



# TERRA BOLIGKREDITT AS

*(incorporated with limited liability in Norway)*

**€20,000,000,000**

## **Euro Medium Term Covered Note Programme**

Under this €20,000,000,000 Euro Medium Covered Term Note Programme (the **Programme**), Terra BoligKreditt 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 or uncertificated book entry form (the **VPS Notes**) cleared through the Norwegian Central Securities Depository, the *Verdipapirsentralen ASA* (the **VPS**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €20,000,000,000 (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 one or more of the Dealers specified under “*Overview 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 Offering Circular 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 Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s Regulated Market and have been admitted to the Official List. The London Stock Exchange’s Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

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 Notes other than VPS Notes*” and “*Terms and Conditions of the VPS Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange.

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 Programme has been rated Aa2 by Moody’s Investors Service Limited. Notes issued under the Programme may be rated or unrated. Where a certain Series of Notes is rated, such rating will be specified in the applicable Final Terms and its rating will not necessarily be the same as the rating assigned to the Programme. A security 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 credit rating agency. For the purposes of any credit ratings included and referred to in this Offering Circular and/or the Final Terms, each of Moody’s Investors Service Limited, Standard & Poor’s Credit Market Services Europe Limited, Fitch Ratings Limited is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).

*Arranger and Dealers*

**UBS Investment Bank**

The date of this Offering Circular is 19 October 2012.

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This Offering Circular comprises a 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 Offering Circular 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 Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Copies of Final Terms will be available from the registered office of the Issuer and (in the case of Notes other than VPS Notes) the specified office set out below of each of the Paying Agents (as defined herein) or (in the case of VPS Notes) the VPS Agent (as defined herein), as applicable.

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 Offering Circular or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular 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 Offering Circular 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 or any of the Dealers.

Neither this Offering Circular 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 or any of the Dealers that any recipient of this Offering Circular 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 Offering Circular 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 or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular 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 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 Offering Circular 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 Offering Circular 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 Offering Circular 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 or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular 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 Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular 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*”.

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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 Offering Circular 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; and
- (v) 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 advisers 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 **NKR**, **NKr** or **NOK** refer to Norwegian Kroner. In addition, all references to **Sterling** and **£** refer to pounds sterling and to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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**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)) 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.**

## Overview of the Programme

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.*

This Overview 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.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes other than VPS Notes*” and “*Terms and Conditions of the VPS Notes*” shall have the same meanings in this Overview.

|                                     |   |
|-------------------------------------|---|
| Issuer:                             | Terra BoligKreditt AS   |
| 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 “ <i>Risk Factors</i> ” below and include credit risk, liquidity risk, operational risks and competition. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include certain risks relating to the structure of particular Series of Notes and certain market risks.  |
| Description:                        | Euro Medium Term Covered Note Programme   |
| Arranger:                           | UBS Limited   |
| Dealers:                            | UBS Limited<br>UBS AG<br><br>and any other Dealers appointed in accordance with the Programme Agreement.  |
| 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 in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.<br><br><b>Notes having a maturity of less than one year</b><br>Notes having a maturity of less than one year will, if the proceeds of the issue 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 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”. |
| Issuing and Principal Paying Agent: | Citibank, N.A, London Branch  |
| VPS Agent:                          | DNB Bank ASA  |
| VPS Trustee:                        | Norsk Tillitsmann ASA   |
| Programme Size:                     | Up to €20,000,000,000 (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.  |

## Overview of the Programme

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| 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, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.  |
| 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.  |
| 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 " <i>Terms and Conditions of the Notes other than VPS Notes</i> " and " <i>Terms and Conditions of the VPS Notes</i> "), provided that any amount representing the amount due on the Maturity Date as set out in the applicable Final Terms (the <b>Final Redemption Amount</b> ) 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. |
| Issue Price:           | Notes will 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:         | <p>The Notes will be issued in bearer form or, in the case of VPS Notes, uncertificated book entry form, as specified in the Final Terms.</p> <p>Each Note (other than VPS Notes) 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.</p> <p>VPS Notes will not be evidenced by any physical note or document of title. Entitlements to VPS Notes will be evidenced by the crediting of VPS Notes to accounts with the VPS. VPS Notes will not be exchangeable for bearer notes and <i>vice versa</i>. See "<i>Form of the Notes</i>" below.</p> <p>VPS Notes will not be exchangeable for Notes not in VPS form and <i>vice versa</i>.</p>   |
| 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:   | <p>Floating Rate Notes will bear interest at a rate determined:</p> <p>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by 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 of the relevant Series); or</p>   |

## Overview of the Programme

- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, 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.

### Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

### Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes having a maturity of less than one year*" above.

### Denomination of Notes:

The 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 amount 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 — 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 would otherwise 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 any Tax Jurisdiction as provided in Condition 7 of the Terms and Conditions of the Notes other than VPS Notes and Condition 6 of the Terms and Conditions of the VPS Notes, unless such withholding or deduction is required by law. In the event of any such withholding or deduction, the Issuer will not pay additional amounts to cover the amounts so withheld or deducted.

### Events of Default:

The terms of the Notes will not contain events of default.

## Overview of the Programme

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| Status of the Notes:              | <p>The Notes are issued on an unconditional and unsubordinated basis and in accordance with the Act (as defined under “<i>Terms and Conditions of the Notes other than VPS Notes</i>” and “<i>Terms and Conditions of the VPS Notes</i>”). The Notes and any other securities issued by the Issuer in accordance with the Act (together, the <b>Covered Bonds</b>), together with the Issuer’s obligations under the swaps and any other derivative instruments entered into by the Issuer in connection with the Covered Bonds (the <b>Covered Bond Swaps</b>), have the benefit of priority of claim to a cover pool of certain registered eligible assets (the <b>Cover Pool</b>) upon bankruptcy of the Issuer. See also “<i>Summary of the Norwegian Legislation regarding Covered Bonds (obligasjoner med fortrinnsrett)</i>” below.</p>   |
| Rating:                           | <p>Notes issued under the Programme may be rated or unrated. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms.</p>  |
| Listing and admission to trading: | <p>Application has been made to the UK Listing Authority for Notes issued under the Programme (other than VPS Notes) to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market.</p> <p>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 Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Notes are to be VPS Notes or not and whether such Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>  |
| Governing Law:                    | <p>The Notes (other than the VPS Notes) and all non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law save for Condition 2 of the Terms and Conditions of the Notes other than VPS Notes which will be governed by and construed in accordance with Norwegian Law.</p> <p>VPS Notes and all non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law, save for Conditions 2, 10, 11 and 12 of the Terms and Conditions of the VPS Notes and all non-contractual obligations arising out of or in connection with them which will be governed by and construed in accordance with Norwegian law.</p> <p>The 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 legislation.</p> |
| Selling Restrictions:             | <p>There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Norway), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “<i>Subscription and Sale</i>”.</p>   |



## Overview of the Programme

Liquidity requirements:

The Issuer has established systems for prudent liquidity management for the purpose of meeting its payment obligations in respect of interest and principal due and payable on the Covered Bonds issued by it from time to time in accordance with the requirements of the Act and Regulations. See also “*Summary of the Norwegian Legislation regarding Covered Bonds (obligasjoner med fortrinnsrett)*” below.

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## Risk Factors

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which 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.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

The Issuer's business mainly involves the risks outlined below. In the context of Covered Bonds it should be noted that the amendment to Chapter 2, Subsection IV of the Norwegian Financial Institutions Act of 1988 (the **Act**) and the regulations of 25 May 2007 issued by the Ministry of Finance under the authority conferred on it by the Act (the **Regulations**) impose several obligations on the Issuer (such as matching requirements) that are designed to mitigate some of those risks, see "*Summary of the Norwegian Legislation Regarding Covered Bonds*".

#### **Credit risk**

This business risk principally pertains to credit risks on the Issuer's customers in the domestic market for residential mortgages. Due to low interest rate levels and significant increases in disposable incomes house prices have increased significantly for several years. There is thus a risk of decreasing house prices, particularly if interest rates rise and/or there is a downturn in the Norwegian economy. Significant growth in levels of indebtedness has increased the financial vulnerability for some residential mortgage borrowers. There is thus a risk of loan losses due to reduced debt service capabilities as well as foreclosures. This risk is mitigated by the Issuer's conservative lending policies regarding debt-to-income ratios and loan-to-value ratios.

#### **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 Offering Circular, high levels of government debt in many European countries and slow growth has caused renewed concerns. In order to reduce the high levels of government debt, many countries have been forced to implement austerity programs resulting in high levels of unemployment and poor growth prospects in the short to medium term. The Norwegian economy has so far, driven by oil revenues, been less impacted by the financial unrest, but uncertainty is also high 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 in 2011 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 tight lending markets, and Norwegian banks should, according to the Financial Supervisory Authority in Norway, make their funding even more robust by expanding their liquidity buffers, putting their funding on a longer-term footing and improving their liquidity management.

On the whole, the Norwegian economy is strong mainly due to a high oil price driving strong growth in the petroleum industry including suppliers to the petroleum industry, and the construction industry. 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 in a number of areas. The continued existence of these vulnerabilities could have an adverse effect on the Issuer's future results.

## Risk Factors

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Further, it is not possible to predict what structural and/or regulatory changes may result from the financial crisis and sovereign debt crisis in Europe 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 including oil prices, 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, credit quality and increases in defaults and non-performing debts, which may have a negative impact on the rating, business and results of operations of the Issuer.

### 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, maintaining a liquidity portfolio of highly liquid assets in order to pre-fund upcoming redemptions, and liquidity facilities under which the Issuer may require its covered bonds to be purchased by (i) DNB Bank ASA up to a maximum aggregate nominal amount of NOK 1,000,000,000 and/or (ii) the Terra BoligKreditt Distributors (as defined below) up to a maximum aggregate nominal amount equivalent to the aggregate nominal amount of any Notes issued under the Programme that will mature in any rolling 12 month period (although the commitment of each individual Terra BoligKreditt Distributor in respect of any such covered bonds will be based on the relevant Terra BoligKreditt Distributor's *pro rata* share of the total contributed lending volume to the Issuer) (see "*Terra BoligKreditt AS — Risk management*").

