SPAREBANK 1 NÆRINGSKREDITT AS

(incorporated with limited liability in Norway)

€3,000,000,000

Euro Medium Term Covered Note Programme

Under this €3,000,000,000 Euro Medium Covered Term Note Programme (the "**Programme**"), SpareBank 1 Næringskreditt AS (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued in bearer form ("**Bearer Notes**"), registered form ("**Registered Notes**") (the Bearer Notes together with the Registered Notes, the "**Ordinary Notes**") or uncertificated book entry form (the "**VPS Notes**") cleared through the Norwegian Central Securities Depositary, the *Verdipapirsentralen ASA* (the "**VPS**").

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to the Dealer specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities to approve this Base Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/17/EC, as amended, to the extent that such amendments have been implemented in a Member State of the European Economic Area (the "**Prospectus Directive**"). The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Ordinary Notes issued under the Programme during the period of 12 months of the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market (the "**Regulated Market**") is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's Regulated Market and have been admitted to the official list and admitted to trading on the Luxembourg Stock Exchange's Regulated Market.

Such application for approval relates only to the Notes which are to be admitted to trading on the Regulated Market and which have a minimum denomination of at least €100,000 (or its equivalent in any other currency as at the date of issue of those Notes). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Ordinary Notes*" (the "**Ordinary Note Conditions**") and "*Terms and Conditions of the VPS Notes*") (the "**VPS Conditions**" which, when taken together with the Ordinary Note Conditions, are referred to as the "**Conditions**")) of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the Luxembourg Stock Exchange will be delivered to the CSSF and with respect to Notes to be listed on any other stock exchange or market will be delivered to such other stock exchange or market, on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes issued under the Programme are expected on issue to be assigned an "Aa1" rating by Moody's Investors Service Limited ("**Moody's**" and, the "**Rating Agency**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating organisation.

As of the date of this Base Prospectus, Moody's is a credit rating agency established in the European Union and is registered under the Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").

The date of this Base Prospectus is 28 May 2014.

Arranger and Dealer

Citigroup

This Base Prospectus comprises a base prospectus (the "**Base Prospectus**") for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**").

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The reference relating to the "Ministry of Finance Market Report" dated 25 April 2014 (*Finansmarknadsmeldinga 2014*) has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

An investment in the Notes involves a reliance on the creditworthiness of the Issuer only and not that of any other SpareBank 1 alliance (as defined below) entities or any other entities. The Notes will not be obligations of, and will not be guaranteed by, the Shareholders, the Originators, the Arranger, the Dealers, the Swap Providers, any company in the same group of companies as such entities or any other party to the transaction documents relating to the Programme. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes will be accepted by any of the Shareholders, the Originators, the Arranger, the Dealers, the Swap Providers, any company in the same group of companies as such entities or any other party to the transaction documents relating to the Programme.

Copies of Final Terms will be available from the registered office of the Issuer and (in the case of Ordinary Notes) the specified office set out below of each of the Paying Agents (as defined herein) and (in the case of Ordinary Notes listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange) will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*") and the applicable Final Terms. This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

The Arranger and the Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer or Arranger accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the

financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and the Kingdom of Norway) and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of a placement contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer, the Arrangers or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer, the Arranger nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets;

(v) understands that an investment in the Notes involves a reliance on the creditworthiness of the Issuer only and not that of any other SpareBank 1 alliance (as defined below) entities or any other entities; and

(vi) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

Notes denominated in NOK may not be offered, sold or delivered in Norway or to or for the benefit of persons domiciled in Norway, unless compliance with the regulations relating to the offer of VPS Notes and the registration in the VPS (as defined herein) of VPS Notes.

All references in this document to "U.S. dollars", "U.S.$" and "$" refer to United States dollars and to "NOK" refer to Norwegian Kroner. In addition, all references to "Sterling" and "£" refer to pounds sterling and to "euro" and "€" refer to euro.

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the "**Stabilising Manager(s)**"), (or persons acting on behalf of any Stabilising Manager(s)) named in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the

offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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GENERAL DESCRIPTION OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Ordinary Notes" and "Terms and Conditions of the VPS Notes" shall have the same meanings in this section.

This description constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the "**Prospectus Regulation**").

Issuer:	SpareBank 1 Næringskreditt AS The Issuer is a private limited liability company. The Issuer was established on 30 April 2009 and registered in Norway on 2 June 2009 with registration number 894 111 232. The Issuer holds a licence from the Financial Supervisory Authority of Norway (*Finanstilsynet*) as a credit institution (*Kredittforetak*). For a more detailed description of the Issuer, see "*SpareBank Naeringskreditt AS*" below.
Guarantor:	None
Description:	Euro Medium Term Covered Note Programme
Arranger:	Citigroup Global Markets Limited
Dealers:	Citigroup Global Markets Limited and any other Dealers appointed in accordance with the Programme Agreement. Notes may also be issued to third parties.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued from time to time in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus.
Notes having a maturity of less than one year:	Notes having a maturity of less than one year will, if the issue proceeds are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*". Under the Luxembourg Law on Prospectuses for Securities which implements the Prospectus Directive, prospectuses for the listing of

	money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law.
Registrar:	Citigroup Global Markets Deutschland AG
Principal Paying Agent and Paying Agent:	Citibank, N.A. is the Principal Paying Agent. Banque Internationale à Luxembourg, société anonyme is a Paying Agent located in Luxembourg.
Transfer Agent:	Citibank, N.A.
Calculation Agent:	Citibank, N.A.
VPS Agent (in the case of VPS Notes):	SpareBank 1 SR-Bank ASA
VPS Trustee (in the case of VPS Notes):	Nordic Trustee ASA
Programme Size:	Up to €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in euro, Norwegian Kroner, U.S. dollars and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4(i) of the Ordinary Notes and Condition 4(f) of the VPS Notes.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes may be issued in bearer form (in the case of Bearer Notes); registered form (in the case of Registered Notes); or in uncertificated book entry form (in the case of VPS Notes); as described in "*Form of the Notes*". Each Registered Note will be deposited on or around the relevant

	Issue Date with a common depositary or common safekeeper, as the case may be for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Bearer Note will on issue be represented by a Temporary Global Note which will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. Each Bearer Note (i) will either be issued in new global note form, as specified in the relevant Final Terms, and will be deposited on or around the relevant Issue Date with a common safekeeper for the Euroclear and/or Clearstream, Luxembourg or (ii) will not be issued in new global note form, as specified in the relevant Final Terms, and will be deposited on or around the relevant Issue Date with a common depositary for Euroclear and/or Clearstream, Luxembourg. VPS Notes will not be evidenced by any physical note or document of title. Entitlements to VPS Notes will be evidenced by crediting of VPS Notes to accounts with the VPS. Registered Global Notes will be exchangeable for Registered Definitive Notes in the limited circumstances set out in the Form of Notes below. Bearer Global Notes will be exchangeable for Bearer Definitive Notes in the limited circumstances set out in the Form of Notes below.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined in the manner specified in the applicable Final Terms. The margin (if any) relating to such Floating Rate Notes will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes (as indicated in the applicable Final Terms).
Other provisions in relation to Floating Rate Notes:	Floating Rate Notes may also have a maximum interest rate or a minimum interest rate or both. Interest on Floating Rate Notes in respect of each interest period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Redemption:	The relevant Maturity Dates and Extended Final Maturity Dates are

	indicated in the applicable Final Terms. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions"* and *"Notes having a maturity of less than one year*" above.
Optional Redemption:	Early redemption of the Notes will only be permitted to the extent specified in the applicable Final Terms and subject to applicable laws and regulations.
Extendable Obligation:	The applicable Final Terms may also provide that the Issuer's obligations to pay the Final Redemption Amount of the applicable Series of Notes on their Maturity Date shall be deferred until the Extended Final Maturity Date (as defined under "*Terms and Conditions of the Ordinary Notes*" and "*Terms and Conditions of the VPS Notes*"), provided that any amount representing the amount due on the Maturity Date as set out in the applicable Final Terms (the "**Final Redemption Amount**") due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Final Maturity Date. Such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Notes on their Maturity Date. Interest will continue to accrue on any unpaid amount and will be payable on each Interest Payment Date falling after the Maturity Date up to (and including) the Extended Final Maturity Date.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions"* and "*Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Kingdom of Norway. In the event that any such withholding or deduction is required by law, the Issuer it not obliged to pay additional amounts in respect thereof.
Events of Default:	The terms of the Notes will not contain events of default.
Status of the Notes:	The Notes are issued on an unconditional and unsubordinated basis

	and in accordance with Norwegian law: *lov 10. juni 1988 nr. 40 om finansieringsvirksomhet og finansinstitusjoner (finansieringsvirksomhetsloven)* (the "**Act**"). The Notes and any other covered notes issued by the Issuer under this Programme, together with the Issuer's obligations under the Swaps (as defined in the Ordinary Note Conditions) and any other derivative instruments entered into by the Issuer in connection with the Notes (the "**Covered Bond Swaps**"), have, according to the Act, the benefit of priority of claim to a cover pool of certain registered eligible assets (the "**Cover Pool**") upon bankruptcy of the Issuer. From time to time the Issuer may establish separate cover pools of assets to secure other securities issued by the Issuer. The holders of the Notes issued under this Programme shall not have recourse to such cover pools. See also "*Overview of the Norwegian Legislation Regarding Covered Bonds (obligasjoner med fortrinnsrett)*" below. References in this Base Prospectus to **Noteholders** are to the Noteholders and the holders of any other covered notes issued by the Issuer in accordance with the Act.
Other covered bonds issued by the Issuer:	In addition to the Programme, the Issuer has previously issued other covered bonds on a standalone basis prior to the establishment of the Programme and may issue other covered bonds outside the Programme on a standalone basis. All Notes issued by the Issuer under the Programme, other covered bonds previously issued by the Issuer and any other covered bonds issued by the Issuer outside of the Programme have, and will have, the benefit of a statutory preference under the Act over a single shared Cover Pool maintained by the Issuer and will rank *pari passu.*
Activities:	The Issuer will restrict its activities in accordance with Norwegian legislation and its licence.
Overcollateralisation:	Pursuant to the terms of the Act, the Issuer is required to ensure that the value of the assets in the Cover Pool shall at all times exceed the value of all Notes issued by the Issuer and any covered bonds issued outside of the Programme and the claims of the providers of Covered Bond Swaps. In respect of the Notes, the Issuer has also contractually agreed to provide a higher level of overcollateralisation in the Cover Pool as set out in Condition 2(b) of the Ordinary Notes and Condition 2(b) of the VPS Notes (breach of which will have limited consequences for the Issuer). The Issuer may reduce the level of overcollateralisation subject to and in accordance with Condition 2(b) level of overcollateralisation. See further "*Risk Factors – Risks relating to the Cover Pool – Overcollateralisation*" below.
Liquidity requirements:	The Issuer has established a liquidity reserve for the purpose of meeting its payment obligations in respect of interest and principal

	due and payable on the Notes issued by it from time to time in accordance with the requirements of the Act and Regulations. See also "*Overview of the Norwegian Legislation Regarding Covered Bonds (obligasjoner med fortrinnsrett)*" below.
Listing approval and admission to trading:	Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Ordinary Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealers in relation to a Series of Notes. Notes may also be issued which are neither listed nor admitted to trading on any market. The applicable Final Terms will state whether or not the relevant Notes are to be Bearer Notes, Registered Notes or VPS Notes and whether such Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Ratings:	The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. As of the date of this Base Prospectus, Moody's is a credit rating agency established in the European Union and is registered under the CRA Regulation.
Governing Law:	The Ordinary Notes and any non-contractual obligations arising out of or in connection with the Ordinary Notes will be governed by and shall be construed in accordance with English law, save as to Condition 2(a) of such Notes which will be governed by and construed in accordance with Norwegian law. VPS Notes and any non-contractual obligations arising out of or in connection with the VPS Notes will be governed by and shall be construed in accordance with English law, save as to Conditions 2(a) and 11 of the VPS Conditions which will be governed by and construed in accordance with Norwegian law. VPS Notes must comply with the Norwegian Securities Register Act of 5 July 2002 No. 64 (as amended from time to time) and the holders of VPS Notes will be entitled to the rights and subject to the obligations and liabilities which arise under this Act and any related regulations and liabilities.

Clearing Systems:	Euroclear, Clearstream, Luxembourg and/or the VPS and/or any other clearing system as may be specified in the relevant Final Terms, other than in relation to VPS Notes, which are cleared through the VPS.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, Germany and Norway) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") or any state securities laws. As set forth in the applicable Final Terms, the Notes are being offered and sold in accordance with Regulation S under the Securities Act ("**Regulation S**") to non-US persons in offshore transactions. Bearer Notes will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury regulation section, including without limitation, successor regulations issued in accordance with IRS Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**") or 1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury regulation section, including without limitation, successor regulations issued in accordance with IRS Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**C Rules**"), unless the Bearer Notes are issued in circumstances in which the Bearer Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include risks relating to the Norwegian commercial mortgage market.

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Notes. Prospective purchasers of Notes should consider carefully all the information contained in this document, including the considerations set out below, before making any investment decision.

Any investment in the Notes issued under the Programme will involve risks including those described in this section. All principal or material risks in relation to the Issuer and any investment in the Notes are included in this section. The risks and uncertainties described below are not the only ones that the Issuer may face. Additional risks and uncertainties that the Issuer is unaware of, or that the Issuer currently deems to be immaterial, may also become important risk factors that affect it or the Notes. Prospective investors should carefully consider the following discussion of the risk factors and the other information in this Base Prospectus before deciding whether an investment in the Notes is suitable for them.

As at the date of this Base Prospectus, the Issuer believes that the following risk factors may affect the Issuer's ability to fulfil its obligations and could be material for the purpose of assessing the market risks associated with the Notes.

If any of the listed or unlisted risks actually occurs, the Issuer's business, operations, financial condition or reputation could be materially adversely affected, with the result that the trading price of the Notes of the Issuer could decline and an investor could lose all or part of its investment. These factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risks relating to the Issuer, the Shareholders and the Originators

The Issuer's business mainly involves the risks outlined below. In the context of the Notes, it should be noted that the Act and the Regulations impose several obligations on the Issuer (such as matching requirements) that are designed to mitigate some of those risks, see "*Overview of the Norwegian Legislation Regarding Covered Bonds (obligasjoner med fortrinnsrett)*".

Legal risks

The Issuer's business operations are governed by laws and regulations and are subject to regulatory authority supervision by the Financial Supervisory Authority of Norway. Any changes to the current legislation (in particular, legislation relating to the issuance of covered bonds) might adversely affect the Issuer's business operations and its operating results.

Business Risk

This business risk principally pertains to credit risks on the Issuer's customers in the domestic market for commercial real estate mortgages. There is a risk of decreasing property values, particularly if there is a downturn in the Norwegian economy. An economic downturn may result in increased unemployment, increased vacancy rates and/or increased interest rates, and may thus have a negative impact on the debt servicing capacity of customers, which in turn increases the risk of loan losses and foreclosures. This risk is mitigated by the Issuer's conservative lending policies regarding solidity, debt servicing capacity and loan-to-value ratios.

Loan Concentration

Norwegian law (and European Union directives) currently permits financial institutions (such as the Issuer and each of the Originators) to allocate up to 25 per cent. of their capital to a single customer. The Issuer will

potentially have large exposure to single customers, and it may have large exposure to swap counterparties and issuers of bonds that form part of its liquidity portfolio. The legal framework does not permit the outstanding balance of a mortgage loan towards any one customer or in respect of any one real estate property to exceed 5 per cent. of the aggregate balance of a cover pool. The Issuer's cover pool eligibility criteria restrict the Issuer from having mortgage loan exposure to one single customer exceeding 23 per cent. of the Issuer's capital.

The Commercial Mortgage Loans underlying the Notes may be concentrated in certain regions. Such concentration may present risk considerations in addition to those generally present for similar securities without such concentration.

Financial markets and economic environment risks

There is significant macro-economic uncertainty impacting credit institutions. Since 2007, international capital markets have been affected by ongoing turbulence accompanied by high market volatility and reduced liquidity. As at the date of this Base Prospectus, high levels of government debt in many European countries and slow growth persists. In order to reduce the high levels of government debt, many countries have been forced to implement austerity programmes resulting in high levels of unemployment and poor growth prospects in the short to medium term. The Norwegian economy has, so far, largely driven by oil revenues, been less impacted by the financial unrest, but uncertainty also exists for Norway.

Losses in Norwegian banks are low, and financial positions have been strengthened in recent years. Norwegian banks have retained part of their profits to strengthen their capital base. However, the Financial Supervisory Authority in Norway has stress tested Norwegian banks, and the results show that loan losses may increase sharply in the event of a downturn in the Norwegian economy. Norwegian banks must be prepared for the possibility of a new period of challenging financial markets, and Norwegian banks should, according to the Financial Supervisory Authority in Norway, make their funding even more robust by expanding their liquidity buffers, increasing the duration of wholesale funding and improving their liquidity management. On the whole, the Norwegian economy is considered strong. The economic growth, supported by large oil revenues, has resulted in a solid net financial position for the Norwegian economy as a whole. Unemployment is low and the forecast is that it will remain low in the short to medium term. Nonetheless, the Norwegian economy and the Norwegian financial system are vulnerable to negative internal and/or external shocks, especially negative movements in the oil price. The continued existence of these vulnerabilities could have an adverse effect on the Issuer’s future results. Further, substantial uncertainty exists regarding future structural and/or regulatory changes and/or whether such changes may be materially adverse to the Issuer.

The markets continue to be concerned about a potential increase in inflation, rising energy costs, rising unemployment, limited availability and higher cost of credit, continued pressure on the real estate and mortgage markets, geopolitical and other risks. As a consequence, volatility may remain high or may even increase and the prospects for the global economy and global capital markets remain challenging. There is a risk that the global economic recovery will remain subdued, or even turn into a recession. If conditions and circumstances deteriorate this could also lead to a decline in available funding, decreased credit quality and increases in non-performing loans, which in turn may have a negative impact on the rating, business and results of operations of the Issuer. See "*Description of the Shareholders' Agreement and the Shareholder Note Purchase Agreement*".

Economic activity in Norway

The Originators' commercial mortgage lending activities and the volume of transfer of such Commercial Mortgage Loans to the Issuer are dependent on the level of finance required by commercial borrowers in Norway. In particular, levels of borrowing are heavily dependent on residential property prices, employment trends, the state of the economy, market interest rates, taxation, mortgage borrowers' levels of income and

other factors that affect the Norwegian economy. As the Originators currently conduct the majority of their business in Norway, their performance is influenced by the level and cyclical nature of business activity in Norway, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a weakening in the economy of Norway will not have an adverse effect on the Issuer's or the Originators' future results.

Financial instruments issued by the Kingdom of Norway are rated "AAA" by S&P, "Aaa" by Moody's and "AAA" by Fitch. Norway has relatively strong public finances and macro-economic fundamentals (including a competitive export sector, a high level of investment in natural resources such as oil and gas and a low unemployment rate). Interest rates in Norway had increased in recent years until the middle of 2008 when the effect of the international financial turmoil caused a sharp decrease in interest rates, which have since continued to stay lower than normal if compared to longer historic time periods. The creditworthiness of Norway is supported by financial assets accumulated through investing revenues from oil and gas extraction, a well-educated labour force and one of the highest GDPs per capita in the world.

Competition

The Originators face strong competition in the commercial real estate mortgage market in Norway, primarily from financial institutions based in Norway and the Nordic region. The Norwegian government is supportive of, and has encouraged, such competition. Certain of the Originators' competitors may be larger and better capitalised. The Originators may face pricing pressure in the future as competitors seek to obtain market share by reducing prices or offering new services at comparatively lower prices. The Norwegian banking market in particular has witnessed intensifying competition, which has resulted in narrower lending spreads. In addition, there can be no assurance that existing or increased competition will not adversely affect the Issuer and/or Originators through the level of Commercial Mortgage Loans originated and subsequently transferred to the Issuer and the interest rates applicable to those Commercial Mortgage Loans.

The demand for the Originators' products is also dependent on levels of customer confidence, prevailing market rates and other factors that have an influence on the customers' economic situation.

Market risks

The Issuer borrows in foreign and domestic currencies. All currency risk arising in connection with borrowing is eliminated by the use of derivative instruments (currency swaps) or natural hedges. There are also interest rate risks in the Issuer's business. Those arise when there is a lack of balance in the interest rate structure between assets and liabilities. The Issuer reduces its exposure to interest rate fluctuation by the use of derivative instruments whereby issued fixed rate covered bonds are swapped to floating rate liabilities on a three month basis. All the Commercial Mortgage Loans held as cover pool assets are currently subject to a floating interest rate basis, either as a standard variable rate, changeable at the Issuer's discretion with two weeks' notice, or on a three to six month floating NIBOR basis. The interest rate risk mainly arises as a result of the three month floating basis of the Issuer's liabilities compared with the two weeks' notice required to be given to borrowers in order to change the standard variable rates on their Commercial Mortgage Loans and of competitive forces restricting the Issuer from increasing the interest rate under Commercial Mortgage Loans. The Issuer's interest rate is closely monitored by its management and reported to the Board of Directors.

According to Norwegian law, the issuers of Norwegian covered bonds are only allowed very limited currency exposure. The Issuer intends to mitigate its currency risk with the use of a currency swap or a natural hedge for all non-NOK issuances under this Programme. To mitigate the risk of counterparty exposure the counterparty is required under the relevant Credit Support Annex to post collateral above a certain threshold even if there has been no Rating Event as defined in the ISDA agreement.

The Issuer will in general mitigate its interest rate risk by the use of interest rate swaps, particularly in respect of fixed interest Notes or Notes with a longer interest period than three months. This is to ensure compliance with Norwegian law which requires that Norwegian covered bond issuers are exposed only to a low interest rate risk. Furthermore, such swaps mitigate the risk stemming from the fact that all the Commercial Mortgage Loans in the Cover Pool are floating rate mortgage loans.

Substitute assets in the Cover Pool

The Issuer keeps substitute assets to form a liquidity portfolio, which varies in size according to the amount of refinancing requirements. The Issuer's policy guidelines restrict these substitute assets to mainly liquid government paper and highly-rated financial instruments and covered bonds. Norwegian covered bond legislation restricts the assets which can be used as substitute collateral to liquid and highly rated debt securities. The market value of these instruments is subject to inherent credit risk in each bond and general market risks such as spread risk, liquidity risk, interest rate risk and currency risk. Interest rate risk and currency risk will in general be hedged.

Refinancing risks

The Issuer's lending is to some extent made on longer terms than the Issuer's borrowing. Therefore, the Issuer is dependent on the ability to refinance borrowings upon maturity. If the Issuer fails to refinance its borrowings, it may defer repayment of any redemption amount due in respect of certain Notes on the Maturity Date (as specified in the applicable Final Terms) provided an Extended Final Maturity Date is also specified in the applicable Final Terms. Such an extension will give the Issuer time for asset sales before the relevant redemption amount is due on the Extended Final Maturity Date. The Issuer has responded to refinancing risk by preparing internal guidelines and models for the redemption profile and maximum size of a single redemption, and also by maintaining a liquidity portfolio of highly liquid assets in order to pre-fund upcoming redemptions. The Issuer also has a liquidity facility, the Shareholder Note Purchase Agreement, under which, on any date, the Issuer may require the Shareholders to purchase Notes up to a maximum of the sum of the aggregate nominal amount of any Notes issued under the Programme that will mature in the succeeding 12 month period plus the amount of the payments due under any Swaps in the succeeding 12 month period. The obligation of each Shareholder to purchase Notes from the Issuer is several and pro-rata (between the Shareholders) in accordance with each Shareholder's shareholding in the Issuer (see "*Description of the Shareholders' Agreement and the Shareholder Note Purchase Agreement*").

Operational, strategic and compliance risks

The Issuer's, the Shareholders' and the Originators' businesses involve operational risks which are defined as the risk of incurring losses, including damaged reputation, due to deficiencies or errors in internal processes and control routines or by external events that affect operations. Further, erroneous strategic decisions adopted by the management of the Issuer's, the Shareholders' and the Originators' businesses could give rise to financial losses incurred by such parties.

The Issuer's, the Shareholders' and the Originators' businesses are subject to regulation and regulatory supervision. Any significant regulatory developments could have an effect on how the Issuer, the Shareholders and the Originators conduct their businesses and on the Issuer's, the Shareholders' and the Originators' operations. The Issuer, the Shareholders and the Originators are subject to financial services laws, regulations, administrative actions and policies in each location in which the Issuer, the Shareholders and the Originators operate. This supervision and regulation, in particular in the Kingdom of Norway, if changed, could (i) materially affect the Issuer's, the Shareholders' and the Originators' business, the products and services it offers or the value of its assets and/or (ii) give rise to official sanctions, penalties or financial losses being incurred by the Issuer, the Shareholders and/or the Originators as a result of failure to comply with any

such laws and regulations so amended. Further, the Issuer's, the Shareholders' and the Originators' business could also be affected by competition and other factors.

Servicing Risks

The Commercial Mortgage Loans contributed by Originators to the Cover Pool are serviced by the relevant contributing Originator on behalf of the Issuer in accordance with the applicable Transfer and Servicing Agreement. The default by an Originator in the performance of its servicing obligations will require a new servicer to be appointed. The transfer of the servicing function to a new servicer may result in delays and/or losses in collections under the Commercial Mortgage Loans.

Ownership

The Issuer is a separate legal entity wholly owned by certain SpareBank 1 alliance banks, whose identity and respective shareholdings may vary from time to time, and the Issuer is not itself a member of the SpareBank 1 alliance (see "*Description of the Shareholders' Agreement and Shareholder Note Purchase Agreement*").

The ownership share will change according to the volume of loans the Issuer intends to buy from an Originator. The ownership share is reviewed at least once a year in accordance with the Shareholders' Agreement to reflect each Shareholder's share of the total volume of loans transferred by the Shareholders or Jointly Owned Banks.

Accordingly, the identity and obligation of Shareholders providing financial support pursuant to the Shareholders' Agreements (as described in "*Description of the Shareholders' Agreement and the Shareholder Note Purchase Agreement*" below) may change over time. The credit rating of the Issuer is affected by the credit rating and participation of its Shareholders. In the event that (i) the credit rating of one or more rated Shareholders is lowered, (ii) the rated Shareholders significantly build down their portfolio of Commercial Mortgage Loans, or (iii) a rated Shareholder or a group of Shareholders holding a significant portfolio of Commercial Mortgage Loans chooses to terminate its or their agreement with the Issuer or with the SpareBank 1 alliance, the credit ratings of the Issuer and/or of any outstanding Notes may be adversely affected. As of the date of this Base Prospectus, the Issuer has not been assigned a public rating for its covered notes. Notes issued under the Programme are, at the date of this Base Prospectus, expected to be assigned an "Aa1" rating by Moody's on issue.

Risks relating to the Notes

The Notes will be obligations of the Issuer only

The Notes will be solely obligations of the Issuer which have the benefit of a statutory preference under Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-chapter IV and appurtenant regulations (the "**Act**") on the pool of assets maintained by the Issuer and will not be obligations of or guaranteed by any other entity. An investment in the Notes involves a reliance on the creditworthiness of the Issuer. The Notes will not be obligations of or guaranteed by any other SpareBank 1 alliance (as defined below) entities or any other entities. In particular, the Notes will not be obligations of, and will not be guaranteed by, the Shareholders, the Originators, the Arranger, the Dealers, the Swap Providers, any company in the same group of companies as such entities or any other party to the transaction documents relating to the Programme. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes will be accepted by any of the Shareholders, the Originators, the Arranger, the Dealers, the Swap Providers, any company in the same group of companies as such entities or any other party to the transaction documents relating to the Programme.

Credit ratings may not reflect all risks

It is expected that Moody's will assign a credit rating of Aa1 to the Notes to be issued under the Programme, although the actual ratings at issue will be specified in the applicable Final Terms. There are no guarantees that such ratings will be assigned or maintained or that such ratings reflect the potential impact of all risks related to an investment in the Notes. Accordingly, a credit rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the relevant rating agency at any time.

Currency exchange rate risk and currency exchange control

The Issuer will pay the principal amount and interest of the Notes in the Specified Currency. This involves certain risks relating to currency conversion if an investor's financial activities are denominated principally in a currency or a currency unit other than the Specified Currency (the "**Investor's Currency**"). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency–equivalent value of the principal payable on the Notes and (3) the Investor's Currency–equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Interest rate risk occurs when the interest rate payable on assets and liabilities for a fixed period do not coincide. Investments in Notes with fixed interest involves a risk that subsequent changes in market interest rates may adversely affect the value of fixed interest Notes. Investments in Notes with floating interest rates involve a risk of adverse changes in the interest rate payable on the Notes.

Liquidity risk

Notes may have no established trading market when issued, and one may never develop. If a market does develop for the Notes, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Any such illiquidity may have an adverse effect on the market value of Notes.

The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale*".

Lack of liquidity in the secondary market may adversely affect the market value of the Notes

Generally weak global credit market conditions could contribute to a lack of liquidity in the secondary market for instruments similar to the Notes. In addition, the difficult market conditions which prevailed for a period after mid-September 2008 limited the primary market for a number of financial products including instruments similar to the Notes. While some measures have been taken by governments, there can be no assurance that the market for securities similar to the Notes will recover at the same time or to the same degree as such other recovering global credit market sectors. Consequently, a Noteholder must be able to bear

the economic risk of an investment in a Note until that Note's Maturity Date or Extended Final Maturity Date (if applicable).

