

**Rating Action: Eksportfinans ASA**

**Moody's downgrades Eksportfinans to Aa1; negative outlook**

London, 16 December 2008 -- Moody's Investors Service today downgraded the long-term issuer and debt ratings of Eksportfinans ASA to Aa1 from Aaa. The outlook on these ratings remains negative. The institution's Prime-1 short-term ratings were affirmed.

Today's rating action reflects Moody's view that the financial strength of Eksportfinans has weakened, especially in terms of its earnings power. Despite recording growth in its core operations, particularly in export lending, Eksportfinans has continued to report negative profitability. In the third quarter of 2008, the loss was due to its exposures to Icelandic banks and some further provisions could be expected in the fourth quarter. The downgrade also takes into account Eksportfinans' weaker position as a provider of loans to the Norwegian local government sector through its fully owned subsidiary Kommunekreditt. This is reflected in a 10% decrease in local government lending in the first nine months of 2008 and has been mainly due to reprising of the loan portfolio as a result of higher funding cost.

The Aa1 rating of Eksportfinans reflects the application of Moody's rating methodology for government-related issuers, under which it is based on (i) the intrinsic strength of Eksportfinans, represented by a baseline credit assessment of 4 (on a scale of 1 to 21, where 1 represents the lowest credit risk), (ii) the Aaa local currency deposit ceiling of the Kingdom of Norway, and (iii) a high probability of systemic support for Eksportfinans.

Moody's assessment of a high probability of systemic support for Eksportfinans reflects its function as an important tool for the government as a provider of funding to the Norwegian export sector. Support from the government, which owns 15% of the entity, has been demonstrated by its recent decision to provide funding for qualifying export projects in the two-year period until 31 December 2010. It was also demonstrated in the form of a capital injection together with the institution's other owners in March 2008.

The negative outlook on Eksportfinans' long term-ratings reflects the uncertainty related to the potential changes in its business structure and financial position given that the institution has stated its intention to sell Kommunekreditt and focus on export lending going forward. Local government lending is a significant part of the business and accounted for about 46% of total lending at end-September 2008. Moody's acknowledges Eksportfinans' strong position as a provider of export loans and monopoly position in the government supported schemes in Norway but also considers export lending to be more cyclical than local government lending. Therefore, a shift towards a concentration on export loans is likely to increase earnings volatility from the current level.

In the current challenging market conditions, Moody's also views with concern the uncertainties with regard to Eksportfinans' liquidity portfolio, which includes a significant amount of structured investments. However, negative market valuation effects in the liquidity portfolio are covered up to NOK5 billion by the portfolio hedge agreement, of which about 40% was used at end-September 2008.

The following ratings of Eksportfinans ASA were affected:

Long-term issuer rating: to Aa1 from Aaa, negative outlook

Senior unsecured: to Aa1 from Aaa, negative outlook

Subordinate: to Aa2 from Aa1, negative outlook

Preferred stock: to Aa3 from Aa2, negative outlook

Moody's previous rating action on Eksportfinans was on 1 November 2007, when Moody's changed the outlook on Aaa rating to negative.

The principal methodology used in rating Eksportfinans is "Revised Methodology for Government Related Non-Bank Financial Institutions", which can be found at [www.moodys.com](http://www.moodys.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating Eksportfinans can also be found in the Credit Policy &

Methodologies directory.

Headquartered in Oslo, Norway, Eksportfinans reported total assets of NOK254 billion (EUR31 billion) at end-September 2008.

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