



## **DNB BOLIGKREDITT AS**

*(incorporated in Norway)*

**U.S.\$12,000,000,000**

### **U.S. Covered Bond Programme**

Under this U.S.\$12,000,000,000 U.S. Covered Bond Programme (the "**U.S. Programme**"), DNB Boligkredit AS (the "**Issuer**") may from time to time issue covered bonds issued in accordance with Norwegian Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-Chapter IV and appurtenant regulations ("**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Covered Bonds may be issued in bearer form ("**Bearer Covered Bonds**") or registered form ("**Registered Covered Bonds**").

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the U.S. Programme will not exceed U.S.\$12,000,000,000 (or its equivalent in other currencies calculated as described herein). A description of the restrictions applicable at the date of this base prospectus (the "**Prospectus**") relating to the maturity of certain Covered Bonds is set out in "*Overview of the Programme – Maturities*".

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

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) for the approval of this document as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a Member State of the European Economic Area) (the "**Prospectus Directive**"). The CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer. Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the U.S. Programme during the period of 12 months from the date of this Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. References in this Prospectus to Covered Bonds being "**listed**" (and all related references) shall mean that such Covered Bonds are intended to be admitted to trading on the Luxembourg Stock Exchange's regulated market and are intended to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments of 21 April 2004 (the "**Markets in Financial Instruments Directive**").

Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Covered Bonds*") of Covered Bonds will be set out in a Final Terms document ("**Final Terms**") which, with respect to Covered Bonds to be listed on the Luxembourg Stock Exchange, will be filed with the CSSF.

The U.S. Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue Covered Bonds which are not listed or admitted to trading on any market.

The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws, and are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") and in the United States only to "qualified institutional buyers" (in reliance on, and as defined by, Rule 144A under the Securities Act ("**Rule 144A**")) and, in each case, in compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of a Covered Bond will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Covered Bond, as described in this Prospectus, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases (see "*Subscription and Sale and Transfer and Selling Restrictions*").

The Covered Bonds issued under the U.S. Programme are expected to be assigned an "AAA" rating by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), an "Aaa" rating by Moody's Investors Service Limited ("**Moody's**") and an "AAA" rating by Fitch Ratings Limited ("**Fitch**"). However, the Issuer may also issue Covered Bonds which are unrated or rated below "AAA" by Standard & Poor's, "Aaa" by Moody's and "AAA" by Fitch. Details of the ratings of the Covered Bonds will be specified 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.

Standard & Poor's, Moody's and Fitch are established in the European Union and are registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"). As such, each of Standard & Poor's, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A credit 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.

The Issuer may agree with any Dealer that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds herein, in which event a new prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

Prospective investors should have regard to the factors described under the section "*Risk Factors*" in this Prospectus.

**Arranger**  
**Barclays**

**Dealers**

**Barclays**

**BofA Merrill Lynch**

**The date of this Prospectus is 7 March 2013**

This Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

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

Copies of Final Terms relating to Covered Bonds which are admitted to trading on the Luxembourg Stock Exchange's regulated market will be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

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

To the fullest extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Arranger as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the U.S. Programme or the Covered Bonds or their distribution. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Prospectus or any other information provided by the Issuer in connection with the U.S. Programme and the Covered Bonds. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the U.S. Programme.

No person is or has been authorised by the Issuer, the Dealers or the Arranger to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the U.S. Programme or the Covered Bonds 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 or the Arranger.

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

The delivery of this Prospectus does not at any time 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 U.S. Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Arranger expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the U.S. Programme. Investors should review, *inter alia*, the documents deemed incorporated herein by reference when deciding whether or not to purchase any Covered Bonds.

The Covered Bonds have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may be offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S and in the United States only to “qualified institutional buyers” (“QIBs”) in reliance on and as defined in Rule 144A. Prospective purchasers are hereby notified that the Sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The distribution of this Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. None of the Issuer, the Dealers or the Arranger represents that this document may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Arranger which would permit a public offering of any Covered Bonds outside Luxembourg or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this 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 and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Covered Bonds come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the United States, the European Economic Area, the United Kingdom, Norway, Denmark, The Netherlands and Japan (see “*Subscription and Sale and Transfer and Selling Restrictions*” below).

The Bearer Covered Bonds of each Tranche will initially be represented by a temporary global Covered Bond in bearer form (a “Temporary Bearer Global Covered Bond”) which will (i) if the global Covered Bonds are intended to be issued in new global Covered Bond (“NGCB”) form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) and (ii) if the global Covered Bonds are not intended to be issued in NGCB 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. The Temporary Bearer Global Covered Bond will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Covered Bond in bearer form (a “Permanent Bearer Global Covered Bond”) or, in certain limited circumstances, Bearer Covered Bonds in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a Permanent Bearer Global Covered Bond either (i) is exchangeable (in whole but not in part) for definitive Covered Bonds upon not less than 60 days’ notice or (ii) is only exchangeable (in whole but not in part) for definitive Covered Bonds following the occurrence of an Exchange Event (as defined under “*Form of the Covered Bonds*” below), all as further described in “*Form of the Covered Bonds*”. Bearer Covered Bonds are subject to U.S. tax law requirements and, subject to certain exceptions, may not be offered, resold or delivered within the United States to, or for the account or benefit of, U.S. persons. See “*Subscription and Sale and Transfer and Selling Restrictions*” below.

Unless otherwise provided with respect to a particular Series (as defined under “*Terms and Conditions of the Covered Bonds*”) of Registered Covered Bonds, the Registered Covered Bonds of each Tranche of such Series sold outside the United States in reliance on Regulation S will be represented by a permanent global Covered Bond in registered form, without interest coupons (a “Reg. S Global Covered Bond”), which will either (i) be deposited

with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”) for the accounts of Euroclear and Clearstream, Luxembourg for the accounts of their respective participants or (ii) be deposited with a common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue (the “Distribution Compliance Period”), beneficial interests in the Reg. S Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person except in accordance with Rule 144A, Rules 903 or 904 of Regulation S. The Registered Covered Bonds of each Tranche of such Series sold in private transactions to QIBs within the meaning of Rule 144A under the Securities Act will be represented by a restricted permanent global covered bond in registered form, without interest coupons (a “Restricted Global Covered Bond”, and, together with a Reg. S Global Covered Bond, “Registered Global Covered Bonds”), deposited with a custodian for, and registered in the name of a nominee of, DTC. Registered Covered Bonds in definitive form will, at the request of the holder (save to the extent otherwise indicated in the applicable Final Terms), be issued in exchange for interests in the Registered Global Covered Bonds upon compliance with the procedures for exchange as described in “*Form of the Covered Bonds*”.

Registered Covered Bonds may be offered and sold in the United States exclusively to persons reasonably believed by the Dealers to be QIBs. Each purchaser of Registered Covered Bonds represented by a Restricted Global Note is hereby notified that the offer and sale of any Registered Covered Bonds to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

The Issuer has agreed that, for so long as any Covered Bonds are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Registered Covered Bonds are not transferable to other holders within the United States except upon satisfaction of certain conditions as described under “*Subscription and Sale and Transfer and Selling Restrictions*”.

The Covered Bonds have not been recommended by or approved or disapproved by the United States Securities and Exchange Commission (the “SEC”) or any other federal or state securities commission in the United States nor has the SEC or any other federal or state securities commission confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States. The Covered Bonds are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable federal or state securities laws pursuant to a registration statement or an exemption from registration. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

For details of the financial information incorporated by reference into this Prospectus, see “*Documents Incorporated by Reference*” below.

For the convenience of investors, certain selected financial information has also been included in this Prospectus. See “*Certain Financial Information of the Issuer*” below. This information is not complete and should be read together with the financial statements incorporated by reference into this Prospectus.

