to the Chief Executive Officer ("CEO") and the Board.

The third line of defense is provided by the internal audit function. This function makes an independent assessment of risk management and internal control. The internal audit is independent and reports directly to the Board.

The purpose of internal control is to assure efficiency, reliable reporting, and compliance with laws, regulation, guidelines, and internal policies.

2.1.1 The Board

The Board has the ultimate responsibility for assessing the company´s overall risk and setting limits for accepted risk exposure. The Board is provided with sufficient periodic information to assess the company´s risk and capital management.

The Board is responsible for external reporting of financial results, risk information and capital adequacy regulations. The Remuneration committee is responsible for preparing proposals for the Board on remuneration related issues.

2.1.2 Responsibilities of the CEO and the Management Team

The CEO has the overall responsibility for risk management including setting guidelines, approving risk within set limits, monitoring all exposures, ensuring adequate controls, and reporting on limit excesses and loss events.

A number of committees assist the Management Team in monitoring and controlling risks, the most important being the Asset and Liability Management group (ALM), the Investment Committee and the Credit Committee.

2.1.3 Responsibility of Risk Management and Compliance

Risk Management and compliance is responsible for ensuring compliance with risk management policies, procedures, and guidelines such as counterparty credit quality and risk limits, as well as risk pricing, asset and liability projections, sensitivity analysis and mark to market calculations for external reporting. Relevant new laws and regulations are monitored. Risk Management and compliance ensures implementations of routines and internal controls within the organization to comply with laws, regulations, and policies.

The purpose of internal control is to assure efficiency, reliable reporting, and compliance with laws, regulation, guidelines, and internal policies.

Quarterly the Board receives both risk and compliance reports from Risk Management and Compliance with an overview and evaluation of the company´s current risk situation. An evaluation of the risk situation is also a key part of Eksportfinans' monthly management report.

Every year, Risk Management produces an ICAAP report which describes the company´s own assessment of capital requirements and capital. The disclosure information (Pillar 3) is also produced annually.

The company´s risk and compliance policies and guidelines are reviewed and updated at least annually.

3 CAPITAL ADEQUACY

Eksportfinans had a core capital ratio of 178,3 percent at year-end 2022 (156,6 percent at year-end 2021). As of December 31, 2022 the minimum capital requirements calculated for credit risk and operational risk were NOK 260 million (8 percent of the risk-weighted assets).

In addition, the company shall have NOK 244 million (7,5 percent of risk-weighted assets) to comply with the buffer requirements (capital conservation buffer, systemic risk buffer and counter-cyclical buffer).

Leverage ratio was 66,6 percent by December 31, 2022 compared to 56,3 percent as of December 31, 2021.

The Internal Capital Adequacy Assessment Process (ICAAP) is conducted annually, and Eksportfinans' capital strategy will be based on an assessment of the risk level in the organisation supplemented by the effect of various stress scenarios. Eksportfinans always complies with regulatory capital requirements.

Capital is intended as a buffer against risks that the company is exposed to from its business operations.

3.1 Capital base

The tables below provide information on regulatory capital, including core capital and supplementary capital. All tables are linked to regulatory reporting and are based on figures as of December 31, 2022.