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

No gross-up

Under the Conditions, all payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law, in which case such deduction will be made by the Issuer.

In the event that any such withholding or deduction is required by law, the Conditions do not require the Issuer to pay additional amounts in respect of such withholding or deduction.

No events of default

The Conditions do not include any events of default relating to the Issuer. Accordingly, default by the Issuer would not entitle Noteholders to accelerate the Notes, and Noteholders will only be paid the scheduled payments of interest and principal under the Notes as and when they fall due under the Conditions.

Notes issued under the Programme

Notes issued under the Programme will either be fungible with an existing Series of Notes or have different terms to an existing Series of Notes (in which case they will constitute a new Series). All Notes issued from time to time will rank *pari passu* with each other and with any other covered bonds which may be issued by the Issuer in accordance with the Act (including covered bonds which have been issued prior to the establishment of the Programme and covered bonds issued outside of the Programme on a standalone basis) and the Notes and any other covered bonds in issue will have the benefit of a statutory preference under the Act over a single shared Cover Pool maintained by the Issuer.

Meetings of Noteholders

The Ordinary Note Conditions and the VPS Conditions contain provisions for calling meetings of their respective Noteholders to consider matters affecting the interests of such Noteholders generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. As a result, Noteholders can be bound by the result of a vote that they voted against.

Modification

The Ordinary Note Conditions provide that the Principal Paying Agent and the Issuer may agree, without the prior consent or sanction of any of the Ordinary Noteholders or Couponholders, to:

- certain modifications in relation to the Ordinary Notes, the Coupons, the Agency Agreement and the Deed of Covenant, which, in the opinion of the Issuer, is not prejudicial to the interests of the Ordinary Noteholders, as detailed within the Ordinary Note Conditions;

- any modification to the Ordinary Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification will be binding on the Ordinary Noteholders and the Couponholders.

The VPS Trustee Agreement provides that:

- the VPS Trustee and the Issuer may agree to any modification of the VPS Conditions, the VPS Trustee Agreement or the VPS Agency Agreement which, in the opinion of the VPS Trustee, is not materially prejudicial to the interests of the VPS Noteholders; and
- the VPS Trustee may reach decisions binding for all VPS Noteholders.

Prior to agreeing any such modification, the VPS Trustee must notify the VPS Noteholders of a proposal to effect the relevant modification, the VPS Trustee's evaluation of the proposed amendment and VPS Noteholders will then have at least five Business Days (as defined in the VPS Trustee Agreement) to protest. If a protest is made then the relevant modification will not be made. If a protest is not made, then the relevant modification will be made and will be binding on the VPS Noteholders.

For the avoidance of doubt, changes may be made to the terms of the Shareholders' Agreement (and each relevant Transfer and Servicing Agreement) and the Shareholder Note Purchase Agreement by agreement between the parties thereto without the consent of the Noteholders, and without regard to the interests of Noteholders.

EU Savings Directive

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union has adopted a Directive (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in a Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the European Union (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in a Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced

in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in Member States, such withholding may occur in a wider range of circumstances than at present, as explained above

The Issuer is required to maintain a Paying Agent with a specified office in a Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive, which may mitigate an element of this risk if the Noteholder is able to arrange for payment through such a Paying Agent. However, investors should choose their custodians and intermediaries with care, and provide each custodian and intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

U.S. Foreign Account Tax Compliance Act Withholding

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the reporting regime and potential withholding tax imposed by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the ICSDs (see "*Taxation – FATCA Withholding*"). However, FATCA may affect payments made to custodians or intermediaries (including any clearing system other than Euroclear or Clearstream, Luxembourg) in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any legislation implementing intergovernmental agreements relating to FATCA, if applicable), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

FATCA is particularly complex and its application to the Issuer, the Notes and the holders is uncertain at this time. Each holder of Notes should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in its particular circumstance.

Definitive Notes and denominations in integral multiples

The Notes may have a denomination consisting of a minimum authorised denomination of €100,000 plus additional higher integral multiples of €1,000 or their equivalent. Accordingly, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if definitive Notes are required to be issued, a Noteholder who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a definitive Note in respect of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

Notes not in physical form

Unless the Bearer Global Notes or the Registered Global Notes are exchanged for Bearer Definitive Notes or Registered Definitive Notes, respectively, which exchange will only occur in the limited circumstances set out under "*Form of the Notes*" below, the beneficial ownership of the Notes will be recorded in book-entry form only with Euroclear and Clearstream, Luxembourg. The fact that the Notes are not represented in physical form could, among other things:

- result in payment delays on the Notes because distributions on the Notes will be sent by or on behalf of the Issuer to Euroclear, or Clearstream, Luxembourg instead of directly to Noteholders;
- make it difficult for Noteholders to pledge the Notes as security if Notes in physical form are required or necessary for such purposes; and
- hinder the ability of Noteholders to resell the Notes because some investors may be unwilling to buy Notes that are not in physical form.

Risks related to the structure of a particular issue of Notes

The Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes may be subject to optional redemption by the Issuer

If specified in the applicable Final Terms, the Notes may contain an optional redemption feature which would be likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, the value of the Fixed Rate Notes will be adversely affected.

Extendable obligations under the Notes

Following any failure by the Issuer to pay the Final Redemption Amount of a Series of Notes on their Maturity Date, payment of such amounts may be automatically deferred. This will occur if the Final Terms for a relevant Series of Notes (the "**relevant Series of Notes**") provides that such Notes are subject to an extended final maturity date to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Maturity Date (the "**Extended Final Maturity Date**").

To the extent that the Issuer has sufficient monies available to pay in part the relevant Final Redemption Amount in respect of the relevant Series of Notes, the Issuer shall make partial payment of the relevant Final Redemption Amount as described in Condition 4(h) of the Ordinary Note Conditions and Condition 4(e) of

VPS Conditions. Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer is not required to notify the Noteholders of such automatic deferral. Interest will continue to accrue on any unpaid amount and be payable on each Interest Payment Date falling after the Maturity Date up to (and including) the Extended Final Maturity Date. In these circumstances, failure by the Issuer to make payment in respect of the Final Redemption Amount on the Maturity Date shall not constitute a default in payment by the Issuer. However, failure by the Issuer to pay the Final Redemption Amount or the balance thereof on the Extended Final Maturity Date and/or interest on such amount on any Interest Payment Date falling after the Maturity Date up to (and including) the Extended Final Maturity Date shall constitute a default in payment by the Issuer.

Furthermore, in relation to all amounts constituting accrued interest due and payable on each Interest Payment Date falling after the Maturity Date up to (and including) the Extended Final Maturity Date, as provided in the applicable Final Terms, the Issuer may pay such interest pursuant to the Floating Rate set out in the applicable Final Terms notwithstanding that the relevant Note was a Fixed Rate Note as at its relevant Issue Date.

In addition, following deferral of the Maturity Date, the Interest Payment Dates and interest periods may change as set out in the applicable Final Terms.

Legal and regulatory risks relating to the Notes

Set out below is a brief description of certain legal and regulatory risks relating to Notes.

Change of law and establishment of case law

The Ordinary Note Conditions are governed by English law save as to Condition 2 of such Ordinary Note Conditions, which is governed by Norwegian law.

The VPS Conditions are governed by English law save as to Conditions 2 and 11 of such VPS Conditions, which are governed by Norwegian law.

No assurance can be given as to the impact of any possible judicial decision or change to English law, Norwegian law or administrative practice in England or Norway after the date of this Base Prospectus.

In particular, the Act and the Regulations are new legislation in Norway and for this reason there is no available case law on it. It is uncertain how the Act and the Regulations will be interpreted or whether changes or amendments will be made to it which will affect Notes issued under the Programme.

Risk Assessment

The Norwegian banking sector works under a regulatory regime which mitigates regulatory risk. The Norwegian regulators generally adopt European Union laws regarding the financial markets and this ensures that the regulatory risk is comparable to that to which other European banks are subject.

Bank Account Structure

Money received from borrowers in respect of Commercial Mortgage Loans in the Cover Pool will be swept on a daily basis to the account of the Issuer.

In general, Commercial Mortgage Loans are originated by an Originator and may be acquired by the Issuer if they meet the eligibility criteria set out in the relevant Transfer and Servicing Agreements (as defined below).

See "*SpareBank 1 Næringskreditt AS - Loan Origination, Eligibility and Servicing*" below. If acquired by the Issuer, the Commercial Mortgage Loans are then entered into the Cover Pool. The borrowers are notified of such transfer by the Originator, which will continue servicing the Commercial Mortgage Loans and the borrower will keep the same account numbers and payment arrangements with the relevant Originator.

Scheduled payments on Commercial Mortgage Loans are mostly made by way of direct debit from the borrowers' current accounts to the Issuer's settlement account at the Originator which is swept nightly with any outstanding amounts between the Issuer and the Originators cleared using the Norwegian Interbank Clearing System (NICS) and BBS.

If the Issuer deems that there is an increased risk that the Originator may not maintain its obligations or if the ratings of an Originator with a credit rating, or the target ratio of capital to risk adjusted assets of any unrated Originator, falls below a certain level, then the Issuer is entitled pursuant to the relevant Transfer and Servicing Agreement to give notices to the relevant borrowers to make payments on the Commercial Mortgage Loans in the Cover Pool to accounts with another bank.

However, there may be operational delays in such a process and not all relevant borrowers may take the required action to effect the change of account notified to them by the Issuer. This would reduce the aggregate commercial mortgage payments made to the Issuer on Commercial mortgages held by it and could affect the funds available to the Issuer to make full and timely payments on the Notes.

Risks relating to the Cover Pool

Non-compliance with matching rules and bankruptcy of the Issuer

The Act requires the value of the assets in the Cover Pool to exceed at all times the value of the claims on the Cover Pool.

A breach of the matching requirements prior to the Issuer's bankruptcy in the circumstances where no additional assets are available to the Issuer or the Issuer lacks the ability to acquire additional assets could result in the Issuer being unable to issue further Notes, preventing the refinancing of existing Notes and possibly reducing the liquidity of existing Notes.

In the event of bankruptcy of the Issuer, timely payments shall be made on the Notes so long as the Cover Pool is in material compliance with the statutory requirements under the Act. Bankruptcy or negotiation of debt or public administration of the Issuer itself shall not in itself be sufficient cause for termination or similar remedy by the holders of Notes or Swap Providers. The bankruptcy administrator and the creditors' committee (the "**Creditors' Committee**") may take any action considered necessary to ensure that the holders of the Notes and the Swap Providers receive agreed and timely payment on the Notes and the Swaps, including selling assets in the Cover Pool and issuing new Notes and entering into new derivative instruments with a right of priority in respect of the assets in the Cover Pool. The Creditors' Committee is required to notify the Noteholders and the Swap Providers of all decisions that are deemed to be of material significance to them.

If it is not possible to make all contractual payments due to Noteholders and Swap Providers up to the agreed redemption or termination date and an imminent change in the financial condition of the Issuer that would ensure such contractual payments is unlikely, then the Issuer's Creditors' Committee is required to set a date on which payments to the Noteholders or Swap Providers will stop. The Issuer's Creditors' Committee is obliged to call a halt to such payments even if the Cover Pool assures timely ongoing payments in the short term. The Issuer's Creditors' Committee shall inform the Noteholders, and if applicable the Swap Providers of the halt to payments and the date on which such halt to payments will take effect at the earliest opportunity, and it will consult with them in relation to any material decisions in respect thereof. The Issuer's Creditors' Committee may, if it determines that it is within its statutory powers in managing the bankruptcy estate of the

Issuer, with the agreement of the relevant Swap Provider, agree to continue the Swaps following the introduction of a halt to payments on the Notes if that would be in the best interests of the relevant parties.

The amount of claims with a right of priority over the assets in the Cover Pool will be calculated as at the date on which the halt to payments takes effect. Assuming that a halt to payments is called in respect of both the Notes and the Swaps, the calculation shall represent the present value of the relevant claim, duly discounted in accordance with the terms of the Act and the Regulations. These provide that settlement of interest rate and foreign exchange contracts shall be at prudent market value based on the pricing of comparable interest rate contracts and foreign exchange contracts (although investors should note that any termination payment under the relevant Swap Agreement shall be calculated in accordance with the terms of such Swap Agreement), and settlement of amounts due on the Notes shall include payment of accrued interest and costs, as well as the agreed future cash flow (principal and interest) to the Maturity Date (excluding, for this purpose, any applicable Extended Final Maturity Date except where payment has already been deferred until the Extended Final Maturity Date in respect of those Notes), discounted by the market rate for comparable bonds in the relevant currency.

To the extent that Noteholders are not fully paid from the proceeds of the liquidation of the assets comprising the Cover Pool, they will be able to prove for the balance of their claims as unsecured creditors of the Issuer and will be entitled to receive payment from the proceeds of the liquidation of the other assets of the Issuer not comprising the Cover Pool (or any other cover pool maintained by the Issuer). The Noteholders would in such case rank *pari passu* with any other Noteholders, providers of Covered Bond Swaps and the other unsecured, unsubordinated creditors of the Issuer. In such circumstance, Noteholders may be unable to collect the full balance of their claims against the Issuer.

Regulatory Considerations

The European Market Infrastructure Regulation 648/2012 ("**EMIR**") entered into force on August 16, 2012. EMIR aims to increase stability in European over-the-counter ("**OTC**") derivatives markets and includes measures to require the clearing of certain OTC derivatives contracts through central clearing counterparties and to increase the transparency of OTC derivatives transactions. EMIR will apply to OTC derivatives contracts falling within its scope entered into by financial counterparties such as the Issuer, regardless of the identity of the other counterparty to the contract. In connection with EMIR, various implementing technical standards have now come into force, but certain critical technical standards remain outstanding, including those addressing which classes of OTC derivative contracts will be subject to the clearing obligation and the scope of collateralisation obligations in respect of OTC derivative contracts which are not cleared. Prospective investors should be aware that the regulatory changes arising from EMIR may in due course significantly increase the cost for the Issuer of entering into derivative contracts and may adversely affect their ability to engage in derivative contracts.

In addition, Title VII of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted 21 July 2010 (the "**Dodd-Frank Act**"), established a comprehensive new U.S. regulatory regime for a broad range of derivatives contracts (collectively referred to in this risk factor as "covered swaps"). Among other things, Title VII provides the U.S. Commodity Futures Trading Commission ("**CFTC**") and the U.S. Securities and Exchange Commission (SEC) with jurisdiction and regulatory authority over many different types of derivatives that are currently traded over-the-counter, requires the establishment of a comprehensive registration and regulatory framework applicable to covered swap dealers and other major market participants, requires many types of covered swaps to be exchange-traded or executed on swap execution facilities ("**SEFs**") and centrally cleared, and contemplates the imposition of capital requirements and margin requirements for uncleared transactions in covered swaps.

Many of the key regulations implementing Title VII have recently become effective or are in final form. However, in some instances, the interpretation and potential impact of these regulations are not yet entirely clear. Additionally, not all of the regulations, particularly with respect to security-based swaps, have been finalised and made effective. Due to this uncertainty, a complete assessment of the exact effects of Title VII cannot be made at this time.

In particular, the Swaps contemplated under the Programme may include agreements that are regulated as covered swaps under Title VII, each of which may be subject to new clearing, execution, capital, margin posting, reporting and recordkeeping requirements under the Dodd-Frank Act that could result in additional regulatory burdens, costs and expenses (including extraordinary, non-recurring expenses of the Issuer). Such requirements may disrupt the Issuer and its affiliates' ability to hedge their exposure to various transactions, including any obligations it may owe to investors under the Notes, and may materially and adversely impact a transaction's value or the value of the Notes. While the Dodd-Frank Act provides for the grandfathering of certain swaps, such grandfathering may not apply to the transactions entered into by the Issuer or may only apply to certain transactions. Additionally, the Issuer cannot be certain as to how these regulatory developments will impact the treatment of the Notes.

Prior to the effective date of the Dodd-Frank Act, the Swaps were over-the-counter contracts that were not required by U.S. regulators to be cleared or executed through an exchange or SEF. The Notes may allow the Issuer to call and/or terminate them in certain circumstances (such a circumstance, a "**Reg Out**"), including but not limited to a change in law or regulation that (1) creates a materially increased cost to enter into, maintain or hedge any issuance of Notes, such as increased margin requirements, or (2) makes such maintenance or hedging impossible or impracticable. Any such Reg Out could result in an investor's Notes decreasing significantly in value at a time that is disadvantageous to the Noteholder. If the Issuer chooses not to exercise the Reg Out and complies with relevant Title VII provisions, there will also be increased costs, which could result in an investor's Notes decreasing significantly in value at a time that is disadvantageous to the Noteholder.

Given that the full scope and consequences of the enactment of EMIR and the Dodd-Frank Act and the rules still to be adopted thereunder are not yet known, investors are urged to consult their own advisors regarding the suitability of an investment in any Notes.

Additionally, to the extent any particular series contains a Reg Out, investors must carefully consider what the consequences of its exercise might be and make their own determinations in consultation with their advisors regarding an investment in any Notes.

Payment of advance dividends post-Issuer's bankruptcy

In the event of the Issuer's bankruptcy, the Creditors' Committee may dispose of all the assets in the Cover Pool if this is deemed necessary for the payment of the claims of other creditors of the Issuer, provided that the consideration obtained enables no less than full payment to the Noteholders and the Swap Providers. In this context, the regulations under the Act (*Forskrift 25. mai 2007 nr. 550 om kredittforetak som utsteder obligasjoner med fortinnsrett i en sikkerhetsmasse bestående av offentlige lån, utlån med pant i bolig eller annen fast eiendom*) (the "**Regulations**") provide that "full payment" means settlement of interest rate contracts and foreign exchange contracts at market value based on the pricing of comparable interest rate contracts and foreign exchange contracts (although investors should note that any termination payment under the relevant Swap Agreement shall be calculated in accordance with the terms of such Swap Agreement), and settlement of amounts due on the Notes including payment of accrued interest and costs, as well as the agreed future cash flow (principal and interest) to the Maturity Date (excluding, for this purpose, any applicable Extended Final Maturity Date except where payment has already been deferred until the Extended Final

Maturity Date in respect of those Notes), discounted by the market rate for comparable bonds in the relevant currency.

Risks relating to the Issuer's collateral

Given that a considerable part of the Issuer's loans are granted with mortgages as collateral, the value of the collateral is related to the performance of the commercial real estate in Norway. There can be no guarantees regarding the future development of the value of the collateral. When collateral is enforced, a court order may be needed to establish the borrower's obligation to pay and to enable a sale by executive measures. For further details of the foreclosure process see "*SpareBank 1 Næringskreditt AS - Foreclosure*" below. The Issuer's ability to make use of the collateral without the consent of the borrower is thus dependent on the executive measures and on other relevant circumstances in the mortgage and real property markets. Should the prices of real property market substantially decline, this would likely reduce the value of the collateral held by the Issuer.

There are many circumstances that affect the level of credit loss, early repayments, withdrawals and final payments of interest and principal amounts, such as changes in the economic climate, both nationally and internationally, changes regarding taxation, interest rate developments, inflation and political changes. Borrowers may default as a result of interest rate increases or as a result of changes in their business.

Default in respect of the Issuer's assets comprised in the Cover Pool could jeopardise the Issuer's ability to make payments in full or on a timely basis on the Notes. Risks attaching to the Notes as a result of default in respect of the assets in the Cover Pool are reduced by a number of features of the Notes, including the ability of the Issuer to substitute assets to and from the Cover Pool. However, if a material amount of assets in the Cover Pool were to default, there is no guarantee that the required level of assets within the Cover Pool could be maintained or that the Issuer would be in a position to substitute non-defaulting assets for the defaulting assets.

The ability of the originator banks to maintain a dynamic pool of Commercial Mortgage Loans

The commercial mortgage loans (the "**Commercial Mortgage Loans**") originated by certain SpareBank 1 alliance banks (which may also be shareholders of the Issuer) (see "*SpareBank 1 Næringskreditt AS - Ownership*" below) and, if so determined, also by other Norwegian banks (together, the "**Originators**") and contributed to the Cover Pool represent a dynamic pool.

The Originators' ability to originate Commercial Mortgage Loans to transfer to the Issuer depends on the competitive market position of the Originators and the demand for their products. The ability of the Issuer to add new Commercial Mortgage Loans to its Cover Pool may be adversely affected if an Originator terminates an agreement to transfer Commercial Mortgage Loans to the Issuer or if an Originator fails to comply with its servicing or other obligations under such agreement (see "*SpareBank 1 Næringskreditt AS - Loan Origination, Eligibility and Servicing*" below).

The Cover Pool consists of limited assets

The Cover Pool will consist of loans which are secured on commercial real estate property and large residential real estate properties held by housing associations or on title documents relating to such property ("**Commercial Mortgages**"), claims which the Issuer holds, or may acquire, against providers of Covered Bond Swaps and certain substitute assets. All assets in the Cover Pool must comply with the terms of the Act and the Regulations. In particular, the Regulations determine maximum loan to value ratios of Commercial Mortgage Loans included in the Cover Pool (at the date of this Base Prospectus, the value is 60 per cent. of the prudent market value in the case of Commercial Residential Mortgages). At the date of this Base Prospectus, all of the properties over which Commercial Mortgage Loans in the Cover Pool were created are in Norway. The value of the properties comprising the Cover Pool may therefore decline in the event of a

general downturn in the value of property in Norway. See "*Risks relating to the Issuer, the Shareholders and the Originators – Substitute assets in the Cover Pool*" above.

Limited description of the Cover Pool

Save as contemplated by each Final Terms, investors will not receive detailed statistics or information in relation to the Commercial Mortgage Loans and other assets contained or to be contained in the Cover Pool, as it is expected that the constitution of the Cover Pool will change from time to time due to, for example, the purchase of further loans by the Issuer from time to time. However, an independent inspector (*Uavhengig gransker*) appointed by the Financial Supervisory Authority of Norway under the Act will monitor the Issuer's compliance with the requirements of the Act on a quarterly basis and report to the Norwegian Financial Services Authority ("**NFSA**") annually.

Overcollateralisation

The Issuer's intention is to maintain a value of the Cover Pool at all times that exceeds, by a certain margin, the aggregate value of claims that may be asserted against the Issuer in relation to the Notes (taking into account the effects of derivative contracts) ("**Overcollateralisation**"). The ratings of the Notes are based on an assumption of Overcollateralisation. To maintain the rating of the Notes, the Issuer has contractually agreed to provide a higher level of Overcollateralisation in the Cover Pool (an "**Alternative Overcollateralisation Percentage**") as set out in Condition 2(b) of the Ordinary Notes and Condition 2(b) of the VPS Notes.

It should be noted that the Issuer may at any time, without the consent of the Noteholders, reduce the then applicable Alternative Overcollateralisation Percentage provided that:

(a) the Alternative Overcollateralisation Percentage shall, for so long as the Notes are outstanding, exceed 100 per cent. (taking into account the effect of derivative contracts);

(b) for so long as Moody's has assigned a credit rating to the Notes, the Issuer shall not at any time reduce the then applicable Alternative Overcollateralisation Percentage unless, after having given Moody's not less than five Business Days' written notice of such reduction, it reasonably believes that such reduction would not in and of itself result in any current credit rating then assigned to the Notes by Moody's being reduced, removed, suspended or placed on credit watch; and

(c) for so long as Moody's has assigned a credit rating to the Notes, the Issuer shall not at any time reduce the then applicable Alternative Overcollateralisation Percentage unless the Notes are rated Aa1 by Moody's at such time.

The Issuer is not obliged to increase the Alternative Overcollateralisation Percentage if any of the ratings assigned to the Notes are reduced, removed, suspended or placed on credit watch for any other reason. Furthermore, Overcollateralisation may be lower than the Alternative Overcollateralisation Percentage from time to time as a result of fluctuations in the valuation of the Issuer's derivative contracts due to factors beyond the Issuer's control, such as foreign exchange and interest rate movements.

Provided that the Issuer complies with the Act at all times, failure by it to comply with the contractually agreed level of Alternative Overcollateralisation Percentage will not of itself prevent the Issuer from issuing further Notes, refinancing existing Notes (or other covered bonds issued by the Issuer) or acquiring new Commercial Mortgage Loans into the Cover Pool. In such circumstances, Noteholders may have a claim against the Issuer for breach of contract or for other specific relief, subject to English and Norwegian law generally.

For the avoidance of doubt, the Issuer does not commit to ensure that any specific rating of the Notes will be upheld until maturity.

Audit of the Cover Pool

The Cover Pool is audited regularly by an internal auditor and an external auditor/independent regulatory inspector, as more fully described in "*SpareBank 1 Næringskreditt AS - Cover Pool Review Process"* and *"Overview of the Norwegian Legislation Regarding Covered Bonds (obligasjoner med fortrinnsrett) – Inspector*". Neither the Shareholders nor the Originators nor the Arranger nor the Dealers have conducted or commissioned any other audit of the Cover Pool nor will they undertake any audit of the Cover Pool in connection with an offering of the Notes.

Appraisals

Appraisals or valuation of the commercial real estate properties securing the Commercial Mortgage Loans take one of two forms: (1) in the case of a loan to finance (rather than refinance) the acquisition of a property, the transaction sale price determines the valuation for mortgage lending purposes, (2) an independent cash-flow based appraisal conducted by a licensed appraiser or a commercial real estate broker is used for the ongoing valuation of the Issuer's portfolio. Such valuation takes place yearly for legal, investor information and rating agency reporting purposes and an independent cash-flow based appraisal is used.

In the case of those Commercial Mortgage Loans for which cash-flow based appraisal conducted by a licensed appraiser or commercial real estate broker was used, such appraisal reflects the individual appraiser's judgement as to value, based on net present value of cash-flows from tenancies on the properties.

No assurance can be given that values of the properties underlying the Commercial Mortgage Loans have remained or will remain at the levels which existed on the dates of appraisal (or, where applicable, on the dates of appraisal updates) of the related Commercial Mortgage Loans.

Risks relating to tenants of commercial properties

Appraisals will to a large extent depend on any tenants, and their ability to pay rent. The ability and willingness for the tenants to pay rent is a part of the credit scoring when a loan is granted, and later when new valuations take place. In some cases there are bank guarantees for the tenant's ability to pay rent for a certain period of time. In most cases the ability for a tenant to pay is an estimate of their future cash flow. Events can arise for which a tenant is no longer able to pay rent, and this can influence the ability for the borrower to repay the mortgage, and the valuation of a property. In scenarios where there is an economic downturn for a substantial part of the economy, it can be difficult to replace a tenant with a new tenant paying an equal or a higher rent. This may have an escalating negative effect on the value of the property, and thus increase the possibility of a loss for the Issuer. To mitigate this risk to some degree, the Issuer avoids certain types of property and certain locations where it would be difficult to find new tenants. Additionally, to some degree, the Issuer examines the financial conditions and creditworthiness of major tenants.

General risks relating to Commercial Properties

The Commercial Mortgage Loans will be secured by, among other things, the Commercial Mortgages over the relevant property or properties. The repayment of principal and interest on each Commercial Mortgage by the relevant borrower will depend on the capacity of the applicable property or properties to produce cash flow. However, the income-producing capacity of the properties may be adversely affected by a large number of factors. Some of these factors relate specifically to a property itself, such as: (i) the age, design and construction quality of the property; (ii) perceptions regarding the safety, convenience and attractiveness of the property; (iii) the proximity and attractiveness of competing properties; (iv) the adequacy of the property's management and maintenance; (v) an increase in the capital expenditure needed to maintain the property or make improvements; (vi) a decline in the financial condition of a major tenant and the creditworthiness generally of tenants; (vii) a decline in rental rates as leases are renewed or entered into with new tenants; and (viii) the length of tenant leases.

Other factors are more general in nature, such as: (i) national, regional or local economic conditions (including plant closures, industry slowdowns and unemployment rates); (ii) local property conditions from time to time (such as an oversupply or undersupply of warehouse, retail or office space); (iii) demographic factors; (iv) consumer confidence; (v) consumer tastes and preferences; (vi) retrospective changes in building codes or other regulatory changes; (vii) changes in governmental regulations, fiscal policy, planning/zoning or tax laws; (viii) potential environmental legislation or liabilities or other legal liabilities; (ix) the availability of refinancing; and (x) changes in interest rate levels. In particular, a decline in the property market or in the financial condition of a major tenant will tend to have a more immediate effect on the net operating income of properties with short term lease agreements.

The supply of commercial properties is influenced mainly by construction and refurbishment activity. Historically, periods with good market conditions in the office property market have been followed by increased construction of office properties. This may lead to oversupply and increased vacancies. The long lead time of construction may further increase this effect, as construction that has been started in general will be finalised regardless of any market slowdown.

The demand for commercial properties is influenced by several factors, on both a micro and macro-economic level. Negative changes in the general economic situation, including business and private spending, may adversely affect the demand for commercial properties. Regarding commercial properties on a micro-economic level, the relative attractiveness of regions and cities will affect activity in the respective regions and cities, and hence the demand for properties. There are no guarantees that the regions that are attractive today remain to be attractive.

Any one or more of the above described factors or others not specifically mentioned above could operate to have an adverse effect on the income derived from, or able to be generated by, a particular property, which could in turn cause the relevant borrower to default on its Commercial Mortgage Loan, reduce the chances of a borrower refinancing a Commercial Mortgage Loan or reduce a borrower's ability to sell a property at a required price or at all.

