



**SPAREBANKEN  
SØR  
SPAREBANKEN SØR**

*(incorporated as a savings bank with limited liability in Norway)*

**€3,000,000,000**

**Euro Medium Term Note Programme**

Under the €3,000,000,000 Euro Medium Term Note Programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), Sparebanken Sør (the **Issuer, Sparebanken Sør** or the **Bank**) may from time to time issue notes (the **Notes** which term shall include, so far as the context permits, VPS Notes (as defined below)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued in bearer form or in uncertificated book entry form (the **VPS Notes**) settled 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 €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to 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 Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

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

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive (as defined below). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market (the **Main Securities Market**) of the Irish Stock Exchange plc (the **Irish Stock Exchange**) or another regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive** or **MiFID**) and/or which are to be offered to the public in any Member State of the European Economic Area (the **EEA**).

Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the official list of the Irish Stock Exchange (the **Official List**) and to trading on the Main Securities Market. The Issuer has further requested that the Central Bank of Ireland send to the Norwegian Financial Supervisory Authority (*Finanstilsynet*) (the **NFSA**) in its capacity as the competent authority in Norway (i) a copy of this Base Prospectus and (ii) a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that the Base Prospectus has been drawn up in accordance with national law implementing the Prospectus Directive, for purposes of listing Notes on the Oslo Stock Exchange’s Regulated Market.

Each of the Main Securities Market and the Oslo Stock Exchange’s Regulated Market is a regulated market for the purposes of MiFID. References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been either admitted (i) to the Official List and to trading on the Main Securities Market or (ii) to trading on the Oslo Stock Exchange’s Regulated Market, as may be agreed between the Issuer and the relevant Dealer in relation to the relevant Series (as defined below).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in “*Terms and Conditions of the Notes other than VPS Notes*” or “*Terms and Conditions of the VPS Notes*”, as the case may be) of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the Central Bank of Ireland and the Irish Stock Exchange (if listed on the Irish Stock Exchange). Copies of the Final Terms in relation to the Notes to be listed on the Irish Stock Exchange will also be published on the website of the Irish Stock Exchange.

The Programme is expected to be assigned an “A1” rating by Moody’s Investors Service Limited (**Moody’s**). Moody’s is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) and is included in the list of credit rating agencies registered under the CRA Regulation, which is available on the European Securities and Markets Authority (**ESMA**) website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated on 29 March 2017).

Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms. 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 rating agency.

**Arranger**

**Swedbank**

**Dealers**

**Commerzbank  
Landesbank Baden-Württemberg  
Société Générale Corporate & Investment Banking  
UniCredit Bank**

**Danske Bank  
Natixis  
Swedbank**

The date of this Base Prospectus is 30 June 2017

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the EEA.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

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

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The 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 Notes issued under the Programme of any information coming to their attention.

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

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

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 relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment 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 with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such potential investor’s financial activities are principally denominated;
- (iv) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and 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.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to 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 in compliance with the regulations relating to the offer of VPS Notes and the registration in the VPS (as defined herein) of VPS Notes.

### **IMPORTANT – EEA RETAIL INVESTORS**

If the Final Terms in respect of any Notes includes a legend entitled “*Prohibition of Sales to EEA Retail Investors*”, the Notes, from 1 January 2018 are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **PRESENTATION OF INFORMATION**

In this Base Prospectus, all references to **U.S. dollars**, **U.S.\$** and **\$** refer to United States dollars, **NKR, Nkr** or **NOK** refer to Norwegian Kroner, **GBP, Sterling** and **£** refer to pounds sterling, **yen** refer to Japanese Yen, and **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.

### **STABILISATION**

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. 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 cease 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 Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

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## 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 Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, if appropriate, a supplement to the Base Prospectus or a new Base Prospectus will be published.*

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

Words and expressions defined in “*Form of the Notes*”, “*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:	Sparebanken Sør
Risk Factors:	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under “ <i>Risk Factors</i> ” below.
Description:	Euro Medium Term Note Programme
Arranger:	Swedbank AB (publ)
Dealers:	Commerzbank Aktiengesellschaft Danske Bank A/S Landesbank Baden-Württemberg Natixis Société Générale Swedbank AB (publ) UniCredit Bank AG  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 Base Prospectus.  <b>Notes having a maturity of less than one year</b>  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:	Deutsche Bank AG, London Branch
VPS Agent:	Sparebanken Sør
VPS Trustee:	Nordic Trustee ASA

Programme Size:	Up to €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in euro, Norwegian Kroner, U.S. dollars, yen and 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.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	<p>The Notes will be issued in bearer form, in the case of VPS Notes, uncertificated book entry form, as specified in the applicable Final Terms.</p> <p>Each Note (other than VPS Notes) will on issue be represented by either a Temporary Global Note which will be exchangeable for a Permanent Global Note or, if so specified in the applicable Final Terms, by a Permanent Global Note which will be exchangeable 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>
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> <p>(b) on the basis of the Reference Rate set out in the applicable Final Terms.</p> <p>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.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>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</p>

	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:	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) 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 as may be agreed between the Issuer and the relevant Dealer.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions — Notes having a maturity of less than one year</i>” above.</p>
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 “ <i>Certain Restrictions — Notes having a maturity of less than one year</i> ” above, and save that the minimum denomination of each Note 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 unless such withholding or deduction is required by law, as provided in Condition 6 of the Terms and Conditions of the Notes other than VPS Notes and Condition 6 of the Terms and Conditions of the VPS Notes. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 6 of the Terms and Conditions of the Notes other than VPS Notes and Condition 6 of the Terms and Conditions of the VPS Notes, be required to pay additional amounts to cover the amounts so deducted.
Cross-Acceleration and Cross-Default:	The terms of Notes will contain a cross-acceleration provision and a cross-default provision as further described in Condition 8 of the Terms and Conditions of the Notes other than VPS Notes and Condition 8 of the Terms and Conditions of the VPS Notes.
Negative Pledge:	The terms of the Notes will not contain a negative pledge provision.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured obligations (including deposits) (other than subordinated obligations, if any) of the Issuer, present and future, from time to time outstanding.
Rating:	Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms. 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 rating agency.
Listing:	<p>Application has been made for Notes issued under the Programme to be listed on the Irish Stock Exchange.</p> <p>Notes may be admitted to trading on either the Main Securities Market or the Oslo Stock Exchange’s Regulated Market, as may be</p>

Governing Law:	<p>agreed between the Issuer and the relevant Dealer in relation to the relevant Series.</p> <p>The applicable Final Terms will state the relevant regulated market(s).</p> <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 shall be construed in accordance with, English law.</p> <p>VPS Notes and all non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law, save for Conditions 9, 10, 11, 12 and 13 of the Terms and Conditions of the VPS Notes and all non-contractual obligations arising out of or in connection with such conditions which will be governed by, and construed in accordance with, Norwegian law.</p> <p>The VPS Notes must comply with the Norwegian Act on Registration of Financial Instruments 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 distribution of this Base Prospectus and the offer, sale and/or transfer of the Notes in the United States, the EEA (including the United Kingdom, France and Norway) and Japan. Further restrictions may be required in connection with any particular Tranche of Notes. See “<i>Subscription and Sale</i>”.</p>
United States Selling Restrictions:	<p>Regulation S, Category 2. In the case of Notes other than VPS Notes, TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.</p>

## **Risk Factors**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments under the Notes. In addition, factors which the Issuer believes may be 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 Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available to it and which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this section.*

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

#### **Risks relating to the Norwegian property market**

One of the Issuer's activities is mortgage lending. A downturn in the Norwegian economy could have a negative effect on the property market particularly, in the case of house mortgages, if this results in an increased level of unemployment or significantly higher interest rates. Values of property are affected by changes in general economic conditions (such as interest rates and inflation activity), the condition of financial markets, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices, among other factors. The value of the real estate portfolio may also fluctuate as a result of external factors, such as changes in general political conditions, potentially adverse tax consequences, changing environmental standards and higher accounting and control expenses. Such a downturn in the property market may result in losses being incurred by lenders such as the Issuer on loans that have defaulted. This could have consequences for the Issuer's funding costs and credit ratings if there was deemed to be a material deterioration in the quality of the mortgage portfolio.

#### **Regulatory risks**

The Issuer is regulated by The Financial Supervisory Authority of Norway (the **NFSA**). The regulatory regime requires the Issuer to be compliant across many aspects of its business, including, but not limited to, capital adequacy, solvency margin, the training, authorisation and supervision of personnel, systems, processes and documentation. If the Issuer fails to be compliant with relevant regulations, there is a risk of an adverse impact on the business of the Issuer, its results of operations and/or financial condition due to sanctions, fines or other action imposed by the regulatory authorities. Regulatory proceedings or investigations could also result in adverse publicity for, or negative perceptions regarding, the Issuer, as well as diverting management's attention away from the day-to-day management of the business.