### Operational risks

The Issuer's business involves operational risks. Operational risks are defined by the Issuer 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.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

### Political risk

The Issuer's business is subject to regulation and regulatory supervision. Any significant regulatory developments could have an effect on how the Issuer conducts its business and on the Issuer's results of operations. The Issuer is subject to financial services laws, regulations, administrative actions and policies in Norway. This supervision and regulation, if changed, could materially affect the Issuer's business, the products and services it offers or the value of its assets.

### Competition

The Issuer's business is subject to risks related to the competitive position of the Issuer. The Norwegian market for retail mortgages have experienced increased pressure on lending margins. The Issuer believes it is well positioned to compete with its competitors, particularly since the issuance of covered bonds enables competitive funding levels, however there can be no assurance that increased competition will not adversely affect the Issuer. In addition, if competitors undercut prices offered to retail customers significantly in the long term the Issuer might lose market share and a significant reduction in the mortgage portfolio might have an adverse effect on the ability to effectively service the Notes issued.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

### Notes obligations of the Issuer only

The Notes will be solely obligations of the Issuer and will not be obligations of or guaranteed by any other entity. In particular, the Notes will not be obligations of, and will not be guaranteed by, the Arranger, the Dealers, the Swap Providers, the 79 small and medium sized Norwegian savings banks and Oslo Bolig og

## Risk Factors

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Sparelag which together own the Issuer (the **Terra BoligKreditt Distributors**) or 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 shall be accepted by any of the Arranger, the Dealers, the Swap Providers, the Terra BoligKreditt Distributors or any company in the same group of companies as such entities or any other party to the transaction documents relating to the Programme.

### Credit risk

Credit risk, or counterparty default risk, is the risk of a loss that occurs due to default by a business partner or the downgrading of a business partner's credit rating. The term "credit risk" also includes replacement risk and settlement risk.

### 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.

Exchange rate risks occur for the Issuer if the present value of assets and liabilities, including derivatives, in foreign currencies do not coincide. However, the risk is limited by the use of Currency Swaps and by matching interest rate flow with the maturity of loan and other assets of the Issuer.

### Interest rate risk

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 involve a risk of interest rate changes.

Interest rate risks occur when fixed interest periods of interest basis for assets and liabilities do not coincide. The Issuer will enter into the Interest Rate Swaps to ensure that the risks do not exceed the limit values approved by the board of directors and to ensure that matching is maintained in accordance with the Act.

### Liquidity risk

Notes may have no established trading market when issued, and one may never develop. If a market does develop, 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. Illiquidity may have a severely adverse effect on the market value of Notes.

### No gross-up

Under the Terms and Conditions of the Notes other than VPS Notes and the Terms and Conditions of the VPS Notes, 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 Terms and Conditions of the Notes other than VPS Notes and the Terms and Conditions of the VPS Notes do not require the Issuer to pay additional amounts in respect of such withholding or deduction.

## RISKS RELATING TO THE COVER POOL

### Non-compliance with matching rules and bankruptcy of the Issuer

The Act and Regulations provide that holders of covered bonds (and also counterparties 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 and the counterparties under derivatives agreements relating to the covered bonds, over a pool of certain security assets (the **Cover Pool**). The Act requires the value of the assets in the Cover Pool to at all times exceed the value of the claims on the Cover Pool. See "*Summary of the Norwegian Legislation Regarding Covered Bonds (obligasjoner med fortrinnsrett)*".

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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 Covered Bonds.

In the event of bankruptcy of the Issuer, timely payments shall be made on the Notes provided the Cover Pool is essentially in compliance with the statutory requirements. Bankruptcy or negotiation of debt or public administration of a mortgage credit institution shall not in itself be sufficient cause for termination or similar remedy by holders of Covered Bonds 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 payments on the Notes, including selling assets in the Cover Pool and issuing new Covered Bonds and entering into new derivative instruments. The Creditors' Committee is required to notify 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 the contractual payments due to the Noteholders and Swap Providers up to the agreed redemption or termination date or if an imminent change would ensure such contractual payments is unlikely, then the Creditors' Committee shall set a date to halt payments. A halt to payments shall be introduced even if the Cover Pool assures timely ongoing payments in the short term. Where a halt to payment is introduced, the further administration in respect of the Issuer shall continue in accordance with Norwegian bankruptcy law, the Creditors' Committee shall inform the Noteholders and Swap Providers of the halt to payments and the date on which such halt to payments will be introduced at the earliest opportunity, and it will consult with them in relation to any material decisions in respect thereof.

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 was introduced. The calculation shall represent the present value of the relevant claim, as duly discounted in accordance with the terms of the Act and the Regulations. This provides 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; 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 Maturity Date except where the Extended Maturity Date has already been invoked in respect of that Series of 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. The Noteholders would in such case rank *pari passu* with any other Covered Bondholders, Swap Providers and the other unsecured, unsubordinated creditors of the Issuer.

### **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 provide that "full payment" means settlement of interest rate and foreign exchange contracts at market value based on the pricing of comparable interest rate contracts and foreign exchange contracts; 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 Maturity Date except where the Extended Maturity Date has already been invoked in respect of that Series of 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 credit risk is partly related to the performance of the real estate and housing markets. There can be no guarantees regarding the future development of the value of the collateral. When collateral is made use of, a court order may be needed to establish the borrower's obligation to pay and to enable a sale by executive measures. The Issuer's ability to make use of the collateral without the consent of the borrower is thus dependent on the above mentioned decisions from a court, the executive measures as well as on other relevant circumstances in the mortgage market and in the demand for the relevant real property. Should the prices of real property and the

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housing market substantially decline, this would affect 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.

### **The ability of the Terra BoligKreditt Distributors (as the Originators) to maintain a dynamic pool of Mortgages**

The mortgages originated by the Terra BoligKreditt Distributors represent a dynamic pool, particularly because of the high refinancing ratio in the Norwegian mortgage market. The Originators' ability to originate the mortgages on behalf of the Issuer depends on the competitive market position of the Originators and the demand for their products. The Cover Pool of the Issuer may be influenced if an Originator terminates the agreement to transfer Mortgages to the Issuer or if an Originator fails to comply with its servicing or other obligations under such agreement.

### **The Cover Pool consists of limited assets**

The Cover Pool will consist of loans which are secured on residential property or on title documents relating to residential property (**Residential Mortgages**), holiday homes, claims which the Issuer holds, or may acquire, against Covered Bond Swap Providers and certain substitute assets. All assets in the Cover Pool must comply with the terms of the Act and the Regulations (*Forskrift 25. mai 2007 nr.550 om kredittforetak som utsteder obligasjoner med fortrinnsrett i en sikkerhetsmasse bestående av offentlige lån, utlån med pant i bolig eller annen fast eiendom*). In particular, the Regulations determine maximum debt to asset level ratio values of mortgages included in the Cover Pool at the date of this Offering Circular, (the value is 75 per cent. of the prudent market value in the case of residential mortgages). At the date of this Offering Circular, the properties over which mortgages are created are located in Norway. The value of the Cover Pool may therefore decline in the event of a general downturn in the value of property in Norway.

### **Limited description of the Cover Pool**

Investors will not receive detailed statistics or information in relation to the mortgage loans and other assets included in the Cover Pool and it is expected that the constitution of the Cover Pool will change from time to time. However, the Norwegian FSA has approved an independent inspector ("*Uavhengig gransker*") to monitor the Issuer's compliance with the matching requirements, eligibility criteria and certain other material provisions of the Act and the Regulations.

### **Overcollateralisation**

The Issuer has undertaken in Condition 2 of the Terms and Conditions of the Notes other than VPS Notes and Condition 2 of the Terms and Conditions of the VPS Notes to ensure that, for as long as the Notes are outstanding, the value of the Cover Pool shall at all times be at least 105 per cent. of the outstanding principal amount of the Notes or such other Alternative Overcollateralisation Percentage as may be selected by the Issuer from time to time in accordance with Condition 2.2 of the Terms and Conditions of the Notes other than VPS Notes or Condition 2(b) of the Terms and Conditions of the VPS Notes, as the case may be. The ratings of the Covered Bonds are based, amongst other things, on an assumption of a certain level of overcollateralisation and the relevant rating agencies may change the level of overcollateralisation that is required for maintaining the ratings of the Notes from time to time. The Terms and Conditions of the Notes other than VPS Notes and the Terms and Conditions of the VPS Notes do not require the Issuer to maintain the overcollateralisation of the Notes at the original level or the level required by the relevant rating agencies (subject to compliance with Condition 2 of the Terms and Conditions of the Notes other than VPS Notes or Condition 2 of the Terms and Conditions of the VPS Notes, as the case may be) or to increase the overcollateralisation of the Notes in the event that the rating agencies require an increase to maintain the rating, and the Issuer cannot guarantee that a certain rating of the Notes will be maintained throughout the term of the Notes.

### **No due diligence**

None of the Dealers or 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.

### **RISKS RELATING TO THE NORWEGIAN MORTGAGE MARKET**

In recent years, low interest rates, low inflation, higher house prices, a favourable tax regime and increased disposable income for households have led to a continued strong growth in demand for real estate, and consequently loans, especially in the residential mortgage market. One of the main risks related to the Norwegian residential mortgage market is the credit risk associated with borrowers' creditworthiness and their ability to pay under the mortgage loan as well as with the value of the mortgaged properties. The relatively low risk profile among Norwegian mortgage institutions reflects the high degree of lending to single-family homes and low loan to value ratios with a high expectation of incoming cash flow for the borrower. Property valuation is subject to political risk and could change if a modification to the current favourable tax regime is enacted.