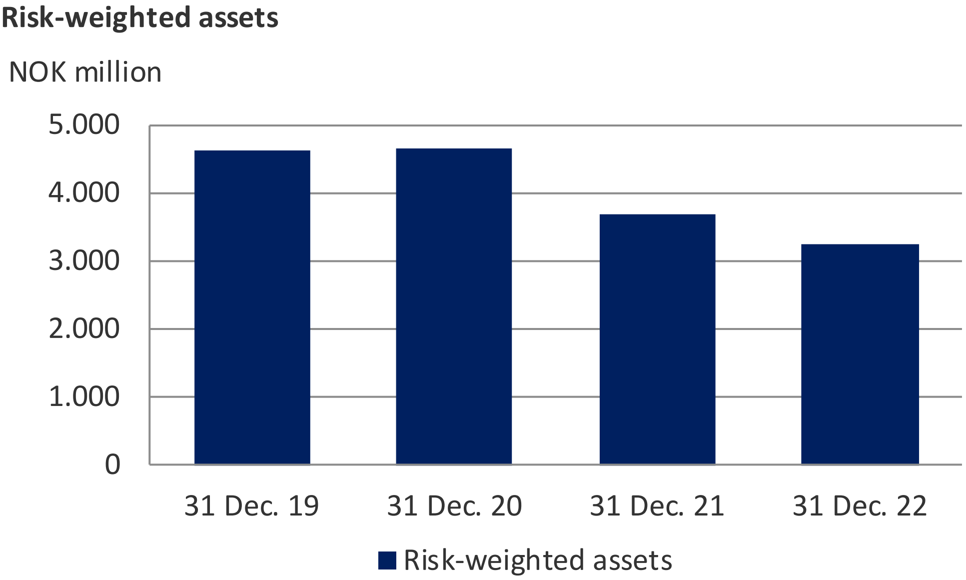
NOK million	31 Dec. 22	31 Dec. 21
Credit risk	165	197
Government	0	0
Local and regional authorities	29	42
Government owned corporations	0	0
Multilateral development banks	0	0
Institutions	133	152
Enterprises	0	0
Security for property	0	0
Other commitments	2	2
Securitisation	0	0
Market risk	0	0
Operational risk	18	26
CVA	77	73
Total minimum capital requirements	**261**	**296**

Specification of risk-weighted assets:

The table below gives an overview of the company’s assets as of December 31, 2022 and the assets secured by guarantees. Credit loss only occurs if both the borrower and the guarantor are in breach with their obligations.

NOK million		Nominal exposure 31 Dec.22	Risk weight (%)	Risk-weighted assets 31 Dec.22
Loans	Guarantees from banks	498	20	100
	Direct to banks	391	20	78
	Guarantees from EKSFIN	221	0	0
	Guarantees from banks	68	50	34
	Direct to municipalities	0	20	0
	Corporate loans	6	100	6
	Loans to employees	3	35	1
Securities	Liquidity portfolio	6.199		1.245
Financial derivatives and		1.133		501
Other	NOK 0.4 bill. deposits	409		104
Off-balance transactions				0
Operational risk				228
Currency risk				0
CVA				962
Total		**8.928**		**3.259**
Total risk-weighted assets / Total assets				36,5 %

The graph below shows the development of risk-weighted assets over the past four years.

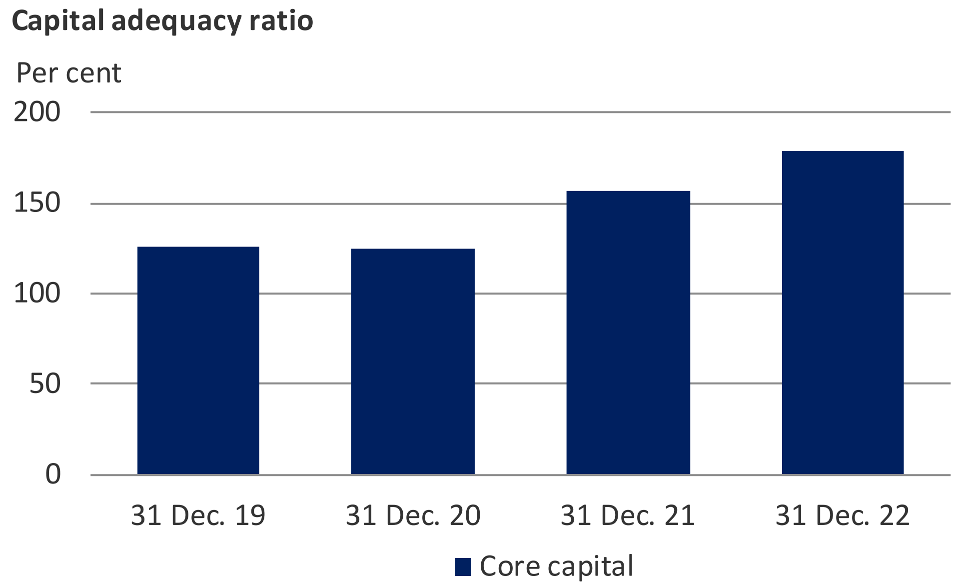


Eksportfinans` risk-weighted assets came to NOK 3.259 million at year-end 2022, reduced from NOK 3.700 million from previous year.