In addition, financial services laws, regulations and policies currently affecting the Issuer may change at any time and any such change may have a material adverse effect on the Issuer's business. Furthermore, the Issuer will not always be able to predict the impact of future Norwegian legislation or regulation, or changes in the interpretation or operation of existing legislation or regulation on its business, results of operations and/or financial condition. Further changes to Norwegian financial services legislation or regulations may be enacted and such changes could have a material adverse effect on the Issuer's business, results of operations and/or financial condition and may result in increased costs to the Issuer due to it being required to set up additional compliance controls or due to the direct costs of compliance.

#### **Economic activity in Norway**

The Issuer's residential mortgage lending activities are dependent on the level of finance required by residential borrowers in Norway, mainly in the Agder and Telemark regions. In particular, levels of borrowing are heavily dependent on residential property prices, employment trends, state of the economy, market interest rates, taxation, mortgage lenders' level of income and other factors that affect the Norwegian economy. As the Issuer conducts its business in Norway, its performance is influenced by the level and cyclical nature of business

activity in Norway, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a weakening in the economy of Norway will not have an adverse effect on the Issuer's future results of operations, financial condition and business prospects and its ability to perform its obligations under the Notes.

### **Risks relating to the Norwegian mortgage market**

The financial position of many households in Norway has improved considerably in recent years. Relatively low interest rates and a strong increase in disposable income have reduced the financial strain on most households and led to a continued growth in demand for loans, especially in the residential mortgage market. Lower productivity growth combined with a fall in the oil price will reduce growth in disposable income going forward.

The economic conditions in different regions of Norway will normally be in line with the general economic situation in Norway as a whole, but will also be influenced by developments in the local labour and housing markets. This could, from time to time, adversely affect mortgage loans in certain regions compared to mortgage loans in the Norwegian market in general.

Increased levels of indebtedness have increased the potential financial vulnerability of some mortgage borrowers, especially young and/or low-income borrowers. These groups of borrowers are more vulnerable in the event of unemployment, income reduction, interest rate increase, or a fall in housing prices.

The Issuer is providing loans to corporates mainly in the Agder and Telemark regions. Corporate lending is secured with primarily real estate as collateral. The capability of the borrower to service the loan is often related to lease contracts. Furthermore, negative impacts in the Norwegian economy in general and/or specific events in the Agder and Telemark regions, may affect the borrower's ability to service the loan, as obligations in leases may not be met.

Norwegian borrowers have historically preferred floating rate mortgages, and increases in interest rates could adversely affect the liquidity position of some borrowers. The Issuer takes into account (among other factors) a possible increase in interest rates when calculating each customer's ability to meet its payment obligations in respect of mortgage loans. If the relevant interest rates rise to a level at which such borrowers are unable to meet their payment obligations on their mortgages, this may have an adverse impact on the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Notes.

### **Competition**

The Issuer's business is subject to risks related to the competitive position of the Issuer. The Group faces competition in the Norwegian residential mortgage market and has experienced pressure on lending margins. The Issuer and the Group may face pricing pressure in certain areas of their operations in the future as competitors seek to increase market share by reducing prices or offering new services at low prices. Increasing use of the internet by customers searching for mortgage providers also affects customer loyalty. There can be no assurance that increased competition will not adversely affect the Group and the Issuer's future results of operations, financial condition and business prospects and its ability to perform its obligations under the Notes.

### **Financial risks**

Control of financial risk is one of the most important risk factors for financial institutions such as the Issuer. Financial risks include credit, liquidity, operational and market risk. Failure to control these risks can result in material adverse effects on the Issuer's financial performance and reputation.

### **Credit and counterparty risk**

Credit risk is the risk of loss due to the Issuer's contractual counterparties or borrowers not having the ability or willingness to meet their payment obligations to the Issuer. This credit risk concerns all claims of the Issuer against its counterparties and borrowers, in particular its mortgage borrowers and counterparties to derivatives/swap contracts.

The Board of Directors adopts the Issuer's credit strategy and policy. Credit risk is also managed through credit management routines, credit processes and award authorities. The Board of Directors has set targets and indication of direction, as well as quantitative limits that specify constraints and limits for risk tolerance. Compliance with the Issuer's credit policy is monitored by the Risk Management Division, which is an independent entity in relation to the customer departments.

Even though the credit policy outlines guidelines, requirements and quantitative limits, losses due to default by customers or counterparties may occur. Losses suffered by the Issuer due to counterparty or borrower default

may have an adverse impact on the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Notes.

### **Operational risk**

Operational risk is the risk of losses as a result of inadequate or failing internal processes or systems, human errors or external events. Operational risk includes risk of default. Examples of operational risk is the occurrence of several types of adverse actions and events, including but not limited to money laundering, corruption, embezzlement, insider trading, fraud, threats to employees, authorisation failures and violations on adopted procedures and the failure of IT-systems. The occurrence of such adverse actions and events might cause reputational damage to the Issuer which could adversely affect new business sales. Negative publicity in respect of the Issuer could also potentially result in regulators subjecting the Issuer's business to closer scrutiny, which may in turn result in higher costs, sanctions or fines. Although the Issuer's operational risk is monitored by regular qualitative assessments, the occurrence of such actions or events may have an adverse impact on the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Notes.

### **Liquidity risk**

Liquidity risk is the risk that the Issuer is unable to meet its obligations or is unable to fund its assets without substantial additional costs, such as impairment in value of assets, or in the form of funding at an above normal cost level. Liquidity risk also includes the risk that the financial markets, on which the Issuer is dependent, will cease to function. Each of these events could adversely affect the Issuer's future results of operations, financial condition and business prospects and its ability to perform its obligations under the Notes.

Liquidity risk is managed through the Issuer's liquidity strategy, overall guidelines and routines and through established credit issuance authorisation. The liquidity risk is also managed by ensuring distribution of funding from the capital market among different maturities, funding sources and instruments.

Deposits from customers are the most important source of funding. However, the Issuer is to a large extent dependent on alternative sources of funding. Sparebanken Sør Boligkreditt AS also represents an important funding instrument, which ensures access to long-term funding through issue of covered bonds. The Issuer has an extensive liquidity reserve in the form of liquid interest-bearing securities. The Issuer's liquidity risk is followed-up through periodic reporting to the Board of Directors. Even though the liquidity strategy specifies guidelines and includes requirements of composition of the funding structure and liquidity reserve, the inability of the issuer to anticipate and provide for unforeseen decreases or changes in funding could have adverse consequences on the Issuer's ability to meet its obligations when they fall due.

### **Market risk**

Market risk includes risk associated with profit variations in unsecured interest rate, currency and equity capital positions. Losses may arise due to fluctuations in interest rates, including credit spread and foreign exchange rates. Market risk is managed by means of limits for investments in equities, bonds, and on positions taken in fixed-income and currency markets. The performance in financial markets may cause changes in the value of the Issuer's liquidity portfolio.

The Issuer is affected by fluctuations in the currency market, particularly with regard to Norwegian Kroner, through its currency activities with customers, funding and investment activities. Changes in currency rate affect the value of the Issuer's assets and liabilities denominated in foreign currency, and may affect other business areas.

The Board of Directors has established limits for investment in bonds and positions in the interest rate and currency market. Compliance with the limits is followed-up on an ongoing basis and is reported to the Board of Directors. The limits are at least reviewed once a year and adopted on a yearly basis by the Issuer's Board of Directors.

### **Legal risks**

The Issuer is subject to financial services laws, regulations, administrative actions and policies in Norway. Changes in supervision and regulation could materially affect the Issuer's business, the products and services offered or the value of its assets. Future changes in regulations, fiscal or other policies are unpredictable and beyond the control of the Issuer.

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

### **Notes are obligations of the Issuer only**

The Notes will constitute obligations of the Issuer, and the Notes will not be obligations of, or guaranteed by, any other member of the Group or any other person. An investment in the Notes involves a reliance on the creditworthiness of the Issuer. In addition, an investment in the Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Notes. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any other member of the Group or any of the Arranger, the Dealers 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 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 (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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 Issuer may enter into currency derivatives to ensure that the risks do not exceed the limit values approved by the Board of Directors.

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.

Interest rate risks occur when fixed interest periods of interest basis for assets and liabilities do not coincide.

The Issuer may enter into interest rate derivatives to ensure that the risks do not exceed the limit values approved by the Board of Directors.