### **RELIANCE ON SWAP PROVIDERS**

The Swaps entered into for hedging purposes are included in the Cover Pool so long as they comply with the requirements of the Act and the Regulations and the Swap Providers' claims rank *pari passu* with the Noteholder's claims.

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 Covered Bonds 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 has expired, then the Issuer will have defaulted under that Currency Swap. 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. In addition, if the 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, such Currency Swap Agreement may be terminated. The Issuer may encounter difficulties entering into a replacement swap. Unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments due on the Covered Bonds.

#### **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. In addition, if the Interest Rate Swap Provider or its guarantor, as applicable, is downgraded and fails to comply with the requirements of the rating downgrade provisions contained in the relevant Interest Rate Swap Agreement, such Interest Rate Swap Agreement may be terminated. The Issuer may encounter difficulties entering into a replacement swap. Unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments due on the Covered Bonds.

#### **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 claims for payments due to the Covered Bondholders.

### **RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### **Notes subject to optional redemption by the Issuer**

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem 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/Floating Rate Notes**

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### **Notes issued at a substantial discount or premium**

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### **Extendable obligations under the Notes**

Following the failure by the Issuer to pay the Final Redemption Amount of a Series of Notes on their Maturity Date, payment of such amounts shall 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 on 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**).

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. The Extended Final Maturity Date will fall one year after the Maturity Date. 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.



## Risk Factors

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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.

### **RISKS RELATED TO NOTES GENERALLY**

Set out below is a brief description of certain risks relating to the Notes generally:

#### **Notes issued under the Programme**

Notes issued under the Programme (save in respect of the first issue of Notes) 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.

#### **No events of default**

The Terms and Conditions of the Notes other than VPS Notes and the Terms and Conditions of the VPS Notes do not include any events of default relating to the Issuer, the occurrence of which would entitle the Noteholders to accelerate the Notes and it is envisaged that Noteholders would only be paid the scheduled interest payments under the Notes as and when they fall due under the Terms and Conditions of the Notes other than VPS Notes or the Terms and Conditions of the VPS Notes, as the case may be.

#### **Meetings of the Noteholders, modification and waivers**

The Terms and Conditions of the Notes other than VPS Notes and the Terms and Conditions of the VPS Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests 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.

The Terms and Conditions of the Notes other than VPS Notes also provide that the Issuer and the Agent may, without the consent of holders of Notes other than VPS Notes, agree to any modification of the Notes other than VPS Notes, the Coupons 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 shall be binding on the holders of Notes other than VPS Notes, the Couponholders as described in Condition 13 of the Terms and Conditions of the Notes other than VPS Notes.

The VPS Trustee Agreement provides that the VPS Trustee may, without the consent of the holders of VPS Notes, make certain modifications to the Terms and Conditions of the VPS Notes, the VPS Trustee Agreement or the VPS Agency Agreement without the prior consent or sanction of such holders of VPS Notes, as further detailed in the VPS Conditions and the VPS Trustee Agreement. The VPS Trustee must notify the holders of VPS Notes of a proposal to effect such modification and the holders of VPS Notes then has at least five Business Days to protest. If a protest is made, then the relevant modification will not be made. If there is no protest, then the relevant modification will be and will be binding on the holders of VPS Notes.

#### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a person in its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a 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, 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. The Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

### **U.S. Foreign Account Tax Compliance Withholding**

The Issuer and other non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Notes treated as debt for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified from that date and (ii) any Notes treated as equity for U.S. federal tax purposes, whenever issued pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (FATCA) or similar law implementing an intergovernmental approach to FATCA. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (FFI) (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service (IRS) to provide certain information on its account holders (making the Issuer a **Participating FFI**), (ii) the Issuer has a positive “passthru payment percentage” (as determined under FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Notes is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. 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, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change.

### **Change of law**

The Terms and Conditions of the Notes other than VPS Notes are based on English law save for Condition 2 of such Conditions, which is governed by Norwegian law in effect as at the date of this Offering Circular.

The Terms and Conditions of the VPS Notes are based on English law, save for Conditions 2, 10, 11 and 12 of such 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 after the date of this Offering Circular.

### **Notes where denominations involve integral multiples: definitive Notes**

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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

## **RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

### **The secondary market generally**

Notes may have no established trading market when issued, and one may never develop. If a market does develop, 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. Illiquidity may have a severely adverse effect on the market value of Notes.

### **Exchange rate risks and exchange controls**

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified 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 or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### **Interest rate risks**

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

### **Credit ratings may not reflect all risks**

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

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## Documents Incorporated by Reference

The following documents, which have previously been filed with the Financial Services Authority, shall be incorporated in, and form part of, the Offering Circular:

- (a) the audited non-consolidated financial statements of the Issuer for the financial year ended 31 December 2010 (prepared in accordance with generally accepted accounting principles in Norway) together with the independent auditors' report thereon;
- (b) the audited non-consolidated financial statements of the Issuer for the financial year ended 31 December 2011 (prepared in accordance with IFRS) together with the independent auditors' report thereon and including the unaudited comparative financial statements for the financial year ended 31 December 2010 restated under IFRS;
- (c) the unaudited non-consolidated interim financial statements of the Issuer for the six months ended 30 June 2012, as set out in the Issuer's Interim report for the second quarter and first half of 2012; and
- (d) (i) the Terms and Conditions of the Notes other than VPS Notes and the Terms and Conditions of the VPS Notes set out on pages 34 to 67 of the Offering Circular dated 10 August 2007 (the **Conditions**) and the Conditions as amended by the supplementary Offering Circular dated 25 January 2008, (ii) the Terms and Conditions of the Notes other than VPS Notes and the Terms and Conditions of the VPS Notes set out on pages 35 to 70 of the Offering Circular dated 13 August 2008, (iii) the Terms and Conditions of the Notes other than the VPS Notes and the Terms and Conditions of the VPS Notes set out on pages 36 to 71 of the Offering Circular dated 2 September 2009, (iv) the Terms and Conditions of the Notes other than the VPS Notes and the Terms and Conditions of the VPS Notes set out on pages 37-72 of the Offering Circular dated 17 August 2010, and (v) the Terms and Conditions of the Notes other than the VPS Notes and the Terms and Conditions of the VPS Notes set out on pages 37-72 of the Offering Circular dated 7 September 2011.

The auditor's reports outlined above constitute accurate and direct translations of the Norwegian originals.

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the UK Listing Authority 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 Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Certain information contained in the documents listed above has not been incorporated by reference in this Offering Circular. Such information is either (i) not relevant for prospective investors in the Notes to be issued under the Programme or (ii) is covered elsewhere in this Offering Circular.

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

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## 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, in the case of VPS Notes, uncertificated book entry form.

### **BEARER NOTES**

Each Tranche of Notes other than VPS Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

- (i) if the 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 original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for, Euroclear and Clearstream, Luxembourg or any other agreed clearing system.

Where the Global Notes issued in respect of any Tranche are in NGN form, the relevant clearing system(s) will be notified whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the 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 intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. 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 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 either for (a) interests in a Permanent 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 definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of 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 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 applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that

(i) 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) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 12 of the Terms and Conditions of the Notes other than VPS Notes and Condition 9 of the Terms and Conditions of the VPS Notes 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) may give notice to the 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 Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than one year and on all interest coupons relating to such 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 provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Note, or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a 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.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes other than VPS Notes*” and “*Terms and Conditions of the VPS Notes*”), the 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 at a point after the Issue Date of the further Tranche, 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 such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg 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.

In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 2 September 2009 and executed by the Issuer.

Notwithstanding the above, a single Global Note in respect of each Tranche of Notes issued in Swiss francs and listed on the SIX Swiss Exchange Ltd. (the **SIX Swiss Exchange**) will be delivered to the SIX SIS Ltd, the Swiss Securities Services Corporation in Olten, Switzerland (the **SIS**, which expression shall include any other clearing institution recognised by the SIX Swiss Exchange) and will be exchanged for definitive Notes only in the limited circumstances set out in such Global Note.

### 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,

## Form of the Notes

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the Issuer will send a letter to the VPS Trustee, with copies sent to the 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 bearer Notes and *vice versa*.

### **GENERAL**

Any reference herein to Euroclear and/or Clearstream, Luxembourg, SIS 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.