The table below shows the development of capital adequacy during the past four years.

Capital adequacy 2019-2022:

NOK million	31 Dec. 22	31 Dec. 21	31 Dec. 20	31 Dec. 19
Share capital	2.771	2.771	2.771	2.771
Share premium reserve	0	0	0	0
Reserve for unrealized gains	169	204	251	282
Other equity	3.172	3.115	3.324	3.413
Total equity	6.112	6.090	6.346	6.466
Declared dividends	0	0	(44)	(106)
Capital contribution securities	0	0	0	0
Deductions	(301)	(296)	(505)	(547)
Additions				
Total core capital	5.811	5.794	5.797	5.813
Subordinated debt	0	0	0	0
Additions	0	0	0	0
Additional capital	0	0	0	0
Total risk capital	5.811	5.794	5.797	5.813
Risk weighted assets	3.259	3.700	4.658	4.633
Core capital adequacy (%)	178,3 %	156,6 %	124,5 %	125,5 %
Capital adequacy (%)	178,3 %	156,6 %	124,5 %	125,5 %



At year-end 2022 total core capital was NOK 5.811 million, compared to NOK 5.797 the previous year. The core capital ratio was 178,3 percent at year-end 2022 compared to 156,6 percent at year-end 2021.

4 ICAAP AND ECONOMIC CAPITAL

4.1 Internal capital adequacy assessment process (ICAAP)

According to Pillar 2 of the capital adequacy regulations institutions are required to use their own process of self-assessment of capital requirements and capital (internal capital adequacy assessment process, ICAAP). This requires an overall and total risk estimation and evaluation. From this, capital requirements, including robustness of a three-year adverse scenario are determined. In connection with this process, the liquidity process is reviewed in the internal liquidity adequacy assessment process (ILAAP). The ICAAP document, which includes ILAAP, is reviewed and approved by the Board every year.

The assessment of capital under Pillar 1 and 2 is based on different methodologies. Eksportfinans analyses all material risk categories for the company and calculates capital requirements for every risk category. For categories with regulatory minimum capital requirements (credit risk, market risk and operational risk), Pillar 2 calculations are compared to the minimum requirements. If Pillar 2 suggests a higher capital requirement than Pillar 1 then the difference is added as the Pillar 2 add-on. Pillar 2 assessments provide additional capital for credit, market and operational risk as shown in the figure above.

Liquidity risk is controlled by limits and guidelines through active management and frequent ALM committee meetings. The liquidity is analyzed under different stress conditions and complies with LCR requirements. The company does not calculate capital for liquidity risk.

4.2 Capitalisation strategy, capital target and risk tolerance

Every year The Board of Directors has a strategy meeting to discuss market developments, future focus areas and capital requirements. The capital strategy defines how capital management supports the business areas.

The primary objectives of the company’s capital management are to have a sound capital base and to ensure compliance with externally imposed capital requirements.

The total capital assessment is based on an expected balance sheet development for the next three years and the robustness of consequences of a significant negative event in a three-year adverse scenario.

Pillar 1 has a set of minimum requirements. The company performs an assessment process to determine the level of capital and to what extent these minimum requirements are sufficient. In the internal assessment of other key risks, both qualitative and quantitative methods are considered. The majority of capital required is to cover credit risk. Since part of the loan portfolio (55 percent) is guaranteed by governments and highly rated banks, the portfolio is considered to have a low risk profile. The company evaluates that capital allocated to credit risk under Pillar 1 is sufficient to cover total credit risk.

In addition to the minimum capital requirements the company shall have additional capital to comply with the buffer requirements.

In Pillar 2, risk areas considered for additional capital are credit risk, market risk (credit spread risk, currency risk and interest rate risk), operational risk, liquidity risk, concentration risk and business/strategic risk.

Large exposure: Finally, an additional assessment of capital to comply with external rules and regulations is conducted. To meet the EU's CRD large exposures regulations, which set a limit of maximum 25 percent of regulatory capital per single client, the company currently holds another capital buffer.