### **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.

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes issued under the Programme although the Issuer may also issue unrated 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 or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under 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). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

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

A 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 is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such 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 are Notes will bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The conversion of the interest basis may affect the secondary market in, and the market value of, such Notes where the change of interest basis results in a lower interest return for Noteholders. Where the relevant Notes convert from a fixed rate to a floating rate, the spread on the relevant 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. Where the relevant Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on the relevant Notes and could affect the market value of an investment in the relevant Notes.

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

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their nominal 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 such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### **Effects of the Bank Recovery and Resolution Directive**

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive** or **BRRD**) entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing credit institution, investment firm, certain financial institutions and certain holding companies (each, a **relevant entity**) so as to ensure the continuity of the relevant entity's critical financial and economic functions, while minimising the impact of a relevant entity's failure on the economy and financial system.

The BRRD, under its terms, was required to be applied by EU Member States from 1 January 2015, except for the general bail-in tool (see below) which applies from 1 January 2016. It should be noted that Norway will not be directly bound by the BRRD before it has been implemented into the EEA Agreement and national Norwegian law. On 26 October 2016, the Norwegian Banking Law Commission published its proposal for implementation of BRRD in Norwegian law. The proposal has been subject to a hearing, and is currently under consideration by the Ministry of Finance. It is expected that the final draft implementing legislation will be presented and approved sometime during 2017 and enter into force shortly thereafter.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) a relevant entity is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such relevant entity within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the relevant entity or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the relevant entity to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control), which may limit the capacity of the relevant entity to meet its repayment obligations; (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims (including Notes) to equity or other instruments of ownership (the **general bail-in tool**), which equity or other instruments could also be subject to any future cancellation, transfer or dilution.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

A relevant entity will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

Any application of the general bail-in tool under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings. Accordingly, the impact of such application on holders of Notes will depend on their ranking in accordance with such hierarchy, including any priority given to other creditors such as depositors.

To the extent any resulting treatment of holders of Notes pursuant to the exercise of the general bail-in tool is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a holder has a right to compensation under the BRRD based on an independent valuation of the relevant entity (which is referred to as the "no creditor worse off safeguard" under the BRRD). Any such compensation is unlikely to compensate that holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the Notes.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

When the BRRD has been implemented in Norway, holders of Notes may be subject to the application of the general bail-in tool, which may result in such holders losing some or all of their investment. Such application could also involve modifications to or the disapplication of provisions in the Terms and Conditions of the Notes, including alteration of the principal amount or any interest payable on the Notes, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period. As a result, the exercise of any power under the BRRD or any suggestion of such exercise could materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

In addition, the market price of the Notes could be adversely affected by the implementation or proposed implementation of BRRD in Norway and/or, following any such implementation, by any actual or anticipated use of the powers thereunder in respect of the Issuer and/or the Notes. Any action taken under such legislation in respect of the Issuer could also affect the ability of the Issuer to satisfy its obligations under the Notes.

As it remains uncertain how and when the BRRD will be implemented in Norway, and in any event the Norwegian authorities could elect to adopt more onerous provisions than required under the EU legislation, it is difficult to anticipate the potential implications for the Issuer or the Notes.

## **RISKS RELATED TO NOTES GENERALLY**

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

### **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, in the opinion of the Issuer, of a formal, minor or technical nature or is, in the opinion of the Issuer, 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 and the Couponholders as described in Condition 14 of the Terms and Conditions of the Notes other than VPS Notes.

The VPS Trustee Agreement provides that the VPS Trustee may, without providing prior written notice to, or consultation with, the VPS Noteholders, make certain decisions binding on all VPS Noteholders relating to the VPS Conditions, the VPS Agency Agreement and the VPS Trustee Agreement as further detailed in the VPS Conditions and the VPS Trustee Agreement, including amendments which in the opinion of the VPS Trustee are not materially prejudicial to the interests of the VPS Noteholders. The VPS Trustee shall as soon as possible notify the VPS Noteholders of any proposal to make such amendments, setting out the date from which the amendment will be effective, unless such notice obviously is unnecessary.

### **Withholding Tax White Paper/Potential Issuer Redemption for Tax Reasons**

In a White Paper to the Norwegian Parliament in October 2015 (Meld. St. 4 (2015-2016)), the Government advised that it will look further into the possible introduction of a Norwegian withholding tax on interest. A detailed proposal is expected to be submitted for public consultation when ready.

In the event of the withholding tax being implemented and the payments of interest in respect of an issue of Notes is subject to withholding tax, the Issuer would be required to gross up the payments in accordance with (but subject to the exceptions set out in) Condition 6 of the Terms and Conditions of the Notes other than VPS Notes and Condition 6 of the Terms and Conditions of the VPS Notes. If the Issuer has or will become obliged to pay additional amounts as provided in Condition 6 of the Terms and Conditions of the Notes other than VPS Notes and Condition 6 of the Terms and Conditions of the VPS Notes, the Issuer may (subject to the conditions set out therein) exercise its right to redeem the Notes at the Early Redemption Amount pursuant to Condition 5.5 of the Terms and Conditions of the Notes other than VPS Notes and Condition 5(e) of the Terms and Conditions of the VPS Notes.

### **Change of law**

The Terms and Conditions of the Notes other than VPS Notes are based on English law.

The Terms and Conditions of the VPS Notes are based on English law, save for Conditions 9, 10 11, 12 and 13 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 Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

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

In relation to any issue of Notes in bearer form 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 in excess of the minimum Specified Denomination 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 such Notes in definitive form 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.

## Documents Incorporated by Reference

The following documents, which have previously been published and filed with the Central Bank of Ireland, shall be incorporated in, and form part of, this Base Prospectus:

- (a) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2015 together with the independent auditor's report thereon (an English translation is available on the website of the Issuer at <https://www.sor.no/globalassets/financial-reporting/annual-report-2015-sparebanken-sor2.pdf>) set out on the following pages of the Issuer's 2015 annual report (in a document named "Annual Report 2015"):

Profit and Losses Account	p.18
Balance Sheet	p.19
Equity Statement	p.20
Cash Flow Statement	p.21
Notes	p.22 – 71 (inclusive)
Auditor's Report	p.78 – 79 (inclusive);

- (b) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2016 together with the independent auditor's report thereon (an English translation is available on the website of the Issuer at <https://www.sor.no/globalassets/financial-reporting/2016-annual-report-sparebanken-sor.pdf>) set out on the following pages of the Issuer's 2016 annual report (in a document named "Annual Report 2016"):

Income Statement	p.20
Balance Sheet	p.21
Equity Statement	p.22
Cash Flow Statement	p.23
Notes	p.24 – 74 (inclusive)
Auditor's Report	p.83 – 88 (inclusive);

- (c) the interim unaudited consolidated financial statements of the Issuer for the three month period ended 31 March 2017 (an English translation is available on the website of the Issuer at <https://www.sor.no/globalassets/financial-reporting/1q2017-report-sparebanken-sor.pdf>) set out on the following pages of the Issuer's interim unaudited half-year report (in a document named "Quarter 1 2017 (unaudited)"):

Income Statement	p.12
Balance Sheet	p.13
Cash Flow Statement	p.14
Equity Statement	p.15
Notes	p.16 – 23 (inclusive); and

- (d) the sections "Terms and Conditions of the Notes other than VPS Notes" (pages 28-46 inclusive) and "Terms and Conditions of the VPS Notes (pages 47-65 inclusive) set out in the base prospectus dated 19 August 2016 relating to the Programme (available on the website of the Irish Stock Exchange at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_c042327c-6193-4bf0-ba41-35316d6a1b56.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_c042327c-6193-4bf0-ba41-35316d6a1b56.pdf)).

Only the information set out in the cross-reference lists in (a)–(d) above is being incorporated by reference into this Base Prospectus. Any other information that is not included in the cross-reference lists above is considered to be additional information to be disclosed to investors rather than information required by the relevant annexes of the Prospectus Regulation and such additional information shall not be incorporated by reference into this Base Prospectus. Any such non-incorporated parts of a document referred to herein are either not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The auditor's reports outlined in (a) and (b) above constitute accurate and direct translations of the Norwegian originals.

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer 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 Base Prospectus shall not form part of this Base Prospectus.

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

## Form of the Notes

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

### NOTES (OTHER THAN VPS NOTES)

Each Tranche of Notes other than VPS Notes will be in bearer form and will initially be 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**) and, together with a Temporary Global Note, each a **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 S.A. (**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 depository (the **Common Depository**) 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 applicable Final Terms will also indicate whether or not 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, as indicated in the applicable Final Terms.

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 10 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 exchange upon notice or the exchange at any time upon an Exchange Event should not be expressed to be applicable if the Notes are issued in denominations comprising a minimum Specified Denomination (such as €100,000 (or its equivalent in another currency)) plus one or more higher integral multiples of another smaller amount (such as €1,000 (or its equivalent in another currency)). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

The following legend will appear on all Notes (other than Temporary Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

“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.”