Tenant Risk

No assurance can be given that tenants in the properties will continue making payments under their leases or that any such tenants will not become insolvent or subject to administration in the future or, if any such tenants become subject to administration, that they will continue to make rental payments in a timely manner. Contractual rights to terminate leases prior to the expiry date, with subsequent vacancy of the premises, bankruptcy of tenants, and, possible adjustment cost in relation to new tenants or lower rent levels, will influence the rental income negatively. Some of the leases on the properties may be revenue based, which means that factors affecting the revenue of the tenants (such as quality of the tenants' operations and general market conditions) will affect the borrowers' rental income. In addition, a tenant may, from time to time, experience a downturn in its business, which may weaken its financial condition and result in a failure to make rental payments when due. If a tenant, particularly a major tenant, defaults on its obligations under its occupational lease, the applicable borrowers may experience delays in enforcing their rights as lessor and may incur substantial costs and experience significant delays associated with protecting their investment, including costs incurred in renovating and re-letting the relevant property.

Risks relating to office properties

The income from and market value of an office property, and a borrower's ability to meet its obligations under a loan secured by an office property, are subject to a number of risks. In particular, a given property's age, condition, design, access to transportation and ability to offer certain amenities to tenants, including sophisticated building systems (such as fibre-optic cables, satellite communications or other base building features) all affect the ability of such a property to compete against other office properties in the area in

attracting and retaining tenants. Other important factors that affect the ability of an office property to attract or retain tenants include the quality of a building's existing tenants, the quality of the building's property manager, the attractiveness of the building and the surrounding area to prospective tenants and their customers or clients and access to public transportation and major roads. Attracting and retaining tenants often involves refitting, repairing or making improvements to office space to accommodate the type of business conducted by prospective tenants or a change in the type of business conducted by existing major tenants. Such refitting, repairing or improvements are often more costly for office properties than for other property types.

Local and regional economic conditions, changes in local and regional population patterns, sharing of office space and employment growth together with other related factors also affect the demand for and operation of office properties. In addition, an economic decline in the businesses operated by tenants can affect a building and cause one or more significant tenants to cease operations and/or become insolvent. The risk of such an adverse effect is increased if revenue is dependent on a single tenant or a few large tenants or if there is a significant concentration of tenants in a particular business or industry.

Any one or more of the above described factors or others not specifically mentioned above could operate to have an adverse effect on the income derived from, or able to be generated by, a particular office property, which could in turn cause the relevant borrower to default on its Commercial Mortgage Loan, reduce the chances of a borrower refinancing a Commercial Mortgage Loan or reduce a borrower's ability to sell a property at a required price or at all.

Risks relating to retail properties

The value of retail properties is significantly affected by the quality of the tenants as well as fundamental aspects of property, such as location, catchment area and market demographics. In addition to location, competition from other retail spaces or the construction of other retail space, retail properties in particular face competition from other forms of retailing outside a given property market (such as mail order and catalogue selling, discount retail centres and selling through the internet), which may reduce retailers' need for space at a given retail centre. The continued growth of these alternative forms of retailing could adversely affect the demand for space and, therefore, the rents collectable from retail properties.

The success of a retail property is dependent on, among other things, achieving the correct mix of retailers in a retail centre or area so that an attractive range of retail outlets is available to potential customers. The presence or absence of an "anchor retailer" in a retail area can be particularly important in this, because anchors play a key role in generating customer traffic and making an area desirable for other retail occupiers. An anchor retailer may cease operations in a retail area for a variety of reasons, including that the relevant retailer decides to move to a different retail centre, it becomes insolvent or otherwise goes out of business. If any anchor store, located in a retail area in which a property securing any loan is located were to close and such anchor is not replaced in a timely manner the related property owner may suffer adverse financial consequences.

Other key factors affecting the value of retail properties include the quality of management of the properties, the attractiveness of the properties and the surrounding neighbourhood to tenants and their customers, the public perception of the level of safety in the neighbourhood, access to public transportation and major roads and the need to make major repairs or improvements to satisfy major tenants. Furthermore, the income stream generated from retail properties is likely to be more variable than income generated from other types of property in that it may include rental income linked to turnover in relation to a tenant and income generated from car parks which may increase or decrease from time to time. Each of the foregoing circumstances and events may, individually or in the aggregate, adversely affect the income from and market value of the properties.

Risks relating to industrial properties

The income from and market value of an industrial property and the ability of a landlord of an industrial property to meet its financial obligations which are secured by such a property are subject to a number of risks. One of the most important risks relates to the continued access to, and proximity of, the building to a major road network. Any interruption in the road access to an industrial property could result in a shortfall in the number of customers utilising the units and reduce the tenants' ability to make payments under the relevant occupational leases.

Additionally, the adaptability of a property to offer future leases and to attract new tenants (including those not involved in a similar industry) will have an impact on the ability of a landlord to meet its obligations. However, in order to attract new tenants and adapt the property, the property owner may be required to expend material amounts to refurbish and customise the relevant property, or part thereof. Other key factors affecting the value of industrial properties will include the quality of management of the properties, the amenities offered to tenants and their customers and the location of the property with respect to urban areas.

Property Owners' Liability to Provide Services

In properties with several tenants, parts of the properties are normally not intended to be let to tenants, but instead comprise common areas such as service ways, public arcades and other communal areas which are used by tenants and visitors to the property collectively, rather than being attributable to one particular unit or tenant. Occupational tenancies will usually contain provisions for the relevant tenant to make a contribution towards the cost of maintaining common areas calculated with reference, among other things, to the size of the premises demised by the relevant tenancy and the amount of use which such tenant is reasonably likely to make of the common areas. The contribution forms part of the service charge payable to the landlord (in addition to the principal rent) in accordance with the terms of the relevant tenancy.

The liability of the landlord in each case to provide the relevant services is, however, normally not conditional upon all such contributions being made and consequently any failure by any tenant to pay the service charge contribution on the due date or at all would oblige the landlord to make good the shortfall from its own monies. The landlord would also normally need to pay from their own monies service charge contributions in respect of any vacant units.

Property management

The net cash flow realised from and/or the residual value of the properties may be affected by management decisions. Some managing agents have wide discretions; in particular, they are (subject to certain general restrictions) responsible for finding and selecting new tenants on the expiry of existing tenancies (and their replacements) and for negotiating the terms of the tenancies with such tenants. While such persons are experienced in managing office and/or retail property, there can be no assurance that decisions taken by them or by a future managing agent and/or property manager will not adversely affect the value and/or cash flows of the properties. In particular, if the property managers do not fulfil their obligations under the relevant property management agreements, the value and/or cash flows of the properties may be adversely affected.

Capital improvements to properties

In the event the relevant borrower fails to pay the costs for works completed or materials delivered in connection with any capital improvements, such borrower could be the subject of legal action by the relevant contractors to recover the costs of such capital improvements and/or materials. The existence of construction or capital improvements at a property may disrupt the day-to-day activities of the tenants and their customers, and, accordingly, could have a negative effect on net operating income.

Planning regulations

Under Norwegian planning law, the competent building authority may enact regulations for certain geographical areas (planning regulations) which are either intended to ensure a proposed development project or to preserve existing urban or residential structures in the relevant area. Changes to existing planning regulations or to exemptions exercised by the building authorities with respect to such planning regulations may limit the possibility to further develop the properties through reconstruction or refurbishment measures, and may lead to increased costs. Further, this may adversely affect the value of such properties as a consequence of reduced interest from potential tenants in future rental or interest from future purchasers of the properties.

Environmental risks

The existing Norwegian environmental legislation imposes liability for clean-up costs on each of the owner of the relevant property and the person that actually operates, uses or occupies the property. Even if more than one person is liable for the clean-up costs, each person covered by the relevant environmental laws may be held responsible for all the clean-up costs incurred.

If an environmental liability arises in relation to any property and is not remedied, or is not capable of being remedied, this may result in an inability to sell the property or in a reduction in the price obtained for the property resulting in a sale at a loss. In addition, third parties may sue a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site, and the presence of substances on the property could result in personal injury or similar claims by private claimants.

Maintenance/Technical condition/Operating risk/Refurbishment

Maintenance of commercial properties is usually, as part of Norwegian market practice, allocated such that the landlord is responsible for external maintenance and the relevant tenant covers other operating costs (e.g. internal maintenance) of the leased premises. In addition, the landlord will often be contractually obligated to cover the costs of replacement of technical installations. There is a general risk that costs for maintenance and replacements, upgrading, etc., for which Commercial Mortgage Loan borrowers are responsible as landlords may be larger than assumed, thus affecting such borrowers' ability to service and repay their Commercial Mortgage Loans.

Legal matters/pre-emption rights

There may be contractual and statutory pre-emption rights (Norwegian: "*forkjøpsrett*") applicable to the sale of some of the commercial properties (or holding companies which directly or indirectly hold such properties) owned by Commercial Mortgage Loan borrowers. Even if such rights have been waived or are unlikely to be used, the existence of such pre-emption rights may imply a reduced value on the properties. In addition, there may be contractual option rights for tenants (extension of lease term etc.) that may limit the borrowers' flexibility, and/or reduce property value.

Risk by use of title companies

In order to achieve full title and legal protection for the acquisition of a property in Norway, the Norwegian Land Registration Act requires that the acquisition is duly registered in the land register. In this context, legal protection means that the buyer of the property is protected from competing claims from either the seller's or former owner's creditors, or from subsequent acquirers of the same property. If an acquisition of a property by a borrower is not registered on the property's records in the land register, and the seller or a former owner becomes insolvent or bankrupt, or the seller attempts to sell the same property to a third party, the borrower's ownership rights to the property may be challenged.

However, registering the acquisition and thus obtaining legal title is subject to stamp duty of 2.5 per cent. of the property's market value. In order to avoid having to pay such stamp duty, certain buyers have historically (in addition to purchasing the property) acquired the shares in a company which holds the formal title (Norwegian: "*hjemmel*") to the property (such companies commonly referred to as "*hjemmelsselskap*" in Norwegian), thus avoiding any re-registration in the land register which would trigger a 2.5 per cent. stamp duty. The owner of properties that are not duly registered with the land register is exposed to creditors and the insolvency estates of previous owners of such properties seizing the properties in question to the detriment of the owner. Further, the ownership may be challenged by other third parties claiming rights in the properties derived from the sellers or former owners of the properties.

No due diligence

None of the Dealers nor the Arranger has or will undertake any investigations, searches or other action in respect of the loans and other assets comprising the Cover Pool, but will instead rely on the obligations of the Issuer under the Act and the Regulations.

Reliance on Swap Providers

A brief description of certain risks relating to the Swaps is set out below:

Reliance on Currency Swaps

The Issuer may rely on the Currency Swap Providers under the Currency Swaps to provide payment on Notes denominated in currencies other than NOK. If the Issuer fails to make timely payments of amounts due or certain other events occur in relation to the Issuer under a Currency Swap and any applicable grace period expires, then the Issuer will default under that Currency Swap. If the substitute assets available to the Issuer on a payment date are insufficient to make the payment ordinarily required in full, the payment obligations of both the Issuer and the Swap Counterparty on that payment date will be reduced accordingly and will be deferred. If the Issuer defaults under a Currency Swap due to non-payment or otherwise, the relevant Currency Swap Provider will not be obliged to make further payments under that Currency Swap and may terminate that Currency Swap. If a Currency Swap Provider is not obliged to make payments, or if it defaults in its obligations to make payments under a Currency Swap, the Issuer will be exposed to changes in currency exchange rates and in the associated interest rates on the currencies. Unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments due on the Notes when payable.

Reliance on Interest Rate Swaps

In order to hedge the Issuer's interest rate risks in NOK and/or other currencies to the extent that these have not already been hedged by a Currency Swap, the Issuer may enter into the Interest Rate Swaps. If the Issuer fails to make timely payments of amounts due or certain other events occur in relation to the Issuer under an Interest Rate Swap and any applicable grace period has expired, then the Issuer will have defaulted under that Interest Rate Swap. If the Issuer defaults under an Interest Rate Swap due to non-payment or otherwise, the relevant Interest Rate Swap Provider will not be obliged to make further payments under that Interest Rate Swap and may terminate that Interest Rate Swap. If an Interest Rate Swap Provider is not obliged to make payments, or if it exercises any right of termination it may have under the relevant Interest Rate Swap Agreement, or if it defaults in its obligations to make payments under an Interest Rate Swap, the Issuer will be exposed to changes in interest rates. Unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments due on the Notes.

Termination payments for Swaps

If any of the Interest Rate Swaps or the Currency Swaps are terminated, the Issuer may as a result be obliged to make a termination payment to the relevant Swap Provider. The amount of the termination payment will be

based on the cost of entering into a replacement Interest Rate Swap or Currency Swap, as the case may be. Any termination payment to be made by the Issuer to a Swap Provider will rank *pari passu* with payments due to the Noteholders.

Potential amendments to the Swap Agreements

If and when the Issuer enters into a Swap Agreement in the context of an issue of Notes, the terms of the Swap Agreement will be negotiated with the relevant Swap Provider. As a result of such negotiations, the terms of a Swap Agreement may contain terms that adversely affect the interests of the Noteholders under the Notes (although the claims of the Noteholders and the Swap Providers will always rank equally in relation to the assets in the Cover Pool pursuant to the terms of the Act and the Regulations).

Other Regulatory Developments

Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the Notes for certain investors

The Basel Committee on Banking Supervision (the "**Basel Committee**") approved significant changes to the Basel II regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as Basel III). In particular, "**Basel III**" provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). It is intended that member countries will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until January 2019) and the Net Stable Funding Ratio from January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation.

Implementation of the Basel framework and any changes as described above may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

Currently, Norwegian covered bonds comply with the EU Capital Requirements Directive regulations and qualify for a 10 per cent. risk weighting in eligible European jurisdictions. However, the Issuer cannot be certain as to how any of the regulatory developments described above will impact the treatment of the Notes. In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences for and effect on them of any changes to the Basel framework (including the changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been filed with the CSSF and shall be incorporated by reference in, and form part of, this Base Prospectus:

(a) The interim unaudited financial statement of the Issuer for the quarter ended 31 March 2014 and approved by the Board of Directors on 30 April 2014, set out in SpareBank 1 Næringskreditt AS – 1st Quarterly Report 2014 (the "**2014 1st Quarterly Report**"), including the information set out at the following pages:

Statement of the Board of Directors for the first quarter 2014	Page 2 -5
Statement of the members of the board and the chief executive	Page 6
Income Statement 1st Quarter 2014	Page 7
Comprehensive Income Statement 1st Quarter 2014 2013	Page 7
Balance sheet 1st Quarter 2014	Page 8
Quarterly development	Page 9 - 10
Statement of Changes in Equity	Page 11
Cash Flow Statement	Page 12
Notes to the Accounts	Page 13 – 22

(b) The audited annual financial statements of the Issuer for the financial year ended 31 December 2013 and approved by the Board of Directors on 4 March 2014, set out in SpareBank 1 Næringskreditt AS – 2013 Annual Report (the "**2013 Annual Report**"), including the information set out at the following pages:

Statement of the Board of Directors 2013	Page 3 - 7
Statement of the members of the board and the chief executive officer	Page 8
Income Statement 2013	Page 9
Statement of total profit/loss for the year 2013	Page 9
Balance Sheet 2013	Page 10
Statement of Changes in Equity	Page 11
Cash Flow Statement 2013	Page 12
Notes to the Accounts 2013	Page 13 – 41
Independent Auditor's Report	Page 42 - 43

(c) The audited annual financial statements for the Issuer for the year ended 31 December 2012 and approved by the Board of Directors on 5 March 2013, set out in SpareBank 1 Næringskreditt AS –

2012 Annual Report (the "**2012 Annual Report**"), including the information set out at the following pages:

SpareBank 1 Næringskreditt AS – Statement of the Board of Directors for the year 2012	Page 1 - 5
Income statement 2012	Page 6
Statement of total profit/loss for the year 2012	Page 6
Balance Sheet as of 31 December 2012	Page 7
Changes in Equity	Page 8
Cash Flow Statement 2012	Page 9
Notes to the Accounts 2012	Page 10 - 24
SpareBank 1 Næringskreditt AS - Statement from the Board of Directors and the Chief Executive Officer	Page 25
Independent Auditor's Report	Page 26-27

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant provisions of the Prospectus Directive.

Copies of each of the audited financial statements for the Issuer referred to above can be found at http://www.sparebank1.no/bank_naeringskreditt. Copies of the quarterly investor reports published by the Issuer (the Investor Report) can be found at http://www.sparebank1.no/bank_naeringskreditt. The Issuer's website and the contents thereof do not form part of this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer, from the specified office of the Paying Agents for the time being in London and in Luxembourg, and such documents will be published on the website of the Luxembourg Stock Exchange's (www.bourse.lu).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons and/or talons attached or, or registered form, without interest coupons or talons attached, or in the case of VPS Notes, uncertificated book entry form.

Bearer Notes and Registered Note will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**").

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a "**Temporary Global Note**") without interest coupons or talons attached which will:

(i) if the Bearer Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"); and

(ii) if the Bearer Global Notes are not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

Bearer Notes will only be delivered outside the United States and its possessions.

If the applicable Final Terms indicates that the Bearer Global Note is an NGN, the nominal amount of the Notes represented by such Bearer Global Note will be the aggregate from time to time entered in the records of both Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg (which expression in such Bearer Global Note means the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of each such customer's interest in the Notes) will be conclusive evidence of the nominal amount of Notes represented by such Bearer Global Note and, for such purposes, a statement issued by Euroclear and/or Clearstream, Luxembourg, as the case may be, stating that the nominal amount of Notes represented by such Bearer Global Note at any time will be conclusive evidence of the records of Euroclear and/or Clearstream, Luxembourg at that time, as the case may be.

Upon delivery of a Temporary Bearer Global Note, Euroclear and/or Clearstream, Luxembourg and/or such other agreed clearing system will credit purchasers with nominal amounts of Notes of the relevant Tranche equal to the nominal amounts thereof for which they have paid.

Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Bearer Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not in NGN form) only outside the United States and its possessions to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not United States persons or persons who have purchased for resale to any United States person, as required by United States Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described

therein for (a) interests in a permanent global note without interest coupons or talons attached (a "**Permanent Global Note**" and, together with the Temporary Global Notes, the "**Bearer Global Notes**" and each a "**Bearer Global Note**") of the same Series or (b) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Bearer Definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The Permanent Global Note is exchangeable (free of charge), in whole, for Bearer Definitive Notes with, where applicable, interest coupons and talons attached only upon the occurrence of an Exchange Event.

"**Exchange Event**" means that (i) in the case of Bearer Global Notes and Registered Global Notes registered in the name of a nominee for a common depositary or in the name of nominee for common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system is available or (ii) in the case of both Bearer Global Notes and Registered Global Notes, the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Global Note in definitive form. The Issuer will promptly give notice to Noteholders of each Series in accordance with Condition 12 of the Ordinary Note Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Issuer may give notice to the Principal Paying Agent or Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Principal Paying Agent or Registrar requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or Registrar.

Bearer Global Notes and Bearer Definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all Permanent Global Notes and Bearer Definitive Notes which have an original maturity of more than one year and on all talons and interest coupons relating to such Permanent Global Notes and Bearer Definitive Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to above generally provide that United States persons (as defined for U.S. federal tax purposes), with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, talons or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Notes, talons or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Bearer Notes may not be exchanged for any other form of Note issued by the Issuer and vice versa.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a "**Registered Global Note**").

Registered Global Notes will be deposited with a common depositary or common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register on the relevant Record Date (as defined in Condition 4(d)) of the Ordinary Note Conditions as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 4(d)) of the Ordinary Note Conditions immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event as described in the paragraph relating to Exchange Event above.

VPS Notes

Each Tranche of VPS Notes will be issued in uncertificated and dematerialised book entry form. Legal title to the VPS Notes will be evidenced by book entries in the records of the VPS. On the issue of such VPS Notes, the Issuer will send a letter to the VPS Trustee, with copies sent to the Principal Paying Agent and the VPS Agent (the "**VPS Letter**"), which letter will set out the terms of the relevant issue of VPS Notes in the form of a Final Terms supplement attached thereto. On delivery of a copy of such VPS Letter including the relevant Final Terms to the VPS and notification to the VPS of the subscribers and their VPS account details by the relevant Dealer, the account operator acting on behalf of the Issuer will credit each subscribing account holder with the VPS with a nominal amount of VPS Notes equal to the nominal amount thereof for which it has subscribed and paid.

Settlement of sale and purchase transactions in respect of VPS Notes in the VPS will take place three Oslo Business Days after the date of the relevant transaction. Transfers of interests in the relevant VPS Notes will only take place in accordance with the rules and procedures for the time being of the VPS.

VPS Notes may not be exchanged for any other form of Note issued by the Issuer and vice versa.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions the Ordinary Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the VPS shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which case (if the Notes are intended to be listed) a new Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Issuer will notify the ICSDs and the Paying Agents upon issue whether the Notes are intended, or are not intended, to be held in a manner which would allow Eurosystem eligibility and deposited with one of the ICSDs as common safekeeper (and in the case of registered Notes, registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Where the Notes are not intended to be deposited with one of the ICSDs as common safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such as that the Notes are capable of meeting such criteria, the Notes may then be deposited with one of the ICSDs as common safekeeper. Where the Notes are so deposited with one of the ICSDs as common safekeeper (and in the case of registered Notes, registered in the name of a nominee of one of the ICSDs acting as a common safekeeper) upon issuance or otherwise, this does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

FORM OF FINAL TERMS

Dated [●]

SpareBank 1 Næringskreditt AS
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000
Euro Medium Term Covered Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the [Ordinary Note Conditions] [VPS Conditions] set forth in the prospectus dated [●] [and the supplement[s] to the prospectus dated [●] [and [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended by Directive 2010/73/EU (the "**2010 PD Amending Directive**"), the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at, and copies may be obtained from, the specified office of each of the Paying Agents. The Base Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange) the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the [Ordinary Note Conditions] [VPS Conditions] (the "**Conditions**") set forth in the prospectus dated [●]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (as amended by Directive 2010/73/EU (the "**2010 PD Amending Directive**"), (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplement[s] to it dated [*date*] and [*date*]], which [together] constitutes[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of such Prospectuses are available for viewing at, and copies may be obtained from, the specified office of each of the Paying Agents. The Base Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange) the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

1.	Series Number:		[●]
2.	[(i)	Tranche Number:	[●]
	[(ii)	Series with which Notes will be consolidated and form a single Series:	[●]/[Not Applicable]]
	[(iii)	Date on which the Notes will be consolidated and form a single Series	The Notes will be consolidated and form a single Series with [*provide issue amount / ISIN / maturity date /issue*

		with the Series specified above:	*date of earlier Tranches*] on [●]/[the Issue Date]/[exchange of the Temporary Bearer Global Note for interest in the Permanent Bearer Global Note, as referred to in paragraph [21] below [which, is expected to occur on or about [*date*]] [Not Applicable]]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●] (*if applicable*)]
6.	(a)	Specified Denominations:	[●] [€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000] (or equivalent in another currency). No notes in definitive form will be issued with a denomination above [€199,000] (or equivalent in another currency)] [*N.B. Notes must have a minimum denominator of €100,000 (or equivalent in another currency*]
	(b)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]/[Issue Date]/[Not Applicable]
8.	Maturity Date:		[●]/Interest Payment Date falling in or nearest to [●]
9.	Extended Final Maturity Date:		[●]/[Not Applicable]
10.	Interest Basis:		[[●] per cent. Fixed Rate] [[Specify particular reference rate] +/- [●] per cent. per annum Floating Rate]
11.	Redemption/Payment Basis:		[Redemption at par]/[Redemption at [●] per cent. of the nominal amount]
12.	Change of Interest Basis:		[For the period from (and including) the Interest Commencement Date, up to (but excluding) [*date*] paragraph [15] [16] applies and for the period from (and including) [*date*] to (but excluding) the Maturity Date, paragraph [16] [15] applies]/[Not Applicable]
13.	Put/Call Options:		[Investor Put]

		[Issuer Call] [Not Applicable]
14.	[Date [Board] approval for issuance of Notes obtained:]	[●] [and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**:		[Applicable/Not Applicable] *(if not applicable, delete the remaining subparagraphs of this item 15)*
	(i)	Rate(s) of Interest:	[●] per cent. per annum [payable in arrear on each Interest Payment Date]
	(ii)	Interest Payment Date(s):	[●] in each year from (and including) [●] up to and including the [Final Maturity Date]/[Extended Due for Payment Date, if applicable], subject to adjustment in accordance with the Business Day Convention set out below
	(iii)	Fixed Coupon Amount(s):	[[●] per Calculation Amount/Not Applicable]
	(iv)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]
	(v)	Day Count Fraction:	[30/360]/ [Actual/Actual (ICMA)]
	(vi)	Determination Date(s):	[[●] in each year]/[Not Applicable]
16.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] *(if not applicable, delete the remaining subparagraphs of this item 16)*
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[●][, subject to adjustment in accordance with the Business Day Convention set out in (ii) below /, not subject to adjustment as the Business Day Convention in (ii) below is specified to be Not Applicable]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ Not Applicable]
	(iii)	Business Centre(s):	[●]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]

(v)	Party responsible for calculating the Rate of Interest and Interest Amount:		[Principal Paying Agent]
(vi)	Screen Rate Determination:		
	–	Reference Rate and relevant financial centre:	[Applicable/Not Applicable] Reference Rate: [●] month [currency] [LIBOR]/[EURIBOR]/[NIBOR]/[EONIA]/[STIBOR] Relevant financial centre: [London]/[Brussels]/[Oslo]/[Stockholm]
	–	Interest Determination Date(s):	[●]
	–	Relevant Screen Page:	[●]
(vii)	ISDA Determination:		[Applicable/Not Applicable]
	–	Floating Rate Option:	[●]
	–	Designated Maturity:	[●]
	–	Reset Date:	[●]
(viii)	Linear Interpolation:		[Not Applicable / Applicable – the Rate of Interest for the [long / short] [first / last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(ix)	Margin(s):		[+/-] [●] per cent. per annum
(x)	Minimum Rate of Interest:		[[●] per cent. per annum][Not Applicable]
(xi)	Maximum Rate of Interest:		[[●] per cent. per annum][Not Applicable]
(xii)	Day Count Fraction:		[Actual/Actual [(ISDA)]]/ [Actual/365 (Fixed)]/ [Actual/365 (Sterling)]/ [Actual/360]/ [30/360]/[360/360]/[Bond Basis]/ [30E/360]/[Eurobond Basis] [30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

17.	**Issuer Call:**	[Applicable]/[Not Applicable] *(if not applicable, delete the remaining subparagraphs of this item 17)*

	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount of each Note:	[●] per Note of [●] Specified Denomination
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●]
		(b) Maximum Redemption Amount:	[●]
	(iv)	Notice period (if other than as set out in the Conditions):	[●]
18.	**Investor Put:**		[Applicable]/[Not Applicable] *(if not applicable, delete the remaining subparagraphs of this item 18)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount of each Note:	[●] per Note of [●] Specified Denomination
	(iii)	Notice period (if other than as set out in the Conditions):	[●]
19.	Final Redemption Amount of each Note:		[●] per Calculation Amount
20.	Early Redemption Amount of each Note payable on redemption:		[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:		[Bearer Notes: [Temporary Bearer Global Note exchangeable on or after the Exchange Date for a Permanent Bearer Global Note which is exchangeable for Bearer Definitive Notes only upon an Exchange Event]]/ [Registered Notes: [Registered Global Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]] [VPS Notes issued in uncertificated book entry form]
	(i)	Form:	

	(ii) New Global Note:	[Yes][No]
22.	Additional Financial Centre(s)	[●]/[Not Applicable]
23.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if on exchange into definitive form, more than 27 coupon payments are still to be made]/[No.]
24.	Redenomination applicable:	[Not applicable]/[The provisions of [Ordinary Note Condition 4(i)][VPS Condition 4(f)] apply]

Signed on behalf of the Issuer:

By: .....

Duly authorised

PART B – OTHER INFORMATION

1. ADMISSION TO TRADING

(i)	Admission to trading:	Application has been made for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange with effect from [●].
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [Moody's:]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged and may in the future engage in investment banking and/or commercial transactions with and may perform other services for the Issuer and/or its affiliates in the ordinary course of business.

4. YIELD (Fixed Rate Notes only)

Indication of yield:	[ ]

5. OPERATIONAL INFORMATION

(i)	ISIN Code:	[●]
(ii)	Common Code:	[●]
(iii)	CINS Code:	[●]
(iv)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[●]/[Not Applicable]/ [VPS, Norway. VPS identification number: [ ]].
(v)	Delivery:	Delivery [against/free of] payment
(vi)	Names and addresses of additional Paying Agent(s) (if any):	[●]

6. DISTRIBUTION

Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
U.S. Selling Restrictions:	[TEFRA D/TEFRA C/TEFRA not applicable]]

TERMS AND CONDITIONS OF THE ORDINARY NOTES

The following are the Terms and Conditions of the Ordinary Notes (the "**Ordinary Note Conditions**") which will be incorporated by reference into each Global Note (as defined below) and each Definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Ordinary Note Conditions.