Total capital calculations determine a risk- based capital requirement for the company. Capital adequacy is currently above the internally set risk capital level. Through the ICAAP-process, the Board has decided that the company´s risk capital level is NOK 1.8 billion, including capital to cover large exposure regulations, future economic downturns and possible future capital regulations.

5 ASSESSMENT OF CAPITAL REQUIREMENT

5.1 Credit risk

Eksportfinans’ credit risk is the risk of loss due to defaults on loans with guarantees where both the debtor and the guarantor default, defaults on loan contracts for direct loans, defaults on derivative agreements if a swap counterparty defaults and defaults of interest and principal payments on investments.

The company's credit portfolio consists of guarantors and counterparties with high credit ratings. Loans are generally guaranteed by Governmental entities or banks. Eksportfinans is exposed to credit risks through loans to the export industry/guarantors, towards issuers of securities, and to swap counterparties.

Capital allocated to credit risk is calculated with the Basel II standardised approach in Pillar 1. Eksportfinans is exposed to financial institutions through direct exposure, guarantee exposure, derivative exposure and exposures from investments in the liquidity-portfolio.

5.1.1 Portfolio information

As shown in the table below, the company has a portfolio of high credit quality.

Aggregated credit exposure per rating class as of December 31, 2022:

NOK million

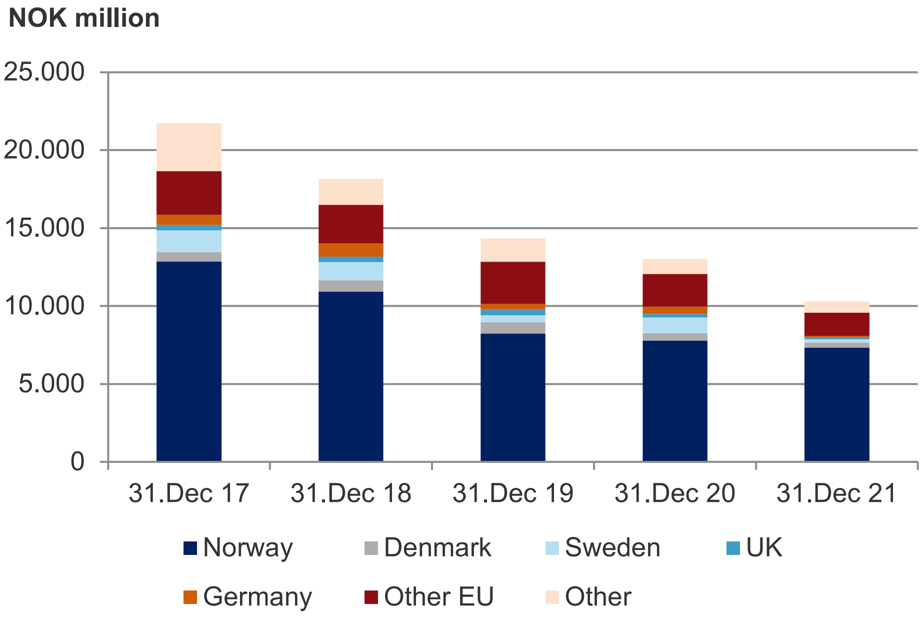
Rating	Loans unsecured	Loans guaranteed	Total Loans	Liquidity reserve portfolio	Total
AAA	0	218	218	2.868	3.086
AA+/AA/AA-	400	488	888	598	1.486
A+/A/A-	0	78	78	562	640
No international rating	6	0	6	2.181	2.187
Total	406	784	1.190	6.209	7.399

Approximately NOK 0.8 billion of the loan-portfolio is guaranteed either by Eksfin (former GIEK) or by highly rated banks. The rest of the loan portfolio consist of direct loans mainly to regional Norwegian savings bank.

Eksportfinans holds a portfolio of liquid securities that consists of senior unsecured and covered bonds with an AA average rating.

The graph below shows the geographic distribution of the company`s credit exposure (loans and securities) for the last four years. Loans are categorized by reference to the country of the guarantor.

Total credit exposure split by geography:



Total credit exposure split by maturity:

The following table shows the total credit exposure split by maturity as of December 31, 2022.

NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Loans	0	11	41	424	713	1.190
Securities	100	721	789	4.629	0	6.239

Total loans outstanding at year-end:

The table below shows the loans outstanding at year-end for the past four years.

NOK million	31.Dec 22	31.Dec 21	31.Dec 20	31.Dec 19
Ships 50%	11	103	449	1.668
Capital goods 33%	385	434	729	2.466
Export-related and international activities 9%	-	-	644	858
Direct loans to Norwegian local government sector 5	394	458	499	540
Munipal-related loans to other credit institutions 4%	400	550	700	700
Loans to employees 0%	3	3	3	5
Total nominal amount	1.193	1.548	3.024	6.237

Other export-related and international activities:

NOK million	2022	2021	2020	2019
Shipping	11	103	449	858
Real estate	-	-	-	-
Total	**11**	**449**	**644**	**858**

Loans past due or impaired:

The following table sets forth the company`s loans that are past due or impaired at year end 2022 - 2020.

NOK million	31 Dec 22	31 Dec 21	31 Dec 20
Interest and principal installment 1-30 days past due	2	-	4
Not matured principal on loans with payments 1-30 days past due	-	-	43
Interest and principal installment 31-90 days past due	-	-	-
Not matured principal on loans with payments 31-90 days past due	-	-	-
Interest and principal installment more than 90 days past due	-	-	-
Not matured principal on loans with payments more than 90 days past due	-	-	-
Total loans past due	2	-	47

There were no past due or impaired loans at year end 2021

5.1.2 Management and monitoring

The limits and guidelines are reviewed by The Board on an annual basis or more frequently if necessary. Eksportfinans applies credit ratings and analyses from the major rating agencies (Moody's, Standard & Poor's) to monitor the credit quality of all guarantors and credit counterparties. The Risk Management department monitors credit limits daily. Concentration risk and counterparty credit quality status are reported to the Management Team monthly.

5.1.3 Capital requirements for credit risk

Under Pillar 1 Eksportfinans uses the standardized method to calculate capital for credit risk. The company considers the regulatory risk weights used for the portfolio as conservative. A high proportion of the total loans are guaranteed by highly rated banks; credit risk is therefore assumed limited.

Based on the information above, the company's Pillar 1 calculation should provide robustness against actual credit risk also in an adverse scenario.

5.1.4 Counterparty risk for derivatives

The company's credit exposure related to counterparties on derivative agreements is governed by master agreements developed by ISDA (International Swaps and Derivatives Association). The exposure is mitigated by credit support annexes to the ISDA Master Agreements. As of December 31, 2022 the company has daily valuation of collateral with all of its counterparties. These collateral agreements enable Eksportfinans to call for cash collateral if the derivative exposure exceeds set limits.

The table below shows the exposure and risk-weighted assets for counterparty risk of the derivative portfolio as of December 31, 2022. The nominal amount is defined as the contract size (notional) and the financial instruments represent the market value (MTM) of the derivative portfolio. On a portfolio level, there is a positive net amount of financial instruments after netting due to differences in MTM between Eksportfinans and the counterparties, including posted threshold and independent amounts to the counterparties as a result of the company`s rating.

NOK million	Nominal amount	Financial instruments (MTM)	Financial collateral	Net financial instruments on balance	Exposure at default (EAD) - discounted	RWA for CVA
Derivative portfolio as of Dec 31, 2022	7.906	(101)	177	76	1.001	963

The company has applied the standardized approach in the calculation of CVA (Credit Valuation Adjustment) risk. In the table above, the CVA risk of the counterparties has been aggregated on a total portfolio level. The risk-weighted asset (RWA) for CVA is the basis for how much capital the company needs to set aside to account for potential mark-to-market losses on the derivatives.

5.2 Market risk

Market risk is the risk of loss due to an adverse move in the market value of an asset, a liability, or a derivative contract. For Eksportfinans the market value of the net positions will primarily depend on general interest rates, specific interest rates (credit spreads) and foreign exchange rates. A potential loss of derivate contracts could also increase Eksportfinans' market risk.