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.

Any Note may be accelerated by the holder thereof in certain circumstances described in Condition 8 of the Terms and Conditions of the Notes other than VPS Notes. 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 19 August 2016 and executed by the Issuer.

Pursuant to the Agency Agreement (as defined in “*Terms and Conditions of the Notes other than 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.

## **VPS NOTES**

Each Tranche of VPS Notes will be issued in uncertificated and dematerialised book entry form. Legal title to the VPS Notes will be evidenced by book entries in the records of the VPS. On the issue of such VPS Notes, the Issuer will send a letter to the VPS Trustee, with copies sent to the 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 the Final Terms attached thereto. On delivery of a copy of such VPS Letter including the applicable Final Terms to the VPS and notification to the VPS of the subscribers and their VPS account details by the relevant Dealer, the VPS Agent will credit each subscribing VPS account holder 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 two 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 of the VPS from time to time.

VPS Notes may not be exchanged for bearer Notes and *vice versa*.

## **GENERAL**

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

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event a supplement to the Base Prospectus or a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

## Applicable Final Terms

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS]** –The Notes are not intended from 1 January 2018 to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation. *[Include unless the Final Terms specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”]*

[Date]

Sparebanken Sør

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €3,000,000,000  
Euro Medium Term 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 Base Prospectus dated 30 June 2017 [and the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Prospectus Directive. When used in these Final Terms, **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in a relevant Member State of the EEA. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [ ] and copies may be obtained from the registered office of the Issuer.

*[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a base prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the [Terms and Conditions of the Notes other than VPS Notes] [the Terms and Conditions of the VPS Notes] set forth in the base prospectus dated 19 August 2016 [[and the supplement(s) to it dated [date(s)]]] which are incorporated by reference in the Base Prospectus dated 30 June 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. When used in these Final Terms, **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in a relevant Member State of the EEA. This document must be read in conjunction with the Base Prospectus dated 30 June 2017 [and the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [ ] and copies may be obtained from the registered office of the Issuer.]

- |    |  |   |
|----|--|---|
| 1. | Issuer:  | Sparebanken Sør   |
| 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 |

paragraph 22 below, which is expected to occur on or about [ ]][Not Applicable]

3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount: [ ]
- (a) Series: [ ]
- (b) Tranche: [ ]
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: [ ][Issue Date][Not Applicable]
8. Maturity Date: [ ]/Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [ ] per cent. Fixed Rate] [[ ] month [[Sterling/Euro/Swiss Franc] LIBOR/EURIBOR/NIBOR/STIBOR] +/- [ ] per cent. Floating Rate][Zero Coupon] (see paragraph 14/15/16 below)
10. 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.
11. Change of Interest Basis: [From [Fixed Rate to Floating Rate][Floating Rate to Fixed Rate] with effect from [ ]][Not Applicable]
12. Put/Call Options: [Investor Put] [Issuer Call] [(see paragraph 18/19 below)]
13. [Date [Board] approval for issuance of Notes obtained: [ ] [and [ ] , respectively]]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. 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, from and including [ ] , up to and including the Maturity Date
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year][Not Applicable]
15. 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][Not Applicable]
- (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): [[ ] shall be the Calculation Agent][Not Applicable]
- (f) Screen Rate Determination:
- Reference Rate: [ ] month [[Sterling/Euro/Swiss Franc] LIBOR/EURIBOR/NIBOR/STIBOR]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum
- (k) Maximum Rate of Interest: [ ] per cent. per annum
- (l) 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)]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition [5.2 of the Terms and Conditions of Notes other than VPS Notes/5(b) of the Terms and Conditions of the VPS Notes]:  
Minimum period: [ ] days  
Maximum period: [ ] days

18. Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount/Sterling Make-Whole Redemption Amount/Non-Sterling Make-Whole Redemption Amount/Not Applicable]
- (c) Redemption Margin: [[ ] per cent./Not Applicable]
- (d) Reference Bond: [[ ] / FA Selected Bond/Not Applicable]
- (e) Quotation Time: [[ ]/Not Applicable]
- (f) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (g) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
19. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
20. Final Redemption Amount: [ ] per Calculation Amount
21. Early Redemption Amount payable on redemption for taxation reasons: [ ] 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 issued in uncertificated book entry form]   |
|     | (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, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No] |

**THIRD PARTY INFORMATION**

[[ ] has been extracted from[ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.] [Not Applicable]

Signed on behalf of Sparebanken Sør:

By:.....  
Duly authorised

## PART B — OTHER INFORMATION

### 1. LISTING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be [admitted to trading on the Irish Stock Exchange's Main Securities Market and listed on the Official List of the Irish Stock Exchange] / [admitted to trading on the Oslo Stock Exchange's Regulated Market] with effect from [ ].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [Irish Stock Exchange's Main Securities Market and listed on the Official List of the Irish Stock Exchange] / [Oslo Stock Exchange's Regulated Market] with effect from [ ].]
- (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]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[ ] by [ ].

[[Each of ][ ] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) and is on the list of registered credit rating agencies published on the ESMA website <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.]

### 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

- Indication of yield: [ ]

### 5. OPERATIONAL INFORMATION

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)] [Verdipapirsentralen, Norway VPS Identification number [ ] 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]
- (iv) Names and addresses of additional [ ][Not Applicable]

Paying Agent(s) (if any):

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

## 6. DISTRIBUTION

- (i) Method of distribution [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of Subscription Agreement: [ ]
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
- (vii) Prohibition of sales to EEA Retail Investors: [Applicable/Not Applicable]

## 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.*

This Note is one of a Series (as defined below) of Notes issued by Sparebanken Sør (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 amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 30 June 2017 and made between the Issuer, and Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and any other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

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 which complete 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.

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.

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 restricted from time to time, the **Deed of Covenant**) dated 19 August 2016 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 Main Securities Market of the Irish Stock Exchange plc (the **Irish Stock Exchange**), the applicable Final Terms will be published on the website of the Central Bank of Ireland at [www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx](http://www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx) and on the website of the Irish Stock Exchange at [www.ise.ie](http://www.ise.ie). If the Notes are to be admitted to trading on any other regulated market in the European Economic Area, the applicable Final Terms will be published in accordance with the rules and regulations of the relevant listing authority or stock exchange and otherwise in accordance with Article 14 of the Prospectus Directive. When used in these Conditions, **Prospectus Directive** means Directive 2003/71/EC (as amended, including by

Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area. 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 denomination(s) (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 S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer 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 and Clearstream, Luxembourg, 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 systems specified in Part B of the applicable Final Terms.

## 2. STATUS OF THE NOTES

The Notes and the relative Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured obligations (including deposits) (other than subordinated obligations, if any) of the Issuer, present and future, from time to time outstanding. So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer undertakes to ensure that the obligations of the Issuer under the Notes rank and will rank *pari passu* with all other unsecured and unsubordinated obligations (including deposits) of the Issuer and with all its unsecured and unsubordinated obligations under guarantees of obligations of third parties, in each case except for any obligations preferred by mandatory provisions of applicable law.

## 3. INTEREST

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.

### 3.1 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.

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
- (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 3.1:

- (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.

### 3.2 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 3.2(a)(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 Dates 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:

- (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 (other than TARGET2 System (as defined below)) specified in the applicable Final Terms;
- (ii) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (iii) 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 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 as 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 (being either the London interbank offered rate (**LIBOR**), the Euro-zone interbank offered rate (**EURIBOR**), the Norwegian interbank offered rate (**NIBOR**) or the Stockholm interbank offered rate (**STIBOR**), as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified 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.

If the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or, in the case of (B) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Reference Banks Agent shall request each of the Reference Banks to provide the Reference Banks 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 Reference Banks 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 Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Reference Banks 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 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 Reference Banks 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), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Norwegian inter-bank market (if the Reference Rate is NIBOR) or the Swedish inter-bank market (if the Reference Rate is STIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Reference Banks 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 Reference Banks Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Norwegian inter-bank market (if the Reference Rate is NIBOR) or the Swedish inter-bank market (if the Reference Rate is STIBOR) 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).

**(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.

**(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
- (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 3.2:

- (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:

$$\text{DayCountFraction} = \frac{\lfloor 360 \times (Y_2 - Y_1) \rfloor + \lfloor 30 \times (M_2 - M_1) \rfloor + (D_2 - D_1)}{360}$$

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:

$$\text{DayCountFraction} = \frac{\lfloor 360 \times (Y_2 - Y_1) \rfloor + \lfloor 30 \times (M_2 - M_1) \rfloor + (D_2 - D_1)}{360}$$

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:

$$\text{DayCountFraction} = \frac{\lfloor 360 \times (Y_2 - Y_1) \rfloor + \lfloor 30 \times (M_2 - M_1) \rfloor + (D_2 - D_1)}{360}$$

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) Linear Interpolation**

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

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

**(f) 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.

**(g) 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 3.2, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agent, 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 or in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### 3.3 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, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such 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.