The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and Definitive Note. Reference should be made to "*Form of the Notes*" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

The Notes are covered bonds (*obligasjoner med fortrinnsrett*) issued by SpareBank 1 Næringskreditt AS (the "**Issuer**") in accordance with *lov 10. juni 1988 nr. 40 om finansieringsvirksomhet og finansinstitusjoner (finansieringsvirksomhetsloven)* (the "**Act**") and the *Forskrift 25. mai 2007 nr. 550 om kredittforetak som utsteder obligasjoner med fortinnsrett i en sikkerhetsmasse bestående av offentlige lån, utlån med pant i bolig eller annen fast eiendom* (the "**Regulations**"). This Ordinary Note is one of a Series (as defined below) of Notes issued by the Issuer pursuant to the Agency Agreement (as defined below).

References herein to the "**Ordinary Notes**" shall be references to the Ordinary Notes of this Series and shall mean:

(i) in relation to any Ordinary Notes represented by a global Note (a "**Global Note**"), units of the lowest denomination specified in the relevant Final Terms ("**Specified Denomination**") in the currency specified in the relevant Final Terms ("**Specified Currency**");

(ii) any Global Note;

(iii) any definitive Notes in bearer form ("**Bearer Definitive Notes**") issued in exchange for a Global Note in bearer form; and

(iv) any definitive Notes in registered form ("**Registered Definitive Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Ordinary Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement, as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated on or around 28 May 2014 and made between, among others, the Issuer, Citibank, N.A. as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression shall include any additional or successor registrar) and as transfer agent (the "**Transfer Agent**", which expression shall include any additional or successor transfer agent and together, the "**Transfer Agents**").

Interest-bearing Bearer Definitive Notes have interest coupons ("**Coupons**") and, in the case of Notes which when issued in definitive form have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Bearer Global Notes do not have Coupons or Talons attached on issue.

The Final Terms for this Ordinary Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Ordinary Note which supplement these Ordinary Note Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Ordinary Note Conditions, replace or modify these Ordinary Note Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) which are attached to or endorsed on this Ordinary Note.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in the relevant Member State of the European Economic Area and includes any relevant implementing measure in the relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Any reference to "**Noteholders**" or "**holders**" in relation to any Ordinary Notes shall mean (in the case of Bearer Notes) the holders of the Ordinary Notes and (in the case of Registered Notes) the persons in whose name the Ordinary Notes are registered and shall, in relation to any Ordinary Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Ordinary Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Ordinary Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant, as amended and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") dated on or around 28 May 2014 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar, the other Paying Agents and the Transfer Agents (together referred to as the "**Agents**"). Copies of the applicable Final Terms are available for viewing at the specified registered office of each of the Issuer and the Principal Paying Agent save that, if this Ordinary Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by an Ordinary Noteholder holding one or more such Ordinary Notes and such Ordinary Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Ordinary Notes and identity. The Ordinary Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Ordinary Note Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Ordinary Note Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1 Form, Denomination and Title

The Ordinary Notes are in bearer form ("**Bearer Notes**") or registered form ("**Registered Notes**"), and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Ordinary Notes of one Specified Denomination may not be exchanged for Ordinary Notes of another Specified Denomination.

Bearer Notes may not be exchanged for Registered Notes or any other form of note issued by the Issuer, and vice versa.

This Ordinary Note may be a Fixed Rate Note or a Floating Rate Note, depending upon the Interest Basis shown in the applicable Final Terms.

This Ordinary Note may be a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

The applicable Final Terms will specify that a Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Notes with, where applicable interest coupons and talons attached only upon the occurrence of an Exchange Event. A Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event.

"**Exchange Event**" means that (i) in the case of Bearer Global Notes and Registered Global Notes registered in the name of a nominee for a common depositary or in the name of a common safekeeper for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (ii) in the case of both Bearer Global Notes and Registered Global Notes, the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Global Note in definitive form. The Issuer will promptly give notice to Noteholders of each Series of Bearer Global Notes in accordance with Condition 12 below if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Issuer may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Principal Paying Agent or Registrar requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Bearer Definitive Notes are issued with Coupons attached. Bearer Definitive Notes will also be issued with Talons attached, if applicable and specified in the Final Terms.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Registrar, any Transfer Agent and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next paragraph.

For so long as any of the Ordinary Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of

Euroclear or of Clearstream, Luxembourg, as the holder of a particular nominal amount of such Ordinary Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, Principal Paying Agent, and any other Paying Agents as the holder of such nominal amount of such Ordinary Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Ordinary Notes, for which purpose, in the case of Notes represented by a Bearer Global Note, the bearer of the relevant Bearer Global Note or, in the case of a Registered Global Note, the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Principal Paying Agent and any other Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Bearer Global Note or Registered Global Note, as the case may be, and the expressions "**Noteholders**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notes which are represented by a Bearer Global Note or a Registered Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, except in relation to Notes in NGN form, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

2 Status of the Ordinary Notes and Overcollateralisation

(a) Status of the Ordinary Notes

The Ordinary Notes of each Tranche constitute unconditional and unsubordinated obligations of the Issuer and rank *pari passu* with all other outstanding unsubordinated obligations of the Issuer that have been provided equivalent priority of claim to the Cover Pool as covered bonds (*obligasjoner med fortrinnsrett*) issued in accordance with the terms of the Act and the Regulations.

(b) Overcollateralisation

For so long as the Notes are outstanding, the value (as calculated in accordance with the Act and the Regulations) of the Cover Pool (as defined below) entered into the Register with respect to the Notes shall at all times be either (i) a minimum of 115.5 per cent. of the outstanding principal amount of the Notes or (ii) such other percentage as may be selected by the Issuer from time to time and notified to the holders of the Ordinary Notes (in accordance with Condition 12) and in writing to each of the Rating Agencies (the "**Alternative Overcollateralisation Percentage**"), provided that:

(i) the Alternative Overcollateralisation Percentage shall, for so long as the Notes are outstanding, exceed 100 per cent. (taking into account the effect of derivative contracts);

(ii) for so long as Moody's has assigned a credit rating to the Notes, the Issuer shall not at any time reduce the then applicable Alternative Overcollateralisation Percentage unless, after having given Moody's not less than five Business Days' written notice of such reduction, it reasonably believes that such reduction would not in and of itself result in any current credit rating then assigned to the Notes by Moody's being reduced, removed, suspended or placed on credit watch; and

(iii) for so long as Moody's has assigned a credit rating to the Notes, the Issuer shall not at any time reduce the then applicable Alternative Overcollateralisation Percentage unless the Notes are rated Aa1 by Moody's at such time.

There is no obligation for the Issuer to maintain any particular rating in respect of the Ordinary Notes throughout the term of the Notes or select an Alternative Overcollateralisation Percentage to maintain a rating. In particular, if an Alternative Overcollateralisation Percentage has been selected and confirmed in accordance with this Condition 2(b), and at a later date any of the credit ratings assigned to the Notes are reduced, removed, suspended or placed on credit watch, the Issuer shall not be obliged to select a higher Alternative Overcollateralisation Percentage. For the avoidance of doubt, recourse to the Cover Pool, and any additional overcollateralisation in the Cover Pool, is available for *inter alia* all Noteholders (including holders of existing Notes and new Notes) and any relevant Swap Counterparties.

3 Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Ordinary Note Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Ordinary Note Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Ordinary Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Ordinary Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls within the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, within the specified period after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Ordinary Note Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant

month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Ordinary Note Conditions, "**Business Day**" means a day which is both:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and in each Business Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, any Business Centre specified in the applicable Final Terms) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (local time in the relevant financial centre specified in the applicable Final Terms) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate in Notes respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D_2 will be 30.

(v) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Ordinary Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Ordinary Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of interest

Each Ordinary Note (or in the case of the redemption of part only of an Ordinary Note, that part only of such Ordinary Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Ordinary Note have been paid; and

(b) five days after the date on which the full amount of the monies payable in respect of such Ordinary Note has been received by the Principal Paying Agent and notice to that effect has been given to the Ordinary Noteholders in accordance with Condition 12 below.

4 Payments

(a) Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

In the case of Bearer Notes, payments in U.S. dollars will be made by transfer to a U.S. dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 6 below, means the United States of America, including the State and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank. All payments in respect of Bearer Notes will be made to accounts located outside the United States, or by cheque mailed to an address outside of the United States, except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment or other laws to which the Issuer agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 6 below. Reference to specified currency will include any successor currency under applicable law.

(b) Presentation of Bearer Definitive Notes and Coupons

Payments of principal and interest (if any) in respect of Bearer Definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Bearer Definitive Notes, and payments of interest in respect of Bearer Definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 17 below) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7 below) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed

Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any interest-bearing Definitive Notes is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Definitive Note.

(c) Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Ordinary Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Global Note which is not issued in new global note ("**NGN**") form, a record of such payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Principal Paying Agent, and such record shall be prima facie evidence that the payment in question has been made and (ii) in the case of any Global Note which is a NGN, the Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(d) Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Registered Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and of principal in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of the business day (in the ICSDs) prior to the Payment Day (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any

payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and of principal in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest and principal due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition 4 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Ordinary Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving adverse tax consequences to the Issuer.

(f) Payment Day

If the date for payment of any amount in respect of any Ordinary Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment of the relevant payment due until the next following Payment Day and shall not be entitled to any interest or other payment in respect of any such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 7 below) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) London; and

(ii) any Additional Financial Centre specified in the applicable Final Terms; and

(b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(c) such payment is then permitted under United States law without involving adverse tax consequences to the Issuer.

(g) Interpretation of principal and interest

Any reference in these Ordinary Note Conditions to principal in respect of the Ordinary Notes shall be deemed to include, as applicable:

(a) the Final Redemption Amount of the Ordinary Notes;

(b) the Early Redemption Amount of the Ordinary Notes;

(c) the Optional Redemption Amount(s) (if any) of the Ordinary Notes; and

(d) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Ordinary Notes.

(h) Partial Payment

If on the Maturity Date of a Series of Notes where an Extended Final Maturity Date is specified in the applicable Final Terms the Issuer has insufficient monies to pay the Final Redemption Amount on that Series of Ordinary Notes and any other amounts due and payable by the Issuer in respect of Notes on such date, then the Issuer shall apply available monies, after having made payment of all other amounts due and payable by the Issuer in respect of Notes on such date, to redeem the relevant Series of Ordinary Notes in part at par together with accrued interest pro-rata and *pari passu* with any other Series of Ordinary Notes for which an Extended Final Maturity Date is specified in the Final Terms. If more than one Series of Ordinary Notes has the same Maturity Date and the relevant Series each has an Extended Final Maturity Date specified in the applicable Final Terms then available monies will be applied by the Issuer to partially redeem each such Series of Ordinary Notes on a pro-rata basis.

(i) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Ordinary Noteholders and the Couponholders on giving prior notice to the Principal Paying Agent, Euroclear and/or Clearstream, Luxembourg and at least 30 days' prior notice to the Ordinary Noteholders in accordance with Condition 12 below, elect that, with effect from the Redenomination Date specified in the notice, the Ordinary Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Ordinary Notes shall be deemed to be redenominated in euro with a nominal amount in euro (rounded down to the nearest euro 0.01) for each Note equal to the nominal amount of that Note in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Ordinary Noteholders, the stock exchange (if any) on which the Ordinary Notes may be listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Ordinary Notes will be calculated by reference to the aggregate nominal amount of Ordinary Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if Definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (A) in the case of Relevant Notes in the denomination of euro 100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Ordinary Noteholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Ordinary Noteholders in euro in accordance with this Condition 4; and (B) in the case of Ordinary Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 50,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Ordinary Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Ordinary Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated Ordinary Notes and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Ordinary Notes so issued will also become void on that date although those Ordinary Notes will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Ordinary Notes and Coupons will be issued in exchange for Ordinary Notes and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Ordinary Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Ordinary Notes;

(e) after the Redenomination Date, all payments in respect of the Ordinary Notes and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the Ordinary Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes; and

(ii) in the case of Definitive Notes, by applying the Rate of Interest to the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding; and

(g) if the Ordinary Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

5 Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Ordinary Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

If an Extended Final Maturity Date is specified as applicable in the Final Terms for a Series of Ordinary Notes and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the Final Terms, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Final Maturity Date, provided that any amount representing all or part of the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer shall confirm to the rating agencies, any relevant Swap Provider and the Principal Paying Agent as soon as reasonably practicable and in any event at least four business days in London prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of Ordinary Notes on that Maturity Date. Any failure by the Issuer to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights of any such party under the Notes.

Where the applicable Final Terms for a relevant Series of Ordinary Notes provides that such Ordinary Notes are subject to an Extended Final Maturity Date, such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment.

(b) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Ordinary Noteholders in accordance with Condition 12 below; and

(b) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent, and to the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Ordinary Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Ordinary Notes, the Ordinary Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Ordinary Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Ordinary Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 5(b) and notice to that effect shall be given by the Issuer to the Ordinary Noteholders in accordance with Condition 12 at least five days prior to the Selection Date.

(c) Redemption at the option of the Ordinary Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon any Ordinary Noteholder giving to the Issuer in accordance with Condition 12 below not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Early Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Ordinary Note the holder of this Ordinary Note must deliver, at the specified office of any Paying Agent, in the case of Bearer Notes, or any Transfer Agent or the Registrar in the case of Registered Notes at any time during normal business hours of such Paying Agent or the Transfer Agent or the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or the Transfer Agent or the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. If this Ordinary Note is in definitive form, this Ordinary Note or evidence satisfactory to the Paying Agent, Transfer Agent or the Registrar concerned that this Ordinary Note will, following delivery of the Put Notice, be held to its order or under its control.

Any Put Notice given by a holder of any Ordinary Note pursuant to this paragraph shall be irrevocable.

(d) Early Redemption Amounts

For the purpose of paragraph (c) above, each Ordinary Note will be redeemed at the Early Redemption Amount calculated as follows:

(a) in the case of an Ordinary Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof; or

(b) in the case of an Ordinary Note with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount.

(e) Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Ordinary Notes (provided that, in the case of Bearer Definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Ordinary Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(f) Cancellation

All Ordinary Notes which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Notes, all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Ordinary Notes so cancelled and any Ordinary Notes purchased and cancelled pursuant to paragraph (e) above (together with, in the case of Bearer Definitive Notes, all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

6 Taxation

All payments of principal and interest in respect of the Ordinary Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

Any amounts to be paid by the Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (the "**Code**"), as amended, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding Tax**"), and the Issuer will not be required to pay additional amounts on account of any FATCA Withholding Tax.

7 Prescription

The Ordinary Notes (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 17 below) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 7 or Condition 4(b) above or any Talon which would be void pursuant to Condition 4(b) above.

8 Replacement of Notes, Coupons and Talons

Should any Ordinary Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Notes, Coupons or Talons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Ordinary Notes, Coupons or Talons must be surrendered before replacements will be issued.

9 Transfer and Exchange of Registered Notes

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Definitive Notes or for a beneficial interest in another Registered Global Note only in the Specified Denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

(b) Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Note may be transferred in whole or in part (in the Specified Denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement).

Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Definitive Note of a like aggregate nominal

amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Definitive Note, a new Registered Definitive Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Ordinary Notes under Condition 5 above, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders of Registered Notes will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

10 Paying Agents, Transfer Agent, Calculation Agent and Registrar

The names of the initial Principal Paying Agent, the initial Registrar and the other initial Paying Agents, and initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent or the Registrar or any Transfer Agent or any Calculation Agent and/or appoint additional or other Paying Agents or additional or other Registrars, Transfer Agents, or Calculation Agents and/or approve any change in the specified office through which any Paying Agent, Registrar, Transfer Agent, or Calculation Agent acts, provided that:

(a) so long as the Ordinary Notes are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a Paying Agent (which may be the Principal Paying Agent), in the case of Bearer Notes, and a Transfer Agent (which may be the Registrar), in the case of Registered Notes, with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority;

(b) there will at all times be a Paying Agent (which may be the Principal Paying Agent) with a specified office in a city in continental Europe outside Norway;

(c) there will at all times be a Transfer Agent having a specified office in a place approved by the Issuer;

(d) there will at all times be a Registrar with a specified office outside the United Kingdom and, so long as the Ordinary Notes are listed on any stock exchange, in such place as may be required by the rules and regulations of the relevant stock exchange; and

(e) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to confirm to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 4(e) above. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Ordinary Noteholders in accordance with Condition 12 below.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Ordinary Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

11 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 7 above.

12 Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Ordinary Notes are listed on the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu). It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which any Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any Definitive Notes are issued, there may, so long as any Global Notes representing the Ordinary Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) and such notice by mail in connection with the Registered Notes the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Ordinary Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of such Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Ordinary Noteholder shall be in writing and given by lodging the same, together (in the case of any Ordinary Note in definitive form) with the relevant Ordinary Note or Ordinary Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Ordinary Notes are represented by a Global Note, such notice may be given by any holder

of an Ordinary Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

13 Meetings of Ordinary Noteholders, Modification and Waiver

(a) Provisions with respect to Holders of Bearer Notes and/or Registered Notes

The Agency Agreement contains provisions for convening meetings of the Ordinary Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Ordinary Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Ordinary Noteholders holding not less than five per cent. in nominal amount of the Ordinary Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Ordinary Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Ordinary Noteholders whatever the nominal amount of the Ordinary Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Ordinary Notes, or the Coupons (including modifying the date of maturity of the Ordinary Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Ordinary Notes or altering the currency of payment of the Ordinary Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Ordinary Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Ordinary Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Ordinary Noteholders shall be binding on all the Ordinary Noteholders, whether or not they are present at the meeting, and on all Couponholders.

13.1 Modification

The Principal Paying Agent and the Issuer may agree, without the consent of the Ordinary Noteholders or Couponholders, to:

(a) any modification (except as mentioned above) of the Ordinary Notes, the Coupons, the Agency Agreement or the Deed of Covenant which, in the opinion of the Issuer, is not prejudicial to the interests of the Ordinary Noteholders; or

(b) any modification of the Ordinary Notes, the Coupons, the Agency Agreement or the Deed of Covenant which is:

(i) of a formal, minor or technical nature;

(ii) is made to correct a manifest or proven error; or

(iii) is made to comply with mandatory provisions of the law.

Any such modification shall be binding on the Ordinary Noteholders and the Couponholders and any such modification shall be notified to the Ordinary Noteholders in accordance with Condition 12 above as soon as practicable thereafter.

14 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Ordinary Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Ordinary Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Ordinary Notes.

15 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Ordinary Note, but this does not affect any right or remedy of any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Submission to Jurisdiction

(a) Governing law

The Agency Agreement, the Deed of Covenant, the Ordinary Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Ordinary Notes and the Coupons are governed by, and shall be construed in accordance with, English law, save as to Condition 2(a) above which is governed by and shall be construed in accordance with Norwegian law.

(b) Submission to jurisdiction

The Issuer agrees, for the exclusive benefit of the Paying Agents, Ordinary Noteholders and the Couponholders, that the courts of England and Wales are to have jurisdiction to settle any disputes which may arise out of or in connection with the Ordinary Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Ordinary Notes and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Ordinary Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Ordinary Notes and the Coupons) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition 16 shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Appointment of Process Agent in England

The Issuer appoints DNB Bank ASA, London Branch at its registered office at 20 St, Dunstan's Hill, London, EC3R 8HY, England as its agent for service of process in England, and undertakes that, in the event of DNB Bank ASA, London Branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any

Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

17 Definitions

In these Ordinary Note Conditions the following words shall have the following meanings:

"**Calculation Amount**" means, in relation to any Series of Notes, the amount specified in the applicable Final Terms to calculate Fixed Coupon Amount(s), Broken Amount(s), the relevant Final Redemption Amount and the relevant Early Redemption Amount (as applicable).

"**Cover Pool**" means all the Issuer's assets and liabilities that from time to time form part of a Cover Pool created in accordance with and subject to Section 2-28 of the Act and to the Regulations;

"**Currency Swap**" means each currency swap which enables the Issuer to hedge currency risks arising from (a) Notes which are issued in currencies other than NOK and (b) assets (other than loans) which are registered to the Cover Pool and are denominated in currencies other than NOK;

"**Currency Swap Agreement**" means the ISDA Master Agreement, schedule and confirmation(s) (as amended and supplemented from time to time) relating to the Currency Swap(s) entered into from time to time between the Issuer and each Currency Swap Provider;

"**Currency Swap Provider**" means any third party counterparty in its capacity as currency swap provider under a Currency Swap Agreement;

"**EONIA**" means the Euro Overnight Index Average;

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

"**EURIBOR**" means the Euro-zone inter-bank offered rate;

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"**Extended Final Maturity Date**" means, in relation to any Series of Notes, the date if any specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Maturity Date;

"**Interest Rate Swap**" means each single currency interest rate swap which enables the Issuer to hedge the Issuer's interest rate risks in NOK and/or other currencies to the extent that they have not been hedged by a Currency Swap;

"**Interest Rate Swap Agreement**" means the ISDA Master Agreement, schedule and confirmation(s) (as amended and supplemented from time to time) relating to the Interest Rate Swap(s) entered into from time to time between the Issuer and each Interest Rate Swap Provider;

"**Interest Rate Swap Provider**" means any third party counterparty in its capacity as interest rate swap provider under an Interest Rate Swap Agreement;

"**LIBOR**" means the London inter-bank offered rate;

"**Moody's**" means Moody's Investors Service Limited (or its successor);

"**NIBOR**" means the Norwegian inter-bank offered rate;

"**Rating Agencies**" means Moody's Investors Service Limited (or its successor);

"**records**" of Euroclear and Clearstream, Luxembourg means the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of such customer's interest in the Notes;

"**Redenomination Date**" means (in the case of interest bearing Ordinary Notes) any date for payment of interest under such Notes;

"**Reference Rate**" means LIBOR, EURIBOR, NIBOR, EONIA, or STIBOR as specified in the applicable Final Terms.

"**Register**" means the register of covered bonds of the Issuer required to be maintained pursuant to the Act and the Regulations;

"**Regulation S**" means Regulation S under the Securities Act;

"**Relevant Date**" means the date on which a payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12 above;

"**Relevant Notes**" means all Ordinary Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area;

"**Securities Act**" means the United States Securities Act of 1933, as amended;

"**STIBOR**" means the Stockholm Inter-bank offered rate;

"**Subsidiary**" means in relation to any person (the "**first person**") at any particular time, any other person (the "**second person**"):

(a) whose affairs and policies the first person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person;

"**Swap Agreement**" means each Interest Rate Swap Agreement and each Currency Swap Agreement;

"**Swap Providers**" means each Currency Swap Provider and each Interest Rate Swap Provider;

"**Swaps**" means any Currency Swap and/or any Interest Rate Swap; and

"**Treaty**" means the Treaty on the functioning of the European Union, as amended.

TERMS AND CONDITIONS OF THE VPS NOTES

The following are the Terms and Conditions of the VPS Notes ("**VPS Conditions**"). VPS Notes will not be evidenced by any physical note or document of title other than a statement of account made by the VPS. Ownership of VPS Notes will be recorded and transfer effected only through the book entry system and register maintained by the VPS.

Reference should be made to "*Form of the Notes*" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant VPS Notes.

The VPS Notes are covered bonds (*obligasjoner med fortrinnsrett*) issued by SpareBank 1 Næringskreditt AS (the "**Issuer**") in accordance with *lov 10. juni 1988 nr. 40 om finansieringsvirksomhet og finansinstitusjoner (finansieringsvirksomhetsloven)* (the "**Act**") and the *Forskrift 25. mai 2007 nr. 550 om kredittforetak som utsteder obligasjoner med fortinnsrett i en sikkerhetsmasse bestående av offentlige lån, utlån med pant i bolig eller annen fast eiendom* (the "**Regulations**"). This VPS Note is one of a Series (as defined below) of notes issued by the Issuer under the Programme and this VPS Note is issued in accordance with and subject to the trust agreement (such trust agreement as modified and/or supplemented and/or restated from time to time, the "**VPS Trustee Agreement**") dated on or before the date of the first issue of the VPS Notes made between the Issuer and Nordic Trustee ASA (the "**VPS Trustee**", which expression shall include any successor as Trustee).

References herein to the VPS Notes shall be references to the VPS Notes of this Series and shall mean notes cleared through the Norwegian Central Securities Depositary, the VPS ("**VPS Notes**" and the "**VPS**", respectively).

The VPS Notes have the benefit of an agreement (the "**VPS Agency Agreement**") entered into by the parties thereto on 28 June 2012 and 1 July 2012 respectively and made between the Issuer and SpareBank 1 SR – Bank (the "**VPS Agent**").

Each Tranche of VPS Notes will be created and held in uncertificated book entry form in accounts with the VPS. The VPS Agent will act as agent of the Issuer in respect of all dealings with the VPS in respect of VPS Notes as detailed in the VPS Agency Agreement.

The Final Terms for this VPS Note (or the relevant provisions thereof) are set out in Part A of the Final Terms which supplement these VPS Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these VPS Conditions, replace or modify these VPS Conditions for the purposes of this VPS Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) which supplement this VPS Note.

The VPS Trustee acts for the benefit of the holders for the time being of the VPS Notes (the "**VPS Noteholders**" and the "**holders of VPS Notes**"), in accordance with the provisions of the VPS Trustee Agreement and these VPS Conditions.

As used herein, "**Tranche**" means VPS Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of VPS Notes together with any further Tranche or Tranches of VPS Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the VPS Agency Agreement and the VPS Trustee Agreement are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar, the other Paying Agents and the Transfer Agents (such Agents and the Registrar being together referred to as the

"**Agents**") and at the registered office for the time being of the VPS Trustee at Haakon VIIs Gate 1, P.O. Box 1470 Vika, 0116 Oslo, Norway.

The VPS Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the VPS Trustee Agreement and the Final Terms which are applicable to them. The statements in these VPS Conditions include summaries of, and are subject to, the detailed provisions of the VPS Agency Agreement and the VPS Trustee Agreement.

Words and expressions defined in the VPS Agency Agreement, the VPS Trustee Agreement or used in the applicable Final Terms shall have the same meanings where used in these VPS Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the VPS Trustee Agreement and the VPS Agency Agreement, the VPS Trustee Agreement will prevail, and in the event of inconsistency between the VPS Trustee Agreement or the VPS Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1 Form, Denomination and Title

The VPS Notes are in uncertificated book entry form in the denomination of NOK 500,000 and/or such other currency and Specified Denomination(s) as shown in Part A of the relevant Final Terms provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant VPS Notes) and will be registered with a separate securities identification code in the VPS.

VPS Notes of one Specified Denomination may not be exchanged for Notes, VPS or otherwise, of another Specified Denomination. VPS Notes will be registered with a separate securities identification code in the VPS.

VPS Notes may not be exchanged for any other form of note, namely Bearer Notes or Registered Notes, issued by the Issuer, and vice versa.

This VPS Note may be a Fixed Rate Note or a Floating Rate Note, depending upon the Interest Basis shown in the applicable Final Terms.

This VPS Note may be a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

The holder of a VPS Note will be the person evidenced as such by a book entry in the records of the VPS. The Issuer and the VPS Trustee may rely on a certificate of the VPS or one issued on behalf of the VPS by an account-carrying institution as to a particular person being a VPS Noteholder.

Title to the VPS Notes will pass by registration in the VPS between the direct or indirect accountholders at the VPS in accordance with the rules and procedures of the VPS that are in force from time to time. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant VPS Note.

For so long as this VPS Note is a VPS Note, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of the VPS as the holder of a particular nominal amount of such VPS Notes shall be treated by the Issuer, the VPS Trustee and the VPS Agent as the holder of such nominal amount of such VPS Notes for all purposes. VPS Notes will be transferable only in accordance with the rules and procedures for the time being of the VPS.

2 Status of the VPS Notes and Overcollateralisation

(a) Status of the VPS Notes

The VPS Notes of each Tranche constitute unconditional and unsubordinated obligations of the Issuer and rank *pari passu* with all other outstanding unsubordinated obligations of the Issuer that have been provided equivalent priority of claim to the Cover Pool as covered bonds (*obligasjoner med fortrinnsrett*) issued in accordance with the terms of the Act and the Regulations.

(b) Overcollateralisation

For so long as the Notes are outstanding, the value (as calculated in accordance with the Act and the Regulations) of the Cover Pool (as defined below) entered into the Register with respect to the Notes shall at all times be either (i) a minimum of 115.5 per cent. of the outstanding principal amount of the Notes or (ii) such other percentage as may be selected by the Issuer from time to time and notified to the holders of the VPS Notes (in accordance with Condition 9) and in writing to each of the Rating Agencies (the "**Alternative Overcollateralisation Percentage**"), provided that:

(i) the Alternative Overcollateralisation Percentage shall, for so long as the Notes are outstanding, exceed 100 per cent. (taking into account the effect of derivative contracts);

(ii) for so long as Moody's has assigned a credit rating to the Notes, the Issuer shall not at any time reduce the then applicable Alternative Overcollateralisation Percentage unless, after having given Moody's not less than five Business Days' written notice of such reduction, it reasonably believes that such reduction would not in and of itself result in any current credit rating then assigned to the Notes by Moody's being reduced, removed, suspended or placed on credit watch; and

(iii) for so long as Moody's has assigned a credit rating to the Notes, the Issuer shall not at any time reduce the then applicable Alternative Overcollateralisation Percentage unless the Notes are rated Aa1 by Moody's at such time.