All references in this document to “**U.S. dollars**”, “**U.S.\$**” and “**\$**” are to United States dollars, all references to “**A\$**” and “**AUD**” are to Australian dollars, all references to “**CHF**” are to Swiss francs, all references to “**NOK**” are to Norwegian Kroner, all references to “**SEK**” are to Swedish Kronor and all references to “**Yen**” and “**JPY**” are to Japanese Yen. In addition, all references to “**Sterling**” and “**£**” refer to pounds sterling and all references to “**Euro**” and “**€**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. Unless otherwise noted, all translations of NOK amounts into U.S. dollars for the year ended 31 December 2012 have been at the rate of NOK 5.5664 = U.S.\$1.00, being the representative market rate prevailing in Oslo (the “**Representative Market Rate**”) on 31 December 2012, as reported by the Central Bank of Norway. No representation is made that NOK or U.S. dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars or NOK, as the case may be, at this rate, at any particular rate, or at all. On 4 March 2013, the Representative Market Rate was NOK 5.7242 = U.S.\$1.00. See “*Exchange Rates*” below.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus, references to “**Norway**” are to the Kingdom of Norway and references to the “**Government**” are to the Norwegian government.

This Prospectus includes certain statistics and market share data. The Issuer believes that the statistics and market share data included in this Prospectus are useful in helping investors to understand the markets in which the Issuer operates. However, unless indicated otherwise, these figures are based on internal calculations and estimates of market data and have not been independently verified. Accordingly, no assurances can be given that such internal calculations and estimates of market data are accurate and investors should not place undue reliance on such data included in this Prospectus.

In making an investment decision, investors must rely on their own analysis of the Issuer and the terms of the Covered Bonds being offered, including the merits and risks involved. The Covered Bonds have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Arranger, the Dealers or the Issuer makes any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws. Any investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

## FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) projections or expectations of net interest income, total income, profit, earnings per share, capital expenditure, dividends, capital structure or other financial items or ratios; (ii) statements of any plans, objectives or goals or those of management for future operations, including those related to products or services; (iii) statements of future economic performance, including in particular any such statements included under the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Issuer*”; and (iv) statements of assumptions underlying such statements, including assumptions relating to general economic conditions in Norway, in Europe and worldwide. Words such as “believes”, “anticipates”, “expects”, “intends”, “aims” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Any forward-looking statements herein have been based on current expectations and projections about uncertain future events. Forward-looking statements are subject to risks, uncertainties and assumptions about us. Although it is believed that the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements are reasonable, investors should bear in mind that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, including assumptions relating to general economic conditions in Norway, in Europe and worldwide. These factors include those set out in the section of this Prospectus entitled “*Risk Factors*” and risks we currently are not aware of, as well as more generally:

- the ability to assess and manage credit risks;
- inflation, interest rates, exchange rates, and market and monetary fluctuations;
- changes in consumer spending, saving and borrowing habits in Norway;
- changes in the banking, mortgage and financial markets in Norway;
- the prices and volumes in the debt and equity markets in Norway;
- liquidity risks and access to financial markets;
- the effects of changes in taxation or accounting standards or practices;
- the effects of, and changes in, laws, regulations and government policy; and
- the success at managing the risks of the foregoing.

It should be noted that the foregoing list of important factors is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus may not occur.

## AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Covered Bonds, so long as the Covered Bonds are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will promptly furnish, upon request of a holder of a Covered Bond, to such holder and a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

## ENFORCEABILITY OF JUDGMENTS

The Issuer is a company incorporated with limited liability in the Kingdom of Norway. Most of its assets are located outside the United States. In addition, all of its officers and directors reside outside the United States and most of the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

## STABILISATION

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the “**Stabilising Manager(s)**” (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Covered Bonds issued under the U.S. Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Covered Bonds issued under the U.S. Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the U.S. Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Covered Bonds 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 Prospectus and reach their own views prior to making any investment decision.*

### **Risks relating to the Covered Bonds**

#### ***The Covered Bonds may not be a suitable investment for all investors***

The Covered Bonds may not be a suitable investment for all investors. Each potential investor in the Covered Bonds 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 Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds 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 Covered Bonds, including Covered Bonds where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the relevant Covered Bonds 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.

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

#### ***Covered Bonds are obligations of the Issuer only***

The Covered Bonds will constitute obligations of the Issuer only and have the benefit of a statutory preference under Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-chapter IV and appurtenant regulations (the "**Financial Institutions Act**") on the Issuer Cover Pool. An investment in the Covered Bonds involves a reliance on the

creditworthiness of the Issuer. The Covered Bonds are not guaranteed by DNB Bank or any member of the DNB Group or any other person.

In addition, an investment in the Covered Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Covered Bonds.

There can be no assurance that the Issuer Cover Pool will be sufficient to pay in full the amounts payable under the Covered Bonds.

***Credit ratings assigned to the Covered Bonds may not reflect all risks associated with an investment in those Covered Bonds***

It is expected that Fitch, Moody's and Standard & Poor's will assign credit ratings of AAA, Aaa and AAA, respectively, to the Covered Bonds to be issued under the U.S. Programme, although the actual ratings at issue will be specified in the applicable Final Terms. There is no guarantee that such ratings will be assigned or maintained or that such credit ratings reflect the potential impact of all risks related to an investment in the Covered Bonds. Accordingly, a credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be revised, suspended or withdrawn by the relevant rating agency at any time. Any such revision, suspension or withdrawal could adversely affect the market value of the Covered Bonds. The Issuer may, at any time, vary the rating agencies from whom credit ratings of the Covered Bonds are obtained or reduce the aggregate number of credit rating agencies from whom credit ratings of the Covered Bonds are obtained.

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). 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 the European Securities and Markets Authority ("ESMA") on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) 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 referred to in this Prospectus and/or the Final Terms, is set out on the first page of this Prospectus.

***An investor holding Covered Bonds which are not denominated in the investor's home currency will be exposed to movements in exchange rates that could adversely affect the value of its holding. In addition, the imposition of exchange controls in relation to any Covered Bonds could result in an investor not receiving payments on those Covered Bonds***

The Issuer will pay principal and interest on the Covered Bonds 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 Covered Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (iii) the Investor's Currency-equivalent market value of the Covered Bonds.

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

***The value of Covered Bonds may be adversely affected by movements in market interest rates***

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

***An active secondary market in respect of the Covered Bonds may never be established or may be illiquid, which would adversely affect the value at which an investor could sell its Covered Bonds***

Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop for the Covered Bonds, it may not be very liquid. Therefore, investors may not be able to sell their Covered Bonds 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 Covered Bonds 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 Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Any such illiquidity may have an adverse effect on the market value of Covered Bonds.

The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under “*Subscription and Sale and Transfer and Selling Restrictions*”.

***Weak market conditions in the secondary market for instruments similar to the Covered Bonds may adversely affect the market value of the Covered Bonds***

Generally weak global credit market conditions could contribute to a lack of liquidity in the secondary market for instruments similar to the Covered Bonds. In addition, the current liquidity crisis has limited the primary market for a number of financial products, including instruments similar to the Covered Bonds. While some measures have been taken by governments, there can be no assurance that the market for securities similar to the Covered Bonds will recover at the same time or to the same degree as such other recovering global credit market sectors.

A failure of the market for securities similar to Covered Bonds to recover could adversely affect the market value of the Covered Bonds.

***No gross-up***

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

In the event that any such withholding or deduction is required by law, the Terms and Conditions require the Issuer to pay additional amounts in respect of such withholding or deduction subject to customary exceptions (see Condition 6 (*Taxation*)). If the withholding or deduction arises as a result of one of the circumstances described in paragraphs (i) to (v) of Condition 6 (*Taxation*), the Issuer will not be required to pay such additional amounts and affected investors will receive interest payments net of such withholding. If however the Issuer is required to pay additional amounts, it will have the option under Condition 5(b) (*Redemption for Tax Reasons*) to redeem the relevant Covered Bonds early.