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## Applicable Final Terms

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[ ]

**Terra BoligKreditt AS**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**under the €20,000,000,000**  
**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 [Terms and Conditions of the Notes other than VPS Notes] [the Terms and Conditions of the VPS Notes] set forth in the Offering Circular dated 19 October 2012 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). 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 Offering Circular. 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 Offering Circular. The Offering Circular has been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

[Terms used herein shall be deemed to be defined as such for the purposes of the [Terms and Conditions of the Notes other than VPS Notes] [the Terms and Conditions of the VPS Notes] (the **Conditions**) set forth in the Offering Circular dated [ ] which are incorporated by reference in the Offering Circular dated 19 October 2012. 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 Offering Circular dated 19 October 2012 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. 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 Offering Circular dated 19 October 2012. The Offering Circular has been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

- |  |   |
|--|---|
| 1. Issuer:   | Terra BoligKreditt AS   |
| 2. (a) Series Number:  | [ ]   |
| (b) Tranche Number:  | [ ]   |
| (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in item 22 below, which is expected to occur on or about [ ]]<br>[Not Applicable] |
| 3. Specified Currency or Currencies:                                       | [ ]   |
| 4. Aggregate Nominal Amount:   |   |
| (a) Series:  | [ ]   |
| (b) Tranche:   | [ ]   |



## Applicable Final Terms

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5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (a) Specified Denominations: [ ]  
(b) Calculation Amount [ ]  
(Applicable to Notes in definitive form.)
7. (a) Issue Date: [ ]  
(b) Interest Commencement Date: [ ]
8. Maturity Date: [ ]
9. (a) Extended Final Maturity: [Applicable/Not Applicable]  
(b) Extended Final Maturity Date: [ ] [Not Applicable]
10. Interest Basis: [[ ] per cent. Fixed Rate]  
[[ ] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]
11. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
12. Change of Interest Basis: [ ] [Not Applicable]
13. Put/Call Options: [Investor Put]  
[Issuer Call]
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]
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]  
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year] [Not Applicable]
16. Floating Rate Note Provisions [Applicable/Not Applicable]
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

## Applicable Final Terms

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- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR/[ ]]  
Relevant Financial Centre: [London/Brussels/[ ]]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- (g) ISDA Determination: [ ]
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (h) Margin(s): [+/-] [ ] per cent. per annum
- (i) Minimum Rate of Interest: [ ] per cent. per annum
- (j) Maximum Rate of Interest: [ ] per cent. per annum
- (k) Day Count Fraction: [[Actual/Actual (ISDA)],[Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
30E/360 (ISDA)]
17. Extended Maturity Interest Provisions [Applicable from (and including) the Maturity Date to (but excluding) the Extended Final Maturity Date (if applicable)] [Not Applicable]
- (a) Fixed Rate [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
  - (ii) Interest Payment Date(s): [ ]
  - (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes in definitive form.)
  - (iv) Broken Amount(s): (Applicable to Notes in definitive form.) [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
  - (v) Day Count Fraction: 30/360
- (b) Floating Rate [Applicable/Not Applicable]

## Applicable Final Terms

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| (i) Specified Period(s)/Specified Interest Payment Dates:  | [ ]   |
| (ii) Business Day Convention:  | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]   |
| (iii) Additional 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 (if not the Agent): | [ ]   |
| (vi) Screen Rate Determination:  |   |
| • Reference Rate and Relevant Financial Centre:  | Reference Rate: [ ] month<br>[LIBOR/EURIBOR/[ ]]<br>Relevant Financial Centre:<br>[London/Brussels/[ ]]   |
| • Interest Determination Date(s):  | [ ]   |
| (vii) Relevant Screen Page:  | [ ]   |
| (viii) ISDA Determination:   |   |
| • Floating Rate Option:  | [ ]   |
| • Designated Maturity:   | [ ]   |
| • Reset Date:  | [ ]   |
| (ix) Margin(s):  | [+/-] [ ] per cent. per annum   |
| (x) Minimum Rate of Interest:  | [ ] per cent. per annum   |
| (xi) Maximum Rate of Interest:   | [ ] per cent. per annum   |
| (xii) Day Count Fraction:  | [[Actual/Actual (ISDA)],[Actual/Actual]<br>Actual/365 (Fixed)<br>Actual/365 (Sterling)<br>Actual/360<br>[30/360][360/360][Bond Basis]<br>[30E/360][Eurobond basis]<br>30E/360 (ISDA)] |
| 18. Zero Coupon Note Provisions  | [Applicable/Not Applicable]   |
| (a) Accrual Yield:   | [ ] per cent. per annum   |
| (b) Reference Price:   | [ ]   |

## Applicable Final Terms

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- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

### PROVISIONS RELATING TO REDEMPTION

19. Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
20. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
21. Final Redemption Amount: [ ] per Calculation Amount

### GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [VPS Notes]
- (b) New Global Note: [Yes/No]
23. Additional Financial Centre(s): [Not Applicable/[ ]]
24. Talons for future Coupons to be attached to Definitive Notes: [Yes/No]

Signed on behalf of Terra BoligKreditt AS:

By: .....  
*Duly authorised*

**PART B — OTHER INFORMATION**

**1. LISTING**

- (i) Listing and Admission to trading: [ ] [Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: [ ]

**2. RATINGS**

Ratings: [The Notes to be issued [[have been] / [are expected to be]] rated [ ] by [Moody's Investors Service Limited / Standard & Poor's Credit Market Services Europe Limited / Fitch Ratings Limited].]

**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 banking transactions with, and may perform other services for, the Issuer and 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) Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking, société anonyme or Swiss Securities Services Corporation and the relevant identification number(s): [ ] [Not Applicable]  
[Verdipapirsentralen, Norway  
VPS Identification number [ ]]
- (iv) Names and addresses of additional Paying Agent(s) (if any): [ ] [as [Principal] Swiss Paying Agent] [Not Applicable]

**6. DISTRIBUTION**

U.S. Selling Restrictions: [TEFRA D/TEFRA C/TEFRA not applicable/TEFRA D (Swiss practice)]

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## Terms and Conditions of the Notes other than VPS Notes

*The following are the Terms and Conditions of the Notes other than the VPS Notes 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 or other relevant authority (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 Terms and 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 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 Terra BoligKreditt 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 fortrinnsrett i en sikkerhetsmasse bestående av offentlige lån og utlån med pant i bolig eller annen fast eiendom* (the **Regulations**).

This Note is one of a Series (as defined below) of Notes issued by Terra BoligKreditt AS (the **Issuer**) pursuant to the Agency Agreement (as defined below).

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

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The 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 19 October 2012 and made between the Issuer, and Citibank N.A., London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing 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. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and must be read in conjunction with these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of Notes and shall, in relation to any 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 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 are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 2 September 2009 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 Paying Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The applicable Final Terms will be obtainable from the registered office of the Issuer and of the Agent by a Noteholder holding one or more Notes upon such Noteholder producing evidence satisfactory to the Issuer and the Agent as to its holding of such Notes and identity. The 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 the 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 the 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 Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon 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 succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (Euroclear) and/or Clearstream Banking, *société anonyme* (Clearstream, Luxembourg) or the Swiss Securities Servicer Corporation (the SIS, which expression shall include any other clearing institution recognised by the SIX Swiss Exchange), each person (other than Euroclear, Clearstream, Luxembourg or the SIS) who is for the time being shown in the records of Euroclear, of Clearstream, Luxembourg or the SIS as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the SIS 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 and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and the SIS, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed

to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## 2. STATUS OF THE NOTES AND OVERCOLLATERALISATION

### 2.1 Status of the Notes

The 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 covered bonds (*obligasjoner med fortrinnsrett*) issued in accordance with the terms of the Act.

### 2.2 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 (as defined below) with respect to the Notes shall at all times be a minimum of 105 per cent. of the outstanding principal amount of the Notes, or such other percentage as may be selected by the Issuer from time to time and notified to the Agent and each of the Rating Agencies (the **Alternative Overcollateralisation Percentage**), provided that:

- (i) the Alternative Overcollateralisation Percentage shall not, for so long as the Notes are outstanding, be less than 102.75 per cent. of the outstanding principal amount of the Notes; and
- (ii) without prejudice to (i) above, the Issuer shall not at any time select an Alternative Overcollateralisation Percentage unless (A) the credit rating assigned to the Notes at such time by each of the Rating Agencies which has assigned a credit rating to the Notes at such time is Aaa (in the case of Moody's Investor Service Limited or its successors), AAA (in the case of Standard & Poor's Credit Market Services Europe Limited or its successors) or AAA (in the case of Fitch Ratings Ltd or its successors), and (B) each of the Rating Agencies which has assigned a credit rating to the Notes at such time has confirmed in writing to the Issuer that, at the time of their confirmation, the selection of such Alternative Overcollateralisation Percentage would not in and of itself result in any credit rating then assigned to the Notes by such Rating Agency being reduced, removed, suspended or placed on creditwatch.

### 2.3 Definitions

In this Condition, the following expressions shall have the following meanings:

**Cover Pool** means assets of the Issuer falling within the requirements of Section 2-28 of the Act, Section 9 of the Regulations and otherwise as set out in the Act and Regulations from time to time (other than any such asset in respect of which an amount has become due and payable to the Issuer, and such amount is not paid within 90 days of becoming due and payable); and

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

## 3. REDENOMINATION

This Condition 3 has been deleted intentionally.

## 4. INTEREST

### 4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest 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.

If the Notes are in definitive form, 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 the 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.



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Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, 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 is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (i) in the case of 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 (I) the number of days in such Determination Period and (II) 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 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 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.

In the Conditions:

**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, one cent.

**4.2 Interest on Floating Rate Notes**

**(a) Interest Payment Dates**

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

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) 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. In the Conditions, **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 a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in 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 4.2(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) 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 (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) 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
- (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 the 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 each Additional Business Centre specified in the applicable Final Terms; and
- (ii) either (i) 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 (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

**(b) 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 subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the 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 the day specified in the applicable Final Terms.

For the purposes of this subparagraph (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 as at 11.00 a.m. (Relevant Financial Centre time) 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 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 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.

**(c) 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 (b) 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 (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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### (d) Determination of Rate of Interest and calculation of Interest Amounts

The 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 Agent will calculate the amount of interest (the Interest Amount) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, 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 Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

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“D<sub>2</sub>” 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>2</sub> 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” 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<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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, in which case D<sub>2</sub> will be 30.

### (e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on

which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 12. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(f) 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 4.2, whether by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**4.3 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless 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 Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12.

**5. PAYMENTS**

**5.1 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 (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); 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.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

**5.2 Presentation of definitive Notes and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of 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 and its possessions)).

Fixed Rate Notes in definitive form 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

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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 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) 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 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 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 definitive Note 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 definitive Note.

### 5.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable, 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. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### 5.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of 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, Clearstream, Luxembourg or the SIS as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg, or the SIS 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 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 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, in the opinion of the Issuer, adverse tax consequences to the Issuer.