There is no obligation for the Issuer to maintain any particular rating in respect of the VPS Notes throughout the term of the Notes or select an Alternative Overcollateralisation Percentage to maintain a rating. In particular, if an Alternative Overcollateralisation Percentage has been selected and confirmed in accordance with this Condition 2(b), and at a later date any of the credit ratings assigned to the Notes are reduced, removed, suspended or placed on credit watch, the Issuer shall not be obliged to select a higher Alternative Overcollateralisation Percentage. For the avoidance of doubt, recourse to the Cover Pool, and any additional overcollateralisation in the Cover Pool, is available for *inter alia* all Noteholders (including holders of existing Notes and new Notes) and any relevant Swap Counterparties.

3 Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount

to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these VPS Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these VPS Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 3:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(a) in the case of VPS Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of VPS Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these VPS Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these VPS Conditions, "**Business Day**" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Business Centre specified in the applicable Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, any Business Centre specified in the applicable Final Terms) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(i) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (local time in the relevant financial centre specified in the applicable Final Terms) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the relevant financial centre specified in the applicable Final Terms plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the relevant financial centre specified in the applicable Final Terms plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Calculation Agent, in the case of Floating Rate Notes which are VPS Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent in the case of Floating Rate Notes which are VPS Notes, will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D_2 will be 30.

(v) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) Determination or Calculation by the VPS Trustee

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest, the VPS Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 3(b), but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the VPS Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(b), by the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on all parties and (in the absence as aforesaid) no liability shall attach to the Calculation Agent or the VPS Trustee (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of interest

Each VPS Note (or in the case of the redemption of part only of a VPS Note, that part only of such VPS Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such VPS Note have been paid; and

(ii) five days after the date on which the full amount of the monies payable in respect of such VPS Note has been received by the VPS Agent and notice to that effect has been given to the VPS Noteholders in accordance with Condition 9 below.

(d) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in respect of the VPS Notes and for so long as any VPS Note (which is a Floating Rate Note) is outstanding (as defined in the VPS Agency Agreement). Where more than one Calculation Agent is appointed in respect of such VPS Notes, references in these VPS Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the VPS Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, in respect of such VPS Notes as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the VPS Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

4 Payments

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto (whether by operation of law or agreements of the Issuer or its Agents) and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 6 below. Reference to specified currency will include any successor currency under applicable law.

(b) Payments in respect of VPS Notes

Payments of principal and interest in respect of VPS Notes and notification thereof to VPS Noteholders will be made to the VPS Noteholders shown in the records of the VPS and will be effected through and in accordance with and subject to the rules and regulations from time to time governing the VPS. The VPS Agent and any Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any VPS Noteholder. The Issuer

reserves the right at any time with the approval of the VPS Trustee to vary or terminate the appointment of the VPS Agent or any Calculation Agent and to appoint additional or other agents, provided that the Issuer shall at all times maintain (i) a VPS Agent authorised to act as an account operating institution with the VPS, (ii) one or more Calculation Agent(s) where the VPS Conditions so require and for so long as any VPS Note (which is a Floating Rate Note) is outstanding, and (iii) such other agents as may be required by any other stock exchange on which the VPS Notes may be listed in each case.

Notice of any such change or of any change of any specified office shall promptly be given to the VPS Noteholders in accordance with Condition 9 below.

(c) Payment Day

If the date for payment of any amount in respect of any VPS Note is not a Payment Day, the holder thereof shall not be entitled to payment of the relevant payment due until the next following Payment Day and shall not be entitled to any interest or other payment in respect of any such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 7 below) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(1) London; and

(2) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(iii) a day on which such payment is then permitted under United States law without involving adverse tax consequences to the Issuer.

(d) Interpretation of principal and interest

Any reference in these VPS Conditions to principal in respect of the VPS Notes shall be deemed to include, as applicable:

(i) the Final Redemption Amount of the VPS Notes;

(ii) the Early Redemption Amount of the VPS Notes;

(iii) the Optional Redemption Amount(s) (if any) of the VPS Notes; and

(iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the VPS Notes.

(e) Partial Payment

If on the Maturity Date of a Series of VPS Notes where an Extended Final Maturity Date is specified in the applicable Final Terms the Issuer has insufficient monies to pay the Final Redemption Amount on that Series of VPS Notes and any other amounts due and payable by the Issuer in respect of Notes

on such date, then the Issuer shall apply available monies, after having made payment of all other amounts due and payable by the Issuer in respect of Notes on such date, to redeem the relevant Series of VPS Notes in part at par together with accrued interest *pro rata* and *pari passu* with any other Series of VPS Notes for which an Extended Final Maturity Date is specified in the Final Terms. If more than one Series of Notes has the same Maturity Date and the relevant Series each has an Extended Final Maturity Date specified in the applicable Final Terms then available monies will be applied by the Issuer to partially redeem each such series of Notes on a *pro rata* basis.

(f) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the VPS Noteholders but after prior consultation with the VPS Trustee and the VPS and at least 30 days' prior notice to the VPS Noteholders in accordance with Condition 9 below, elect that, with effect from the Redenomination Date specified in the notice, the VPS Notes shall be redenominated in euro.

The election will have effect as follows:

(i) the VPS Notes shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each VPS Note equal to the nominal amount of that VPS Note in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the VPS Agent and the VPS Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the VPS Noteholders and the stock exchange (if any) on which the VPS Notes may be listed of such deemed amendments;

(ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iii) below, the amount of interest due in respect of the VPS Notes will be calculated by reference to the aggregate nominal amount of VPS Notes outstanding for payment to the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(iii) if issued prior to the Redenomination Date, the payment obligations contained in any VPS Notes issued prior to the Redenomination Date will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated VPS Notes will be exchanged for the existing VPS Notes although those VPS Notes will continue to constitute valid exchange obligations of the Issuer. New euro-denominated VPS Notes will be issued in exchange for VPS Notes denominated in the Specified Currency in such manner as the VPS Agent may specify and as shall be notified to the VPS Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the VPS Notes;

(iv) after the Redenomination Date, all payments in respect of the VPS Notes other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the VPS Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;

(v) if the VPS Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to the aggregate outstanding

nominal amount of the Notes and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention; and

(vi) if the VPS Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

5 Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each VPS Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

If an Extended Final Maturity Date is specified as applicable in the Final Terms for a Series of VPS Notes and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the Final Terms, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Final Maturity Date, provided that any amount representing all or part of the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer shall confirm to the rating agencies, the VPS Trustee and the VPS Agent and any relevant Swap Provider as soon as reasonably practicable and in any event at least four business days in London prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of Notes on that Maturity Date. Any failure by the Issuer to notify such parties (other than the VPS Agent) shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party under the Notes.

Where the applicable Final Terms for a relevant Series of VPS Notes provides that such VPS Notes are subject to an Extended Final Maturity Date, such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment.

(b) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to the VPS Noteholders in accordance with Condition 9 below (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the VPS Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of VPS Notes, the VPS Notes to be redeemed ("**Redeemed VPS Notes**") will be selected in accordance with the rules and procedures of the VPS in the relation to such VPS Notes, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

(c) Redemption at the option of the VPS Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any VPS Note giving to the Issuer in accordance with Condition 9 below not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such VPS Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of the VPS Notes, the holder of the VPS Notes, must, within the notice period, give notice (the "**Put Notice**") to the VPS Agent of such exercise in accordance with the standard procedures of the VPS from time to time.

Any Put Notice given by a holder of any VPS Note pursuant to this paragraph shall be irrevocable.

(d) Early Redemption Amounts

For the purpose of paragraph (c) above, each VPS Note will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of a VPS Note with a Final Redemption Amount equal to the Issue Price of the First Tranche of the Series, at the Final Redemption Amount thereof;

(ii) in the case of a VPS Note with a Final Redemption Amount which is or may be less or greater than the Issue Price of the First Tranche of the Series, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount.

(e) Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase VPS Notes at any price in the open market or otherwise.

(f) Cancellation

All VPS Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be cancelled by causing such VPS Notes to be deleted from the records of the VPS.

All VPS Notes which are redeemed will forthwith be cancelled in the same manner. Any VPS Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such VPS Notes shall be discharged.

6 Taxation

All payments of principal and interest in respect of the VPS Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

7 Prescription

The VPS Notes will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 15 below) therefor.

8 Transfer and Exchange of VPS Notes

(a) Transfers of interests in VPS Notes

Settlement of sale and purchase transactions in respect of VPS Notes will take place three Oslo Business Days after the date of the relevant transaction. VPS Notes may be transferred between accountholders at the VPS in accordance with the procedures and regulations, for the time being, of the VPS. A transfer of VPS Notes which is held in the VPS through Euroclear or Clearstream, Luxembourg is only possible by using an account operator linked to the VPS.

(b) Registration of transfer upon partial redemption

In the event of a partial redemption of VPS Notes under Condition 5 above, the Issuer shall not be required to register the transfer of any VPS Note, or part of a VPS Note, called for partial redemption.

(c) Costs of registration and administration of the VPS Register

VPS Noteholders will not be required to bear the costs and expenses of effecting any registration, transfer or administration in relation to the VPS Register, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

9 Notices

Notices to the VPS Noteholders shall be valid if the relevant notice is given to the VPS for communication by it to the VPS Noteholders and, so long as the VPS Notes are listed on a stock exchange, the Issuer shall ensure that notices are duly published in a manner which complies with the rules of such exchange. Any such notice shall be deemed to have been given on the date two days after delivery to the VPS.

10 Meetings of VPS Noteholders and Modification

(a) Provisions with respect to Holders of VPS Notes

The VPS Trustee Agreement contains provisions for convening meetings of the VPS Noteholders to consider any matter affecting their interests, including sanctioning by a majority of votes (as more fully set out in the VPS Trustee Agreement) modification of the VPS Notes or any of the provisions of the VPS Trustee Agreement (or, in certain cases, sanctioning by a majority of two-thirds of votes). Such a meeting may be convened by the VPS Trustee at the request of the Issuer, Oslo Børs or by VPS Noteholders holding not less than 10 per cent. of the outstanding VPS Notes. The quorum at a meeting for passing a resolution is one or more persons holding at least one half of the outstanding VPS Notes or at any adjourned meeting one or more persons being or representing VPS Noteholders whatever the nominal amount of the VPS Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the VPS Notes or the VPS Trustee Agreement (including modifying the date of maturity of the VPS Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the VPS Notes or altering the currency of payment of the VPS Notes), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the VPS Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the VPS Notes for the time being outstanding.

A resolution passed at any meeting of the VPS Noteholders shall be binding on all the VPS Noteholders, whether or not they are present at such meeting.

(b) Modification

The VPS Trustee Agreement provides that:

(i) the VPS Trustee and the Issuer may agree, without the consent of the VPS Noteholders, to any modification of the VPS Conditions or the VPS Trustee Agreement which in the opinion of the VPS Trustee, is not materially prejudicial to the interests of the VPS Noteholders; and

(ii) the VPS Trustee may reach decisions binding for all VPS Noteholders.

The VPS Trustee must notify the VPS Noteholders of a proposal to effect such modification, the VPS Trustee's evaluation of the proposed amendment and the VPS Noteholder then has at least five Business Days (as defined in the VPS Trustee Agreement) to protest. If a protest is made, then the relevant modification will not be made. If there is no protest, then such modification will be made and will be binding on the VPS Noteholders.

11 VPS Trustee

The VPS Trustee Agreement contains provisions for the indemnification of the VPS Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction. VPS Noteholders are deemed to have accepted and will be bound by the Conditions and the terms of the VPS Trustee Agreement.

12 Further Issues

The Issuer shall be at liberty from time to time without the consent of the VPS Noteholders to create and issue further notes having terms and conditions the same as the VPS Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding VPS Notes.

13 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this VPS Note, but this does not affect any right or remedy of any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

14 Governing Law and Submission to Jurisdiction

(a) Governing law

The VPS Notes and any non-contractual obligations arising out of or in connection with the VPS Notes are governed by, and shall be construed in accordance with, English law, save as to Conditions 2(a) and 11 above which are governed by and shall be construed in accordance with Norwegian law. The VPS Trustee Agreement and VPS Agency Agreement are governed by and shall be construed in accordance with Norwegian law.

VPS Notes must comply with the Norwegian Securities Act of 5 July 2002 No. 64, as amended from time to time and the holders of VPS Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under this Act and any related regulations and legislation.

(b) Submission to jurisdiction

The Issuer agrees, for the exclusive benefit of the Paying Agents, and the VPS Noteholders, that the courts of England and Wales are to have jurisdiction to settle any disputes which may arise out of or in connection with the VPS Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the VPS Notes) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the VPS Agency Agreement and the VPS Notes (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the VPS Agency Agreement and the VPS Notes) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

The Issuer agrees, for the exclusive benefit of the VPS Trustee and the VPS Noteholders, that the courts of Norway are to have jurisdiction to settle any disputes which may arise out of, or in connection with, the VPS Trustee Agreement.

Nothing contained in this Condition 14 shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Appointment of Process Agent

The Issuer appoints DNB Bank ASA, London Branch at its registered office at 20 St, Dunstan's Hill, London, EC3R 8HY, England as its agent for service of process in England, and undertakes that, in the event of DNB Bank ASA, London Branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

15 Definitions

In these VPS Conditions the following words shall have the following meanings:

"**Calculation Agency Agreement**" in relation to any Series of VPS Notes requiring a calculation agent (as specified in the applicable Final Terms) means an agreement in or substantially in the form of Schedule 1 to the VPS Agency Agreement;

"**Calculation Agent**" means, in relation to the VPS Notes of any Series requiring a calculation agent (as specified in the applicable Final Terms), (i) the person appointed as calculation agent in relation to the VPS Notes by the Issuer pursuant to the provisions of a Calculation Agency Agreement (or any other agreement) and shall include any successor calculation agent appointed in respect of the VPS Notes or (ii) the Principal Paying Agent if specified as such in the applicable Final Terms;

"**Calculation Amount**" means, in relation to any Series of VPS Notes, the amount specified in the applicable Final Terms to calculate Fixed Coupon Amount(s), Broken Amount(s), the relevant Final Redemption Amount and the relevant Early Redemption Amount (as applicable).

"**Cover Pool**" means all the Issuer's assets that from time to time form part of a Cover Pool created in accordance with and subject to Section 2-28 of the Act and to the Regulations;

"**Currency Swap**" means each currency swap which enables the Issuer to hedge currency risks arising from (a) Notes which are issued in currencies other than NOK and (b) assets (other than loans) which are registered to the Cover Pool and are denominated in currencies other than NOK;

"**Currency Swap Agreement**" means the ISDA Master Agreement, schedule and confirmation(s) (as amended and supplemented from time to time) relating to the Currency Swap(s) entered into from time to time between the Issuer and each Currency Swap Provider;

"**Currency Swap Provider**" means any third party counterparty in its capacity as currency swap provider under a Currency Swap Agreement;

"**EONIA**" means the Euro Overnight Index Average;

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

"**EURIBOR**" means the Euro-zone inter-bank offered rate;

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"**Extended Final Maturity Date**" means, in relation to any Series of VPS Notes, the date if any specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Maturity Date;

"**Fixed Rate Note**" means a VPS Note on which interest is calculated at a fixed rate payable in arrear on one or more Interest Payment Dates in each year as may be agreed between the Issuer and the relevant Dealer, as indicated in the applicable Final Terms;

"**Floating Rate Note**" means a VPS Note on which interest is calculated at a floating rate, payable in arrear on one or more Interest Payment Dates in each year as may be agreed between the Issuer and the relevant Dealer, as indicated in the applicable Final Terms;

"**Interest Commencement Date**" means, in the case of interest bearing VPS Notes, the date specified in the applicable Final Terms from and including which the VPS Notes bear interest, which may or may not be the Issue Date;

"**Interest Rate Swap**" means each single currency interest rate swap which enables the Issuer to hedge the Issuer's interest rate risks in NOK and/or other currencies to the extent that they have not been hedged by a Currency Swap;

"**Interest Rate Swap Agreement**" means the ISDA Master Agreement, schedule and confirmation(s) (as amended and supplemented from time to time) relating to the Interest Rate Swap(s) entered into from time to time between the Issuer and each Interest Rate Swap Provider;

"**Interest Rate Swap Provider**" means any third party counterparty in its capacity as interest rate swap provider under an Interest Rate Swap Agreement;

"**Issue Date**" means, in respect of any VPS Note, the date of issue and purchase of the VPS Note;

"**LIBOR**" means the London inter-bank offered rate;

"**Moody's**" means Moody's Investors Service Limited (or its successor);

"**NIBOR**" means the Norwegian inter-bank offered rate;

"**Oslo Business Days**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Oslo;

"**outstanding**" means, in relation to the VPS Notes of any Series, all the VPS Notes issued other than:

(a) those VPS Notes which have been redeemed and cancelled pursuant to the VPS Conditions;

(b) those VPS Notes in respect of which the date for redemption in accordance with the VPS Conditions has occurred and the redemption monies (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under the VPS Conditions after that date) have been duly paid to or to the order of the VPS Agent in the manner provided in these VPS Conditions and the VPS Agency Agreement (and where appropriate notice to that effect has been given to the VPS Noteholders in accordance with the VPS Conditions) and remain available for payment of the relevant VPS Notes;

(c) those VPS Notes which have been purchased and cancelled in accordance with the VPS Conditions; and

(d) those VPS Notes in respect of which claims have become prescribed under the VPS Conditions;

provided that for the purpose of:

(i) attending and voting at any meeting of the VPS Noteholders of the Series; and

(ii) determining how many and which VPS Notes of the Series are for the time being outstanding for the purposes of Condition 3 and the noteholder meetings provisions set out in the VPS Trustee Agreement,

those VPS Notes (if any) which are for the time being held by or for the benefit of the Issuer or any Subsidiary of the Issuer shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

"**Rating Agencies**" means Moody's Investors Service Limited (or its successor);

"**records**" of the VPS means the records that the VPS holds for its customers which reflect the amount of such customer's interest in the VPS Notes;

"**Redenomination Date**" means (in the case of interest bearing VPS Notes) any date for payment of interest under the VPS Notes;

"**Reference Banks**" means, in the case of a determination of a Reference Rate, the principal office of four major banks in the relevant financial centre specified in the applicable Final Terms, in each case selected by the Calculation Agent or as specified in the applicable Final Terms;

"**Reference Rate**" means LIBOR, EURIBOR, NIBOR, EONIA, or STIBOR as specified in the applicable Final Terms.

"**Register**" means the register of covered bonds of the Issuer required to be maintained pursuant to the Act and the Regulations;

"**Relevant Date**" means the date on which a payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the VPS Noteholders in accordance with Condition 9 above;

"**Relevant Notes**" means all VPS Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least €100,000 and which are admitted to trading on a regulated market in the European Economic Area;

"**Specified Time**" means 11.00 a.m. local time in the relevant financial centre specified in the applicable Final Terms;

"**STIBOR**" means the Stockholm Inter-bank offered rate;

"**Subsidiary**" means in relation to any person (the "**first person**") at any particular time, any other person (the "**second person**):

(a) whose affairs and policies the first person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person;

"**Swap Agreement**" means each Interest Rate Swap Agreement and each Currency Swap Agreement;

"**Swap Providers**" means each Currency Swap Provider and each Interest Rate Swap Provider;

"**Swaps**" means any Currency Swap and/or any Interest Rate Swap;

"**Treaty**" means the Treaty on the functioning of the European Union, as amended; and

"**VPS Agency Agreement**" means an agency agreement entered into by the parties thereto on 28 June 2012 and 1 July 2012 respectively and made between the Issuer and the agents named therein, as amended and/or supplemented and/or restated from time to time.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit.

OVERVIEW OF THE NORWEGIAN LEGISLATION REGARDING COVERED BONDS (*OBLIGASJONER MED FORTRINNSRETT*)

The following is a brief overview of certain features of Norwegian law governing the issuance of covered bonds in Norway, at the date of this Base Prospectus. The overview does not purport to be, and is not, a complete description of all aspects of the Norwegian legislative and regulatory framework pertaining to covered bonds.

As of the date of this Base Prospectus, the main legislation which governs the issue of covered bonds in Norway is Chapter 2, Subsection IV of the Norwegian Financial Institutions Act of 1988 (the "**Act**") which came into legal effect on 1 June 2007 and regulations of 25 May 2007 issued by the Ministry of Finance (the "**Ministry**") under the authority conferred on it by the Act (the "**Regulations**") which came into legal effect on 1 June 2007 (together, the "**Legislation**").

Legislation

Under the Legislation, certain Norwegian credit institutions which meet the general definitions of a "**Financial Institution**" (*finansinstitusjon*) and "**Credit Institution**" (*kredittforetak*) contained in the Act, and whose articles of association comply with prescribed mandatory requirements, may issue covered bonds (*obligasjoner med fortrinnsrett*). The Act defines Credit Institutions as credit businesses which are not banks (and whose activity is the receiving of funds or other assets to be repaid and the granting of credit and loans in its own name). Credit Institutions must hold a license issued by the Ministry of Finance in order to conduct business as a Credit Institution. However, they are not required to obtain any specific governmental licence or approval in order to issue covered bonds, but must notify the Financial Supervisory Authority of Norway (*Finanstilsynet*) no less than 30 days in advance of the Credit Institution's first issuance of covered bonds. The Issuer is a "*kredittforetak*" (as defined by the Act) and has received the required Credit Institution licence and adapted its articles of association to meet the mandatory requirements. Consequently, the Issuer is entitled to issue covered bonds under the Legislation.

The Legislation provides that holders of covered bonds, as well as counterparties of the Issuer under derivatives contracts entered into for hedging purposes in relation to the covered bonds, have an exclusive and prioritised right of claim, on a *pari passu* basis between themselves, over a pool of certain security assets (the "**Cover Pool**"). Under Norwegian law, covered bonds must be registered in paperless book entry form by registration in the Norwegian Central Securities Depository ("**VPS**") unless (i) the Notes are denominated in NOK and offered or sold outside of Norway to non-Norwegian tax residents only, or (ii) the Notes are denominated in a currency other than NOK and offered or sold outside of Norway, in which case the bonds may be issued as bearer bonds, registered bonds or by book entry into a securities registry.

The Register

The Credit Institution must maintain a register (the "**Cover Pool Register**") of the issued covered bonds, the related derivatives agreements, and the Cover Pool pertaining to such covered bonds and derivatives agreements.

The Cover Pool Register must at all times contain detailed information on the nominal value of the covered bonds, the assets which constitute the Cover Pool, and the derivatives agreements. Consequently, the Cover Pool Register must be updated on a regular basis to include any changes to relevant information.

Such registration is not in itself conclusive evidence of the Cover Pool pertaining to the covered bonds, but will, according to the preparatory works to the Act, serve as strong evidence with respect to what assets are included in the Cover Pool.

Benefit of a prioritised claim

Pursuant to the Act, if a Credit Institution which has issued covered bonds is declared bankrupt (*konkurs*), enters into debt negotiations pursuant to the Norwegian Bankruptcy Act, is liquidated, or is placed under public administration, the holders of covered bonds issued by the relevant Credit Institution and the counterparties to the relevant derivatives agreements will have an exclusive, equal and *pro rata* prioritised claim over the Cover Pool. The prioritised claims will rank ahead of all other claims, save for claims relating to the fees and expenses of a bankruptcy estate. According to the provisions of section 6-4 of the Norwegian Liens Act and section 2-35 of the Act, a future bankruptcy estate of the Credit Institution will have a first priority lien over all of the assets included in the Cover Pool, as security for fees and expenses incurred by the creditors' committee in connection with the administration of the bankruptcy estate, ranking ahead of the claims of holders of covered bonds and of the counterparties to the relevant derivatives agreements. Such liens will, however, be limited to 700 times the standard Norwegian court fee (as at the date of this Base Prospectus, approximately NOK 600,000) in respect of each Cover Pool.

By virtue of the priority established by the Act, claims of the holders of covered bonds and of the counterparties to the relevant derivatives agreements against a Credit Institution which has issued covered bonds will rank ahead of claims of all other creditors of the Credit Institution with respect to the Cover Pool (save for the priority described above granted to a bankruptcy estate in respect of fees and expenses).

Pursuant to the Act, loans and receivables included in the Cover Pool may not be assigned, pledged, or made subject to any set-off. However, an exemption regarding the prohibition against set-off has been made in relation to derivatives agreements, as further described in the Regulations.

Cover Pool composition of assets

Pursuant to the Act, the Cover Pool may only consist of certain assets, which include loans secured by various types of mortgages, other registered assets (*realregistrerte formuesgoder*), loans granted to or guaranteed by certain governmental bodies ("**Government Loans**"), receivables in the form of certain derivatives agreements, and supplemental assets.

The mortgages may include mortgages over residential real property ("**Residential Mortgages**") and mortgages over other real property ("**Commercial Mortgages**"). The real property and the registered assets which serve as security for the loans included in the Cover Pool must be located in a member state of either the European Economic Area ("**EEA**") or the Organisation for Economic Co-operation and Development ("**OECD**").

Government Loans must be either guaranteed or issued by governmental bodies which, in addition to belonging to a member state of either the EEA or the OECD, must meet certain additional requirements under the Regulation.

Supplemental assets may only consist of receivables of certain liquidity and certainty, and are as a main rule subject to a limit of 20 per cent. of the total value of the Cover Pool (see below). However, under certain circumstances, and for a limited period of time only, the Financial Supervisory Authority of Norway may approve an increase of this limit to 30 per cent. of the total value of the Cover Pool. The supplemental assets must also meet certain risk category requirements under the Regulations in order to be included among the assets which form the basis for the value calculation of the Cover Pool.

Loan to value ratios (and other restrictions)

Pursuant to the Regulations, the following loan to value requirements apply to Cover Pool assets consisting of loans secured by mortgages:

1. Loans secured by Residential Mortgages shall not exceed 75 per cent. of the value of the property; and
2. Loans secured by Commercial Mortgages shall not exceed 60 per cent. of the value of the property.

There is no restriction with regard to the proportion of the Cover Pool which may be represented by Residential Mortgages or Commercial Mortgages. According to the Regulations, the proportion of the Cover Pool represented by Government Loans and receivables in the form of derivatives agreements may vary, depending on the risk category pertaining to the relevant assets.

Additional provisions regarding quantitative and qualitative requirements placed on the assets forming part of the Cover Pool are set out in the Regulations. In order to qualify for inclusion in the Cover Pool all legislative requirements must be met. However, if the Cover Pool assets at a later stage cease to meet the requirements of the Act and/or the Regulations in relation to ratios, risk categories or proportion limits, such assets may nevertheless form part of the Cover Pool, but will be excluded from the calculation (which is required by the Act and described below) of the value of the Cover Pool.

Valuations

The Act requires that the value of the Cover Pool at all times must exceed the aggregate value of the covered bonds which confer a right on the holders and the counterparties to derivatives agreements to a prioritised claim over that Cover Pool.

The calculation of the value of the Cover Pool assets consisting of loans secured by real estate or other registered assets is required to be made on a prudent basis, and such prudent value may not exceed the market value of each individual asset. The estimation of the value is required to be made by a competent and independent person (i.e. a person without involvement in the credit granting process) and be documented, and such documentation is required to include information on who performed the calculation and the principles on which the calculation was based. The value of residential real property may, however, be determined based on generally applicable price levels, when this is considered justifiable based on the market situation.

Balance and liquidity requirements

In order to ensure that the value of the Cover Pool at all times exceeds the value of the relevant covered bonds, each Credit Institution issuing covered bonds is required to establish systems for continued control of the development of the value of the Cover Pool assets, and to monitor the development of the relevant market situations. If developments in the market situation or in the situation pertaining to an individual asset so warrants, the Credit Institution is required to ensure that a renewed calculation of the value is performed.

The Act requires the Credit Institution to ensure that the cash flow from the Cover Pool at all times is sufficient to enable the Credit Institution to discharge its payment obligations towards the holders of covered bonds and counterparties under related derivatives agreements. The Credit Institution must also establish a liquidity reserve which shall be included in the Cover Pool.

Inspector

An independent inspector (the "**Inspector**") must be appointed by the Financial Supervisory Authority of Norway prior to a Credit Institution issuing any covered bonds. The Inspector is required to monitor the Register, and shall, at least every three months, review compliance with the Act's provisions relating to the Cover Pool Register, including those which govern the composition and the balance of the Cover Pool.

The Credit Institution is required to give the Inspector all relevant information pertaining to its business. The Inspector must be granted access to the Cover Pool Register, and may also request additional information. The Inspector may perform inspections of the Credit Institution, and shall at least every three months determine if the requirements of sections 2-31 and 2-33 of the Act are complied with. Furthermore, the Inspector shall submit annual reports of his observations and assessments to the Financial Supervisory Authority of Norway.

Cover Pool administration in the event of bankruptcy

Noteholders' claims may only be accelerated in the event of an actual payment default by the Credit Institution. Bankruptcy or insolvency on the part of the Credit Institution does not in itself give the holders of covered bonds a right to accelerate their claims.

If a Credit Institution is declared bankrupt, a bankruptcy administrator (the "**Bankruptcy Administrator**") of the bankruptcy estate will be appointed by the court, and a creditor's committee will be established.

If a Credit Institution which has issued covered bonds is declared bankrupt or enters into debt negotiations pursuant to the Bankruptcy Act, and the Cover Pool meets the requirements of the Act and the Regulations, the creditors' committee must ensure that, to the extent possible, the holders of covered bonds and counterparties to related derivatives agreements receive timely payment of their respective claims, such payments being made from the Cover Pool for the duration of the administration of the bankruptcy estate.