### **No events of default**

The Terms and Conditions of the Covered Bonds do not include any events of default relating to the Issuer, the occurrence of which would entitle Covered Bondholders to accelerate the Covered Bonds, and Covered Bondholders will only be paid the scheduled interest payments under the Covered Bonds as and when they fall due under the Terms and Conditions of the Covered Bonds.

### **Meetings of Covered Bondholders**

The Terms and Conditions of the Covered Bonds contain provisions for calling meetings of Covered Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Covered Bondholders, including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to the majority. Certain significant modifications may be made following approval of a quorum of one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Covered Bonds for the time being outstanding, including modifying the date of maturity of the Covered Bonds 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 Covered Bonds or altering the currency of payment of the Covered Bonds.

### **Remedial regulatory measures**

Pursuant to the Norwegian Act of 1996 on Guarantee Schemes For Banks and Public Administration etc. of Financial Institutions, each of the managing director and the Board of Directors of the Issuer are under an obligation to notify the Norwegian Financial Supervisory Authority (*Finanstilsynet*) (the “**NFSA**”) if there is reason to fear that (i) the Issuer may fail to satisfy its financial obligations as they fall due, (ii) the Issuer may fail to meet the capital adequacy requirements or other soundness or security requirements which arise from law or regulation (including the Financial Institutions Act and Basel rules) or (iii) an event has occurred which may result in serious lack of confidence or losses which will materially reduce or threaten the soundness of the Issuer. On receipt of such notice, or if the NFSA has reason to believe that any of the circumstances above has occurred, the NFSA will, in collaboration with the Issuer, ascertain and impose the necessary measures to be taken to ensure continued operation. However, there can be no assurance that such measures would be sufficient to ensure the Issuer’s continued operation.

### **Conflicting interests of other creditors**

Although the rights of the holders of Covered Bonds (along with the holders of covered bonds issued under the Euro Programme, Australian Programme and any other mortgage covered bonds issued by the Issuer) and the counterparties to derivatives agreements included in the Issuer Cover Pool have a preferential right with respect to such other creditors against the Issuer Cover Pool, they will rank junior to (i) costs incurred in connection with the operation, management, collection and realisation of the Issuer Cover Pool, which will be covered before the claims of the holders of Covered Bonds; and (ii) claims relating to the fees and expenses of a bankruptcy estate which, pursuant to the Norwegian Liens Act, are secured by a first priority lien over all of the bankruptcy estate’s assets. Such liens will be limited to 700 times the standard Norwegian court fee (approximately NOK 602,000) in respect of the Issuer Cover Pool.

To the extent that Covered Bondholders are not fully paid from the proceeds of the liquidation of the assets comprising the Issuer Cover Pool, they will be able to apply for the balance of their claims as unsecured creditors of the Issuer and will be entitled to receive payment from the proceeds of the liquidation of the other assets of the Issuer not comprising the Issuer Cover Pool. The Covered Bondholders would in such case rank *pari passu* with any other covered bondholders (including those under the Euro Programme and Australian Programme and with any other covered bonds which may be issued by the Issuer in accordance with the Financial Institutions Act), providers of covered bond swaps and the other unsecured, unsubordinated creditors of the Issuer and, as a result, may not receive all amounts owed by the Issuer to such Covered Bondholders.

### ***Withholding under the EU Savings Directive***

Under EC Council Directive 2003/48/EC (the “**Directive**”) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the Directive which may, if implemented, amend and broaden the scope of the requirements described above.

A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer or any Paying Agent (as defined in the Terms and Conditions of the Covered Bonds) nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

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

Sections 1471 through 1474 of the U.S. Internal Revenue Code (“**FATCA**”) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a “foreign financial institution”, or “**FFI**” (as defined by FATCA)) that does not become a “**Participating FFI**” by entering into an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of the Issuer (a “**Recalcitrant Holder**”). The Issuer may be classified as an FFI.

The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to “**foreign passthru payments**” (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Covered Bonds characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the later of (a) 1 January 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations define the term foreign passthru payments (the later of which being the “**grandfathering date**”), or which are materially modified on or after the grandfathering date, and (ii) any Covered Bonds characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an “**IGA**”). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “**Reporting FI**” not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being “**FATCA Withholding**”) from payments from sources within the United States it makes (unless it has agreed to do so under the U.S. “qualified intermediary,” “withholding foreign partnership,” or “withholding foreign trust” regimes). However, it might be required to provide any immediate payor of such payment the information required for withholding and reporting to occur with respect to such payment. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be

required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

If the Issuer does not become a Participating FFI, Reporting FI, or is not treated as exempt from or in deemed compliance with FATCA, the Issuer may be subject to FATCA Withholding on payments received from U.S. sources and Participating FFIs. Any such withholding imposed on the Issuer may reduce the amounts available to the Issuer to make payments on the Covered Bonds.

If the Issuer becomes a Participating FFI under FATCA, the Issuer and financial institutions through which payments on the Covered Bonds are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Covered Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Covered Bonds, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Covered Bonds, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Covered Bonds.**

## **Risks relating to the Issuer**

### ***Legal risks and impact of regulatory changes***

The Issuer's business operations are governed by law and regulations and are subject to supervision by the NFSA. Changes in supervision and regulation could materially affect the Issuer's business or the value of its assets. Future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer. Any such changes to the current supervision, regulation or legislation (in particular, legislation relating to the issuance of covered bonds or the risk weight of residential mortgages under capital adequacy calculations) could adversely affect the Issuer's business operations and its operating results and could impair the Issuer's ability to perform its obligations under the Covered Bonds. For a summary of recent developments relating to the regulation of covered bond issuers in Norway, including the possibility of an increase in the risk weight of residential mortgages under Norwegian capital adequacy calculations, see "*Certain Norwegian Legislation Relating to Covered Bonds – Regulatory discussion and proposed changes*".

***The Issuer's business, financial condition and results of operations have been and may continue to be adversely affected by the recent conditions in the global financial markets***

The global capital and credit markets have been characterised by extreme volatility and disruption in recent years. In particular, global markets and economic conditions have been negatively impacted since 2010 by market perceptions regarding the ability of certain European Union ("EU") Member States to service their sovereign debt obligations, including Greece, Ireland, Italy, Portugal and Spain. The continued uncertainty over the outcome of the EU governments' financial support programmes and the possibility that other EU Member States may experience similar financial troubles could further disrupt global markets. In particular, the continued uncertainty has disrupted and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of EU members.

In addition, concerns about credit risk (including that of sovereigns) and the Eurozone crisis are continuing. The large sovereign debts and/or fiscal deficits of a number of European countries and the U.S. have raised concerns regarding the financial condition of financial institutions, insurers and

other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Issuer and DNB Bank operate and the businesses and economic condition and prospects of the Issuer and DNB Bank, directly or indirectly, in ways which it is difficult to predict.

Although the level of market disruption and volatility caused by the global financial crisis abated somewhat during 2011 and 2012 following significantly deteriorated market conditions in late 2010, there are no assurances that these conditions will not recur or that similar events will not occur that have similar effects on the financial markets, in which case the Issuer may experience reductions in business activity, increased funding costs, decreased liquidity, decreased asset values and/or increased impairments, increased volatility in swap valuation and lower profitability and revenues. Any of the foregoing factors could have a material adverse effect on the Issuer's business, financial condition and results of operations.