### 5.5 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall

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not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) 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) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) 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 (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

### 5.6 Interpretation of principal and interest

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

- (a) the Final Redemption Amount of the Notes;
- (b) the Optional Redemption Amount(s) (if any) of the Notes;
- (c) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.6); and
- (d) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

### 5.7 Transfer Restriction\*

Payments on the Notes will be made irrespective of any present or future transfer restrictions and regardless of any bilateral or multilateral payment or clearing agreement which may be applicable at any time to such payment.

### 5.8 Discharge of the Issuer\*

The receipt by the Principal Swiss Paying Agent of the due and punctual payment of the funds in Swiss francs in Zurich shall release the Issuer from its obligation under the Notes and Coupons for the payment of the principal and interest due on the respective payment dates to the extent of such payments and except to the extent that there is default in the subsequent payment thereof to the Noteholders or Couponholders, as the case may be.

Except to the extent required by law, payments of principal and interest in respect of the Notes shall be made in freely disposable Swiss francs without collection costs and, whatever the circumstances may be, irrespective of the nationality, domicile or residence of the holder of the Notes and without requiring any certification, affidavit or the fulfilment of any other formality.

## 6. REDEMPTION AND PURCHASE

### 6.1 Redemption at maturity

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

If an Extended Final Maturity is specified as applicable in the Final Terms for a Series of 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 specified in the applicable Final Terms, 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 occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

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\* Only applicable to Notes denominated in Swiss francs and offered to the public in Switzerland and/or listed on the SIX Swiss Exchange.



The Issuer shall confirm to the Rating Agencies, any relevant Swap Provider and the Agent as soon as reasonably practicable and in any event at least 4 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 Agent) shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

Where the applicable Final Terms for a relevant Series of Notes provides that such 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.

### **6.2 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) 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 and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, or the SIS (to be reflected in the records of Euroclear, Clearstream, Luxembourg and the SIS 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 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 6.2 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 at least 5 days prior to the Selection Date.

### **6.3 Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 12 not less than 15 nor more than 30 days' notice, the Issuer will, upon the expiry of such notice, redeem such 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 this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg, and the SIS deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, 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 (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 accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg, or the SIS to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and the SIS (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg and the SIS or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or the SIS from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or the SIS given by a holder of any Note pursuant to this Condition 6.3 shall be irrevocable.

### 6.4 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation.

### 6.5 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

### 6.6 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 6.1, 6.2 or 6.3 above is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Amortised Face Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12,

and the denominator of which is 360.

## 7. TAXATION

All payments of principal and interest in respect of the 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 any Tax Jurisdiction unless such withholding or deduction is required by law. As used herein:

**Tax Jurisdiction** means the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer).

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

## 8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and 5 years (in the case of interest) after the Relevant Date (as defined in Condition 7) 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 or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

## **9. REPLACEMENT OF NOTES, COUPONS AND TALONS**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent 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 Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **10. PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

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

- (a) there will at all times be an Agent;
- (b) so long as the 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 with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) 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 conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

In respect of any Notes denominated in Swiss francs and offered to the public in Switzerland and/or listed on the SIX Swiss Exchange, the Issuer will at all times maintain a Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified address outside Switzerland. In addition, all references in these Conditions to “Agent” and the “Paying Agents” shall, to the extent specified in the applicable Final Terms, and so far as the context permits, be construed as references to the “Principal Swiss Paying Agent” and the “Swiss Paying Agents”, respectively.

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 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 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 8.

## **12. NOTICES**

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the 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.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) 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 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. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Notwithstanding the provisions of this Condition 12, so long as the Notes are listed on the SIX Swiss Exchange and so long as the rules of the SIX Swiss Exchange so require (and provided that the Notes are not listed on another stock exchange or admitted to trading by another relevant authority (in which case the notice will also be published in accordance with the rules of such stock exchange or authority)), notices in respect of such Notes will be validly given through the Principal Swiss Paying Agent by means of publication on the internet website of the SIX Swiss Exchange ([www.six-swiss-exchange.com](http://www.six-swiss-exchange.com)). In addition, the Principal Swiss Paying Agent may also publish any such notices by other means in accordance with the rules of the SIX Swiss Exchange. 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.

## **13. MEETINGS OF NOTEHOLDERS AND MODIFICATION AND WAIVER**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5 per cent. in nominal amount of the 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 Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the 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 Notes or altering the currency of payment of the 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 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 Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

## Terms and Conditions of the Notes other than VPS Notes

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The Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons 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 shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

### 14. FURTHER ISSUES

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

### 15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

### 16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

#### 16.1 Governing law

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

#### 16.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with any of them) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with any of them) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

In respect of any Notes denominated in Swiss francs and offered to the public in Switzerland and/or listed on the SIX Swiss Exchange, the Issuer agrees to the additional jurisdiction of the Courts of the Canton of Zurich, the place of jurisdiction being Zurich, with the right of appeal to the Swiss Federal court of Justice in Lausanne where the law permits. In connection with such Notes, the Issuer elects legal and special domicile at UBS AG, Bahnhofstrasse 45, 8098, Zurich, Switzerland and agrees that, for the purposes of any proceedings brought in Switzerland, holders of all or some of the Notes shall have the option to be collectively represented (in accordance with all applicable laws and customary practice in Switzerland.) The holders of all such Notes (whether or not collectively represented) shall have equal status irrespective of their domicile.

#### 16.3 Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited 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 Conditions the following words shall have the following meanings:

**Currency Swap** means each currency swap which enables the Issuer to hedge currency risks arising from (a) Covered 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 counterparty in its capacity as currency swap provider under a Currency Swap Agreement;

**euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

**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 counterparty in its capacity as interest rate swap provider under an Interest Rate Swap Agreement;

**Rating Agencies** means Moody's Investor Service Limited and/or Standard & Poor's Credit Market Services Europe Limited and/or Fitch Ratings Ltd, including in each case their successors; and

**Swap Providers** means each Currency Swap Provider and each Interest Rate Swap Provider.

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## Terms and Conditions of the VPS Notes

*The following are the Terms and Conditions of the VPS Notes. 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 Terra BoligKreditt 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 fortrinnsrett i en sikkerhetsmasse bestående av offentlige lån og utlån med pant i bolig eller annen fast eiendom* (the **Regulations**). Each VPS Note will be one of a Series (as defined below) of notes issued by the Issuer under the Programme and each VPS Note will be 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 17 August 2010 made between the Issuer and Norsk Tillitsmann 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 Depository, the Verdipapirsentralen (**VPS Notes** and the **VPS**, respectively).

The VPS Notes have the benefit of an agreement (such VPS agency agreement as modified and/or supplemented and/or restated from time to time, the **VPS Agency Agreement**) dated 2 September 2009 between the Issuer and DNB Bank ASA (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 Issuer shall be entitled to obtain information from the register maintained by the VPS for the purposes of performing its obligations under the VPS Notes.

The Final Terms of each Tranche of VPS Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms and must be read in conjunction with these Terms and Conditions of the VPS Notes (the **VPS Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) which supplement these VPS Conditions.

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 are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the VPS Agency Agreement and the VPS Trustee Agreement are available for inspection during normal business hours at the specified office of the VPS Agent and at the registered office for the time being of the VPS Trustee at 19 October 2012 at Haakon VII Gate 1, 0161, Oslo, Norway. The applicable Final Terms will be published on the Issuer’s website at <http://www.terrakb.no>.

The VPS Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the VPS Agency Agreement, the VPS Trustee Agreement and the Final Terms which are applicable to them. The statements in these Terms and Conditions of the VPS Notes 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 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 currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms 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 Notes other than VPS Notes, issued by the Issuer, and *vice versa*.

A VPS Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest 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.

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 Notes

Each Tranche of VPS Notes will constitute unconditional and unsubordinated obligations of the Issuer and will rank *pari passu* with all other outstanding unsubordinated obligations of the Issuer that have been provided equivalent priority of claim to covered bonds (*Obligasjoner med fortrinnsrett*) issued in accordance with the terms of the Act.

#### (b) Overcollateralisation

For so long as the VPS 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 (as defined below) with respect to the VPS Notes shall at all times be a minimum of 105 per cent. of the outstanding principal amount of the VPS Notes, or such other percentage as may be selected by the Issuer from time to time and notified to the VPS Trustee and each of the Rating Agencies (the **Alternative Overcollateralisation Percentage**), provided that:

- (i) the Alternative Overcollateralisation Percentage shall not, for so long as the VPS Notes are outstanding, be less than 102.75 per cent. of the outstanding principal amount of the VPS Notes; and
- (ii) without prejudice to (i) above, the Issuer shall not at any time select an Alternative Overcollateralisation Percentage unless (A) the credit rating assigned to the VPS Notes at such time by each of the Rating Agencies which has assigned a credit rating to the VPS Notes at such time is Aaa (in the case of Moody's Investor Service Limited or its successors), AAA (in the case of Standard & Poor's Credit Market Services Europe Limited or its successors) or AAA (in the case of Fitch Ratings Ltd or its successors), and (B) each of the Rating Agencies which has assigned a credit rating to the VPS Notes at such time has confirmed in writing to the Issuer that, at the time of their confirmation, the selection of such Alternative Overcollateralisation Percentage would not in and of itself result in any credit rating then assigned to the VPS Notes by such Rating Agency being reduced, removed, suspended or placed on creditwatch.



### (c) Definitions

In this Condition, the following expressions shall have the following meanings:

**Cover Pool** means assets of the Issuer falling within the requirements of Section 2-28 of the Act, Section 9 of the Regulations and otherwise as set out in the Act and Regulations from time to time (other than any such asset in respect of which an amount has become due and payable to the Issuer, and such amount is not paid within 90 days of becoming due and payable); and

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

### 3. INTEREST

#### (a) Interest on Fixed Rate Notes

Each Fixed Rate Note will bear interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) 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 (or, if it is a Partly Paid Note, the amount paid up) 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. In these VPS Conditions, **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 a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month on 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), 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
- (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 London and any Additional 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 (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) 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.