## 4. PAYMENTS

### 4.1 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 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, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

### 4.2 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 4.1 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 (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6 below) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) 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.

#### **4.3 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 and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. 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 on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

#### **4.4 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 or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of 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.

#### **4.5 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 not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means (subject to Condition 7):

- (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):
  - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
  - (ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (c) 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.

#### **4.6 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 Early Redemption Amount of the Notes;
- (c) the Optional Redemption Amount(s) (if any) of the Notes;
- (d) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5.8); and
- (e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.

### **5. REDEMPTION AND PURCHASE**

#### **5.1 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.

#### **5.2 Redemption for tax reasons**

Subject to Condition 5.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on an Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Agent and in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment date due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 6) or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measure available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 5.2 will be redeemed at their Early Redemption Amount referred to in Condition 5.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

#### **5.3 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 the minimum period nor more than the maximum period of notice specified in applicable Final Terms 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.

If **Sterling Make-Whole Redemption Amount** is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer by the Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Financial Adviser.

If **Non-Sterling Make-Whole Redemption Amount** is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 5.3:

**FA Selected Bond** means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

**Financial Adviser** means a financial adviser selected by the Issuer;

**Gross Redemption Yield** means, in respect of a security, the gross redemption yield for such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper Formulae for Calculating Gilt Prices from Yields page 5, Section One: Price/Yield Formulae Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date (published 08/06/1998 and updated on 15/01/2002 and 16/03/2005 (as amended and supplemented from time to time)) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Issuer may approve;

**Redemption Margin** shall be as set out in the applicable Final Terms;

**Reference Bond** shall be as set out in the applicable Final Terms or shall be the FA Selected Bond;

**Reference Bond Price** means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**Reference Bond Rate** means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

**Reference Date** will be set out in the relevant notice of redemption;

**Reference Government Bond Dealer** means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

**Reference Government Bond Dealer Quotations** means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Agent, of the

bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

**Remaining Term Interest** means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.3, by the Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agent, 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 or in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

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 (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 below not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 5.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 12 below at least 5 days prior to the Selection Date.

#### **5.4 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 below not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, 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 and Clearstream, Luxembourg, 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 or Clearstream, Luxembourg, 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 and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear and Clearstream, Luxembourg 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 or Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 5.4 shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 8.

## 5.5 Early Redemption Amounts

For the purpose of Condition 5.2 and Condition 8:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

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

where:

**RP** means the Reference Price;

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

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be 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 fixed for redemption (or as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

## 5.6 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. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation

## 5.7 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 5.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## 5.8 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 5.1, 5.2, 5.3 or 5.4 above or upon its becoming due and repayable as provided in Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

## 6. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of 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. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons

after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in Norway;
- (b) the holder of which is liable for such taxes in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4.5).

As used herein:

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

**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.

## 7. PRESCRIPTION

The Notes and Coupons will become void unless presented for payment 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 6) 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 4.2 or any Talon which would be void pursuant to Condition 4.2.

## 8. EVENTS OF DEFAULT

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing with respect to any Note:

- (a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and in the case of interest that default continues for a period of seven days or more; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) any payment obligation under any indebtedness (including deposits) of the Issuer or any of its Principal Subsidiaries becomes due and repayable prematurely by reason of an event of default (howsoever described) or the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any indebtedness (including deposits) within 30 days of the due date for payment (or within the applicable grace period, if such period is longer than 30 days) or any security given by the Issuer or any of its Principal Subsidiaries for any indebtedness (including deposits) becomes enforceable or if default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any obligation of any other person for 30 days (or within the applicable grace period, if such period is longer than 30 days), PROVIDED that no such event shall constitute an Event of Default unless the indebtedness (including deposits) or other relative liability either alone or when aggregated with other indebtedness (including deposits) and/or liabilities relating to all (if any) other events which shall have occurred and be outstanding shall amount to at least €10,000,000 (or its equivalent in any other currency) and PROVIDED further that, for the purposes of this Condition 8(c), neither the Issuer nor any of its Principal Subsidiaries shall be deemed to be in default with respect to any such

indebtedness (including deposits), guarantee or indemnity if it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or

- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders; or
- (e) if the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of the Noteholders, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (A) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (g) if the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors),

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 5.5), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purpose of this Condition:

**Principal Subsidiary** at any time shall mean a Subsidiary of the Issuer *inter alia*:

- (A) whose gross revenues attributable to the Issuer (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 5 per cent. of the consolidated gross revenues attributable to the shareholders of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or
- (B) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Principal Subsidiary;

all as more particularly defined in the Agency Agreement.

A report by the auditors of the Issuer that, in their opinion, a Subsidiary of the Issuer is, or is not, or was or was not at any particular time or throughout any specified period, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

## 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; and
- (c) 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 4.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or of a Paying Agent failing to become or ceasing to be a participating foreign financial institution for the purposes of the Code, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 12.

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 7.

## 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 including publication on the website of the relevant stock exchange or relevant authority if required by those rules. 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) or such websites 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 on the website of the relevant stock exchange or relevant authority and/or 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/or 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.

### **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.

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, in the opinion of the Issuer, of a formal, minor or technical nature or is, in the opinion of the Issuer, 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 the date from which interest starts to accrue 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 the Agency Agreement, the Deed of Covenant, the Notes and the Coupons) are governed by, and shall be construed in accordance with, English law.

## 16.2 Submission to jurisdiction

- (a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non contractual obligations arising out of or in connection with the Notes and the Coupons (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 16.2, each of the Issuer and any Noteholders or Couponholders taking proceedings in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) This Condition 16.2(c) is for the benefit of the Noteholders and the Couponholders only. To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

## 16.3 Appointment of Process Agent

The Issuer irrevocably appoints Notable Services LLP at its registered office at Charles House, 108-110 Finchley Road, London, NW3 5JJ, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Notable Services LLP being unable or unwilling for any reason so to act or ceasing to be registered in England, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## 17. DEFINITIONS

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

**Reference Bank** means, means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Norwegian inter-bank market and, in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Swedish inter-bank market, in each case selected by the Reference Banks Agent or as specified in the applicable Final Terms;

**Reference Banks Agent** means an independent investment bank, commercial bank or stockbroker appointed by the Issuer;

**Specified Time** means 11.00 a.m. (London time, in the case of a determination of LIBOR, Brussels time, in the case of a determination of EURIBOR, or Stockholm time, in the case of a determination of STIBOR) or 12.00 p.m. (Oslo time, in the case of a determination of NIBOR); and

**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.

## 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.*

Each VPS Note will be one of a Series (as defined below) of notes issued by Sparebanken Sør (the **Issuer**) under the Programme.

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

The VPS Notes will have the benefit of the trust agreement (such trust agreement as modified and/or supplemented and/or restated from time to time, the **VPS Trustee Agreement**) dated 30 June 2017 made between the Issuer and Nordic Trustee ASA (the **VPS Trustee**, which expression shall include any successor as VPS Trustee).

Each Tranche of VPS Notes will be created and held in uncertificated book entry form in accounts with the VPS. Sparebanken Sør (in such capacity, the **VPS Agent**, which expression shall include any successor as VPS Agent) will act as agent of the Issuer in respect of all dealings with the VPS in respect of 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 which complete these Terms and Conditions of the VPS Notes (the **VPS Conditions**). References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) which complete these VPS Conditions.

The VPS Trustee acts for the benefit of the holders of the VPS Notes from time to time (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.

A copy of the VPS Trustee Agreement is available for inspection during normal business hours at the registered office of the VPS Trustee at Haakon VII Gate 1, 0161 Oslo, Norway (as at 30 June 2017).

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

Words and expressions defined in the VPS Trustee Agreement or used in the applicable Final Terms shall have the same meanings where used in these VPS Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the VPS Trustee Agreement and the 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 denomination(s) (the **Specified Denomination(s)**) specified in the applicable Final Terms.

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 Bank SA/NV (**Euroclear**) or Clearstream Banking S.A. (**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 of the VPS from time to time.

## 2. STATUS OF THE VPS NOTES

The VPS Notes and the relative Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured obligations (including deposits) (other than subordinated obligations, if any) of the Issuer, present and future, from time to time outstanding. So long as any of the VPS Notes remains outstanding, the Issuer undertakes to ensure that the obligations of the Issuer under the VPS Notes rank and will rank *pari passu* with all other unsecured and unsubordinated obligations (including deposits) of the Issuer and with all its unsecured and unsubordinated obligations under guarantees of obligations of third parties, in each case except for any obligations preferred by mandatory provisions of applicable law.