If the bankruptcy estate is unable to make timely payments to the covered bond holders or the counterparties to related derivatives agreements, the creditors' committee must set a date for halt to payments, and inform interested parties of this as soon as possible. If a halt to payments is initiated, the further handling of the bankruptcy estate will be conducted in accordance with general Norwegian bankruptcy legislation. The claims of the covered bondholders and counterparties to related derivatives agreements will continue to have the prioritised claim against the Cover Pool.

1. The SpareBank 1 Alliance

Overview

The SpareBank 1 alliance ("**SpareBank 1 alliance**") is a Norwegian bank and banking product collaboration, in which the SpareBank 1 alliance banks listed below (see "*SpareBank 1 alliance structure*") in Norway co-operate, the SpareBank 1 alliance banks jointly own the holding company SpareBank 1 Gruppen AS which manages the SpareBank 1 alliance.

The SpareBank 1 alliance's main goal is to ensure each individual bank's independence and regional foothold through strong competitiveness, profitability and financial soundness. To achieve this, the banks collaborate in key areas such as risk management, branding, streamlining of work processes, expertise development, IT operations and system development. SpareBank 1 brand awareness has increased during the alliance years, and the SpareBank 1 brand is now amongst the most familiar financial brands in Norway.

The aim of the members of the SpareBank 1 alliance is to increase their efficiency as compared to competitors through, among other things, economies of scale, a mutual increase in critical core competencies and shared development investments. Each individual bank will continue to maintain its link with its local community by keeping its own name and legal identity and taking advantage of its proximity to the local market in which it operates.

The SpareBank 1 alliance was comprised, as of 31 December 2013, of 16 regional and local banks with branches all over Norway. The SpareBank 1 alliance's total assets amounted to around NOK 840 billion, according to internal figures.

The SpareBank 1 alliance is one of the largest providers of financial products and services in the Norwegian market[1]. SpareBank 1 Gruppen AS owns companies that provide property and casualty insurance, life insurance, fund management and other financial products and services to SpareBank 1 banks and their customers, as well as to members of the Norwegian Federation of Trade Unions. Accordingly, the distribution of these products mainly takes place through the SpareBank 1 banks and through agreements with the Norwegian Federation of Trade Unions and its affiliated unions.

As at 31 December 2013, SpareBank 1 Gruppen AS is owned by Sparebanken Hedmark (11 per cent.), SpareBank 1 Nord-Norge (19.5 per cent.), SpareBank 1 SMN (19.5 per cent.), SpareBank 1 SR-Bank ASA (19.5 per cent.), Samarbeidende Sparebanker AS ("**Co-operating Savings Banks**") (19.5 per cent.), Bank 1 Oslo Akershus AS (1.4 per cent.) and the Norwegian Federation of Trade Unions (LO)/affiliated unions (9.6 per cent.).

History

Established in November 1995 and licensed on 4 June 1996, the SpareBank 1 alliance was launched both as an Alliance and as a brand name on 11 November 1996.

SpareBank 1 Alliance Structure

[1] source: "Ministry of Finance Market Report" dated 25 April 2014 (*Finansmarknadsmeldinga* 2014)

SpareBank 1 Gruppen AS is a core company of the SpareBank 1 alliance. It is a holding company jointly owned by the SpareBank 1 banks listed below and other entities as specified above. It co-ordinates projects, manages the brand and owns the product companies (such as life and non-life insurance, mutual funds and debt collection businesses). The SpareBank 1 alliance currently consists of the following banks (the "**SpareBank 1 banks**"):

SpareBank 1 Nord-Norge	SpareBank 1 SR-Bank ASA
SpareBank 1 SMN	Sparebanken Hedmark
Bank 1 Oslo Akershus AS	
Co-operating Savings Banks:	
SpareBank 1 BV	SpareBank 1 Ringerike Hadeland
SpareBank 1 Hallingdal Valdres	SpareBank 1 Nordvest
SpareBank 1 Gudbrandsdal	Modum Sparebank
Sparebanken Telemark	SpareBank 1 Nøttery Tønsberg
SpareBank 1 Lom og Skjåk	SpareBank 1 Søre Sunnmøre
SpareBank 1 Østfold Akershus	

Bank 1 Oslo Akershus AS is owned by Sparebanken Hedmark, 40.5 per cent., SpareBank 1 SR-Bank, SpareBank 1 SMN and SpareBank 1 Nord-Norge, each 4.8 per cent., co-operating savings banks 15.2 per cent., and The Norwegian Confederation of Trade Unions (LO)/affiliated unions 29.9 per cent.

BN Bank ASA, a former subsidiary of Glitnir Bank, was purchased in 2008, and is owned by all of the SpareBank 1 banks, except Sparebanken Hedmark and Bank 1 Oslo Akershus AS. BN Bank ASA distributes its retail portfolio mainly via internet and telephone, and its commercial activities are mainly focused on lending towards commercial mortgages. The Issuer has acquired, and will continue to acquire, commercial real estate mortgages originated by BN Bank ASA. A Transfer and Servicing Agreement has been entered into with BN Bank ASA.

BN Bank ASA originates residential mortgage loans but has its own logo and brand name. BN Bank ASA benefits from product companies and the common banking activities within the SpareBank 1 alliance**.**

Objectives of the SpareBank 1 alliance

The stated objective for the SpareBank 1 alliance is as follows:

"The joint venture is to ensure and safeguard each participating bank's independence and regional presence through highly developed competitiveness, profitability and financial and capital strength."

Three main objectives support the strategy:

1. Cost sharing, through the establishment of new distribution channels, technological developments supporting new business processes related to traditional and new methods of distribution, and the development and distribution of new products.
2. Economies of scale through production and delivery of products within specific areas, such as fund management, insurance and mortgage/credit management.
3. Establishment of a critical mass for the development and maintenance of competencies required for serving retail and commercial market segments.

In addition, the SpareBank 1 alliance has set a number of priority co-operation areas for member banks: marketing; product companies; IT systems; skills development; purchasing; and potential alliances with foreign banks.

The SpareBank 1 alliance's strategy takes into account an expected tighter competition in national and regional financial markets alike. This will require a strong collaboration in order to reap further benefits in terms of lower costs, increased competence and high-quality customer service.

Funding Strategy of the SpareBank 1 alliance

Based on information set out in the annual reports of each bank, the SpareBank 1 alliance banks fund themselves predominantly with customer deposits.

The four largest banks of the SpareBank 1 alliance (SpareBank 1 SR-Bank ASA, SpareBank 1 SMN, SpareBank 1 Nord Norge and Sparebanken Hedmark) are rated by recognised rating agencies (Moody's and Fitch for the former three banks and Moody's only for Sparebanken Hedmark) and have access to the international capital markets for debt and equity for funding purposes. Sparebanken Hedmark has not, as of the date of this Base Prospectus, issued any equity instruments.

Covered bonds have become an important element of the funding for the banks in the SpareBank 1 alliance. SpareBank 1 Boligkreditt AS, together with the Issuer provides the banks in the SpareBank 1 alliance with access to covered bond funding in the domestic and international markets, both public and private.

2. SpareBank 1 Næringskreditt AS:

Incorporation

The Issuer was incorporated on 30 April 2009 for an unlimited period as a private limited liability company incorporated under the laws of Norway and registered with the Register of Business Enterprises on 2 June 2009 under registration number 894 111 232. The registered office of the Issuer is Bjergsted Terrasse 1, 4007 Stavanger, Norway (telephone number: +47 51509411). The Issuer is a mortgage credit institution licensed by the Financial Supervisory Authority of Norway (*Finanstilsynet*).

On 8 June 2009, the Issuer's articles of association were approved by the Financial Supervisory Authority of Norway to enable the Issuer to issue covered bonds in accordance with the Financial Institutions Act. See "*Overview of the Norwegian Legislation Regarding Covered Bonds (obligasjoner med fortrinnsrett)* " above. The Issuer operates in accordance with Norway's covered bond legislation and this requires that its business is restricted to holding residential and commercial mortgages, public loans and other assets (such as cash and highly rated debt securities up to a limit of 20 per cent. of the value of total assets) and that it finances the purchase of such activities and assets predominantly by the issuance of covered bonds. The Issuer mainly holds commercial mortgages and a limited amount of residential mortgages (mainly in the form of loans towards housing associations). It also holds a limited portfolio of public loans for the purpose of maintaining liquidity. This narrow mandate regarding the Issuer's activity is referred to as a "special banking principle". The Issuer is regulated like a bank, but does not hold a regular banking license, and thus cannot hold any customer deposits.

Covered bonds which pre-date the establishment of the Programme and covered bonds issued outside of the Programme

In addition to the Programme, the Issuer has previously issued other covered bonds on a standalone basis prior to the establishment of the Programme.

All Notes issued by the Issuer under the Programme, other covered bonds previously issued by the Issuer and any other covered bonds issued by the Issuer outside of the Programme have, and will have, the benefit of a statutory preference under the Act over a single shared Cover Pool maintained by the Issuer and will rank *pari passu*.

The Issuer may also issue covered bonds outside of the Programme on a standalone basis.

Share capital

As at 31 December 2013, the Issuer had a total contributed equity of NOK 1,738 million comprising share capital of NOK 1,364 million, a premium reserve of NOK 341 million and declared dividend of NOK 33 million. A further NOK 20 million has been paid in as share capital (NOK 16 million) and premium reserve (NOK 4 million), during Q1 2014.

Subordinated capital

As at 31 December 2013, the Issuer had a total of NOK 519 million in subordinated debt, of which NOK 173 million is recognised as Additional Tier 1 capital and NOK 346 million is recognised as Tier 2 capital.

Ownership

The Issuer is a separate legal entity wholly owned by its shareholders, whose identity and respective shareholdings may vary from time to time. The Issuer is as such not part of the SpareBank 1 alliance. The shareholdings reflect the volume of loans sold, or intended to be sold from either the Shareholders or banks fully, or mainly, owned by Shareholders.

The Issuer has two classes of Shareholders: Class A shareholders and Class B shareholders ("**Shareholders**"). Class A shareholders have themselves sold mortgages to the Issuer, and the shareholdings reflect the amount of mortgage loans the Class A shareholder has sold, or intends to sell over a period of time ("**Class A Shareholders**"). Class B shareholders ("**Class B Shareholders**") own directly or indirectly companies ("**Jointly Owned Banks**") which have sold loans to the Issuer, or intend to sell loans to the Issuer over a period of time. Currently the only Jointly Owned Bank to have sold mortgages is BN Bank ASA. The Class B shares are thus divided amongst the BN Bank ASA shareholders according to their direct or indirect pro rata ownership of BN Bank ASA.

The only difference between the Class A and Class B shares is in their entitlement to dividends.

There are 3.36 million Class A shares and 10.44 million Class B shares at the date of the prospectus.

Shareholder	**Class A shares**	**Class B shares**	**Total number of shares**	**Ownership share**
SpareBank 1 SMN	1,200,000	3,445,000	4,645,000	33.66 %
SpareBank 1 SR-Bank	1,200,000	2,519,913	3,719,913	26.96 %
SpareBank 1 Nord-Norge	400,000	2,453,500	2,853,500	20.68 %
Sparebanken Hedmark	560,000	-	560,000	4.06 %
SpareBank 1 Ringerike Hadeland		422,433	422,433	3.06 %
SpareBank 1 BV		298,148	298,148	2.16 %

SpareBank 1 Østfold Akershus		256,877	256,877	1.86 %
Sparebanken Telemark		250,473	250,473	1.82 %
SpareBank 1 Hallingdal Valdres		158,680	158,680	1.15 %
SpareBank 1 Nordvest		129,981	129,981	0.94 %
Modum Sparebank		106,735	106,735	0.77 %
SpareBank 1 Nøtterøy Tønsberg		95,114	95,114	0.69 %
SpareBank 1 Søre Sunnmøre		94,165	94,165	0.68 %
SpareBank 1 Gudbrandsdal		80,170	80,170	0.58 %
SpareBank 1 Lom og Skjåk		75,902	75,902	0.55 %
Sparebanken Vest		52,909	52,909	0.38 %
Total	**3,360,000**	**10,440,000**	**13,800,000**	**100 %**

Tier 1 Capital and Maturity Payments

The Shareholders are obliged pursuant to the Shareholders' Agreement to ensure that at all times the Issuer shall maintain a minimum Tier 1 capital ratio of 9 per cent.

In certain circumstances, the Shareholders will also be obliged to advance funds to meet maturity payments due on the Notes by the Issuer. For further details see "*Description of the Shareholders' Agreement and the Shareholder Note Purchase Agreement – Shareholder Note Purchase Agreement*".

Goals and objectives

The Shareholders' goal for the Issuer is to attain stable, long-term and favourable funding. The establishment of the Issuer is a joint effort by the Shareholders to exploit economies of scale, which extends to both domestic and international funding via covered bond issuances.

The Issuer's objective is to acquire or purchase commercial mortgages, and to finance these lending operations mainly by issuing covered bonds. This involves arranging the purchase and transfer of mortgages from the Originators and the marketing of the covered bonds to investors. The purpose of this arrangement is to provide funding for the Originators.

Employees

The Issuer has identical staff to that of SpareBank 1 Boligkreditt AS. Out of the total of eight employees, approximately one third is allocated to the Issuer, mainly focused on investor relations, risk management, investment of the liquidity portfolio, IT maintenance and development and communication with the Originators and the Shareholders.

The business purchases a significant amount of its support functions from SpareBank 1 SR-Bank, such as accounting, human resources, IT and finance related back-office functions. Legal support is provided by an employee, allocated from SpareBank 1 Gruppen AS.

Legal Proceedings

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Auditor

Deloitte AS is the Issuer's auditor and has held the position since 2009.

Loan Origination, Eligibility and Servicing

Mortgage Products

Commercial real estate mortgage loans (Commercial Mortgage Loans) originated by SpareBank 1 alliance banks and certain other Norwegian banks (together, the "**Originators**") may be sold to the Issuer and form part of the Cover Pool provided such Commercial Mortgage Loans constitute Eligible Loans (as defined below).

An Originator may not necessarily be a member of the SpareBank 1 alliance, and any Originator which becomes a member of the SpareBank 1 alliance may take some time to fully implement the SpareBank 1 alliance origination and servicing procedures as set out below. In either case, such Originators will have the same information technology system infrastructure as the SpareBank 1 alliance as provided by EVRY ASA. The Issuer uses the scoring system made on behalf of the SpareBank 1 alliance. Until such Originators have adopted the SpareBank 1 alliance scoring system, the Issuer may decide that such Originator's own scoring system is comparable for the purposes of the Scoring Model. Commercial Mortgage Loans originated by such Originators will, in any event, not be purchased by the Issuer unless they meet the Issuer's eligibility criteria.

As at the date of this Base Prospectus, each of the Originators is a SpareBank 1 alliance bank, or owned by such banks (i.e. BN Bank ASA). The descriptions of the Originators' products and processes in this section relate to the products and processes of the Originators as at the date of this Base Prospectus, which are subject to change from time to time.

General Mortgage Loan Features

The Commercial Mortgage Loans originated by the Originators are, as at the date of this Base Prospectus, floating rate loans, either as a standard variable rate, changeable at the Issuer's discretion with two weeks' notice, or on a three to six month floating NIBOR basis plus a credit margin (such margins being set on the basis of the individual borrower's credit history and the funding costs for the relevant Originator).

As at the date of this Base Prospectus the Issuer does not purchase fixed rate mortgages, nor does it plan to. Should this position change in the future, it is expected that interest rate exposure will be hedged in order to limit the interest rate risk.

The Commercial Mortgage Loans originated by the SpareBank 1 alliance banks have the following key features (although not all such Commercial Mortgage Loans will be Eligible Loans):

- purpose of loans – a mortgage loan may be for the purposes of purchasing or refinancing a commercial real estate property;
- repayment profile – the Commercial Mortgage Loans may be fully amortising repayment loans, partial bullet loans with partial amortisation or bullet loans with no amortisation before repayment of loan. In

certain circumstances, an installment-free period may be established within the repayment profile, typically at the start of the Commercial Mortgage Loan's term;

- prepayment – all floating rate Commercial Mortgage Loans contain the option for the borrower to make prepayments of all or part of the Loan without incurring any prepayment fee;
- other fees – fees are charged to the borrower upon the origination of the Commercial Mortgage Loan and usually on each monthly payment date;
- interest accrual – interest on a Commercial Mortgage Loan accrues daily;
- maturity of a Mortgage Loan – the life of a Mortgage Loan may vary. Historically the typical maturity has been 20-30 years, but during recent years there has been an increasing use of shorter maturities, typically 5 to 10 years (partial bullet loans);
- nature of customers – the Originators have a large number of return customers, giving them an improved understanding of the credit risks associated with such customers (subject to legal restrictions on retention of data described below). In addition, a high proportion of each bank's customers reside in the bank's operating regions allowing them to leverage their knowledge of the local commercial real estate market and enabling them to minimise fraud.

The required monthly, quarterly, semi-annual or annual payments due from borrowers in connection with the Commercial Mortgage Loans may vary from for various reasons, including changes in the floating interest rate.

All borrowers in respect of the Commercial Mortgage Loans make payments, of both interest and instalments, to a designated account in the Issuer's name at the Originator bank that originated services the relevant Loan. This account is swept daily (overnight) into central accounts in the Issuer's name held at one or more SpareBank 1 alliance banks with satisfactory credit ratings (this account also forms part of the Cover Pool). Borrowers typically (in nearly all cases) pay by direct debit.

Each Commercial Mortgage Loan is secured by way of a standard format mortgage document (*pantedokument*) stipulating the amount which is secured by the mortgage document and which is registered on the mortgaged property in the official Norwegian Real Property Registry. Each Commercial Mortgage Loan and each mortgage document is subject to Norwegian law.

Commercial Mortgage Origination

Since the establishment of the SpareBank 1 alliance in 1996, the banks have coordinated most of the processes relating to mortgage origination, credit approval and servicing. As a result, the process for underwriting Commercial Mortgage Loans to customers is similar across the SpareBank 1 alliance and each of the Originators uses similar systems and models as part of its underwriting process. The Issuer can, but does not, nor plans to, as at the date of this Base Prospectus, originate Commercial Mortgage Loans directly.

When a customer contacts an Originator for a mortgage application, the following steps are carried out in the following order by each of the Originators as part of the mortgage origination process. The standards and procedures of the Originators are subject to change (for example to reflect changes in the business environment).

1. *Collection of Customer Information and Identification of Customer Needs*

General information about the customer and financial information is recorded together with the customer's needs and requirements for the loan, such as the purpose, amount and preferred maturity. No intermediaries

are used in the origination procedure, and the Originators do not outsource any aspect of the origination or administration of the Commercial Mortgage Loans, save as disclosed in this Base Prospectus.

2. *Analysis of Customer and Assessment of Collateral and Cash Flow*

The credit officer evaluates the loan purpose, desired loan characteristics, and collateral against the Originator's credit strategy and credit policy. The Originator performs an assessment of the customer's business, its owners and management and the credit history of all involved parties. All relevant cash flows are identified and verified. This procedure involves an in-depth analysis of the project itself, (i.e. an analysis of the condition and location of the collateral, evaluation of quality etc.) and composition of tenantries and details in rental contracts, (i.e. price relatively to relevant market levels, duration of tenancy and clauses related to the operation and maintenance of the property). An important additional feature is also the Originator's experience with the borrower's ability and willingness to further support the related project financially.

3. *Test of Debt Servicing Capacity, Rating and Classification*

The credit officer gathers information from the customer and applies a centralised scoring algorithm (the "**Scoring Model**"). The Scoring Model evaluates the customer's present and future debt servicing capacity (for a period of 10 years) by application of a monte-carlo simulation of cash out-flows related to financing, operation and maintenance, and cash in-flows from tenantries. The existing cash flows, related to both financing costs and rental incomes, are stressed by the simulation of rent levels, interest rates and vacancy rates.

Based on the cash flow simulations the Scoring Model assigns a rating to the customer (from A to K) indicating the probability of default (with A being the rating carrying the least risk). Customer past behaviour, based on both internal and external payment remarks as well as auditor's remarks (last three years), also weigh heavily in the Scoring Model. In the event of negative remarks the rating, derived from the cash flow simulation, will be notched downwards. The degree of downward notching (i.e. increase in probability of default) increases with the number and severity of the negative payment remarks.

Only Commercial Mortgage Loans rated A through F (maximum probability of default of 2.5 per cent.) are acceptable to the Issuer for sale and transfer from the relevant Originator to the Cover Pool. The customer rating is carried out both at the point of origination and each year thereafter for the life of the relevant Commercial Mortgage Loan. Accordingly the process also constitutes a key management and monitoring tool both in respect of the Cover Pool and individual borrowers.

The Scoring Model is reviewed on a regular basis by the SpareBank 1 Centre of Excellence Credit Risk Modelling to identify areas for improvement.

The SpareBank 1 Centre of Excellence Credit Risk Modelling is the SpareBank 1 alliance's common centre of excellence, development, validation and maintenance of credit scoring models. The Centre of Excellence responsible for all Basel II IRB models used in the SpareBank 1 alliance. The models are identical across the banks, Boligkreditt and Næringskreditt. The Centre of Excellence is also responsible for numerous other models used in analysis supporting the decision making at Originator level with regards to granting credit and pricing.

4. *Collateral Valuation*

The valuation of the commercial real estate property which is pledged as security for a Commercial Mortgage Loan is often the transaction value (in those cases where a purchase of either the property itself or the company holding the rights to the property is financed by the Commercial Mortgage Loan). When a new Commercial Mortgage Loan is originated without a sale of the property, or a sale of the Company holding the

ownership to the property, (i.e. a refinancing) the valuation is performed by an independent party, i.e. a commercial real estate expert, licensed appraiser or a commercial real estate broker. In the case of Commercial Mortgage Loans for which cash-flow-based appraisal conducted by an independent party has been used, such appraisal reflects the individual appraiser's judgment as to value, based on the net present value of cash flows from tenancies on the properties. For the ongoing valuation of the Issuer's portfolio, which takes place on a yearly basis for investor information and rating agency reporting purposes, independent cash-flow-based appraisal is used.

The appraisal of the real estate assets securing Commercial Mortgage Loans acquired by the Issuer is independent from the credit approval process and is a legal requirement pursuant to the relevant Norwegian covered bond legislation. The requirement extends to documenting by whom and under what assumptions the valuation has been conducted. According to the Issuer's credit policy, the valuation cannot be older than 12 months at the date on which the Issuer acquires the Mortgage Loan

The ongoing yearly testing of the valuation of the underlying collateral performed by the Issuer is a legal requirement. Covered bond issuers in Norway are required by law to revalue the underlying commercial real estate as collateral (i) when there is reason to believe that due to market conditions there has been significant deterioration in the collateral value or (ii) at a minimum every 12 months. Should property prices fall after inclusion of a Commercial Mortgage Loan in the Cover Pool, the part of a mortgage that exceeds the relevant Loan-to-Value ("**LTV**") limit is still part of the Cover Pool and protects the holders of preferential claims. However, the part of a loan that exceeds the LTV limit is not taken into account when calculating the value of the Cover Pool to test for compliance with the matching principle in the legislation (which requires that the assets in the Cover Pool at all times exceed the value of the issued covered bonds including derivatives thereon – for further details see "*Overview of the Norwegian Legislation Regarding Covered Bonds (obligasjoner med fortrinnsrett)* "). Similarly, loans which are more than 90 days in arrears are also not taken into account when calculating the value of the Cover Pool to test for compliance with the matching principle in the legislation.

5. *Decision, Pricing and Loan Contract*

Depending on, among other things, the characteristics of the customer, debt servicing capacity and the collateral, the application to the Originator may be approved by a credit officer, a senior manager, the credit committee, or a regional director of the Originator. In some circumstances (for example, where the commercial mortgage loan application falls outside of the credit policy or the loan value exceeds a set threshold), the approval of the Chief Credit Officer or the Chief Executive Officer will be required. The exact underwriting authority differs between Originators.

If the application is approved, the pricing will be set in respect of the Commercial Mortgage Loan on the basis of an internal pricing model. The model will take into account a number of factors including the nature of the loan being originated (for example, a floating rate loan or fixed rate loan), the credit rating of the borrower, the LTV ratio, agreed upon covenants and the cost of funding for that Originator. This price may be adjusted in order to make it more competitive with other banks in the market.

The loan document will be prepared by the Originator for signing by the borrower.

Underwriting Personnel

In order to be granted underwriting authority, a financial advisor must have a minimum of 12 months' experience and have completed the relevant underwriting examinations. All underwriters also take part in ongoing training and reviews of their underwriting performance by branch managers and credit officers.

Eligibility Criteria

Because all Originators share a similar credit process, comparable information is available with respect to every Commercial Mortgage Loan that could potentially be transferred to the Issuer. The Issuer's credit policy sets out the criteria identifying which Commercial Mortgage Loans it may acquire from the Originators ("**Eligible Loans**"). These criteria currently include the following:

- All loans must be secured by commercial property (including office premises, shopping centres/retail shopping facilities, hotels and logistical facilities/warehouses) or residential property (including houses, terraced houses, apartments and multifamily units).
- All loans must have an LTV of 60 per cent. or less at the time of transfer.
- No adverse credit history in respect of the customer during the previous 12 months.
- Customer rated in risk classes A-F of the SpareBank 1 alliance 11 grade system (from A to K).
- The valuation of the mortgage property must be no less than 12 months old and carried out by an independent appraiser.
- No fixed rate loans.
- Minimum loan size NOK 10 million or greater at the time of transfer.
- Exposure to one customer, or customer group (according to grouping guidelines set out by the Financial Supervisory Authority of Norway), cannot exceed 5 per cent. of the Issuer's total mortgage portfolio.
- Total exposure to one customer, or customer group (according to grouping guidelines set out by the Financial Supervisory Authority of Norway), cannot exceed 25 per cent. of the Issuer's total capital by law, however the Issuer has reduced this limit to 23 per cent. of its relevant capital.

Certain loans, which comply with all the above mentioned eligibility criterias, will require a unanimous consent from the Issuer's own Credit Committee (the "**Credit Committee**"). The constituents of the Credit Committee are commercial property experts in the largest originating banks. Voting on individual exposures always excludes the representative of the Originator seeking to sell the Commercial Mortgage Loan to the Issuer. As at the date of this Base Prospectus, the following Originators are represented in the Credit Committee:

- SpareBank 1 SR-Bank ASA
- SpareBank 1 SMN
- SpareBank 1 Nord-Norge
- Sparebanken Hedmark
- BN Bank ASA

The table below describes the main criteria determining which loans are required to be evaluated by the Credit Committee, at the date of this Base Prospectus:

Probablity of Default	**Rating Class**	**Loan size that requires an approval from the Credit Committe (EAD – Exposure at default)**
0.00 % - 0.25 %	A-B	EAD > NOK 200
0.25 % - 1.25 %	C-E	EAD > NOK 100
1.25 % - 2.5 %	F	EAD > NOK 50

In addition all loans with a total LTV equal to or greater than 90 per cent. (loan at Originators own account and loan qualified for sale to the Issuer combined). All loans secured by hotel properties and shopping centres, irrespective of loan size and/or risk classification, must be evaluated by the Credit Committee.

Purchase of loans that does not require an approval from the Credit Committee is decided upon by the officers of the Issuer.

Eligible Loans may also include the following repayment profiles:

Amortising loans on a straight-line basis, where the periodic instalments of principal remain the same over the life of the Commercial Mortgage Loan. As the outstanding principal decreases the interest payments also decrease and, as such, total monthly payments made by the borrower decrease over the life of the loan. Instalment loans may include an interest-only period. Such straight-line (serial) amortising loans may have the form of a fully amortising or a partially amortising loan (partial bullet).

Amortising loans on an annuity basis, where the borrower periodically pays the same repayment amount (instalment of principal and interest combined) for the life of the loan. Payments in the early life of the Commercial Mortgage Loan comprise a high component of interest and a smaller component of principal. As the principal is gradually paid down, the interest payments decrease on the smaller outstanding principal. Annuity loans may include an interest-only period. Amortising annuity loans may have the form of a fully amortising or a partially amortising loan (partial bullet).

Bullet loans, where the borrower only needs to service interest payments for the life of the loan, and the total principal amount is to be repaid in full at maturity.

The Issuer's eligibility criteria complies with the eligibility requirements set out in the Act and the Regulations, in addition to the Issuer's credit policy. For details of the Act and the Regulations see "*Overview of the Norwegian Legislation Regarding Covered Bonds (obligasjoner med fortrinnsrett)*". The Issuer has the right, pursuant to the Transfer and Servicing Agreement it maintains with each Originator, to sell back to the relevant Originator loans which are, following the purchase to the Cover Pool, found to be ineligible at the time of purchase for any reason.

Purchase of Mortgage Loans

Initially a Commercial Mortgage Loan is recorded on the balance sheet of the Originator originating the Commercial Mortgage Loan. After all Commercial Mortgage Loans originated by each Originator have been checked for compliance with the Issuer's credit policy criteria, and if applicable evaluated by the Credit Committee, the treasury department of each Originator then confirms its willingness to sell the Eligible Loans to the Issuer, whereupon the Issuer carries out the final approval for the sale and transfer to take place. The Issuer is not obliged to purchase any Eligible Loan. The approval triggers both the immediate transfer of the

Eligible Loans to, and funds from, the Issuer and the recording of the Eligible Loans on the balance sheet of the Issuer.