(A) *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 (A), **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 the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **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.

(B) *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 as at 11.00 a.m. (Relevant Financial Centre time) 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 the Relevant Screen Page is not available or if, in the case of Condition 3(b) (ii)(B)(1), no offered quotation appears or, in the case of Condition 3(b)(ii)(B)(2), fewer than three offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate

of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the 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 London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) 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 in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) 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 this paragraph (iii) 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 this paragraph (iii) 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 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 will calculate the amount of interest (the **Interest Amount**) payable on such 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/365” 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 (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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<sub>2</sub> 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” 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<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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, in which case D<sub>2</sub> will be 30.

**(v) Notification of Rate of Interest and Interest Amounts**

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the VPS Agent, the VPS Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 10 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the VPS Noteholders in accordance with Condition 10. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London. The notification of any rate or amount, if applicable, shall be made to the VPS in accordance with and subject to the VPS rules and regulations for the time being in effect.

**(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, 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, 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 payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such VPS Note have been paid; and
- (2) five days after the date on which the full amount of the moneys 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.

### **(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 is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the 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 or Optional Redemption Amount, 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 inter-bank 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 a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); 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.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. 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 the 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 the 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 (iii) such other agents as may be required by any other stock exchange on which the VPS Notes may be listed in each case.

## Terms and Conditions of the VPS Notes

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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.

### **(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) 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 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 (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

### **(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 Optional Redemption Amount(s) (if any) of the VPS Notes;
- (iii) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(f)); 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) Redenomination**

This Condition 4(e) has been intentionally deleted.

## **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 the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

If an Extended Final Maturity is specified as applicable in the Final Terms for a Series of 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 specified in the applicable Final Terms, 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 occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer shall confirm to the Rating Agencies and the VPS Trustee, the VPS Agent and any relevant Swap Provider as soon as reasonably practicable and in any event at least 4 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.

Where the applicable Final Terms for a relevant Series of 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 as being applicable in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to VPS Noteholders in accordance with Condition 9 (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 as being applicable in the applicable Final Terms, upon the holder of any VPS Note giving to the Issuer in accordance with Condition 9 not less than 15 nor more than 30 days' notice to VPS Noteholders 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) 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.

### **(e) 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.

### **(f) Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph 5(a), 5(b) or 5(c) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Amortised Face Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date which is the earlier of:

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

- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the VPS Agent or the VPS Trustee and notice to that effect has been given to the VPS Noteholders in accordance with Condition 9,

and the denominator of which is 360.

### 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) 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, 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

#### 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) a 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 Issuer, the VPS Trustee, Oslo Børs or by VPS Noteholders holding not less than 10 per cent. of the Voting VPS Notes. (For the purpose of this Condition, **Voting VPS Notes** means the aggregate nominal amount of the total number of VPS Notes not redeemed or otherwise deregistered in the VPS, less the VPS Notes owned by the Issuer, any party who has decisive influence over the Issuer or any party over whom the Issuer has decisive influence.)

The quorum at a meeting for passing a resolution is one or more persons holding at least one half of the Voting VPS Notes or at any adjourned meeting one or more persons being or representing holders of Voting VPS Notes 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, 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 Voting 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 Voting VPS Notes. 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.

### **Modification**

The VPS Trustee Agreement provides that:

- (i) the VPS Trustee may in certain circumstances, without the consent of the VPS Noteholders, make decisions binding on all VPS Noteholders relating to the VPS Conditions, the VPS Trustee Agreement or the VPS Agency Agreement or that is not, in the Trustee's opinion, materially prejudicial to the interests of the VPS Noteholders; and
- (ii) that the Trustee may reach decisions binding for all 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 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 them) are governed by, and shall be construed in accordance with, English law, save as to Conditions 2, 10, 11 and 12 (and any non-contractual obligations arising out of or in connection with them) 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 VPS Noteholders, that the courts of England are to have jurisdiction to settle any disputes which may arise 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 Notes (including any Proceedings relating to any non-contractual obligations arising out of or in connection with it) 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 and the VPS Agency Agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with it).

Nothing contained in this Condition 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 Advokatfirman Vinge KB at its registered office at 42 New Broad Street, London, EC2M 1JD, England as its agent for service of process, and undertakes that, in the event of Advokatfirman Vinge KB 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:

**Agency Agreement** means an agency agreement dated 19 October 2012 between the Issuer and the agents named therein, as amended and/or supplemented and/or restated from time to time;

**Calculation Agency Agreement** in relation to any Series of VPS Notes means an agreement in or substantially in the form of Schedule 1 to the Agency Agreement;

**Calculation Agent** means, in relation to the VPS Notes of any Series, 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;

**Currency Swap** means each currency swap which enables the Issuer to hedge currency risks arising from (a) Covered 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 counterparty in its capacity as currency swap provider under a Currency Swap Agreement;

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

**Exchange** means, for the purpose of these VPS Conditions, the Oslo Stock Exchange (Oslo Børs);

**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;

**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 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;

**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 Notes which have been redeemed and cancelled pursuant to the Conditions;
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under the Conditions after that date) have been duly paid to or to the order of the VPS Agent in the manner provided in these Conditions and the VPS Agency Agreement (and where appropriate notice to that effect has been given to the Noteholders in accordance with the Conditions) and remain available for payment of the relevant Notes and/or Coupons;
- (c) those Notes which have been purchased and cancelled in accordance with the Conditions; and
- (d) those Notes in respect of which claims have become prescribed under the Conditions;

**Rating Agencies** means Moody's Investor Service Limited and/or Standard & Poor's Credit Market Services Europe Limited and/or Fitch Ratings Ltd, including in either case their successors;

**Reference Banks** means (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, (ii) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and (iii) in the case of a determination of a Reference Rate that is not LIBOR or EURIBOR, the principal office of four major banks in the inter-bank market of the Relevant Financial Centre, in each case selected by the Calculation Agent;

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

**Specified Time** means 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR or Relevant Financial Centre time, in the case of a determination of any other Reference Rate);

## Terms and Conditions of the VPS Notes

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

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

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

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## 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.

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# Summary of the Norwegian Legislation regarding Covered Bonds

*(Obligasjoner med fortrinnsrett)*

The following is a brief summary of certain features of Norwegian law governing the issuance of covered bonds in Norway, at the date of this Offering Circular. The summary 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 Offering Circular, the main legislation which governs covered bonds comprises an amendment to 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 licences issued by the King 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 Norwegian Financial Supervisory Authority (*Finanstilsynet*) no less than 30 days in advance before the Credit Institution’s first issuance of covered bonds. The Issuer is a “*kredittforetak*”, as defined by the Act, has received the required Credit Institution licence, and has adapted its articles of association to meet the mandatory requirements, and consequently may issue covered bonds.

The Legislation provides that holders of covered bonds (and also counterparties 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 and the counterparties under derivatives agreements relating to the covered bonds, over a pool of certain security assets (the **Cover Pool**). Under Norwegian law, an issuer of bonds, such as an issuer of covered bonds, must register the bonds in paperless book entry form by registration in the Norwegian Central Securities Depository (**Verdipapirsentralen** or **VPS**) if the bonds are issued in Norway. If the bonds are issued outside Norway and (a) if in NOK, they can only be subscribed for by entities not residing in Norway, or (b) if in a currency other than NOK, there is no requirement for VPS registration and 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 **Register**) of the issued covered bonds, the related derivatives agreements, and the Cover Pool pertaining to such covered bonds and derivatives agreements.

The 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 derivative agreements. Consequently, the Register must be updated on a regular basis to include any changes in relevant information.

Such registration is not in itself conclusive evidence of the Cover Pool pertaining to the covered bonds, but shall, according to the preparatory works to the Act, serve as strong evidence.

## **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 bankruptcy administrator and 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 (approximately NOK 615,000 (€77,000)) 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 derivative 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 (**Mortgages**), on 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 residential mortgages, mortgages over other title documents relating to residences (together with the former, **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 Regulations.

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, Finanstilsynet may approve an increase in the mentioned 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, when calculating the value of the Cover Pool assets consisting of loans secured by Mortgages, 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 Act, the value of supplemental assets may not exceed 20 per cent. of the value of the Cover Pool. 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

## Summary of the Norwegian Legislation regarding Covered Bonds

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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 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 above mentioned requirement that the value of the Cover Pool at all times shall exceed the value of the covered bonds is complied with, 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 assets so warrants, the Credit Institution is required to ensure that a renewed calculation of the value is performed.

The Act requires that the Credit Institution ensures 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 (**Inspector**) shall be appointed by the Norwegian Financial Supervisory Authority 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 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 Register, and may also request additional information. The Inspector may perform inspections of the Credit Institution, and shall at least every 3 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 observations and assessments to the Finanstilsynet.

### COVER POOL ADMINISTRATION IN THE EVENT OF BANKRUPTCY

Covered Bondholders' 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 right to accelerate claims.

If a Credit Institution is declared bankrupt, a bankruptcy administrator (the **Bankruptcy Administrator**) of the bankruptcy estate will be appointed by the court.

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 Bankruptcy Administrator 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.

## **Summary of the Norwegian Legislation regarding Covered Bonds**

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If the bankruptcy estate is unable to make timely payments to the covered bondholders or the counterparties to related derivatives agreement, the Bankruptcy Administrator must set a date for suspension of payments, and inform interested parties of this as soon as possible. If suspension of 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 derivative agreements will continue to have the prioritised claim against the Cover Pool.

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# Terra BoligKreditt AS

## HISTORY

Terra BoligKreditt AS (the Issuer) was incorporated in Oslo, Norway, as a limited company (*aksjeselskap*), under Norwegian law with registration number 885 621 252 on 24 March 2003 (with an indefinite life). The registered address of the Issuer is PO Box 2349, Solli NO 0201, Oslo, Norway and its telephone number is +47 22 87 81 00.