## 3. INTEREST

The applicable Final Terms will indicate whether the VPS Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.

### (a) Interest on Fixed Rate Notes

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

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

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

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

In these VPS Conditions:

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

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of VPS Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number

of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (b) in the case of VPS Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

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

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

**(b) Interest on Floating Rate Notes**

**(i) Interest Payment Dates**

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

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

Such interest will be payable in respect of each Interest Period. 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) above the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (C) 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) 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 (other than TARGET2 System (as defined below)) specified in the applicable Final Terms;
- (B) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (C) 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 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 as the days 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 (being either the London interbank offered rate (**LIBOR**), the Euro-zone interbank offered rate (**EURIBOR**), the Norwegian interbank offered rate (**NIBOR**) or the Stockholm interbank offered rate (**STIBOR**), as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified 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 Reference Banks Agent shall request each of the Reference Banks to provide the Reference Banks 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 Reference Banks 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 Reference Banks 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 Reference Banks 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), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Norwegian inter-bank market (if the Reference Rate is NIBOR) or the Swedish inter-bank market (if the Reference Rate is STIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Reference Banks 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 Reference Banks Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Norwegian inter-bank market

(if the Reference Rate is NIBOR) or the Swedish inter-bank market (if the Reference Rate is STIBOR) 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 the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

- (i) if “Actual/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) Linear Interpolation**

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

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

**(vi) 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 11 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 be promptly 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 11. 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.

**(vii) 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.

**(viii) 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, manifest error or proven error) be binding on all parties and (in the absence of wilful default or bad faith) no liability shall attach to the Calculation Agent or the VPS Trustee (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Accrual of interest**

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

- (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 10.

**(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 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, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

**(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.

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 10.

**(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:
  - (A) London; and
  - (B) any Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (ii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (iii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and 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 Early Redemption Amount of the VPS Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the VPS Notes;
- (iv) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(h)); and
- (v) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the VPS Notes.

Any reference in these VPS Conditions to interest in respect of the VPS Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.

**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.

**(b) Redemption for tax reasons**

Subject to Condition 5(e), the VPS Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this VPS Note is not a Floating Rate Note) or on an Interest Payment Date (if this VPS Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the VPS Agent and in accordance with Condition 10, the VPS Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment date due under the VPS Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 6) or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of VPS Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measure available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the VPS Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the VPS Agent to make available at its specified office to the VPS Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

VPS Notes redeemed pursuant to this Condition 5(b) will be redeemed at their Early Redemption Amount referred to in Condition 5(e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) **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 the minimum notice period nor more than the maximum period of notice specified in the applicable Final Terms to the VPS Noteholders in accordance with Condition 10 (which notice 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 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.

If **Sterling Make-Whole Redemption Amount** is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be equal to the higher of (i) 100 per cent. of the principal amount outstanding of the VPS Notes to be redeemed or (ii) the principal amount outstanding of the VPS Notes to be redeemed multiplied by the price, as reported to the Issuer by the Financial Adviser, at which the Gross Redemption Yield on such VPS Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Financial Adviser.

If **Non-Sterling Make-Whole Redemption Amount** is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the VPS Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the VPS Notes to be redeemed or (ii) the sum of the present values of the principal amount outstanding of the VPS Notes to be redeemed and the Remaining Term Interest on such VPS Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 5(c):

**FA Selected Bond** means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the VPS Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the VPS Notes and of a comparable maturity to the remaining term of the VPS Notes;

**Financial Adviser** means a financial adviser selected by the Issuer;

**Gross Redemption Yield** means, in respect of a security, the gross redemption yield for such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper Formulae for Calculating Gilt Prices from Yields page 5, Section One: Price/Yield Formulae Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date (published 08/06/1998 and updated on 15/01/2002 and 16/03/2005 (as amended and supplemented from time to time)) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Issuer may approve;

**Redemption Margin** shall be as set out in the applicable Final Terms;

**Reference Bond** shall be as set out in the applicable Final Terms or shall be the FA Selected Bond;

**Reference Bond Price** means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Calculation Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**Reference Bond Rate** means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

**Reference Date** will be set out in the relevant notice of redemption;

**Reference Government Bond Dealer** means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

**Reference Government Bond Dealer Quotations** means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer; and

**Remaining Term Interest** means, with respect to any VPS Note, the aggregate amount of scheduled payment(s) of interest on such VPS Note for the remaining term of such VPS Note determined on the basis of the rate of interest applicable to such VPS Note from and including the date on which such VPS Note is to be redeemed by the Issuer pursuant to this Condition.

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

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**).

**(d) 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 10 not less than the minimum notice period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem 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 except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 8.

**(e) Early Redemption Amounts**

For the purpose of Condition 5(b) and Condition 8:

- (i) each VPS Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

- (ii) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

**RP** means the Reference Price;

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

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be 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 VPS Notes to (but excluding) the date fixed for redemption (or as the case may be) the date upon which such VPS Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the VPS Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such VPS Note becomes due and repayable and the denominator will be 360) or (iii) actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of VPS Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such VPS Note becomes due and repayable and the denominator will be 365).

**(f) 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. Such VPS Notes may be held, reissued, resold or, at the option of the Issuer, cancelled by causing such VPS Notes to be deleted from the records of the VPS.

**(g) 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.

**(h) 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), 5(c) or 5(d) or upon its becoming due and repayable as provided in Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount as provided in Condition 5(e)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to 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 VPS Noteholders in accordance with Condition 10.

**6. TAXATION**

All payments of principal and interest in respect of the VPS Notes by or on behalf of 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. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the VPS Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the VPS Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any VPS Note:

- (a) presented for payment in Norway;

- (b) the holder of which is liable for such taxes in respect of such VPS Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such VPS Note; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4(c)).

As used herein:

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

**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 VPS 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 10.

## 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 16) therefor.

## 8. EVENTS OF DEFAULT

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing with respect to any VPS Note:

- (a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the VPS Notes or any of them and in the case of interest that default continues for a period of seven days or more; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the VPS Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) any payment obligation under any indebtedness (including deposits) of the Issuer or any of its Principal Subsidiaries becomes due and repayable prematurely by reason of an event of default (howsoever described) or the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any indebtedness (including deposits) within 30 days of the due date for payment (or within the applicable grace period, if such period is longer than 30 days) or any security given by the Issuer or any of its Principal Subsidiaries for any indebtedness (including deposits) becomes enforceable or if default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any obligation of any other person for 30 days (or within the applicable grace period, if such period is longer than 30 days), PROVIDED that no such event shall constitute an Event of Default unless the indebtedness (including deposits) or other relative liability either alone or when aggregated with other indebtedness (including deposits) and/or liabilities relating to all (if any) other events which shall have occurred and be outstanding shall amount to at least €10,000,000 (or its equivalent in any other currency) and PROVIDED further that, for the purposes of this Condition 8(c), neither the Issuer nor any of its Principal Subsidiaries shall be deemed to be in default with respect to any such indebtedness (including deposits), guarantee or indemnity if it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or
- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms approved by a VPS Noteholders Meeting (as defined in the VPS Trustee Agreement) of the VPS Noteholders; or
- (e) if the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms

approved by a VPS Noteholders Meeting of the VPS Noteholders, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (f) if (A) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (g) if the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors),

then the VPS Trustee may, by written notice to the Issuer declare any VPS Notes to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 5(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purpose of this Condition:

**Principal Subsidiary** at any time shall mean a Subsidiary of the Issuer *inter alia*:

- (A) whose gross revenues attributable to the Issuer (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 5 per cent. of the consolidated gross revenues attributable to the shareholders of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or
- (B) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Principal Subsidiary;

all as more particularly defined in the Agency Agreement.

A report by the auditors of the Issuer that, in their opinion, a Subsidiary of the Issuer is, or is not, or was or was not at any particular time or throughout any specified period, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

## **9. 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 two 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.

**10. 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.

**11. MEETINGS OF VPS NOTEHOLDERS AND MODIFICATION**

**(a) Provisions with respect to Holders of VPS Notes**

The VPS Trustee Agreement contains provisions for convening meetings of the VPS Noteholders to consider any matter affecting their interests, including sanctioning by a majority of votes (as more fully set out in the VPS Trustee Agreement) 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 not less than 50 per cent. in aggregate nominal amount 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 outstanding Voting VPS Notes, 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.