Pursuant to the terms of each transfer and servicing agreement ("**Transfer and Servicing Agreement**") between the Issuer and each Originator, there is a legal transfer of those Commercial Mortgage Loans selected to form part of the Cover Pool from the Originator to the Issuer. This does not result in the registration of the Issuer as mortgagee in the Norwegian Real Property Registry.

Each Commercial Mortgage Loan sold by an Originator to the Issuer is sold by way of a true sale so that, following sale, all credit risk transfers to the Issuer and the Commercial Mortgage Loan becomes an asset of the Issuer and appears on the Issuer's balance sheet. Only if the Originator has not fulfilled the agreed origination procedures, or omitted or collected incomplete or erroneous information in the Commercial Mortgage Loan origination process, can the Issuer require that the Originator to re-purchase a Commercial Mortgage Loan already sold to the Issuer (in general at par).

Following purchase of the Eligible Loan, a letter of notification is sent to the customer of the purchased Commercial Mortgage Loan in order to perfect the legal transfer of the Commercial Mortgage Loan to the Issuer under Norwegian law. The consent of the customer to the sale is not required.

This stream-lined process is designed to ensure the secure and accurate transfer of the Eligible Loans to the Issuer and the corresponding proceeds from the Issuer to the Originators. The process also ensures that the Originators cannot influence the nature or credit quality in respect of the Commercial Mortgage Loans which are sold to the Issuer from time to time, but rather that the Issuer determines which Eligible Loans to buy in accordance with the Act and the Regulations and its own credit policy criteria.

Each Originator that transfers Commercial Mortgage Loans to the Issuer earns a commission ("**Commission**") on those Commercial Mortgage Loans set out under the relevant Transfer and Servicing Agreement. The Commission for each Originator is equal to the customer interest payments on the Commercial Mortgage Loans less (i) the Issuer's average funding costs plus (ii) an additional cost factor to cover the Issuer's operational costs. The Issuer pays the Commission to each Originator monthly. The Issuer has a right, pursuant to each Transfer and Servicing Agreement, to offset any credit losses in the Cover Pool deriving from Commercial Mortgage Loans sold to the Issuer by the relevant Originator against an amount equivalent to up to one year of that Originator's Commission. The Board of Directors of the issuer has however proposed to the Originators to change the set-off provisions to the effect that the loss on loans purchased from any Originator may be offset against all the commission towards all Originators for the remainder of the calendar year.

Monitoring of the Cover Pool

All Originators and the Issuer are served by an IT service provider (EVRY ASA). EVRY ASA maintains a database containing up-to-date information on each Commercial Mortgage Loan in the Cover Pool. The Issuer and the Originators are able to use this data for monitoring and statistical and analytical purposes. Furthermore, the database allows the Issuer to demonstrate that it is complying with its legal obligations under Norwegian covered bond legislation and also with the requirements of the rating agencies in order to keep the over-collateralisation of the Cover Pool maintained at a set level.

Loan Servicing

Pursuant to each Transfer and Servicing Agreement, the Originator of the relevant Commercial Mortgage Loans provides all loan servicing functions for the Issuer.

Commercial mortgage customers typically pay their interest and principal instalments by direct debit from their current accounts. These funds are collected in a designated account in the name of the Issuer held with

the applicable Originator. After the close of business each day the accumulated funds are transferred to the Issuer's central account. This account is typically held with a rated Shareholder and can be altered by the Issuer on short notice to an account held with a different bank by way of notice to the common IT service provider for the Originators, EVRY ASA. EVRY ASA carries out the settlement on mortgage loan accounts within each Originator when a customer makes a periodic payment, or refinances the Commercial Mortgage Loan.

The Issuer has internal guidelines and limits on the level of funds which may accumulate in any account held with a particular Shareholder. Furthermore the bank holding the funds must hold a credit rating from a recognised credit rating agency. The funds collected and held by the Issuer are used for liquidity reserves, to purchase liquid securities such as sovereign debt and other covered bond instruments, and to purchase new Commercial Mortgage Loans from the Originators.

The floating rate, including any credit margin, applicable to all Commercial Mortgage Loans purchased by the Issuer is initially set separately by each Originator in the context of its own local market, the cost of funding and the borrower's credit score. Although the Issuer has full authority to determine the interest rate in respect of the Commercial Mortgage Loans purchased by it from the Originators, by custom it follows the rate initially set by the relevant Originator, and later changes the interest rate level as is deemed necessary.

When an Originator wishes to make changes to any Commercial Mortgage Loan terms and conditions in respect of any Commercial Mortgage Loans already sold to the Issuer, it requires the Issuer's approval. Minor changes may be made without the Issuer's explicit approval provided notice of the proposed change is given to the Issuer and the Issuer raises no objection.

Each Originator maintains its own administrative unit which maintains deeds and titles to the property that comprise the security for the Commercial Mortgage Loans which it originated, and also maintains them on behalf of the Issuer. The original deeds are scanned by each of the Originators and stored in the central IT system.

If an Originator is no longer able or willing to service its Commercial Mortgage Loans transferred to the Issuer, the Transfer and Servicing Agreements provide that the Issuer may terminate the relevant Transfer and Servicing Agreement and may also, in some circumstances, transfer the servicing of the relevant Commercial Mortgage Loans to another Originator. As at the date hereof, no Originator has ever ceased servicing its Commercial Mortgage Loans transferred to the Issuer nor defaulted under the relevant Transfer and Servicing Agreement.

Payment Arrears

The Issuer monitors reports on loans which are in arrears on a daily basis. Arrears levels are low overall and rarely extend beyond 30 days. Since 2009, the issuer has not experienced any actual losses. No loans have been transferred to a debt collector, but some loans have, for various reasons (including, for instance, because they may have fallen into arrears) been repurchased by the Originator at par.

Arrears in respect of transferred Commercial Mortgage Loans are managed on behalf of the Issuer by the relevant Originator in accordance with the standardised procedure of the Originator. Such procedures that meet the requirements set out under Norwegian law. The arrears procedures are in accordance with the servicing banks' own procedures. The arrears procedure is generally as follows:

- 16 days after the payment due date – initial notice sent to the customer.
- circa. 32 days after the payment due date – a second notice is sent, and the customer is warned that the relevant Commercial Mortgage Loan may be considered to have defaulted and may therefore become due in its entirety if not paid within 14 days of the second notice.

- circa. 50 days after the payment due date – a formal credit memo is sent from the Originator to the Issuer, describing the Originator's proposed action plan for dealing with the customer and the overdraft.
- 55 days after the payment due date – the Issuer decides whether it chooses to continue to pursue the proposed action plan from the Originator or to invoke the necessary legal proceedings to start a formal debt collection process.

Once the Issuer has started a formal collection process it can only be stopped if the Originator opts to refinance the loan by repurchasing the defaulted loan transferred to the Issuer.

The Originators are encouraged to, but are not obliged to, repurchase defaulted Commercial Mortgage Loans before they are sent to a debt collector. Any credit losses are, according to the Transfer and Servicing Agreement, offset against all Commission earned by the all the Originators in the month such loss arises. If such losses are not covered by Commission of that relevant month, it may be offset into future commission, but only if it is earned in the same calendar year as the loss arose.

Penalty interest is charged to borrowers by the Originator for Commercial Mortgage Loans in arrears in respect only of the amount due and payable. The rate varies between the Originators but is limited under Norwegian law. Penalty interest may be waived by the relevant Originator.

Pursuant to their origination criteria, the Originators will generally not originate Commercial Mortgage Loans to a customer with an adverse credit history (including late payments). Even if an Originator makes an exception to the guidelines set out above when originating a mortgage loan, such mortgage loans will not be eligible for transfer to the Issuer. The Issuer is, according to internal guidelines, not permitted to allow exemptions to its eligibility criteria.

Foreclosure

Provided that (i) the borrower has been notified of the payment default as provided under the Norwegian Financial Contracts Act 1999, (ii) the default has been deemed substantial (usually when two consecutive monthly payments have not been made) and the lender has claimed the total mortgage as defaulted, and (iii) the borrower has not remedied the default within 14 days after the notification of the default of the mortgage under item (ii) above, a lender is able to foreclose on a Commercial Mortgage Loan by claiming its rights under the mortgage document executed by the borrower. Under the Issuer's foreclosure procedure, this takes place 60 - 90 days after the original payment due date.

The Norwegian Enforcement Act provides for an effective and expedient forced sale procedure. A lender may, if a mortgage loan is accelerated and the borrower fails to pay any due amount, file an application before the county court for a forced sale of the property securing the mortgage loan. The registered mortgage document will itself constitute the basis for such application. There is no need for an additional order by the court to permit such a forced sale. The court will, after giving the debtor time to contest the application, decide if the forced sale should be carried out. The court will normally appoint a real estate agent to administer the sale in order to obtain a reasonable price. However, the court may decide that the forced sale should be carried out through an auction if it believes that this will result in an improved sale price. The court may also decide to evict the debtor from the premises if the sales procedure is hindered or there is a possible loss of value of the property.

In the event that the court is asked by the lender to affirm a bid on the property, the court will do so provided that such a bid allows full recovery for those creditors with senior priority to the lender (see below) and there is no reason to believe that it is possible to obtain a higher bid. The court will then give an order to distribute the proceeds of the sale to the creditors that hold security over a property. In general six to nine months from

the start of the foreclosure process is required to repossess the property and distribute proceeds to the creditors. Whilst the foreclosure process is taking place, no other enforcement proceedings may be taken against the debtor in respect of that debt.

Certain claims benefit from a statutory first priority lien on any real property in Norway, typically a claim for property tax owed to the local municipality and for certain municipal fees such as refuse collection and disposal, annual water and sewage fees and chimney sweep fees. A bankrupt estate of a borrower will have a first priority statutory lien over any asset, including real property, pledged by the borrower. This lien is limited to 5 per cent. of the value of the relevant asset, subject to a maximum threshold of 700 times the court fee (a total of around NOK 600,000 in accordance with the present court fee level) in respect of each pledged asset. The bankruptcy estate may only apply the funds obtained from this statutory first priority lien to discharge the necessary costs relating to the management of the bankruptcy estate.

As described above, the Issuer may only purchase Commercial Mortgage Loans with an LTV of 60 per cent. or less, which generally allows for a 40 per cent. deterioration of the value of the property from the time the Commercial Mortgage Loan was purchased before the Mortgage Loan is impaired. In normal markets this is sufficient to cover the full value of the Commercial Mortgage Loan, but the Issuer has had no experience of selling foreclosed properties. The Issuer's procedures are, however, based on those of the Originators, which do have such experience. The timing and success of such a property sale is dependent on market conditions.

Under Norwegian law, there is also full recourse to a debtor in Norway, who is responsible for any uncollected debts notwithstanding foreclosure and sale of the property to satisfy a creditor's claim. This may include a court order to make deductions from the debtor's other income or give access to other assets to cover uncollected debts. If the debtor is a special purpose vehicle for real estate holding, there may not be other income or other assets to cover uncollected debts.

Reserves for potential Commercial Mortgage Loan losses are recorded by the Issuer in accordance with IFRS and IAS 39, which require that a charge is made when objective indications show that a loss may occur as a result of diminished credit-worthiness of a customer. The charge is calculated as the difference between the book value of the Commercial Mortgage Loan and the estimated future proceeds from customer payments or from selling the security in lieu of payment, discounted by the effective rate of interest at the time the loan was originated. Debt is written off when a loss is confirmed. There have been no losses recorded by the Issuer to date.

Other than the sale of security, there are no other general sources of proceeds from foreclosure. Costs associated with the foreclosure process (principally legal fees and estate agent fees) reduce the amounts ultimately received by creditors since they are not generally recoverable from the debtor.

Cover Pool Review Process

In 2009, 2010, 2011 and 2012, the Issuer's Board of Directors instructed the Issuer's internal auditor to perform a review exercise in respect of a sample of the Issuer's Mortgage Loans. Since 2013, this review is performed by the Inspector, as the Norwegian Financial Services Authority has expressed the view that the Inspector is required to perform this role anyway. The Inspector will perform his duties independently of the Issuer. The Inspector has, however, agreed to perform additional reviews – in frequency or scope – if reasonably requested to do so by the Issuer and to present the findings of their review to the Board of Directors. The Inspector will thus conduct similar reviews as previously performed by the internal auditor on an annual basis. In connection with any such exercise, the Inspector will have a general discussion with the Issuer's management about the loan book before devising the scope of its review (which will include defining the parameters of the sampling by reference to factors such as which Originators and customers and the number of files to be reviewed). The file review procedures may include, but will not be limited to, the Inspector verifying whether the loan documents have been signed, the legal perfection procedures associated with the transfer to the Issuer have been completed and the security related to the loan has been registered with the correct priority in the Norwegian Real Property Register. The Inspector's procedures may also include checking whether certain aspects of the Issuer's eligibility criteria and credit policies are met and verifying whether certain legal requirements have been observed (including verifying whether loans secured by Commercial Property had LTVs of 60 per cent. or lower at the time of their transfer to the Issuer).

In connection with any such review exercise, a report is presented by the Inspector to the Board of Directors who will decide on how to respond to the report.

The role of the Inspector is otherwise described in this Base Prospectus in "*Overview of the Norwegian Legislation Regarding Covered Notes (obligasjoner med fortrinnsrett) – Inspector*". To the extent that any report from the Inspector indicates that a loan is deficient in any way with regards to matters such as missing documents, missing signatures and failure to complete registrations, the Issuer may put the relevant loan back to the relevant Originator at par pursuant to the relevant Transfer and Servicing Agreement.

Risk Management

The purpose of the risk management in SpareBank 1 Næringskreditt AS is to ensure a satisfactory capital level and an appropriate management of assets in accordance with the Issuer's statutes, strategy and risk profile. This is ensured through an adequate process for risk management and planning and evaluation of the Issuer's funding and capital level.

The Norwegian covered bond legislation limits the cover pool assets. In addition there are regulations (legal and self-imposed) which exist to ensure the Issuer's ability to survive a stressed market situation.

The credit risks inherent in the mortgage portfolio are mitigated by strict application of the lending criteria and credit process rules described above. In addition, the Issuer evaluates the portfolio regularly in terms of having an appropriate geographical diversification, particularly avoiding mortgages in rural areas where the liquidity in the commercial real estate market would suffer during a downturn in the market.

Liquidity risk is limited due to the Issuer's status as a covered bond issuer. Liquidity reserves will be held by investing in marketable securities and bank deposits within the conservative Norwegian legal framework for investing in supplemental assets. See "*Overview of the Norwegian Legislation regarding Covered Bonds (obligasjoner med fortrinnsrett) – Covered Pool composition of assets*". In the unlikely event of financial distress and default of the Issuer, the liquidity risk may be limited as post default refinancing by issuing new covered bonds is eligible under the Norwegian covered bond legislation.

Interest rate risk is limited by the fact that all mortgages are floating rate and matched by floating rate funding. In relation to Fixed Rate Notes issued by the Issuer Interest Rate Swaps are entered into to match a floating rate mortgage portfolio. Mortgages at fixed rates are routinely matched by entering into fixed rate Interest Rate Swaps whereas mortgages with capped floating rates are hedged by purchasing interest rate caps on the corresponding portion of the floating rate funding.

Counterparty risk is limited as the same conservative Norwegian legal credit framework for investing in substitute assets applies to counterparties. Derivative counterparties must post collateral or find an eligible replacement if downgraded below certain rating levels and cannot terminate performing derivative contracts even under issuer default.

Norwegian covered bond legislation allows only very limited currency risk. All Notes issues and investments in supplemental assets denominated in foreign currencies will be fully hedged by Currency Swaps into NOK unless hedged by other positions. The Issuer will then have limited currency risk.

Risks from other activities are limited as the Issuer is a specialist lender whose activity is limited by its by-laws and Norwegian covered bond legislation to mortgage lending secured by commercial real estate (up to 60 per cent. of LTV), residential real estate (up to 75 per cent. LTV) or public loans, with the Issuer funding its activities primarily by issuing covered bonds. As such, commercial mortgages and residential mortgages relating to housing associations (which by their nature are larger than most residential mortgages) form part of the Cover Pool.

There are risks for Noteholders related to the competitive position of the Issuer. If competitors reduce prices offered to customers significantly over a long period, the Issuer might lose market share and over time have insufficient average yield on assets to effectively service the Notes issued.

The Shareholders have entered into a Shareholder Note Purchase Agreement and a Shareholders' Agreement with the Issuer to ensure that the Issuer is liquid and sufficiently capitalised at all times, see "*Description of the Shareholders' Agreement and the Shareholder Note Purchase Agreement – Shareholder Note Purchase Agreement*".

DESCRIPTION OF THE SHAREHOLDERS' AGREEMENT AND THE SHAREHOLDER NOTE PURCHASE AGREEMENT

Set out below is a summary of the key provisions of the Shareholders' Agreement and the Shareholder Note Purchase Agreement (each as defined below).

1. Shareholders' Agreement

General

On 14 June 2013, SpareBank 1 Næringskreditt AS (the "**Issuer**") and the Shareholders entered into a shareholders' agreement (the "**Shareholders' Agreement**") to regulate the relationship between each of the Shareholders and also between the Shareholders collectively and the Issuer.

Shareholdings

Only banks or companies owned by banks can be shareholders in the Issuer.

There are two classes of shares in the Issuer: Class A and Class B, which have equal voting rights (each share has one vote) and the same rights and obligations under the Shareholders' Agreement except for the rights relating to payment of dividends.

Banks who have entered into a Transfer and Servicing Agreement with the Issuer will generally be eligible as Class A Shareholders, unless they are Jointly Owned Banks (banks which are at least 50% owned (directly or indirectly) by members of the SpareBank 1 alliance). Currently only banks that are members of the SpareBank 1 alliance are Class A Shareholders. Class B Shareholders are the shareholders of a Jointly Owned Bank. A Jointly Owned Bank can enter into a Transfer and Servicing Agreement, but cannot itself become a Shareholder, but its shareholders may become Shareholders in the Issuer.

Currently BN Bank ASA is the only Jointly Owned Bank which has entered into with a Transfer and Servicing Agreement with the Issuer. Its shareholders hold Class B shares in the Issuer according to their pro rata shareholdings in BN Bank ASA.

Each Shareholder owns shares in the Issuer pro-rata to the share of the estimated contributed lending volume attributable to that Shareholder or the relevant Jointly Owned Banks (as the case may be), in the total estimated lending volume of the Issuer.

The shareholding of each Shareholder will be adjusted when an Originator (either a Class A Shareholder or, in respect of a Class B Shareholder, a Jointly Owned Bank) wishes to increase its volume of transferred loans, a new entity is accepted as a Shareholder or a Shareholder terminates its holding in the Issuer. At the request of a Shareholder, the Board of Directors may decide that the shareholding of each Shareholder be adjusted according to their contributed lending volume.

If a Class A Shareholder or, in respect of a Class B Shareholder, a Jointly Owned Bank wishes to sell loans to the Issuer, such Class A Shareholder or the relevant Class B Shareholder (as applicable) must pay its equity contribution to the Issuer as determined by the Board of Directors of the Issuer, which includes but is not limited to the subscription and payment of its shares in the Issuer, before the loans can be sold to the Issuer.

Each Shareholder is a party to the Shareholder Note Purchase Agreement and any new shareholder must accede to the Shareholder Note Purchase Agreement.

Capital Maintenance and Equity Contribution

The parties agree that the Issuer shall, at all times, have a responsible level of equity and subordinated capital, and will comply with the minimum capital requirements, according to the law or guidelines from the Norwegian FSA.

If a Shareholder or a Jointly Owned Bank wishes to transfer loans to the Issuer, that Shareholder or Jointly Owned Bank (as the case may be) must provide equity and/or other subordinated capital by way of a cash contribution/lending to the Issuer. The Board of Directors of the Issuer determines the percentage of such contribution, currently 13% (13.5% from 1 July 2014) of the estimated contributed lending volume, and the distribution on different types of subordinated capital. Such capital must be transferred to the Issuer before the relevant Shareholder or the Jointly Owned Bank (as applicable) can transfer loans to the Issuer. Other capital than equity may also be obtained from the general market, if so decided by the Issuer.

The Shareholders must ensure that the Issuer at all times maintains a minimum Tier 1 Capital ratio of 9%. If necessary in order to maintain the Tier 1 Capital ratio, the Shareholders shall contribute additional Tier 1 Capital within 3 months of a written request from the Issuer. Subject to the defaulting Shareholder provisions outlined below, the Shareholders' obligation to contribute Tier 1 Capital under the Shareholders' Agreement is several and not joint and shall be in accordance with each shareholder's current pro-rata share in the shareholding of the Issuer.

Entry and exit

All Shareholders (Class A and Class B) will be party to the Shareholders' Agreement or accede to the current Shareholders' Agreement.

A Shareholder may resign from the Shareholders' Agreement, provided this is done in accordance with the Transfer and Servicing Agreement, and in such a manner that the Issuer is able to maintain its obligations towards its investors, customers and other counterparties. The resigning Shareholder must also terminate its rights and obligations under the Shareholder Note Purchase Agreement (subject to and in accordance with its terms, including the enduring obligations set out thereunder).

The resigning shareholder's shares shall be re-allocated to the other Shareholders in accordance with the Shareholders' Agreement.

If a Shareholder is in substantial default under the Shareholders' Agreement or the Shareholder Note Purchase Agreement (which includes a failure to contribute Tier 1 Capital pursuant to the obligation outlined above) (a "**Defaulting Shareholder**"), the Issuer or a Shareholder that is not a Defaulting Shareholder may give written notice to the Defaulting Shareholder (copied to the Issuer and the other Shareholders, as applicable):

(a) terminating the Shareholders' Agreement and the Shareholder Note Purchase Agreement (subject to and in accordance with its terms) with respect to the Defaulting Shareholder only and without prejudice to the rights and obligations of the other Shareholders in respect of which the Shareholders' Agreement and the Shareholder Note Purchase Agreement shall be continuing; and

(b) requiring the transfer of the Defaulting Shareholder's shares to the other Shareholders in proportion to their holding in the Issuer

The Issuer may also present a written notice to the Defaulting Shareholder terminating the Transfer and Servicing Agreement with respect to that Defaulting Shareholder (subject to and in accordance with its terms).

If the Transfer and Servicing Agreement entered into by a Shareholder is terminated for any reason, the Shareholders' Agreement and the Shareholder Note Purchase Agreement shall, so far as they relate to that

shareholder, also terminate with effect on the same date, subject to and in accordance with their terms but shall remain in force as regards the other Shareholders and the Issuer.

Transfer and Servicing Agreement

The Shareholders' Agreement requires that there is transfer and servicing agreement between the Issuer and each Shareholder or Jointly Owned Bank (each a "**Transfer and Servicing Agreement**") governing the sale of loans, which will include provisions covering the following:

- Sale of loans from the Shareholder or the Jointly Owned Bank to the Issuer (including the approval of such transfer).
- The relationship between the Issuer and the Shareholder or the Jointly Owned Bank in respect of the loans.
- The relationship between the Issuer and Shareholder's borrowers or the Jointly Owned Bank's borrowers.
- Commission paid by the Issuer to the Shareholder or the Jointly Owned Bank in respect of the purchased loans.
- Termination of the Transfer and Servicing Agreement.
- Default by the Shareholder or the Jointly Owned Bank of its obligations under the Transfer and Servicing Agreement.

Governing law

The Shareholders' Agreement and any non-contractual obligations arising out of or in connection with it are governed by Norwegian law.

For the avoidance of doubt, the obligations of the Shareholders under the Shareholders' Agreement do not constitute a guarantee in respect of amounts due and payable under the Notes. The Notes will be solely obligations of the Issuer and, in particular, will not be obligations of, and will not be guaranteed by, the Shareholders, the Arranger, the Dealers or any other entity. In the event of the Issuer defaulting in its obligations under the Notes (and other covered bonds in issue), the Noteholders hold the benefit of priority of claim over the assets in the cover pool.

2. Shareholder Note Purchase Agreement

General

On 14 June 2013, the Issuer and the Shareholders entered into a shareholder note purchase agreement (the "**Shareholder Note Purchase Agreement**") under the terms of which the Issuer may, from time to time, issue notes (the "**Shareholder Notes**") and put such Shareholder Notes to the Shareholders for the purposes of funding any shortfall in the funds available to the Issuer to pay the final redemption amount in respect of a series of Notes (or other covered bonds issued by the Issuer on a standalone basis) on the relevant maturity date.

Under the Shareholder Note Purchase Agreement, each Shareholder unconditionally and irrevocably undertakes to the Issuer that on the relevant issue date of the Shareholder Notes, upon the demand of the Issuer it will purchase each Shareholder Note offered by the Issuer at a price equal to 100 per cent. of the principal amount of such Shareholder Note.

The Shareholder Notes shall be Notes and shall be issued in accordance with the terms and conditions set out in the Shareholder Note Purchase Agreement.

The Issuer shall apply the proceeds of the Shareholder Notes towards payment of the final redemption amount of the relevant series of Notes on the maturity date thereof.

Requirement to issue Shareholder Notes

On the business day which is 60 days prior to the maturity date (the "**Relevant Maturity Date**") of any series of Notes issued (and if such day is not a business day, the immediately preceding business day) or any other day (the "**Determination Date**"), the Issuer may determine whether it will have (or reasonably expect to have) sufficient funds to pay the final redemption amount in respect of such series of Notes and (if applicable) amounts payable under any related swap agreement. On each Determination Date that the Issuer determines that there would be (or is reasonably likely to be) insufficient funds available to pay the final redemption amount in respect of a series of Notes on the Relevant Maturity Date or amounts payable under any related swap agreement (the "**Shortfall**"), the Issuer shall notify the Shareholders of the amount of that Shortfall.

In making such a determination, the Issuer shall take into account:

(a) interest and principal amounts that will fall due for payment on other series of Notes (including Shareholder Notes) on or prior to the Relevant Maturity Date;

(b) amounts that will fall due for payment to any other holder of Notes (including Shareholder Notes) or to any swap provider on or prior to the Relevant Maturity Date;

(c) (if applicable) currency exchange rates in effect on the Determination Date and, based on such currency exchange rates, the amounts that would (as applicable) be received by the Issuer from any swap provider or be payable to any swap provider by the Issuer, in each case on or prior to the Relevant Maturity Date; and

(d) such other matters that it would be reasonable and prudent for the Issuer to take into account (including the liquidity position of the Issuer).

Issue of Shareholder Notes

On each Determination Date that the Issuer determines that there would be (or is reasonably likely to be) a Shortfall, the Issuer shall notify the Shareholders of the amount of that Shortfall. The Issuer shall arrange for the issuance of Shareholder Notes and offer the same to each Shareholder based on their individual Shareholder Note Commitment (as defined below) in an aggregate amount which is not less than the greater of:

(a) the Shortfall amount (rounded upwards to the nearest NOK 10,000,000); and

(b) the sum of the individual Shareholder Note Commitments of each shareholder, on the basis that no Shareholder Note shall have a denomination of less than NOK 500,000.

The aggregate nominal amount of the Shareholder Notes to be issued in any date (the "**Reference Date**") shall not exceed:

(a) the amount due on the maturity date as set out in the applicable final terms for each series of the Notes (including the Shareholder Notes); and

(b) the amounts payable under any swap agreements, which fall due for payment in the twelve-month period following the Reference Date less

(c) the aggregate amount of all Shareholder Notes in issue and not previously redeemed or repaid by the Issuer on the Reference Date.

Shareholder Note Commitment

The obligation of each Shareholder to purchase a portion of each series of Shareholder Notes (the "**Shareholder Note Commitment**") is several and pro-rated (between the Shareholders) in accordance with each Shareholder's shareholding in the Issuer adjusted to take into account the enduring Shareholder Note Commitments of any Retiring Shareholder (as defined below) (the "**Pro-rata Share**"). In the event that a shareholder fails to purchase its share of Shareholder Notes on an issue date, the remaining Shareholders shall purchase such Shareholder Notes in accordance with their Pro-rata Share, provided that no Shareholder will be obliged to purchase Shareholder Notes on an issue date in an amount greater than twice their initial purchase obligation.

Termination

The Issuer may terminate the Shareholder Note Purchase Agreement by giving one year's notice to each of the Shareholders and the Rating Agency, provided that the Issuer is satisfied that the ratings of the Notes would not be adversely affected as a result of such termination. The Shareholder Note Purchase Agreement may also be terminated prior to the aforementioned one year period if the Issuer enters into an agreement on substantially the same terms as the Shareholder Note Purchase Agreement and the Issuer is satisfied that the ratings of the Notes would not be adversely affected as a result thereof.

If a shareholder (the "**Retiring Shareholder**"):

(a) ceases to be a Shareholder of the Issuer; or

(b) gives not less than 12 months' notice to the Issuer, the other Shareholders (the "**Non-retiring Shareholders**") and the Rating Agency of its intention to terminate its Shareholder Note Commitment,

then the Shareholder Note Commitment of the Retiring Shareholder shall cease on the day immediately following the maturity date (or, if applicable, the extended final maturity date) of the Notes which have the longest dated maturity date, including the extended final maturity date (the "**Longest Dated Notes**") (determined on the date on which the Shareholder ceases to be a Shareholder of the Issuer or, as applicable, the expiry of the 12 month notice period (the "**Reference Date**")). For the avoidance of doubt, the Retiring Shareholder's Shareholder Note Commitment shall continue (on the basis of its shareholder's Pro-rata Share as at the Reference Date) in respect of:

(x) existing Notes with a Maturity Date falling on or before the Maturity Date (or, if applicable, the Extended Final Maturity Date) of the Longest Dated Notes; and

(y) any new Notes which are subsequently issued with a Maturity Date which falls on or before the Maturity Date (or, if applicable, the Extended Final Maturity Date) of the Longest Dated Notes.

unless:

(i) the Retiring Shareholder owns less than 5 per cent. of the shares of the Issuer at the time the notice pursuant to (b) above is given;

(ii) there are, within a two year period after the notice no other shareholder(s) who individually, or when their holding is aggregated with the shares of the Retiring Shareholder, would hold 5 per cent. of the shares of the Issuer;

(iii) the Issuer is satisfied (acting reasonably) that the ratings of the Notes would not be adversely affected;

(iv) the Issuer maintained an AAA rating from the Rating Agency; and

(v) the other Shareholders (acting reasonably) do not object, within 6 months of being made aware of the notice of termination from the Retiring Shareholder, to release the Retiring Shareholder from its Shareholder Note Commitment.