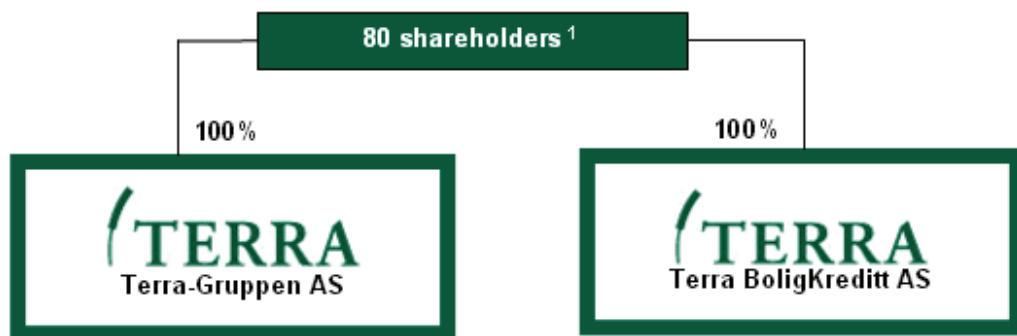
On 18 June 2007 the Issuer's articles of association were approved by the Norwegian Financial Services Authority to enable the Issuer to issue covered bonds in accordance with the Financial Institutions Act. In addition, the Issuer counterparties under certain derivative contracts are also entitled to rights of priority in relation to the Cover Pool. See "*Summary of Norwegian Legislation regarding Covered Bonds*".

## ORGANISATIONAL STRUCTURE

The Issuer is owned by 79 small and medium sized Norwegian savings banks (the Terra Banks) and Oslo Bolig og Sparelag (OBOS) (the Terra Banks and OBOS together the Terra BoligKreditt Distributors or TBKD).

The ownership of the Issuer by each individual Terra BoligKreditt Distributor is subject to re-allocation on an annual basis in accordance with that individual Terra BoligKreditt Distributor's share of the total contributed lending volume of the Issuer (known as "dynamic ownership").

The Issuer utilises services from Terra-Gruppen AS and its subsidiaries within areas including information technology, accounting and human resources.



<sup>1</sup> 79 Norwegian banks and OBOS

## BUSINESS OVERVIEW

The business of the Issuer entails the funding of the mortgages generated by the TBKDs in an inexpensive way by issuing covered bonds in the domestic and foreign debt capital markets. The concept is to use the existing retail distribution capabilities of the TBKDs to distribute the mortgages to the TBKDs' existing and new customers. This setup helps the TBKDs to protect their market share by being able to offer their customers a competitive solution for their mortgage needs and eliminates the need for the Issuer to have its own distribution network. At the same time the concept is to offer the investors covered bonds issued by the Issuer with a lower level of risk. This is ensured by issuing Notes under the modern and investor-friendly regulatory framework implemented in Norway and by offering investors additional comfort by limited credit enhancement from the TBKDs that distribute the mortgages — see paragraph below.

The TBKDs, which distribute mortgages for the Issuer, sign standardised agreements regulating their rights and obligations. Important in this regard is the fact that the mortgages are legally the Issuer's assets irrespective of whether the relevant TBKD is in financial distress or decides to terminate its relationship with Terra-Gruppen AS. These agreements state that the mortgages will be booked by the Issuer and that the Issuer will invoice the customers and collect payments. The TBKDs are compensated for their distribution of the mortgages by receiving a commission on the outstanding mortgages. This commission receivable is paid to the TBKDs on a quarterly basis subject to the mortgages being current.

The business concept of the Issuer is based on the idea that the Issuer shall be a vehicle for obtaining low cost funding for the TBKDs and not to be a medium for the transfer of credit risk. To try and avoid a situation where the TBKDs distribute the less creditworthy customers to the Issuer and retain the more creditworthy customers for themselves, the standardised agreement between the Issuer and the TBKDs include certain measures to hold the distributors responsible for losses on mortgages they have distributed to the Issuer. The TBKDs accordingly have strong incentives to make thorough credit evaluations of their mortgage applicants before distributing it to the Issuer. Losses, including unpaid interest, on mortgages in the Issuer's portfolio will have to be covered by the distributing banks to the extent that the loan at origination exceeded 50 per cent. loan to value (LTV). In addition the relevant distributor will cover losses to the Issuer that are not covered as aforesaid by agreeing to a counter-claim on its commission receivables due from the Issuer. The Issuer's right to counter-claim is limited to three years of commission income from all the mortgages the TBKD in question has distributed during such period. Finally the TBKDs also participate in a *pro rata* guarantee agreement stating that the TBKDs shall cover losses up to 1 per cent. of the total mortgages of the Issuer on a *pro rata* basis with an annual renewal, should the other measures prove insufficient to cover the losses of the Issuer.

The guarantee agreements described above provide an extra comfort for the Issuer's investors because such agreements are not required for the issuance of covered bonds under Norwegian legislation but is an extra safety net provided by the TBKDs. However, for the avoidance of doubt, the agreements are between the Issuer and the TBKDs, and the holders of covered bonds have no direct rights against the TBKDs in respect of the agreements.

In accordance with the Act, the Issuer will ensure that the funds related to the Cover Pool will, at all times, be capable of separate identification from the Issuer's other funds within the bank to which the funds related to the Cover Pool are paid (the **Accounts Bank**). In addition, in the event that the unsecured, unsubordinated short-term credit rating of the Accounts Bank falls below Prime -1 by Moody's, the Issuer will also open an account with a bank meeting such requirement and transfer regularly to such suitably rated bank all funds related to the Cover Pool standing to the credit of the Issuer's account with the Accounts Bank.

### **The mortgage process**

The distribution of mortgages is undertaken by the TBKDs. Typically the relevant TBKD will recommend that its customers obtain financing by taking up a mortgage with the Issuer. This is done by requesting data from the customer and inputting this data into the Issuer's web-based mortgage system. The customer will have to provide verifiable data on income, net worth and tax as well as estimates on the value of the property serving as collateral. As for valuation of properties, the Issuer will currently accept transaction value, assessed value by a licensed real estate broker as well as an assessed value by a certified real estate surveyor and automatic valuation mechanism. The mortgage system checks that the LTV ratio is within the LTV ratio accepted by the Issuer, which is currently 60 per cent. Furthermore, the mortgage system is linked to an external credit scoring system which checks if the customer in question has an unsatisfactory payment record. If the predefined credit scoring test in the web-based system gives a satisfactory result, the customer is recommended for extension of credit. If the test gives a less convincing result, the mortgage application will be approved only if recommended by senior credit personnel in the relevant TBKD.

By sending the mortgage applications to the Issuer, the TBKDs assume responsibility for the accuracy of all the information given. If the said information proves incorrect, the TBKDs will be liable for any losses the Issuer might suffer from this, as regulated in the agreements between the parties. Furthermore, the TBKDs shall establish separate designated deposits at their premises for the custodianship of loan documentation relating to the mortgages with the Issuer.

Upon receipt of a mortgage application in the loan system, the Issuer's personnel will check the application for any inconsistencies with the lending criteria as defined in a credit handbook, which will regularly be maintained. The TBKDs will ensure that their credit processes are in conformity with the regulations set out in the credit handbook maintained by the Issuer which gives extensive guidelines for the lending process and acceptable lending criteria. If the mortgage application is in accordance with the guidelines in the credit handbook, the application will be approved for disbursement. The TBKDs will handle the relationships with the customers and will ensure that the lien on the property is established before the proceeds are transferred. The customer will subsequently be invoiced on a monthly basis by the Issuer.

### **Procedures for late payments**

By functioning as a local representative, the relevant TBKD is responsible for communicating with customers that default on their mortgage payments. When a mortgage is 14 days overdue the Issuer will send the customer a payment reminder. A copy of this reminder is sent to the TBKD and obliges the TBKD to address the fact that the mortgage is overdue with the relevant customer. A second warning is sent after a period of 28 days. When a mortgage payment is 49 days overdue the Issuer sends a warning of legal recovery proceedings to the relevant customer. However, if a mortgage remains in arrear 35 days after an instalment due date, the Issuer shall be entitled to invoke its rights (to the extent applicable) under the agreements with the TBKDs (as defined above). The TBKD shall in such situations either pay the total outstanding amount and overdue instalment, including accrued interest and charges, to the Issuer, assume the right and obligations of the Issuer under the loan agreement (assignment at a purchase price corresponding to outstanding mortgage amount including accrued interest) or pay the guarantee amounts pursuant to the agreements discussed above.

### **Risk management**

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 housing markets would suffer during a downturn in the market.

Liquidity risk is limited due to the Issuer's status as a covered bond issuer, limiting the refinancing risk. Ample liquidity reserves will be held by investing in marketable securities and bank deposits within the conservative Norwegian legal framework for investing in substitute assets. In the unlikely event of financial distress and default of the Issuer, the liquidity risk will still 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 most mortgages are floating rate and matched by floating rate funding. Bond issues at fixed rate are swapped into floating rate to match a primarily 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. Additionally, counterparties must post collateral if downgraded to an unacceptable rating level and cannot terminate performing derivative contracts even under issuer default.

The Issuer will have virtually no currency risk in accordance with Norwegian covered bond legislation. All bond issues and investments in substitute assets denominated in foreign currencies will be fully swapped into NOK unless hedged by other positions.

Risk from other activities are limited as the Issuer is a specialist lender whose by-laws and the Norwegian covered bond legislation limit the activity to mortgage lending to the retail market, funding the activities primarily by issuing covered bonds.

There are risks for Noteholders related to the competitive position of the Issuer. If competitors undercut prices offered to retail customers significantly over a longer period, the Issuer might lose market share and over time have too low average yield on assets to effectively service the Notes issued.