In the event of continued or increasing market disruptions or volatility, the Issuer may experience reductions in business activity, increased funding costs, decreased liquidity, decreased asset values and/or increased impairments, higher volatility in swap valuations and lower profitability and revenues. Any of the foregoing factors could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***Weakening business conditions and economic activity in Norway may adversely affect the Issuer***

The performance of the Issuer and DNB Bank and the level of mortgage borrowing in Norway depend on business conditions and economic activity in Norway, in particular interest rates, the state of the Norwegian economy and unemployment trends. Business conditions and economic activity in Norway are cyclical in nature and may be affected by both domestic and international economic and political events, and taxation. In particular, the state of the Norwegian economy depends on the performance of the oil and gas industry. If oil and gas prices were to decrease, national income would decrease and investments would be reduced, which could lead to higher unemployment and in turn have a material adverse impact on the Issuer. There can be no assurance that a weakening of the Norwegian economy will not have an adverse effect on the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

***The Issuer is subject to risks relating to the Norwegian mortgage market***

Weakened economic conditions and/or higher unemployment in Norway could increase the financial vulnerability of some Norwegian borrowers, especially young and/or low-income borrowers, particularly if household indebtedness levels in Norway continue to increase and/or there are declines in Norwegian housing prices. According to Statistics Norway, housing prices in Norway have risen over 50 per cent. since 2006, and nearly 24 per cent. over the three years ended 30 September 2012. The household leverage ratio in Norway has also risen significantly over the past ten years and as of the end of 2011 stood at approximately 200 per cent. (*Source: Central Bank of Norway, Financial Stability Report 2/12*). Furthermore, because Norwegian customers have historically demonstrated a preference for floating rate mortgages, increases in interest rates could weaken the liquidity situation of certain borrowers. A significant decline in housing prices from recently observed levels, compounded by high household indebtedness and/or increased interest rates, may indirectly lead to higher defaults in the Issuer Cover Pool, particularly if accompanied by weakened economic conditions and/or higher unemployment. See "*Business conditions and economic activity in Norway may adversely affect the Issuer*". Any of these trends could in turn adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

***The Issuer and DNB Bank face competition in the Norwegian residential mortgage market.***

The Issuer and DNB Bank face intense competition in the residential mortgage market in Norway, primarily from financial institutions based in Norway and the Nordic region. Certain of the Issuer's and DNB Bank's competitors may be larger and better capitalised than they are. The Issuer and DNB Bank 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. The Norwegian banking market in particular has witnessed intensifying competition, which has resulted in narrower lending spreads and could make it more difficult for the Issuer to originate new residential Mortgage Loans that meet the eligibility criteria under the Norwegian covered bond legislation. There can be no assurance that existing or increased competition in the Norwegian banking sector will not adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

***Credit risk relating to the Issuer's collateral under Mortgage Loans in the Issuer Cover Pool and the Issuer's derivative agreements***

The majority of the Issuer's credit risk is related to Mortgage Loans in the Issuer Cover Pool, i.e., loans to customers with collateral security in residential property including Residential Mortgages, mortgages over second homes and mortgages over joint debt of housing cooperatives. Accordingly, the Issuer's credit risk is related to the performance of the real estate and housing market in Norway. See "*The Issuer is subject to risks relating to the Norwegian mortgage market*". There can be no assurance regarding the future development of the value of the collateral securing the Mortgage Loans in the Issuer Cover Pool. Should the prices of real property and the housing market in Norway substantially decline, this could adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

There are many circumstances that affect the level of credit loss, including early repayments, withdrawals and final payments of interest and principal amounts, changes in economic conditions, both domestically and internationally, changes regarding taxation, interest rate developments, inflation and political changes. Borrowers may default as a result of interest rate increases or as a result of changes in their own personal circumstances (e.g. following redundancy or divorce).

If the real property comprising the collateral is foreclosed upon, and the defaulting borrower does not respond to a notice to pay within two weeks, a court order may be needed to establish the borrower's obligation to pay and to force an auction or public sale of the foreclosed property. The Issuer's ability to liquidate the collateral is thus dependent upon receipt of a court order, on the success of the auction or public sale process, on other relevant circumstances in the mortgage market and on prevailing levels of demand for the relevant real property.

Credit risk also arises under the Issuer's derivative agreements to the extent they have a positive fair value on the balance sheet. Because all derivative agreements (both those with a current positive fair value and current negative fair value) are entered into with DNB Bank, the Issuer is therefore exposed to the credit risk of DNB Bank under its derivative agreements.

Default in respect of the Mortgage Loans or derivative financial instruments that comprise the Cover Pool could jeopardise the Issuer's ability to make payments in full or on a timely basis on the Covered Bonds. If a material amount of assets in the Issuer Cover Pool were to default, there is no guarantee that the required level of assets within the Issuer Cover Pool could be maintained or that the Issuer would be able to substitute non-defaulting assets for the defaulting assets. Any such failure could adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

### **Market risk**

The Issuer may be exposed to market risk related to its assets and liabilities and its hedging strategy (under which it swaps covered bonds denominated in foreign currencies to NOK and to short-term interest).

Though the Issuer seeks to address currency and interest rate risk through swap agreements with DNB Bank, it may be exposed to currency risk and greater interest rate risk if for any reason DNB Bank no longer continues to perform the function of swap provider. See "*Risks related to the obligations of DNB Bank as Servicer, swap provider and liquidity provider*" and "*Risks related to Hedging Arrangements – Reliance on currency swaps*" and "*– Reliance on interest rate swaps*".

Furthermore, the Issuer is exposed to basis risk, i.e. the risk, arising from the Issuer's hedging relationships with DNB Bank, that the change in price/value of the hedging instrument may not entirely match the change in price/value of the item being hedged, due to the fact that the instrument has different duration, liquidity risk, yield curve, etc. This imperfect correlation between hedging instrument and hedging object creates fluctuations in the Issuer's comprehensive income, which may have a material impact on the Issuer's results of operations.

### **Liquidity risks**

The Mortgage Loans which constitute the primary assets of the Cover Pool are to a large extent made on longer contractual terms than the Issuer's borrowing. Therefore, the Issuer is dependent on the ability to refinance its borrowings upon maturity and draw from the Overdraft Facility in place with DNB Bank. If the average maturity of the Mortgage Loans in the Issuer Cover Pool were to increase significantly beyond the historical average, or if DNB Bank fails to perform its obligations as liquidity provider under the Overdraft Facility for any reason or the Overdraft Facility becomes fully drawn or no longer in place, the Issuer may encounter difficulties in meeting its payment obligations as they fall due. See "*Risks related to the obligations of DNB Bank as Servicer, swap provider and liquidity provider*".

During the past several years, turmoil and uncertainty in the financial markets have made it more expensive for borrowers to obtain funding. In addition, during 2011 the financial markets were at times almost inaccessible to borrowers. Therefore, depending on overall market conditions, there is a risk that the Issuer will either be unable to refinance its borrowings as they fall due, or that it will be required to do so at a cost significantly higher than originally anticipated. This could adversely impact the Issuer's results of operations, financial condition and ability to perform its obligations under the Covered Bonds.

### ***Risks related to the obligations of DNB Bank as Servicer, swap provider and liquidity provider***

The Issuer relies on DNB Bank to service all the Mortgage Loans in the Issuer Cover Pool on behalf of the Issuer in accordance with the Service Agreement. If in the future DNB Bank is unable to perform its obligations as Servicer for any reason, the appointment of a new servicer would be required. However, if such appointment is required, the transfer of the servicing function may result in delays and/or losses in collections under the Mortgage Loans in the Issuer Cover Pool.

The Issuer may in the future purchase mortgages from sellers other than DNB Bank, who may then service the mortgage loans they have sold to the Issuer. Though such sellers are expected to be members of the DNB Group and any servicing arrangements would be on terms substantially similar to those contained in the Service Agreement between the Issuer and DNB Bank and would contain a right on the part of the Issuer to terminate upon material breach by the servicer, the addition of a new servicer and in particular any breach by, or failure of, that servicer to perform its obligations could create operational and administrative difficulties for the Issuer and could adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

Additionally, the Issuer is reliant on DNB Bank as a swap provider under the Issuer's derivatives contracts, and as the provider of an overdraft facility under the Service Agreement. See

“*Certain Provisions of Key Transaction Documents*”. If DNB Bank is unable to perform the function of swap provider and/or liquidity provider for any reason, it may be difficult for the Issuer to find a replacement swap provider or liquidity provider, in particular a swap or liquidity provider that would ensure the credit ratings of the Issuer, which may result in greater risk exposure or losses for the Issuer, and which could adversely affect the Issuer’s results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

### ***No due diligence***

The Issuer has not undertaken, nor will it undertake, any investigations, searches or other actions in respect of the Mortgage Loans and other assets originated by DNB Bank contained or to be contained in the Issuer Cover Pool, but instead fully relies on the warranties of DNB Bank under the Master Sale Agreement and/or Service Agreement. Accordingly, there can be no assurance that Mortgage Loans actually in the Issuer Cover Pool at any given time complied, at the time of transfer into the Issuer Cover Pool, with the eligibility criteria under Norwegian covered bond legislation.