**(b) Modification**

The VPS Trustee Agreement provides that:

(i) in order to make the following amendments, a majority of at least two-thirds of the votes cast in respect of Voting VPS Notes is required:

- (A) modification of the Maturity Date of the VPS Notes specified in the applicable Final Terms, or reduction or cancellation of the nominal amount payable upon maturity;
- (B) reduction or calculation of the amount payable, or modification of the payment date in respect of any interest in relation to the VPS Notes or variation of the method of calculating the rate of interest in respect of the VPS Notes;
- (C) reduction of any Minimum Interest Rate and/or Maximum Interest Rate specified in the applicable Final Terms;
- (D) modification of the currency in which payments under the VPS Notes are to be made;

- (E) modification of the majority requirement to pass a resolution in respect of the matters listed in this paragraph (i);
- (F) any alteration of Clause 4.1(f) of the VPS Trustee Agreement (which sets out the matters for which a majority of two-thirds of votes is required);
- (G) the transfer of rights and obligations under the VPS Conditions and the VPS Trustee Agreement to another Issuer; and/or
- (H) a change of VPS Trustee;

save as set out in Condition 11(b)(i) above, the VPS Trustee, without providing prior written notice to, or consultation with, the VPS Noteholders may make decisions binding on all VPS Noteholders relating to the VPS Conditions and the VPS Trustee Agreement provided that such decision is either (x) not detrimental to the rights and benefits of the affected VPS Noteholders in any material respect, (y) made solely for rectifying obvious errors and mistakes, or (z) required to be made pursuant to law, court order or other administrative decision. The VPS Trustee shall as soon as possible notify the VPS Noteholders of any proposal to make such amendments, setting out the date from which the amendment will be effective, unless such notice obviously is unnecessary.

## **12. 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.

## **13. FURTHER ISSUES**

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

## **14. 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.

## **15. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **(a) Governing law**

The VPS Notes (and any non-contractual obligations arising out of or in connection with the VPS Notes) are governed by, and shall be construed in accordance with, English law, save as to Conditions 9, 10, 11, 12 and 13 (and any non-contractual obligations arising out of or in connection with such conditions) which are governed by and shall be construed in accordance with Norwegian law. The VPS Trustee Agreement is governed by and shall be construed in accordance with Norwegian law.

VPS Notes must comply with the Norwegian Act on Registration of Financial Instruments 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**

- (i) Subject to Condition 15(b)(iii) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the VPS Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non contractual obligations arising out of or in connection with the VPS Notes (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.
- (ii) For the purposes of this Condition 15(b), each of the Issuer and any holders of VPS Notes or Couponholders taking proceedings in relation to any Dispute waives any objection to the

English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

- (iii) This Condition 15(b)(iii) is for the benefit of the holders of VPS Notes only. To the extent allowed by law, the holders of VPS Notes may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

(c) **Appointment of Process Agent**

The Issuer irrevocably appoints Notable Services LLP at its registered office at Charles House, 108-110 Finchley Road, London, NW3 5JJ, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Notable Services LLP being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Proceedings. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

**16. DEFINITIONS**

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

**Agency Agreement** means an amended and restated agency agreement dated 30 June 2017 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;

**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 securities exchange or other reputable marketplace for securities, on which the VPS Notes are listed, or where the Issuer has applied for listing of the VPS Notes, as specified in the applicable Final Terms;

**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;

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

- (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;

**Reference Banks** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Norwegian inter-bank market and, in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Swedish inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Final Terms;

**Reference Banks Agent** means an independent investment bank, commercial bank or stockbroker appointed by the Issuer;

**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 10;

**Specified Time** means 11.00 a.m. (London time, in the case of a determination of LIBOR, Brussels time, in the case of a determination of EURIBOR, or Stockholm time, in the case of a determination of STIBOR) or 12.00 p.m. (Oslo time, in the case of a determination of NIBOR);

**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.

## **Use of proceeds**

The net proceeds from each issue of Notes will be applied by the Issuer for general corporate purposes.

# Sparebanken Sør Group

## INTRODUCTION

The Sparebanken Sør Group (the **Group**) consists of the Issuer, Sparebanken Sør Boligkreditt AS and Sørmeglere Holding AS (which owns the real estate broker Sørmeglere AS).

## SPAREBANKEN SØR

### *Overview*

Sparebanken Sør is an independent savings bank with its head office in Kristiansand in the Kingdom of Norway.

Sparebanken Sør is registered in Norway under company registration number 937 894 538 and has its registered office at Rådhusgaten 7-9, N- 4611 Kristiansand, Norway, phone number +47 977 09 200.

The Bank is operating under the Norwegian Financial Undertakings Act of 2015 (the **Act**) and the regulation of 25 May 2007 (the **Regulations**), and is under the supervision of the NFSA.

There are no controlling shareholder(s) of Sparebanken Sør. The Bank has a core equity capital (CET1) of NOK 10,051 million, of which the major part (NOK 7,695 million) constitutes ownerless primary capital while NOK 1,531 million is equity certificate capital listed on the Oslo Stock exchange. 51 per cent. of the equity certificate capital is owned by Sparebankstiftelsen Sparebanken Sør, which is a foundation established for the purpose of being a long-term owner of the Bank and support good causes and projects in the local community.

Sparebanken Sør's equity certificates are listed on the Oslo Stock Exchange's Regulated Market under the ticker code «SOR».

Sparebanken Sør's long term deposit rating from Moody's is affirmed as A1.

### *Principal activities*

Sparebanken Sør is a supplier of all core services within financing, including savings and domestic and international payments. The Bank offers general insurance, occupational pensions and group life insurance in Frende Forsikring, and leasing in Brage Finans.

### *History*

Sparebanken Pluss and Sparebanken Sør merged with effect from 1 January 2014. Sparebanken Pluss was the acquiring bank in the merger and was renamed Sparebanken Sør.

The story of Sparebanken Pluss started back in 1824 when Christianssands Sparebank was established as one of the first savings banks in Norway. Sparebanken Agder was formed in 1984 as a result of a merger between Christianssands Sparebank and several other local banks. Two other savings banks became part of Sparebanken Agder in 1985 and 1986. The name of the bank was later changed to Sparebanken Pluss in 1988.

The story of former Sparebanken Sør goes back to 1825, when Arendal Sparebank was established as one of the first six banks in Norway. In 1973, Arendal Sparebank merged with four other savings banks in Aust-Agder and formed Aust-Agder Sparebank.

Former Sparebanken Sør was established in 1984, following a merger between Aust-Agder Sparebank, two other savings banks in Aust-Agder and nine savings banks in Vest-Agder. Since then, the bank merged with savings banks in Telemark, and opened branches in Grenland, which is the most populous part of Telemark.

## SUBSIDIARIES OF SPAREBANKEN SØR

### *Sparebanken Sør Boligkreditt AS*

Sparebanken Sør Boligkreditt AS is a wholly-owned subsidiary of Sparebanken Sør, and the company is licensed to operate as a mortgage credit institution with the right to issue covered bonds in accordance with the Act and Regulations (as amended, varied or supplemented from time to time). The main objective of the company is to ensure stable and long-term funding on competitive terms.

### *Sørmeglere AS*

Sparebanken Sør owns 90 per cent. of the shares in Sørmeglere Holding AS, which is the parent company of the real estate agency Sørmeglere AS. Sørmeglere AS began operations on 1 January 2014 and is the result of a merger between ABCenter and Plussmeglere. The company currently has 14 offices and 70 employees and is one of the leading estate agency businesses in Southern Norway (*Sørlandet*).

## **PRODUCT COMPANIES PARTLY OWNED BY SPAREBANKEN SØR**

### *Frende Forsikring AS*

Through Frende Forsikring, the Bank's retail banking and corporate customers are offered general and life insurance products. Frende Forsikring is owned by 15 independent savings banks. Sparebanken Sør has a 10 per cent. ownership interest.

### *Brage Finans AS*

Brage Finans is a financing company which offers leasing and secured loans to the corporate and retail markets. Brage Finans is owned by 10 independent savings banks. Sparebanken Sør has a 15 per cent. ownership interest.

### *Norne Securities AS*

Norne Securities is an investment firm that provides online trading, traditional brokerage and corporate finance services. The company is owned by 14 independent Norwegian savings banks and Sparebanken Sør has an ownership of 17.6 per cent.

## **MARKET POSITION**

Sparebanken Sør's core market is located in the counties of Aust-Agder, Vest-Agder and Telemark with a total population of 470,000 inhabitants. 34 branches in this region service the customers via state-of-the-art internet and mobile banking services. The Bank's market share in the Agder regions is around 30 per cent. and in Telemark approximately 9 per cent.

Of total loans and credits, loans to retail customers account for 65 per cent., whereas the share of lending to small and medium-sized companies is 35 per cent.