5.2.1 Management and monitoring

The company applies various hedging strategies to manage interest rate risk, currency risk and other market-related risks in alignment with the company's limits.

Credit spread sensitivity is calculated per business area and reported monthly to the Management Team and The Board.

Eksportfinans has quantitative measures to monitor the company's exposure to market risks. These include:

- Risk limits for currency exposure.
- Risk limits for interest rate risk.
- "Early warning" limits per security for the liquidity portfolio. If these "early warning" limits are exceeded, the investment committee will meet and recommend further action.
- Risk limits for credit spread sensitivity.

The company's system for management and control of market risk is regularly evaluated by internal and independent external control functions. The external controls are most often performed by the company's auditor.

5.2.2 Capital requirement for market risk

The company uses the standardized method for the calculation of minimum capital requirements. Additional capital requirements are considered for credit spread risk, currency risk and interest rate risk to cover market risk under Pillar 2.

Effective from December 31, 2020, the Company has changed its classification of the securities portfolio from trading to non-trading according to article 102-106 in the Capital Requirements Directive (CRD IV/CRR). Because of this change, there is no market risk in Pilar 1.

5.3 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes or systems, human errors, or external events in all the company's business areas.

5.3.1 Management and monitoring

Operational risk is inherent in all activities performed by Eksportfinans. Prudent management of operational risk is critical to maintain a low overall risk level. Historically, the losses due to operational risk in Eksportfinans have been low. Eksportfinans works continuously to develop operational risk and internal control.

Operational risks are reduced through increased focus on regulations concerning the use of information and communication technology (ICT Regulations), procedure manuals, training programs, ethical guidelines, and a separate compliance function. Focus related to IT risk and the risk of cyberattack has increased. Contingency plans have been refined and updated. The company's framework for managing and controlling operational risk is the responsibility of the Risk Management and compliance team.

The company is also audited and receives reporting from external parties such as external auditors, internal auditors, regulators, and rating agencies. Annually, the Management Team will review the company's major risks in a risk workshop facilitated by the internal auditor.

Eksportfinans has various contingency plans that will take effect in the case of unexpected events.

5.3.2 Capital requirement for operational risk

Eksportfinans utilizes the basic indicator approach for calculating capital to cover operational risk under Pillar 1. Additional capital for operational risk based on the Pillar 2 assessments, is also added to Eksportfinans’ capital requirements.

6 LIQUIDITY SITUATION (ILAAP)

As part of the ICAAP process, the liquidity situation is reviewed in the internal liquidity adequacy process (ILAAP).

Liquidity risk is managed by limits and guidelines through active management and frequent ALM committee meetings. The liquidity is analyzed under different stress conditions and complies with LCR requirements.

Liquidity risk is defined as the company's ability to meet all debt obligations.

6.1 Management and monitoring

Eksportfinans' main focus is to ensure sufficient funds to meet future payment obligations when they become due. The liquidity portfolio consists of liquid and highly rated securities. The company manages liquidity risk both through matching maturities for assets and liabilities and through stress testing.

Different stress tests and scenario analyses are conducted regularly to ensure sufficient funds even under stressed conditions. The company manages liquidity risk against defined limits and has contingency plans if given limits are exceeded.

Eksportfinans has the following available sources of liquidity:

- A liquidity portfolio with highly rated and liquid assets.
- Sale and repurchase agreements

6.2 Liquidity regulations

In CRR/CRD IV two additional liquidity requirements were introduced: Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR requires liquidity buffers under stressed conditions over a short-term period. NFSR requires an amount of stable funding to finance loans and investments.

Eksportfinans reports LCR monthly and NFSR on a quarterly basis to the FSA.

Eksportfinans meets the minimum requirements on LCR and NSFR.

Development in LCR and NSFR, percentage	Total
LCR 31.December 2022	2.446 %
LCR 31.December 2021	4.901 %
NSFR 31.December 2022	221 %
NSFR 31.December 2021	175 %

6.3 Capital requirement for liquidity risk

Eksportfinans allocates no capital for liquidity risk. The company focuses on conservative and professional liquidity management. Stressed scenarios are implemented in Asset and Liability analyses. The effect of the stressed scenarios shows that the company can meet its obligations even under severe stress.