### **Risks related to the Issuer Cover Pool**

#### ***Non-compliance with overcollateralisation rules***

The Financial Institutions Act requires the value of the assets in the Issuer Cover Pool to at all times exceed the value of the claims on the Cover Pool. Because the Financial Institutions Act does not require that the value of such assets exceed the value of such claims by any specific amount, the assets may not be sufficient to ensure that the Issuer will have sufficient cash flow to meet its obligations under the Covered Bonds, or that such collateral will have the intended effect. Failure to maintain sufficient quality and quantity of assets in the Issuer Cover Pool could result in the Issuer being unable to issue further Covered Bonds or refinance existing Covered Bonds.

#### ***Bankruptcy of the Issuer***

In the event of bankruptcy of the Issuer, the Issuer expects that timely payments will be made on the Covered Bonds provided the Issuer Cover Pool is essentially in compliance with the statutory requirements. There can be no assurance, however, that such timely payments will be made. The bankruptcy administrator and the creditors’ committee (the “**Creditors’ Committee**”, which is appointed by the Norwegian bankruptcy court and may consist of between one and three court appointed members) may take any action considered necessary to ensure that the holders of the Covered Bonds and the swap providers receive timely payment on the Covered Bonds and any swaps, including selling assets in the Issuer Cover Pool and issuing new covered bonds and entering into new derivative instruments with a right of priority in respect of the assets in the Issuer Cover Pool. If the Issuer is unable to make the contractual payments due to Covered Bondholders and swap providers, the Creditors’ Committee will set a date to halt payments. When a halt to payments is introduced, further administration of the Issuer will continue in accordance with Norwegian bankruptcy law. The Creditors’ Committee will inform the Covered Bondholders and, if applicable, the swap providers at the earliest opportunity of any such halt to payments and the date on which such halt to payments will be introduced, and it will consult with them in relation to any material decisions in respect thereof. A creditor who disagrees with a decision made by the bankruptcy administrator and the Creditor’s Committee may appeal such decision to the bankruptcy court.

The amount of claims with a right of priority over the assets in the Issuer Cover Pool will be calculated as at the date on which the halt to payments was introduced. The calculation will represent the discounted value of the relevant claim.

To the extent that Covered Bondholders are not fully paid from the proceeds of the liquidation of the assets comprising the Issuer Cover Pool, they will be able to apply for the balance of their claims as unsecured creditors of the Issuer and will be entitled to receive payment from the proceeds of the liquidation of the other assets of the Issuer not comprising the Issuer Cover Pool. The Covered Bondholders would in such case rank *pari passu* with any other covered bondholders (including those under the Euro Programme and the Australian Programme), providers of covered bond swaps and

the other unsecured, unsubordinated creditors of the Issuer and, as a result, may not receive all amounts owed by the Issuer to such Covered Bondholders.

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

The Issuer Cover Pool consists of Mortgage Loans which are secured by interests in property, claims which the Issuer holds, or may acquire, against providers of Covered Bond swaps and certain substitute assets. All assets in the Issuer Cover Pool must comply with the terms of the Financial Institutions Act and the *Forskrift 25. mai 2007 nr. 550 om kredittforetak som utsteder obligasjoner med fortrinnsrett i en sikkerhetsmasse bestående av offentlige lån, utlån med pant i bolig eller annen fast eiendom* (regulation of 25 May 2007 issued by the Ministry of Finance under the authority conferred on it by the Financial Institutions Act) (the “**Financial Regulations**”). In particular, the Financial Regulations determine the maximum loan-to-value ratio of mortgages at the point they are included in the Issuer Cover Pool (at the date of this Prospectus, the value is 75 per cent. of the prudent market value in the case of Residential Mortgages). At the date of this Prospectus, all of the properties securing Mortgage Loans in the Issuer Cover Pool are in Norway. The value of the Issuer Cover Pool may therefore decline in the event of a general downturn in the value of property in Norway, which could adversely affect the Issuer’s results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

***Limited description of the Issuer Cover Pool***

Covered Bondholders will receive only limited statistics and other information in relation to the Mortgage Loans in the Issuer Cover Pool, which will be set out in the most recent Issuer Report available immediately preceding the relevant issuance. See “*Certain Information Regarding the Issuer Cover Pool*”. Issuer Reports are published by the Issuer quarterly and reflect Issuer Cover Pool data determined at 31 March, 30 June, 30 September and 31 December in each year.

Covered Bondholders will not receive detailed statistics or information in relation to the mortgages or other assets contained or to be contained in the Issuer Cover Pool, as it is expected that the constitution of the Issuer Cover Pool may, subject to eligibility criteria under Norwegian covered bond legislation, change from time to time due to, for example, the purchase or origination of further mortgages by the Issuer from time to time and repayment by borrowers of mortgages. Although an independent inspector appointed under the Financial Institutions Act will monitor the Issuer’s compliance with some of the requirements of the Financial Institutions Act, the report of such inspector is not publicly available. There is no assurance that the characteristics of the Issuer Cover Pool will not change after the date of the most recent quarterly investor report included or incorporated by reference in the Prospectus, and any such change may be material.

***Borrowers under interest-only mortgages may not be able to pay the increased amounts falling due over the term remaining after the interest-only term***

Though borrowers under interest-only mortgages make interest payments over the entire term of the mortgage, they repay all principal amounts over the shorter term remaining after the end of the interest-only term. The interest-only term typically ends no more than five years (and before 2013, no more than 10 years) after the mortgage is originated. The ability of a borrower to repay the principal amounts due over the remaining term of an interest-only mortgage depends on, amongst other things, the financial standing of the borrower, tax laws in force during the term of the mortgage and general economic conditions at the time (as described above). There can be no assurance that a borrower will have sufficient funds to pay the increased amounts falling due over the term remaining after the interest-only term. In addition, if real estate prices decrease significantly from the levels prevailing at the time an interest-only mortgage loan was originated, borrowers may have difficulty refinancing the principal balance of a mortgage loan at the end of the interest-only term. If for any reason a significant number of borrowers cannot pay the increased amounts due on an interest-only mortgage loan after the end of the interest-only term, this may have a material adverse effect on the Issuer’s business, financial condition and results of operations.

As of 31 December 2012, interest-only residential mortgages comprised 40.3 per cent. of the Issuer Cover Pool.

### ***Changes in value of collateral***

As there is an applicable maximum loan-to-value ratio when a Mortgage Loan is acquired or originated by the Issuer, the value of the security held by the Issuer in respect of an individual loan obligation is initially overcollateralised. However, the value of the collateral security may reduce over time as a result of falling property values. See “*The Issuer is subject to risks relating to the Norwegian mortgage market*”.

### ***Non-Issuer Cover Pool assets***

As at 31 December 2012, the Issuer had NOK 772 million of loans that were not included in the Issuer Cover Pool but were owned by the Issuer. These assets represent Mortgage Loans that have been sold to the Issuer but were not eligible to be included in the Issuer Cover Pool, for example due to some Mortgage Loans being transferred before the Financial Institutions Act was finalised and those Mortgage Loans not satisfying the final eligibility criteria. These ineligible Mortgage Loans are funded by the Issuer from equity, subordinated debt or the overdraft facility, in each case provided by DNB Bank. In the event of bankruptcy of the Issuer, the Covered Bondholders’ claim on these assets which do not comprise part of the Issuer Cover Pool would not have a priority status and the Covered Bondholders’ claims would rank, against these assets only, *pari passu* with all other claims of unsubordinated creditors of the Issuer.