An agreement was entered into on 10 June 2009 between the Issuer and DNB Bank ASA (DNB) pursuant to which the Issuer may sell to DNB and DNB shall purchase covered bonds issued by the Issuer, within a maximum amount of NOK 1,000,000,000. The purpose of this agreement is to provide the Issuer with flexibility and security in the daily liquidity management relating to the Issuer's lending activities. The agreement has a term of one year, with a possibility for extension. DNB's obligation to purchase covered bonds under the agreement is subject to certain standard conditions precedent and is also subject to the requirement that all the Issuer's outstanding covered bonds at the time of the purchase by DNB (including the covered bonds to be purchased by DNB under the agreement) have a rating of (i) Norges Bank's minimum rating requirement for the use of covered bonds as security for loans from Norges Bank, and (ii) A2 by Moody's, whichever is the higher. If the Issuer should default on any of its obligations under the agreement or if the rating of covered bonds issued by the Issuer and purchased by DNB falls below Baa1, the obligation of DNB to purchase covered bonds from the Issuer will terminate and DNB will have the right to require that

the Issuer repurchases covered bonds which DNB has previously purchased from DNB. The covered bonds to be purchased by DNB will not have any event of default provisions.

The TBKD have entered into a Note Purchase Agreement (NPA) with the Issuer and a Shareholders Agreement (SA) with the Issuer and Terra-Gruppen AS to ensure that the Issuer is liquid and sufficiently capitalised at all times.

Under the NPA, if the Issuer determines that there would be (or is reasonably likely to be) insufficient funds available to pay the Final Redemption Amount of any Notes issued under the Programme when due (including any amounts payable under any related swap agreements), the Issuer may sell to the TBKD and the TBKD shall purchase covered bonds issued by the Issuer in order to provide sufficient liquidity to cover any such shortfall. The commitment of each Terra BoligKreditt Distributor in respect of any such issue of covered bonds under the NPA will be based on the relevant Terra BoligKreditt Distributor's *pro rata* share of the total contributed lending volume of the Issuer (such amount to be adjusted quarterly for the purposes of the NPA). The maximum aggregate nominal amount of covered bonds that the Issuer may require the TBKD to purchase pursuant to the NPA is limited to the aggregate nominal amount of Notes issued under the Programme that will mature in any rolling 12 month period.

The SA regulates the relationship between the TBKD and the Issuer, and between the TBKD as the Issuer's shareholders, and is structured to ensure that the Issuer will maintain its capital adequacy ratio at all times. Under the SA, the TBKD are obligated to each pay a *pro rata* share of any capital increase adopted at the Issuer's general meeting and to subscribe for a *pro rata* share of any instruments to be issued by the Issuer for the purpose of maintaining its capital adequacy ratio.

### MANAGEMENT

The senior management of the Issuer, their functions in relation to the Issuer and background are as follows:

*Kjartan M. Bremnes*

CEO

Lawyer, University of Oslo, LL.M., King's College London.

Previous experience: Bugge, Arentz-Hansen & Rasmussen, Senior Associate, Follo Consulting Team AS, Managing Director, Vital AS, Underwriter.

Employed since August 2004.

*Odd Arne Pedersen*

CFO

MBA General, BI Norwegian School of Management.

MBA Finance NHH Norwegian School of Economics and Business Administration.

CFA, EFFAS European Federation of Financial Analysts Societies.

Authorised Stock Broker, The Banking, Insurance and Securities Commission of Norway.

Previous Experience: Terra Fondsforsvaltning AS, CEO, Terra Markets AS, CEO, Terra Securities ASA, CEO, Fearnley Fonds AS, Bond broker, DNH AS, Financial Consultant.

Employed since March 2008.

The business address of each of the senior managers of the Issuer is Terra BoligKreditt AS PO Box 2349 Solli NO 0201 Oslo.

There are no conflicts of interest between any duties of the senior managers to the Issuer and their private interests or duties.

### BOARD OF DIRECTORS

The Issuer has a Board of Directors which is responsible for the administration and operations of the Issuer. In accordance with the Articles of Association of the Issuer, the Board of Directors has a minimum of four and a maximum of six members.

The Board of Directors consists of:

*Martin Mæland*

Chairman of the Board

Cand.mag University of Oslo, Cand.oecon University of Oslo

Current position: CEO OBOS

Previous experience: Research Analyst Oslo Lysverker, Municipal Commissioner, Deputy CEO OBOS

Member of the Board since April 2009

*Øyvind Gaarder*

Member of the Board

Current position: CEO, Jernbanepersonalets Bank og Forsikring (JBF)

Previous experience: CEO, Jernbanepersonalets Forsikring (JFG), Programmer, Norges Statsbaner (NSB)

Member of the Board since May 2012

*Bjørn Riise*

Member of the Board

BSC Computing Finance, Trondheim Engineering College, Trondheim Business School

Current position: CEO, Klæbu Sparebank

Previous experience: Merkantildata ASA, General Manager, Eika-Gruppen AS, CEO

Member of the Board since April 2008

*Terje Svendsen*

Member of the Board

Siviløkonom, Norwegian School of Economics (NHH)

Current position: Consultant

Previous experience: Deputy CEO, Fokus Bank, CFO, Fokus Bank

Member of the Board since September 2011

*Odd Inge Løfald*

Member of the Board

Bygningsing, NKI's Ingeniørhøgskole, Bedriftsøkonom BI, Grunnfag jus Universitetet i Bergen

Current position: Independent Consultant

Previous experience: CEO Rindal Sparebank, Head Administrator, Rindal Municipality, Deputy CEO Fokus Bank Trondheim

Member of the Board since May 2012

The business address of each of the members of the Board of Directors is Terra BoligKreditt AS P.O. Box 2349 Solli, NO 0201 Oslo, Norway.

There are no conflicts of interest between any duties of the members of the Board of Directors to the Issuer and their private interest or duties.

## **MATERIAL CONTRACTS**

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 December 2011 which are particular to the Issuer and which are to a material extent relevant to the evaluation of the Issuer's solvency.



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# Summary 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) Covered Bonds 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 “*Summary of the Norwegian Legislation regarding Covered Bonds (Obligasjoner med fortrinnsrett)*” above.

### **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 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*”.

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 entering into a swap with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment

## Summary of the Swap Agreements

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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 Covered Bondholders.

Covered Bondholders will not receive extra amounts (over and above interest and principal payable on the Covered Bonds) 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 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 Covered Bondholders 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 "*Summary of the Norwegian Legislation regarding Covered Bonds (Obligasjoner med fortrinnsrett)*" above.

### 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) 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.

### 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

## Summary of the Swap Agreements

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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*”.

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 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 Covered Bondholders.

Covered Bondholders will not receive extra amounts (over and above interest and principal payable on the Covered Bonds) 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 Covered Bondholders 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.

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## 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 believe 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-Norwegians and (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.

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## Taxation

The following is a general description of certain Norwegian 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 of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

### **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 on 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.

### **EU SAVINGS DIRECTIVE**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

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## Subscription and Sale

The Dealers have, in a programme agreement (the **Programme Agreement**) dated 19 October 2012, 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 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. Treasury 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 or TEFRA D (Swiss practice) 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 has represented and agreed, 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 which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto 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 such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive (and, in the case of investors in Norway, who are classified as “professional investors” pursuant to the Securities Trading Regulation section 7-1);
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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

## Subscription and Sale

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(c) 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 (a) to (c) 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 selling restriction entitled “*Public Offer Selling Restriction under the Prospectus Directive*”, 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 has represented and agreed, 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 (Act 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 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 Act (Act 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

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 has agreed 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 Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer,

## **Subscription and Sale**

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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.



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## General Information

### **AUTHORISATION**

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 31 August 2012.

### **LISTING OF NOTES**

The admission of Notes to the Official List 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 admitted to the Official List and to trading on the London Stock Exchange's Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or before 25 October 2012.

### **DOCUMENTS AVAILABLE**

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office(s) of the Paying Agent(s) for the time being in London:

- (a) the constitutional documents (with an accurate and direct English translation thereof) of the Issuer;
- (b) the audited financial statements of the Issuer in respect of the financial years ended 31 December 2010 and 31 December 2011 (with an accurate and direct English translation thereof). The Issuer currently prepares audited non-consolidated accounts on an annual basis;
- (c) the most recently published audited annual financial statements of the Issuer, in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited accounts on an annual basis;
- (d) the most recently published unaudited quarterly interim financial statements of the Issuer with an English translation thereof;
- (e) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (f) a copy of this Offering Circular;
- (g) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note 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 Offering Circular and any other documents incorporated herein or therein by reference.

### **CLEARING SYSTEMS**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) or, in the case of Notes denominated in Swiss francs, offered to the public in Switzerland, through the SIS.

The appropriate Common Code and ISIN for each Tranche of 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 SIS or the VPS) the appropriate information will be specified in the applicable Final Terms. Euroclear, Clearstream, Luxembourg, the SIS and the VPS are the entities in charge of keeping the records.

## General Information

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The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1 855 Luxembourg. The address of the SIS is Brandschenkestrasse 47, P.O. Box, CH-8022 Zurich and the address of the VPS is Biskop Gennerus' Gate, 14A, 0185 OSLO (Postgirobygget), Norway.

### 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.

### SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial or trading position of the Issuer since 30 June 2012 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2011.

### 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.

### 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 2010 and 31 December 2011, respectively. Due to a change in the Issuer's reporting requirements under Norwegian law, all financial statements prepared since 1 January 2011 have been prepared in accordance with IFRS. 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.

### 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 its affiliates in the ordinary course of business.

### INDICATIVE YIELD FOR FIXED RATE NOTES

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.

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**ISSUER**

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Citigroup Centre  
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**VPS AGENT**

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Norway

**VPS TRUSTEE**

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**LEGAL ADVISERS**

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*To the Dealers as to English law*  
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