The Bank has a strong market position in the retail banking market in the regions in which it has operations. Digital platforms have, to an increasing extent, characterised the Bank's communication and sales channels. Use of self-service solutions on mobile phones and the internet has grown rapidly, and the Bank's customer service department has seen an influx of enquiries via electronic channels in addition to enquiries via the traditional switchboard service. Applications of digital platforms, customer service and the Bank's wide distribution network, have together formed a complete consultancy and service option for its customers.

Through the merger between Sparebanken Pluss and Sparebanken Sør, the Bank has reinforced its position as a regional bank for Agder and Telemark. This is due to a doubling of the Bank's financial capacity and a strengthening of its expertise in the corporate market.

Sparebanken Sør has continued cooperation with Norway Christian Purchasing Society (**KNIF**) and will continue to focus on this customer segment in the whole of Norway. These customers include hospitals and enterprises within the health sector, schools, kindergartens, church organisations and missionary organisations, and children and youth organisations.

## **STRATEGIC OBJECTIVES OF THE GROUP**

The Group's strategy is to maintain the Bank's leading position in the Agder region and to further develop the activities in Telemark and its cooperation with KNIF. The overall goal is to strengthen the Bank's strategic position by focusing on long-lasting business relationships, expertise and financial strength.

## **BOARD OF DIRECTORS OF SPAREBANKEN SØR AS OF 31 MARCH 2017**

Stein Andreas Hannevik	Chairman
Torstein Moland	Deputy Chairman
Erling Holm	
Inger Johansen	
Marit Kittilsen	
Tone Thorvaldsen Vareberg	
Jan Erling Tobiassen	
Gunnhild Tveiten Golid	

The business address of the members of the Board of Directors of Sparebanken Sør is the registered address of Sparebanken Sør.

## **MANAGEMENT OF SPAREBANKEN SØR**

Geir Bergskaug	CEO
Lasse Kvinlaug	Deputy CEO/Director Corporate Market
Gunnar Thomassen	Director Retail Market
Rolf Søraker	Director Group Support
Marianne Lofthus	Director Capital Market
Bjørn A. Friestad	Director Risk Management
Gry Moen	Director Business Support

## **AUDITORS**

The auditors of Sparebanken Sør are PricewaterhouseCoopers AS.

## **CONFLICT OF INTEREST WITHIN ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES**

There are no conflicts of interest between any commitments to Sparebanken Sør by any members of the Board of Directors or management and their private interests and other duties.

## **JURISDICTION**

Sparebanken Sør is organized under the laws of the Kingdom of Norway.

## **Book entry settlement 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 VPS currently in effect. The information in this section concerning VPS has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of VPS are advised to confirm the continued applicability of the rules, regulations and procedures of VPS. Neither the Issuer nor any other party to the VPS Trustee Agreement or 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 VPS Notes held through the facilities of VPS 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 is licensed to register 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 (i) issued by Norwegian issuers outside Norway and (A) denominated in Norwegian Kroner with subscription limited to non-Norwegian tax residents only or (B) denominated in a currency other than Norwegian kroner, or (ii) issued by foreign issuers in a currency other 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 investor 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 investor 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 for investors to register a holding of VPS Securities through a nominee approved by the NFSA.

# Taxation

## NORWAY

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 Base Prospectus 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.

In a White Paper to the Norwegian Parliament in October 2015 (Meld. St. 4 (2015-2016)), the Government advised that it will look further into the possible introduction of a Norwegian withholding tax on interest. A detailed proposal is expected to be submitted for public consultation when ready.

### Taxation of Capital Gains

A non-resident holder of Notes is not taxed in Norway on gains derived from the sale, disposal or redemption of the Notes. Such holder of Notes may, however, be subject to taxation if the holding of Notes is effectively connected with a business carried on by the holder of Notes in Norway.

Such tax liability may be modified through an applicable tax treaty.

### Wealth Tax

Norway does not levy any property tax or similar taxes on the Notes.

An individual non-resident holder of Notes is not subject to wealth tax, unless the holding of Notes is effectively connected with a business carried on by the holder of Notes in Norway.

Such tax liability may be modified through an applicable tax treaty.

### Transfer Tax

There is currently no Norwegian transfer tax on the transfer of Notes.

## FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign pass thru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions, including Norway, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of FATCA provisions and IGAs to instruments such as Notes, including whether withholdings would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA, or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign pass thru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under “*Terms and Conditions of the Notes – Further Issues*” and “*Terms and Conditions of the VPS Notes – Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the

expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

#### **THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## Subscription and Sale

The Dealers have, in an amended and restated programme agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 30 June 2017, 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 other than the VPS 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. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Programme Agreement. Any such agreement will *inter alia* make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### 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 (other than VPS 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. In the case of Notes other than VPS Notes, the applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### PROHIBITION OF SALES TO EEA RETAIL INVESTORS

From 1 January 2018, unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “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 has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
  - (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an **offer** includes 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.

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA 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 capable of classification as a “professional investor” (Norwegian: “*profesjonell investor*”) as defined in Section 7-1 cf. Sections 10-2 to 10-5 in the Norwegian Securities Regulation of 29 June 2007 no. 876);
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive or, in the case of investors in Norway, “professional investors”), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive (and, in the case of investors in Norway, in any other circumstances provided that no such offer of Notes shall result in a requirement for the registration, or the publication of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007),

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 provision;

- 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## 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 as 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 Financial Services and Markets Act 2000 (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 VPS unless (i) the Notes are denominated in NOK and offered or sold outside of Norway to non-Norwegian tax residents only, or (ii) the Notes are denominated in a currency other than NOK and offered or sold outside of Norway. See also the selling restriction “*Prohibition of Sales to EEA Retail Investors*” above.

## **FRANCE**

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French Code *monétaire et financier*.

## **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 Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

# General Information

## AUTHORISATION

The approval of the Programme and the issue of Notes have been duly authorised by resolutions of the board of directors of the Issuer dated 16 June 2016 and 14 December 2016 respectively.

## LISTING OF NOTES

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Main Securities 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 Irish Stock Exchange for Notes issued under the Programme to be admitted to the official list of the Irish Stock Exchange and to trading on the Irish Stock Exchange's Main Securities Market. Application has also been made to the Oslo Børs ASA for Notes issued under the Programme to be admitted to trading on the Oslo Stock Exchange's Regulated Market. Each of the Main Securities Market and the Oslo Stock Exchange's Regulated Market is a regulated market for the purposes of MiFID.

## DOCUMENTS AVAILABLE

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

- (a) the constitutional documents of the Issuer;
- (b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2016 (with an English translation thereof). The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the interim unaudited consolidated financial statements of the Issuer for the three month period ended 31 March 2017 (with an English translation thereof);
- (d) the most recently published unaudited quarterly interim financial statements of the Issuer (with an English translation thereof, if the original financial statements are not prepared in English);
- (e) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons, the Talons and the VPS Trustee Agreement;
- (f) a copy of this Base Prospectus; and
- (g) any future Base Prospectuses, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Any English translations referred to in (b), (c) and (d) above constitute accurate and direct translations of the Norwegian originals.

## CLEARING SYSTEMS

The Notes have been accepted for settlement through Euroclear and Clearstream, Luxembourg.

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 settle through an additional or alternative clearing system (including the VPS) the appropriate information will be specified in the applicable Final Terms. Euroclear, Clearstream, Luxembourg and the VPS are the entities in charge of keeping the records.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1 855 Luxembourg. The address of the VPS is Fred. Olsens gate 1, 0152 Oslo, 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.

## YIELD

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the

relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

#### **SIGNIFICANT OR MATERIAL CHANGE**

There has been no significant change in the financial or trading position of the Issuer since 31 March 2017 and no material adverse change in the prospects of the Issuer since 31 December 2016.

#### **LITIGATION**

There are no 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 PricewaterhouseCoopers AS (**PwC**). The responsible partners at PwC are members of the Norwegian Institute of Public Accountants (*Den norske Revisorforening*). PwC audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in Norway for the financial year ended 31 December 2015 and the financial year ended 31 December 2016.

#### **DEALERS TRANACTING 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 other services for, the Issuer and its affiliates in the ordinary course of business.

#### **SALES IN FRANCE**

This Base Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

#### **LANGUAGE OF THIS BASE PROSPECTUS**

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

#### **URLs**

References to websites or uniform resource locators (**URLs**) are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Base Prospectus.

#### **IRISH LISTING AGENT**

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Programme and is not itself seeking admission of the Notes issued under the Programme to the Official List or trading on the Main Securities Market for the purposes of the Prospectus Directive.

**ISSUER**

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**AGENT**

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**VPS AGENT**

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**VPS TRUSTEE**

**Nordic Trustee ASA**

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*To the Dealers as to English law*

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**AUDITORS**

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## DEALERS

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## IRISH LISTING AGENT

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