### ***Overdraft Facility***

In order to maintain its credit ratings in respect of the Covered Bonds, the Issuer draws on an overdraft facility from DNB Bank to ensure that, at the time of issue, the Covered Bonds benefit from structural subordination of amounts drawn under such overdraft facility, as such amounts do not rank as priority claims on the Issuer Cover Pool. There is no certainty that the overdraft facility from DNB Bank will continue for the life of the Covered Bonds or that DNB Bank will meet its obligations under the overdraft facility. To the extent that such overdraft facility does not continue, or if DNB Bank is unable to meet its obligations thereunder, the amount of overcollateralisation of the Issuer Cover Pool could be reduced. If the amount of overcollateralisation of the Issuer Cover Pool is reduced for any of these reasons, or if the overcollateralisation of the Issuer Cover Pool is reduced for any other reason, this could adversely affect the Issuer’s results of operations, financial condition and business prospects, and its ability to perform its obligations under the Covered Bonds.

### ***Geographic concentration risks***

Certain geographic regions of Norway from time to time will experience weaker regional economic conditions and housing markets or be directly or indirectly affected by natural disasters or civil disturbances. Mortgage Loans in the Issuer Cover Pool in such areas will experience higher rates of loss and delinquency than Mortgage Loans in the Issuer Cover Pool generally.

The ability of borrowers to make payments on the Mortgage Loans in the Issuer Cover Pool may also be affected by factors which do not necessarily affect property values, such as adverse economic conditions generally in particular geographic areas or industries, or affecting particular segments of the borrowing community (such as borrowers relying on commission income and self-employed borrowers). Such occurrences may accordingly affect the actual rates of delinquencies, foreclosures and losses with respect to the Mortgage Loans in the Issuer Cover Pool.

The Mortgage Loans underlying certain series of Covered Bonds may be concentrated in certain regions. Such concentration may present the risk considerations described above in addition to those generally present for similar securities without such concentration.

### ***Appraisals***

Appraisals or valuation of the properties securing the Mortgage Loans in the Issuer Cover Pool take one of three forms: (1) in the case of a loan to finance (rather than refinance) the acquisition

of a property, the transaction sale price determines the valuation for mortgage lending purposes, (2) an independent appraisal conducted by a licensed appraiser or an estate agent is obtained or (3) a valuation from *Eiendomsverdi*, an automated valuation model provider which compiles information on nearly all residential property transactions in Norway, is used. Such an automated valuation model does not consider the current state or physical condition of a property, which may in actuality be worse than the condition assumed by such model. For the ongoing valuation of the collateral underlying the Issuer Cover Pool, which takes place quarterly for investor information and rating agency reporting purposes, the automated valuation model is used.

In the case of those Mortgage Loans in the Issuer Cover Pool for which an appraisal conducted by a licensed appraiser or estate agent was used, such appraisal reflects the individual appraiser or estate agent's judgment as to value, based on the market values of comparable homes sold within the recent past in comparable nearby locations and on the estimated replacement cost.

No assurance can be given that values of the properties underlying the Mortgage Loans in the Issuer Cover Pool have remained or will remain at the levels which existed on the dates of appraisal (or, where applicable, on the dates of appraisal updates) of the related Mortgage Loans. See "*The Issuer is subject to risks relating to the Norwegian mortgage market*".

The appraisal relates both to the land and to the structure; in fact, a significant portion of the appraised value of a property may be attributable to the value of the land rather than to the in relation to residential mortgages. Because of the unique locations and special features of certain properties, identifying comparable properties in nearby locations may be difficult. The appraised values of such properties will be based to a greater extent on adjustments made by the appraisers to the appraised values of reasonably similar properties rather than on objectively verifiable sales data. As a result, such appraisals could be more likely to overvalue certain properties and therefore overstate the value of the collateral underlying the Issuer Cover Pool.

Consequently, there can be no assurance that, upon enforcement, all amounts owed by a borrower under a Mortgage Loan in the Issuer Cover Pool can be recovered from the proceeds of a sale of the property securing the related Mortgage Loan, or that foreclosure proceeds will be at least equal to the appraised value of such property. Any shortfalls on enforcement may have a material adverse effect on the Issuer's results of operations, financial condition and its ability to perform its obligations under the Covered Bonds.

#### ***No audit of the Issuer Cover Pool***

The Issuer conducts no audits of the Issuer Cover Pool. Furthermore, none of DNB Bank, the Arranger or any Dealer has conducted any audit of the Issuer Cover Pool.

#### ***Underwriting guidelines***

The Mortgage Loans in the Issuer Cover Pool were originated by the Issuer, DNB Bank or other entities from whom the Issuer has purchased mortgage loans, in each case pursuant to certain established underwriting guidelines and, in certain cases, based on exceptions to those guidelines.

Although these guidelines have been designed to identify and appropriately assess the repayment risks associated with the origination of the Mortgage Loans in the Issuer Cover Pool, it cannot be ensured in all cases that the interest and principal payments due on a Mortgage Loan in the Issuer Cover Pool will be paid or repaid when due, or at all, or whether the value of the property securing the relevant Mortgage Loan will be sufficient to otherwise provide for recovery of such amounts. To the extent exceptions were made to an originator's underwriting guidelines in originating a Mortgage Loan, those exceptions may increase the risk that principal and interest amounts may not be received or recovered and compensating factors, if any, which may have formed the basis for making an exception to the underwriting guidelines, may not in fact compensate for any additional risk.

Any increased risk that principal and interest amounts may not be received or recovered in respect of the Mortgage Loans in the Issuer Cover Pool could have a material adverse effect on the

Issuer's business, financial condition and results of operations and its ability to perform its obligations under the Covered Bond.

### **Risks related to Hedging Arrangements**

The Issuer may enter into currency swaps and/or interest rate swaps in order to hedge certain risks that exist in respect of the Issuer Cover Pool and the Covered Bonds.

If either the Issuer or a swap provider fails to make timely payments of amounts due under the Covered Bond Swaps, or certain other events occur in relation to either the Issuer or a swap provider and any applicable grace period expires, then a termination event will occur under the relevant swap agreement. If the Issuer defaults under a swap agreement due to non-payment or otherwise, the relevant swap provider will not be obliged to make further payments under that swap (unless the Issuer has satisfied in full all its payment or delivery obligations under the relevant swap agreement) and may terminate the swap(s) entered into under that swap agreement. If a swap agreement is terminated for any of these reasons, the Issuer will be exposed to changes in currency exchange rates and/or interest rates. Unless a replacement swap is entered into, the Issuer may have insufficient funds to perform its obligations under the Covered Bonds.

In addition, under certain circumstances the Issuer may have difficulty finding a new or replacement swap provider, in particular a swap provider that will maintain the credit ratings of the Covered Bonds, which may affect the outstanding Covered Bonds negatively. See also "*Risks relating to the Issuer — Risks related to the obligations of DNB Bank as Servicer, swap provider and liquidity provider*". Further, if at some point in the future the Issuer introduces deferral of payment mechanics into the swaps and the substitute assets available to the Issuer on a payment date are insufficient to make the payment ordinarily required in full under one or more Covered Bond Swaps, the payment obligations of both the Issuer and the swap provider on that payment date may be reduced accordingly and will be deferred.

#### ***Reliance on currency swaps***

The Issuer may rely on one or more swap providers under the currency swaps to provide the Issuer with amounts to be used for payment on Covered Bonds denominated in currencies other than NOK. As at the date of this Prospectus, DNB Bank is the Currency Swap Provider under all Currency Swaps. If the Issuer fails to make timely payments of amounts due or certain other events occur in relation to the Issuer under a Currency Swap and any applicable grace period expires, then the Issuer will default under that Currency Swap. If the Issuer defaults under a Currency Swap due to non-payment or otherwise, the relevant Currency Swap provider will not be obliged to make further payments under that Currency Swap (unless the Issuer has satisfied in full all its payment or delivery obligations under the relevant Currency Swap) and may terminate that Currency Swap. If a Currency Swap Provider is not obliged to make payments, if it exercises any right of termination it may have under the relevant Currency Swap or if it defaults in its obligations to make payments under a Currency Swap, the Issuer will be exposed to changes in currency exchange rates and in the associated interest rates on the currencies, if applicable.

