

FITCH DOWNGRADES EKSPORTFINANS' INDIVIDUAL RATING TO 'B/C'; AFFIRMS IDR AT 'AAA'

Fitch Ratings-London-22 October 2008: Fitch Ratings has today downgraded Norway-based Ekportfinans's Individual rating to 'B/C' from 'B'. At the same time, it has affirmed the Long-term Issuer Default rating at 'AAA' with Stable Outlook.

Fitch has also affirmed the company's senior unsecured debt and Support Rating Floor at 'AAA', its Short-term IDR at 'F1+' and its Support rating at '1'. Its USD15m and USD60m dated subordinated debt are affirmed at 'AA+' and its GBP50m capital contribution securities (CCS) at 'AA'.

Today Eksportfinans announced it had filed a petition to freeze assets in Norway owned by the Icelandic bank Glitnir hf ('Glitnir', rated 'D'). Eksportfinans's claim against Glitnir is for NOK500m, of which the majority is in respect of loans granted by Eksportfinans to exporters under the guarantee of Glitnir, where the latter also acted as collection agent. The exposure largely represents collected, but un-remitted amounts in respect of loans that were pre-paid by borrowers in 2006 and from early 2008.

The downgrade of the Individual rating reflects the concentration risk Eksportfinans is exposed to, including to some relatively small Norwegian and other Scandinavian financial institutions, which Fitch views as being sizeable relative to the company's leveraged balance sheet and modest profitability. Such concentration is also of greater concern in view of the current volatility in global financial markets. The exposure to Glitnir is likely to result in impairment charges that are material relative to the company's earnings.

The affirmation of Eksportfinans's Long- and Short-term IDRs and of its senior debt reflects the extremely high likelihood that support will be made available to Eksportfinans, if needed, by the Norwegian authorities. The Norwegian government has a 15% direct stake in Eksportfinans and a further indirect interest via its stake in Eksportfinans's main shareholder, DnB NOR Bank (rated 'A+//Stable'). The government exercises effective control over much of Eksportfinans's activities through regulatory and supervisory channels in connection with its high profile role as a government agent in export markets. Eksportfinans's subsidiary, Kommunekreditt, is also an important provider of financing to local authorities. In 2008, the Norwegian government participated in the raising of NOK1.2bn of new equity by Eksportfinans. It also supported Eksportfinans by becoming one of the signatories to the NOK5bn 'portfolio hedge agreement' implemented in Q108 to hedge against adverse unrealised and realised losses in Eksportfinans's substantial 'liquidity' portfolio of financial institution debt securities and highly rated asset-backed securities.

The 'AA' rating of the CCS is two notches below the Long-term IDR. It reflects the low distributable reserves (around NOK400m at end-H108) at Eksportfinans, considering its low core profitability and potential volatility in earnings and distributable reserves arising from fair value movements on the company's own debt. Fitch understands that coupons on the CCS should only be paid out of distributable reserves, and in the event of payment out of non-distributable reserves, the CCS will no longer qualify as tier 1 capital. Fitch understands Eksportfinans currently has enough distributable reserves for the payment of the CCS coupon, even after deducting for its exposure to Glitnir. However, the size of this buffer is modest in light of its moderate core profitability and the potential reversal of accumulated fair value gains on the company's own debt. Fair value gains on the company's debt have a limited impact on regulatory capital. Based on the Norwegian government's stake in Eksportfinans and following discussions with Eksportfinans, Fitch believes the company would have a very high propensity to pay coupons on its CCS out of non-distributable reserves, if ever required.

Contact: Alexandre Birry, London, Tel: +44 (0)207 682 7550; James Longsdon, +44 (0)207 417 4309.

Media Relations: Julian Dennison, London, Tel: +44 020 7682 7480, Email: julian.dennison@fitchratings.com.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the "Code of Conduct" section of this site.