In which case, the Issuer on behalf of the Non-Retiring Shareholders may accept the termination of the Retiring Shareholder's Shareholder Note Commitment on the date falling 2 years after the date of the notice pursuant to (b) above is given.

"**Rating Agency**" means Moody's.

Governing law

The Shareholder Note Purchase Agreement and any non-contractual obligations arising out of or in connection with it are governed by Norwegian law.

For the avoidance of doubt, the obligations of the Shareholders under the Shareholders' Agreement and the Shareholder Note Purchase Agreement do not constitute a guarantee in respect of amounts due and payable under the Notes. The Notes will be solely obligations of the Issuer and, in particular, will not be obligations of, and will not be guaranteed by, the Shareholders, the Originators, the Arranger, the Dealers or any other entity. In the event of the Issuer defaulting in its obligations under the Notes, the Noteholders hold the benefit of priority of claim over the assets in the Cover Pool.

Management

The management of the Issuer, their functions in relation to the Issuer and their principal outside activities (if any) of significance to the Issuer are as follows:

The address of the members of the management of the Issuer, for the purposes of any communication related to the Issuer, is the registered address of the Issuer being PO Box 250, N-4066, Stavanger, Norway.

There are no existing or potential conflicts of interest between any duties owed to the Issuer by its management (as described above) and the private interest and/or other external duties owed by these individuals.

Name	**Position**
Arve Austestad	Chief Executive Officer
Steven Simonsen	Chief Legal Officer
Henning Nilsen	Director, Head of Finance & Risk
Eivind Hegelstad	Chief Operating Officer
Carl Fredrik Hjelle	Risk Manager

All members of the management team of the Issuer also perform the same role at SpareBank 1 Boligkreditt AS. The management of the Issuer are formally employed by SpareBank 1 Boligkreditt AS, except for Steven Simonsen, who is formally employed by SpareBank 1 Gruppen AS. A relevant share of the personnel cost is charged to the Issuer.

Board of Directors

The Issuer's Board of Directors meets regularly and operates as a general management committee under supervision of the Committee of Representatives. The members of the Board of Directors are:

- Kjell Fordal (chair) – CFO, SpareBank 1 SMN;
- Rolf Eigil Bygdnes (deputy chair) – CFO, SpareBank 1 Nord-Norge;
- Knut Oscar Fleten – CEO, SpareBank 1 Hallingdal Valdres;
- Merete Eik – Director, Port of Stavanger;
- Heidi Larsen – Partner & lawyer, Tenden ANS,

all of whom are Board members.

Dag Olav Uddu, Ronny Sørensen, Steinar Haugli are all Deputy Board members who act as substitutes for relevant board members in their absence.

The Board of Directors of the Issuer and SpareBank 1 Boligkreditt AS share the same chairperson, Kjell Fordal, but otherwise consist of different persons. The Board of Directors of both SpareBank 1 Boligkreditt AS and the Issuer hold joint board meetings.

A number of the Issuer's Board of Directors are employed by Shareholders. However, as each of the Shareholders is a shareholder of the Issuer, and the Issuer's primary business is to issue Notes for the benefit of, amongst others, the Shareholders, the Issuer believes that conflicts of interest will not arise. If a member of the Board of Directors were to have a material interest in a matter being considered by the Board of Directors or any of its Committees, such member would not participate in any discussions relating to, or any vote on, such matter pursuant to the Norwegian Private Limited Liability Companies Act and the Financial Services Act.

Pursuant to the Issuer's articles of association, the Board of Directors must consist of a minimum of four and a maximum of 10 members elected by the Committee of Representatives for a period of two years, as well as any deputy members deemed necessary by the Committee of Representatives. The members can be re-elected. The Chairperson of the Board of Directors and the Deputy Chairperson are also elected by the Committee of Representatives.

The Chairperson ensures that the Board of Directors meets at least once each quarter, and in addition, as often as the Issuer's business necessitates, or at the request of a member of the Board of Directors.

The Board of Directors is in charge of the Issuer's operations and its duties include:

- Making decisions on the provision of loans.
- Making decisions on the approval of credit lines and the provision of guarantees, as well as determining the relevant terms of the foregoing.
- Deciding on the investment of applicable assets.
- Granting general powers of attorney or special powers of attorney.
- Appointing the Chief Executive Officer.
- Acting as an audit committee.

The Chief Executive Officer is in charge of the daily operations of the Issuer's business in accordance with instructions determined by the Board of Directors.

Committee of Representatives

The Committee of Representatives consists of six members, elected by the Shareholders at a General Meeting of the Issuer. Members of the Committee of Representatives also perform the same roles at both SpareBank 1 Boligkreditt AS and the Issuer.

The Committee of Representatives consists of:

Arne Henning Falkenhaug, Chair

Sveinung Hestnes, Deputy Chair

Kjersti Hønstad

Hanne Nordgaard

Vegard Sæten

Gudrun Michelsen

The business address for each of the persons listed above is the registered office of the Issuer.

The Committee meets annually, unless otherwise summoned.

According to the articles of association of the Issuer, the Committee of Representatives' role is to:

- supervise the Board of Directors' and the Chief Executive Officer's management of the Issuer, and ensure that the Issuer's strategy is pursued in accordance with legislation, the articles of association of the Issuer and the decisions of the General Meeting and the Committee of Representatives;
- elect the Board of Directors in accordance with the articles of association of the Issuer;
- select an auditor;
- receive information on the Issuer's operations and verify excerpts of the accounts and statements provided by the Control Committee. At meetings of the Committee of Representatives, an individual member can demand information on the Issuer's operations to the extent that such member deems necessary. The Committee of Representatives can initiate investigations by themselves or by committee;
- verify the annual accounts and the audit report, and communicate the Board of Directors' recommended annual accounts and the proposed distributions of profit to the General Meeting. The Board of Directors' proposal and the audit report is sent to the members of the Committee of Representatives no later than one week before they are considered at a meeting of the Committee of Representatives; and
- make statements on relevant matters brought before the Committee of Representatives by the Board of Directors or the Control Committee.

The Committee of Representatives can decide on recommendations for the Board of Directors on any matter. The articles of association of the Issuer stipulate that certain business dealings, not part of the general operations of the Issuer, necessitate the approval of the Committee of Representatives.

Control committee

A Control Committee is elected by the Shareholders at a General Meeting of the Issuer.

According to the articles of association of the Issuer the Control Committee's role is to supervise the Issuer's operations, including disposals by the Board of Directors, and ensure that the operations of the Issuer are in accordance with prevailing legislation and regulations, amongst other matters.

The Control Committee consists of:

Kjersti Hønstad, Chair

Solveig Midtbø

Ola Neråsen

Brigitte Ninauve

The business address for each of the persons listed above is the registered office of the Issuer. Members of the Control Committee also perform the same roles at both SpareBank 1 Boligkreditt AS and the Issuer

Nomination Committee

A Nomination Committee is elected by the Shareholders at a General Meeting of the Issuer. According to the articles of association of the Issuer, the Nomination Committee prepares any election carried out at the General Meeting or by the Committee of Representatives.

The Nomination Committee consists of:

Finn Haugan, Chair

Bjørn Engaas

Richard Heiberg

Arne Austreid

Jan Frode Jansen

The business address for each of the persons listed above is the registered office of the Issuer. Members of the Nomination Committee also perform the same roles at both SpareBank 1 Boligkreditt AS and the Issuer.

External Auditor

An external auditor is appointed by the Committee of Representatives. The external auditor performs the statutory confirmation of the financial information provided by the Issuer in its public accounts. The external auditor attends the meetings of the Board of Directors at which the annual accounts are reviewed.

The external auditor has not provided the Issuer with non-audit services of any significance. Any such services from the external auditor must comply with sections 4-5 of the Norwegian Auditors Act.

The current external auditor is Deloitte AS.

Internal audit

Internal audit is a tool for the Board of Directors and management to ensure that the risk management process is goal-orientated, effective and functions as anticipated. The Issuer's internal audit function has been outsourced and is performed by KPMG AS.

The internal auditor reports to the Board of Directors and its reports and recommendations relating to improvements in the Issuer's risk management are constantly reviewed and implemented.

Financial Summary

The unaudited financial statements for the Issuer for the quarter ended 31 March 2014 are available beginning on page 7 of the 2014 1st Quarterly Report. The audited annual financial statements for the Issuer for the year ended 31 December 2013 are available beginning on page 9 of the 2013 Annual Report. The audited annual financial statements for the Issuer for the year ended 31 December 2012 are available beginning on page 6 of the 2012 Annual Report. See also "*Documents Incorporated by Reference*".

Material Contracts

Other than the Shareholders' Agreement, the Shareholder Note Purchase Agreement and the Transfer and Services Agreements, the Issuer has not entered into any material contracts outside the ordinary course of its business.

Recent Developments

There have been no events since 31 March 2014 which are particular to the Issuer and which are to a material extent relevant to the evaluation of the Issuer's solvency.

OVERVIEW OF THE SWAP AGREEMENTS

Currency Swap Agreements

The Issuer will enter into Currency Swaps from time to time with Currency Swap Providers by executing ISDA Master Agreements (including schedules, confirmations and, in each case, a credit support annex) (each such agreement, a "**Currency Swap Agreement**" and each of the transactions thereunder, a "**Currency Swap**"), in order to hedge currency risks arising between (a) the Notes issued in currencies other than NOK and (b) assets forming part of the Cover Pool but denominated in NOK, subject always to the requirements as referred to in "*Overview of the Norwegian Legislation regarding Covered Bonds (obligasjoner med fortrinnsrett)*". Where the Issuer enters into Currency Swaps with the same counterparty, these may be entered into under the same ISDA Master Agreement.

Ratings downgrade

Under each of the Currency Swap Agreements, in the event that the relevant rating(s) of a Currency Swap Provider are downgraded by a rating agency below the rating(s) specified in the relevant Currency Swap Agreement (in accordance with the requirements of the rating agencies) for such Currency Swap Provider, the relevant Currency Swap Provider will, in accordance with the relevant Currency Swap Agreement, be required to take certain remedial measures which may include providing additional collateral for its obligations under the relevant Currency Swap, arranging for its obligations under the relevant Currency Swap to be transferred to an entity with rating(s) required by the relevant rating agency as specified in the relevant Currency Swap Agreement (in accordance with the requirements of the relevant rating agency), procuring another entity with rating(s) required by the relevant rating agency as specified in the relevant Currency Swap Agreement (in accordance with the requirements of the relevant rating agency) to become a co-obligor or guarantor, as applicable, in respect of its obligations under the relevant Currency Swap Agreement or taking some other action as it may agree with the relevant rating agency.

Termination events

The Currency Swap Agreements will or may be terminated under certain circumstances, including the following:

- at the option of one party to the relevant Currency Swap Agreement, if there is a failure by the other party to pay any amounts due under that Currency Swap Agreement and any applicable grace period has expired;
- at the option of the Issuer, upon the occurrence of an insolvency of the relevant Currency Swap Provider or its guarantor, or the merger of the relevant Currency Swap Provider without an assumption of its obligations under the relevant Currency Swap Agreement, or if a material misrepresentation is made by the relevant Currency Swap Provider under the Currency Swap Agreement, or if the relevant Currency Swap Provider defaults under an over-the-counter derivatives transaction under another agreement between the Issuer and such Currency Swap Provider or if a breach of a provision of the relevant Currency Swap Agreement by the Currency Swap Provider is not remedied within the applicable grace period;
- if a change in law results in the obligations of one party becoming illegal or if a force majeure event occurs;
- if withholding taxes are imposed on payments by the Issuer or by the relevant Currency Swap Provider under the relevant Currency Swap Agreement due to a change in law; and

- if the relevant Currency Swap Provider or its guarantor, as applicable, is downgraded and fails to comply with the requirements of the ratings downgrade provisions contained in the relevant Currency Swap Agreement and described above under "*Ratings downgrade*".

A non-payment event described in the first point above will only occur in relation to the Issuer if it has sufficient cash constituting substitute assets to make payments due to the Currency Swap Provider but it does not make those payments. In all other circumstances if the amount paid by the Issuer to the Currency Swap Provider is less than would ordinarily be paid, this will not give rise to a termination right, but rather the obligation of the Currency Swap Provider to pay an amount back to the Issuer will be reduced by a corresponding amount (both such payments, the "**Reduced Payments**") and the obligation of both parties to pay the difference between the Reduced Payments and the amounts that would ordinarily have been paid will be deferred.

In addition, the bankruptcy administrator may terminate the Currency Swaps in whole or in part in accordance with the Norwegian legislation.

Upon the occurrence of a swap early termination event, the Issuer or the relevant Currency Swap Provider may be liable to make a termination payment to the other. The amount of any termination payment will be based on a good faith determination of total losses and costs (or gains) as to the cost of entering into a swap with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (which may be determined following consideration of quotations sought from leading dealers, relevant market data and information from internal sources), and will include any unpaid amounts that became due and payable prior to termination. Any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

Noteholders will not receive extra amounts (over and above interest and principal payable on the Notes) as a result of the Issuer receiving a termination payment from a Currency Swap Provider.

Transfer

Each Currency Swap Provider may, subject to certain conditions specified in the relevant Currency Swap Agreement, transfer its obligations under any Currency Swap Agreement to another entity.

Taxation

Either party may be obliged to gross up payments made by it to the other party if withholding taxes are imposed on payments made under a Currency Swap. However, if, due to a change in law, either the Issuer or the Currency Swap Provider is required to gross up a payment under a Currency Swap or to receive a payment under a Currency Swap from which an amount has been deducted or withheld, either the Issuer or the relevant Currency Swap Provider, as the case may be, may terminate the relevant Currency Swap.

The Currency Swap Agreements will be governed by English law.

The Currency Swap Provider will rank *pari passu* with the Noteholders in respect of their claims against the Issuer in respect of assets registered to the Cover Pool.

Interest Rate Swap Agreements

The Issuer may also, from time to time, enter into additional interest rate swaps with Interest Rate Swap Providers by executing an ISDA Master Agreement (including schedules, confirmations and, in each case, a credit support annex) (each such agreement, an "**Interest Rate Swap Agreement**" and each of the transactions thereunder, an "**Interest Rate Swap**"), in order to hedge the Issuer's interest rate risks in NOK and/or other currencies to the extent that these have not already been hedged by the Currency Swap, subject always to the requirements as referred to in "*Overview of the Norwegian Legislation regarding Covered*

Bonds (Obligasjoner med fortrinnsrett)". Where the Issuer enters into Interest Rate Swaps with the same counterparty, these may be entered into under the same ISDA Master Agreement.

Ratings downgrade

Under each of the Interest Rate Swap Agreements, in the event that the relevant rating(s) of an Interest Rate Swap Provider are downgraded by a rating agency below the rating(s) specified in the relevant Interest Rate Swap Agreement (in accordance with the requirements of the rating agencies) for such Interest Rate Swap Provider, the relevant Interest Rate Swap Provider will, in accordance with the relevant Interest Rate Swap Agreement, be required to take certain remedial measures which may include providing additional collateral for its obligations under the relevant Interest Rate Swap, arranging for its obligations under the relevant Interest Rate Swap to be transferred to an entity with rating(s) required by the relevant rating agency as specified in the relevant Interest Rate Swap Agreement (in accordance with the requirements of the relevant rating agency), procuring another entity with rating(s) as specified in the relevant Interest Rate Swap Agreement (in accordance with the requirements of the relevant rating agency) to become a co-obligor or guarantor, as applicable, in respect of its obligations under the relevant Interest Rate Swap Agreement or taking some other actions as it may agree with the relevant rating agency.

Termination events

The Interest Rate Swap Agreements will or may be terminated under certain circumstances, including the following:

- at the option of one party to the relevant Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under that Interest Rate Swap Agreement and any applicable grace period has expired;
- at the option of the Issuer, upon the occurrence of an insolvency of the relevant Interest Rate Swap Provider or its guarantor, or the merger of the relevant Interest Rate Swap Provider without an assumption of its obligations under the relevant Interest Rate Swap Agreement, or if a material misrepresentation is made by the relevant Interest Rate Swap Provider under the Interest Rate Swap Agreement, or if the relevant Interest Rate Swap Provider defaults under an over-the-counter derivatives transaction under another agreement between the Issuer and such Interest Rate Swap Provider or if a breach of a provision of the relevant Interest Rate Swap Agreement by the Interest Rate Swap Provider is not remedied within the applicable grace period;
- if a change in law results in the obligations of one party becoming illegal or if a force majeure event occurs;
- if withholding taxes are imposed on payments by the Issuer or by the relevant Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement due to a change in law; and
- if the relevant Interest Rate Swap Provider, or its guarantor, as applicable, is downgraded and fails to comply with the requirements of the ratings downgrade provisions contained in the relevant Interest Rate Swap Agreement and described above under "Ratings downgrade".

In addition, the bankruptcy administrator may terminate the Interest Rate Swaps in whole or in part in accordance with the Norwegian legislation.

Upon the occurrence of a swap early termination event, the Issuer or the relevant Interest Rate Swap Provider may be liable to make a termination payment to the other. The amount of any termination payment will be based on a good faith determination of total losses and costs (or gains) as to the cost of entering into a swap with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (which may be determined following consideration of quotations

sought from leading dealers, relevant market data and information from internal sources), and will include any unpaid amounts that became due and payable prior to termination. Any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

Noteholders will not receive extra amounts (over and above interest and principal payable on the Notes) as a result of the Issuer receiving a termination payment from an Interest Rate Swap Provider.

Transfer

Each Interest Rate Swap Provider may, subject to certain conditions specified in the relevant Interest Rate Swap Agreement, transfer its obligations under any Interest Rate Swap to another entity.

Taxation

Either party may be obliged to gross up payments made by it to the other party if withholding taxes are imposed on payments made under an Interest Rate Swap. However, if, due to a change in law, either the Issuer or the Interest Rate Swap Provider is required to gross up a payment under an Interest Rate Swap or to receive a payment under an Interest Rate Swap from which an amount has been deducted or withheld, either the Issuer or the relevant Interest Rate Swap Provider, as the case may be, may terminate the relevant Interest Rate Swaps.

The Interest Rate Swap Agreements will be governed by English law.

The Interest Rate Swap Providers will rank *pari passu* with the Noteholders in respect of their claims against the Issuer in respect of assets registered to the Cover Pool.

Where the Issuer enters into interest rate swap transactions and/or currency swap transactions with the same counterparty these may be entered into under the same ISDA Master Agreement.

Eligibility Criteria for Swap Providers

The Issuer will only enter into Swaps with entities which are "qualified counterparties" for the purposes of the Act.

BOOK ENTRY CLEARING IN RESPECT OF VPS NOTES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither of the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Verdipapirsentralen (VPS)

Verdipapirsentralen ASA is a Norwegian public limited liability company which in 2003 was granted a licence to conduct the business of registering financial instruments in Norway in accordance with the Act of 5 July 2002 no. 64 on the Registration of Financial Instruments (the "**VPS Act**"). The VPS Act requires that, among other things, all notes and bonds issued in Norway shall be registered in the VPS (the "**VPS Securities**"), except notes and bonds issued by Norwegian issuers outside Norway and (i) denominated in Norwegian kroner with subscription limited to non-Norwegian tax residents only or (ii) issued outside Norway in another currency than Norwegian kroner.

VPS is a paperless securities registry and registration of ownership, transfer and other rights to financial instruments are evidenced by book entries in the registry. Any issuer of VPS Securities will be required to have an account (issuer's account) where all the VPS Securities are registered in the name of the holder and each holder is required to have her/his own account (investor's account) showing such person's holding of VPS Securities at any time. Both the issuer and the VPS Noteholder will, for the purposes of registration in the VPS, have to appoint an account operator which will normally be a Norwegian bank or Norwegian investment firm.

It is possible to register a holding of VPS Securities through a nominee approved by the Financial Supervisory Authority of Norway.

TAXATION

The following is a general description of certain Norwegian, Luxembourg and participating Member States (as defined below) tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Norway, Luxembourg and participating Member States (as defined below) of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This overview is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Norwegian Tax – non-residents

Taxation on Interest

Interest paid to a non-resident holder of Notes will not be subject to Norwegian income or withholding tax. Such holder of Notes may, however, be subject to taxation if the holding of Notes is effectively connected with a business carried on by the holder of Notes in Norway.

Such tax liability may be modified through an applicable tax treaty.

Taxation of Capital Gains

A non-resident holder of Notes is not taxed in Norway on gains derived from the sale, disposal or redemption of the Notes. Such holder of Notes may, however, be subject to taxation if the holding of Notes is effectively connected with a business carried on by the holder of Notes in Norway.

Such tax liability may be modified through an applicable tax treaty.

Wealth Tax

Norway does not levy any property tax or similar taxes on the Notes.

An individual non-resident holder of Notes is not subject to wealth tax, unless the holding of Notes is effectively connected with a business carried on by the holder of Notes in Norway.

Such tax liability may be modified through an applicable tax treaty.

Transfer Tax

There is currently no Norwegian transfer tax on the transfer of Notes.

Norwegian Taxation – Norwegian residents

The statements herein regarding taxation are based on the laws in force in Norway as of the date of this Base Prospectus and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis. The following overview does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes under the Programme. Investors are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of such Notes.

Introduction

The tax consequences described below apply to Noteholders who are tax resident in Norway ("**Norwegian Noteholders**").

In the following paragraphs, it is assumed that the Notes are held in the form of bearer bonds or debentures (*mengdegjeldsbrev*).

Taxation of interest

For Norwegian Noteholders, interest on bonds (such as the Notes) is taxable as "ordinary income" subject to a flat rate of 27 per cent. This applies irrespective of whether the Norwegian Noteholders are individuals or corporations. For Norwegian taxpayers with a statutory obligation to keep accounting records interest is taxed on an accruals basis (i.e. regardless of when the return is actually paid). For other Norwegian taxpayers accrued interest is, as a general rule, taxed when the interest is actually paid.

Taxation upon disposal or redemption of the Notes

Redemption at the relevant Maturity Date of the Notes as well as prior disposal of the Notes is treated as a realisation of such Notes and will trigger a capital gain or loss for Norwegian Noteholders under Norwegian tax law. Capital gains will be taxable as "ordinary income", subject to the flat rate of 27 per cent. Losses will be deductible from a Norwegian Noteholder's "ordinary income", which is taxed at the same rate.

Any capital gain or loss is computed as the difference between the amount received by the Norwegian Noteholder on realisation and the cost price of the Notes. The cost price is equal to the price for which the Norwegian Noteholder acquired the Notes. Costs incurred in connection with the acquisition and realisation of the Notes may be deducted from a Norwegian Noteholder's taxable income in the year of the realisation.

Net wealth taxation

The value of the Notes held by a Norwegian Noteholder at the end of each income year will be included in the computation of his/her taxable net wealth for municipal and state net wealth tax purposes. Under Norwegian tax law, listed notes are valued at their quoted value on 1 January in the relevant assessment year. The marginal rate of net wealth tax is 1.1 per cent.

Limited liability companies and certain similar entities are exempt from net wealth taxation.

Transfer taxes etc. VAT

No transfer taxes, stamp duty or similar taxes are currently imposed in Norway on purchase, disposal or redemption of securities such as the Notes. Furthermore, there will be no VAT payable in Norway on the transfer of the Notes.

Inheritance and gift tax

When the Notes are transferred either through inheritance or as a gift, such transfer may give rise to inheritance or gift tax in Norway if the decedent, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway. However, in the case of inheritance tax, if the decedent was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied if inheritance tax or a similar tax is levied by the decedent's country of residence. Irrespective of residence or citizenship, Norwegian inheritance tax may be levied if the Notes are held in connection with the conduct of trade or business in Norway. The basis for the inheritance or gift tax calculation is the market value of the Notes at the time the transfer takes place.

Withholding under the EU Savings Directive and other withholding taxes

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

Investors who are in any doubt as to their position should consult their professional advisers.

Luxembourg Taxation

The following overview is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) *Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 as amended (the "**Laws**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**"), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent unless specific information is provided to the Luxembourg tax authorities. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect as from 1 January 2015.

(ii) *Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the "**Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

The proposed financial transactions tax ("FTT") for participating Member States

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the current European Commission proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Sections 1471 through 1474 of the Code and Treasury regulations and administrative guidance promulgated thereunder ("**FATCA**") impose a withholding tax of 30 per cent. on certain payments by non-U.S. entities (such as the Issuer) to persons that fail to meet certain certification or reporting requirements. If the Issuer (or relevant intermediary) enters into and complies with an agreement with the IRS (an IRS Agreement), this

withholding tax may be imposed on a portion of payments on the Notes to any recipient (including an intermediary) that has not entered into an IRS Agreement or otherwise established an exemption from FATCA, including by providing certain information and forms or other documentation requested by the Issuer or any relevant intermediary. Withholding should not be required with respect to payments on the Notes until after 31 December, 2016 and then only on Notes issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register. Neither a holder nor a beneficial owner of Notes will be entitled to any additional amounts in the event such withholding tax is imposed. Certain beneficial owners may be eligible for a refund of amounts withheld as a result of FATCA.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including Norway) have entered into intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme (together, the ICSDs), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary/common safekeeper, given that each of the entities in the payment chain from the Issuer to the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA-compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

The application of FATCA to Notes issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register, may be addressed in the relevant Final Terms or a Supplement to this Base Prospectus, as applicable.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the "**Programme Agreement**") dated on or around 28 May 2014, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*", "*Terms and Conditions of the Ordinary Notes*" and "*Terms and Conditions of the VPS Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the term "**Notes**" means all Notes and the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer, represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Norway

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree that, unless the Issuer has confirmed in writing to each Dealer that the Base Prospectus have been filed with the Financial Supervisory Authority of Norway, it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Norway or to residents of Norway except:

(a) in respect of an offer of Notes addressed to investors subject to a minimum purchase of Notes for a total consideration of not less than €100,000 per investor;

(b) to "professional investors" as defined in Section 7-1 in the Norwegian Securities Regulation of 29 June 2007 no. 876;

(c) to fewer than 150 natural or legal persons (other than "professional investors" as defined in Section 7-1 in the Norwegian Securities Regulation of 29 June 2007 no. 876), subject to obtaining the prior consent of the relevant Dealer or Dealers for any such offer;

(d) in any other circumstances provided that no such offer of Notes shall result in a requirement for the registration, or the publication by the Issuer or the Dealer or Dealers of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

The Notes shall be registered with the Norwegian Central Securities Depository unless (i) the Notes are denominated in NOK and offered or sold outside of Norway to non-Norwegian tax residents only, or (ii) the Notes are denominated in a currency other than NOK and offered or sold outside of Norway.

General

Each Dealer agrees and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 23 October 2013.

Approval of the Base Prospectus, Admission to Trading and Listing of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Ordinary Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Investment Services Directive.

The price of the Ordinary Notes on the Luxembourg Stock Exchange will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be listed on the Luxembourg Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Note, a Permanent Global Note or a Registered Global Note initially representing the Notes of such Tranche.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and in Luxembourg:

(i) the constitutional documents (with an English translation thereof) of the Issuer;

(ii) the most recently published audited financial statements of the Issuer in respect of the financial year ended 31 December 2012 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited accounts on an annual basis;

(iii) the most recently published audited financial statements of the Issuer in respect of the financial year ended 31 December 2013 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited accounts on an annual basis;

(iv) the most recently published unaudited financial statements of the Issuer in respect of the quarter ended 31 March 2014 (with an English translation thereof).

(v) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Definitive Notes and the Coupons and the Talons;

(vi) a copy of this Base Prospectus;

(vii) any future prospectuses, information memoranda and supplements including Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for

inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

(viii) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, copies of this Base Prospectus, each Final Terms relating to Notes (other than VPS Notes) which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (www.bourse.lu).

Investors should consult the Issuer should they require a copy of the ISDA Definitions.

Clearing Systems

The Bearer Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system (including the VPS) the appropriate information will be specified in the applicable Final Terms. Euroclear; Clearstream, Luxembourg; and the VPS are the entities in charge of keeping the records.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Change

There has been no material adverse change in the prospects of the Issuer since 31 December 2013 and there has been no significant change in the financial or trading position of the Issuer since 31 December 2013.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Dealers Transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Auditors

The auditors of the Issuer are Deloitte AS (the "**Auditors**"), a member of the Norwegian Institute of Public Accountants (*Den norske Revisorforening*), who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in Norway for each of the two financial years ended on 31 December 2012 and 31 December 2013, respectively. The Auditors have no material interest in the Issuer.

Post-Issuance Information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Note.

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