#### ***Reliance on interest rate swaps***

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

in its obligations to make payments under an Interest Rate Swap, the Issuer will be exposed to changes in interest rates.

#### ***Termination payments for swaps***

If any of the swap agreements are terminated as described above, the Issuer may, as a result, be obliged to make a termination payment to the relevant swap provider. The amount of the termination payment will be based on the cost of entering into replacement interest rate swaps and/or currency swaps, as the case may be. There can be no assurance that the Issuer will have sufficient funds available to make such termination payment. Any termination payment to be made by the Issuer to a swap provider will rank *pari passu* with payments due to the Covered Bondholders.

#### ***Potential amendments to the swap agreements, replacement of DNB Bank as swap provider and future swap agreements***

The Issuer and DNB Bank as the existing swap provider may agree to make certain amendments to the existing swap agreements. Furthermore, under certain circumstances, the Issuer may find a replacement for DNB Bank as swap provider. If and when, in the context of one or more particular issuances of Covered Bonds, the Issuer enters into any additional swap agreement with DNB Bank or any swap agreement with a counterparty other than DNB Bank, the terms of the swap agreement will be negotiated with the relevant swap provider at that time. As a result of such negotiations, the terms of a swap agreement may contain terms that adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds.

#### **Risks related to the structure of a particular issue of Covered Bonds**

##### ***Covered Bonds subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of Covered Bonds. During any period when the Issuer may elect to redeem Covered Bonds, the market value of such Covered Bonds 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 Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. 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 Covered Bonds 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.

##### ***Covered Bonds issued with variable interest rates are likely to have more volatile market values than more standard securities***

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

##### ***Inverse Floating Rate Covered Bonds will have more volatile market values than conventional Floating Rate Covered Bonds***

Inverse Floating Rate Covered Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Covered Bonds typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Covered Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Covered Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Covered Bonds.

##### ***If the Issuer has the right to convert the interest rate on any Covered Bonds from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Covered Bonds concerned***

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

***Covered Bonds issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates***

The market values of securities issued at a substantial discount 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 the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***Extendable obligations under the Covered Bonds***

The applicable Final Terms may also provide that an Extended Maturity Date (as defined below) shall apply to a Series of Covered Bonds.

If the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter) the maturity of the principal amount outstanding of the Covered Bonds not redeemed will automatically extend on a monthly basis up to but not later than 12 months from the Maturity Date, subject as otherwise provided for in the applicable Final Terms (the “**Extended Maturity Date**”). In that event, the Issuer may redeem all or part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms. In that event also, the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds in accordance with the applicable Final Terms, save in respect of Zero Coupon Covered Bonds.

The extension of the maturity of the principal amount outstanding of the Covered Bonds from the Maturity Date to the Extended Maturity Date will not result in any right of the Covered Bondholders to accelerate payments or take action against the Issuer, and no payment will be payable to the Covered Bondholders in that event other than as set out in the “*Terms and Conditions of the Covered Bonds*”.

**Legal and regulatory risks relating to the Covered Bonds**

***The implementation of the Basel II risk-weighted asset framework and any related amendments may affect the capital requirements and/or liquidity associated with holding the Covered Bonds***

The Basel Committee on Banking Supervision (the “**Basel Committee**”) approved significant changes to the Basel II regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as “**Basel III**”). In particular Basel III provides for new capital and liquidity requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). It is intended that Basel Committee member countries implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until January 2019) and the Net Stable Funding Ratio from January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable of their

implementation in each jurisdiction may be subject to some level of national variation. Implementation of any of the changes put forward by the Basel Committee as described above and/or implementation of the Basel II framework (to the extent that it has not already been fully implemented in Basel Committee member countries) may have an impact on capital requirements in respect of the Covered Bonds and/or on incentives for investors to hold the Covered Bonds that are subject to requirements that follow the relevant framework and, as a result, they may affect the liquidity and/or value of the Covered Bonds.

Currently, Norwegian covered bonds comply with the EU Capital Requirements Directive regulations and qualify for a 10 per cent. risk weighting in eligible European jurisdictions. However, the Issuer cannot be certain as to how any of the regulatory developments described above will impact the treatment of the Covered Bonds. In general, investors should consult their own advisers as to the regulatory capital framework relating to the Issuer and the Covered Bonds and as to the consequences of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures.

***The impact of Dodd-Frank and rule-making thereunder could have an adverse impact on a holding of the Covered Bonds***

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted 21 July 2010 (“**Dodd-Frank**”), establishes a new U.S. regulatory regime for derivatives contracts, including swaps, security-based swaps and mixed swaps (generically referred to in this risk factor as “**swaps**”). Among other things, Title VII provides the Commodities Futures Trading Commission (“**CFTC**”) and the SEC with jurisdiction and regulatory authority over many different types of swaps that are currently traded over the counter, requires the establishment of a comprehensive registration and regulatory framework applicable to dealers and other major market participants in swaps, requires many types of swaps to be exchange-traded or executed on swap execution facilities (“**SEFs**”) and cleared and contemplates the imposition of capital requirements and margin requirements for even uncleared swaps. All the rules have not yet been adopted and depending on how they are adopted, they may impose an additional regulatory burden and/or cost on the Issuer that may materially and adversely impact contemplated transactions. The Issuer cannot be certain as to how these regulatory developments will impact the treatment of the Covered Bonds.

Given that the full scope and consequences of the enactment of Dodd-Frank and the rules still to be enacted thereunder are not yet known, investors are urged to consult their own advisers regarding the suitability of an investment in any Covered Bonds. Additionally, to the extent any particular series contains a reg-out provision (which would allow the Issuer to call and/or terminate the Covered Bonds in certain circumstances including, but not limited to, an adverse change in law or regulation), investors must carefully consider what the consequences of its exercise might be and make their own determinations in consultation with their advisers regarding an investment in any Covered Bonds.

***The value of the Covered Bonds could be adversely affected by a change in English law, Norwegian law or administrative practice***

The Terms and Conditions of the Covered Bonds are governed by English law, other than Condition 2 (*Status of the Covered Bonds*) and Condition 11 (*Issuer Covenants*), which are governed by Norwegian law, in each case, in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in English law, Norwegian law or administrative practice after the date of this Prospectus.

In particular, the Financial Institutions Act is relatively new legislation in Norway and, for this reason, there is no available case law on it. It is uncertain how the Financial Institutions Act will be interpreted or whether changes or amendments will be made to it which will affect Covered Bonds issued under the U.S. Programme.

## OVERVIEW OF THE PROGRAMME

*The information in this section is an overview of the structure relating to the U.S. Programme and does not purport to be complete. The information is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. A glossary of certain defined terms used in this document is contained at the end of this Prospectus.*

### Information relating to the Issuer:

#### Description:

DNB Boligkreditt AS, a limited company incorporated under the laws of the Kingdom of Norway and originally established as a finance company on 14 June 2003 with registration number 985 621 551. The registered office of the Issuer is at Dronning Eufemias gate 30, N-0191 Oslo, Norway. The telephone number of the Issuer is (+47) 91503000. On 9 May 2007, the Issuer was granted a licence to become a mortgage credit institution by the Norwegian Financial Supervisory Authority.

The Issuer specialises in mortgage lending in Norway. The Issuer is incorporated and domiciled in Norway and is a wholly-owned subsidiary of DNB Bank ASA ("**DNB Bank**"), part of DNB Bank's Group Finance and Risk Management business area and an important funding vehicle for DNB ASA and its subsidiaries (the "**DNB Group**" or the "**Group**").

The Issuer issues covered bonds under its U.S. Programme, Euro Programme and Australian Programme (each as defined below).

The Issuer employs 12 staff directly. The main task of the staff is to administer and monitor the Issuer Cover Pool, ensuring that the Issuer Cover Pool is at all times compliant with all the requirements of Norwegian covered bond legislation and the rating agencies. In addition, the staff administers the Service Agreement with DNB Bank. The staff completes financial reporting, risk reporting and analysis on the Issuer and provides reports to, and communicates with, the rating agencies. All other activities, including origination and all other lending operations, are performed by DNB Bank pursuant to the Service Agreement as more fully described under "*Certain Provisions of Key Transaction Documents – Service Agreement*" below.

Under the Service Agreement, the Issuer pays DNB Bank a fee in consideration of the services provided by DNB Bank. DNB Bank is authorised to set prices for customers (both interest rates and charges) on all Mortgage Loans covered by the Service Agreement (as defined below). The Issuer retains a minimum level of earnings on all loans encompassed by the Service Agreement to cover costs and return on equity ("**Minimum Earnings**"). Net interest and commission income in excess of the Minimum Earnings on the same loans accrues to DNB Bank and constitutes the fee payable to DNB Bank under the Service Agreement. If DNB Bank sets the relevant prices such that the Issuer's earnings fall short of the Minimum Earnings, DNB Bank is required to compensate the Issuer for such

shortfall.

As at 31 December 2012, the Issuer had a Mortgage Loan portfolio with a nominal value of NOK 519.4 billion.

### Structure Overview:

- U.S. Programme: Under the terms of the U.S. Programme, the Issuer will issue Covered Bonds to the Covered Bondholders on each Issue Date. The Covered Bonds will be unsubordinated obligations of the Issuer and rank *pari passu* among themselves and with all other obligations of the Issuer that have been provided the same priority as debt instruments issued pursuant to Chapter 2, sub-chapter IV and appurtenant regulations of Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions (the “**Financial Institutions Act**”). It is the Issuer’s intention to use the U.S. Programme as a funding platform to issue Covered Bonds pursuant to and in reliance on Rule 144A.
- Euro Programme: The Issuer has an active Euro covered bond programme (the “**Euro Programme**”) pursuant to which it has issued, and may further issue, covered bonds denominated in any currency.
- Australian Programme: The Issuer has an active Australian covered bond programme (the “**Australian Programme**”) pursuant to which it has issued, and may further issue, covered bonds normally denominated in Australian dollars. Covered Bonds issued under the Australian Programme have been admitted to the official list of the Australian Securities Exchange.
- Priority of claims: By virtue of the priority established by the Financial Institutions Act, the holders of the Covered Bonds and the relevant swap providers will have an exclusive, equal and *pro rata* prioritised claim over the Issuer Cover Pool. The prioritised claims will rank ahead of all other claims against the Issuer, save for claims relating to the fees and expenses of a bankruptcy estate.
- Single Cover Pool: All Covered Bonds issued by the Issuer under the U.S. Programme, Euro Programme, Australian Programme and any other mortgage covered bonds issued by the Issuer have, and will have, the benefit of a statutory preference under the Financial Institutions Act over a single Cover Pool maintained by the Issuer.
- Origination, Purchase and Servicing of Mortgages: The Issuer (i) originates new Mortgage Loans directly using DNB Bank’s distribution channels and origination services and (ii) acquires Mortgage Loan portfolios from DNB Bank at fair value (as agreed between DNB Bank and the Issuer) pursuant to the Master Sale Agreement. The Issuer may also agree to purchase Mortgage Loans from other members of the DNB Group.
- The Mortgage Loans originated or purchased by the Issuer for inclusion in the Issuer Cover Pool include loans secured (i) by Residential Mortgages (as defined by Norwegian legislation), (ii) by mortgages over second homes and (iii) by mortgages over joint debt of housing cooperatives. The Mortgage Loans originated or purchased by the Issuer must each have an LTV ratio of less than 75 per cent. in the case of Residential Mortgages, or 60 per cent. in the case of mortgages over second homes and joint debt of housing

cooperatives.

Pursuant to the terms of the Service Agreement entered into between the Issuer and DNB Bank as servicer, DNB Bank, amongst other things, (i) carries out the marketing, sales and distribution of Mortgage Loans on behalf of the Issuer; (ii) manages the Issuer Cover Pool in accordance with the Financial Institutions Act with respect to Mortgage Loans the Issuer has directly originated and Mortgage Loans the Issuer has purchased from DNB Bank, and (iii) provides an overdraft facility to the Issuer of an amount up to NOK 160 billion (of which NOK 130.1 billion had been drawn as of 31 December 2012) to be used as a working capital facility and to fund the Issuer's origination and purchases of Mortgage Loans from DNB Bank or other members of the DNB Group.

Any mortgage loans not originated by the Issuer or purchased from DNB Bank are to be serviced by either DNB Bank or the relevant seller on terms similar to those contained in the Service Agreement between the Issuer and DNB Bank, although such service agreement would not contain certain functions such as, for example, an overdraft facility.

Overcollateralisation: The Financial Institutions Act requires that the value of the Cover Pool at all times exceed the aggregate value of the Covered Bonds which confer a right to a prioritised claim over the Cover Pool on the holders and the counterparties to derivatives agreements. In order to get a "AAA" rating (in the case of Standard & Poor's and Fitch) and a "Aaa" rating (in the case of Moody's) the Issuer must maintain a minimum level of overcollateralisation. As at 31 December 2012, the Issuer had a nominal overcollateralisation of 38.2 per cent., a level which exceeded the requirements of the Financial Institutions Act and the requirements of the rating agencies.

Covered Bond Swaps: The Issuer may, from time to time, enter into derivative transactions with various swap providers to hedge the following risks:

- (a) Currency risk: The risk of fluctuations in relation to the exchange rate between (i) amounts received by the Issuer in NOK in respect of the loans and (ii) the applicable currency of a series of Covered Bonds; and/or
- (b) Interest rate risk: The risk that the contractual interest rate on the loans does not match that required by the Issuer in order to meet its funding obligations under the Covered Bonds.

Further Information: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, amongst other relevant sections of this Prospectus, "*Description of the Issuer*", "*Description of the DNB Group*", "*Terms and Conditions of the Covered Bonds*", "*Norwegian Macro-economic Conditions and the Norwegian Housing Mortgage Market*" and "*Certain Provisions of Key Transaction Documents*" elsewhere in this Prospectus.

**Information relating to the U.S. Programme:**

Description: Covered Bond Programme

Arranger:	Barclays Bank PLC
Dealers:	Barclays Capital Inc. Merrill Lynch, Pierce, Fenner & Smith Incorporated
Fiscal Agent, Transfer Agent and Exchange Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG
Size:	<p>Up to U.S.\$12,000,000,000 (or its equivalent in other currencies) outstanding at any time. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Covered Bonds issued under the U.S. Programme from time to time the U.S. dollar equivalent of Covered Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Covered Bonds, described under “<i>Form of the Covered Bonds</i>”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Covered Bonds or on the preceding day on which commercial banks and foreign exchange markets are open for general business in London, in each case on the basis of the spot rate for the sale of U.S. dollars against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation.</p> <p>The U.S. dollar equivalent of Zero Coupon Covered Bonds (as specified in the applicable Final Terms in relation to the relevant Covered Bonds, described under “<i>Form of the Covered Bonds</i>”) and other Covered Bonds issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.</p> <p>The Issuer may increase the amount of the U.S. Programme in accordance with the terms of the Programme Agreement.</p>
Distribution:	Covered Bonds may be distributed on a syndicated or non-syndicated basis.
Currencies:	U.S. dollars, Euro, Sterling, Yen, Norwegian Kroner, Danish Kroner, Swedish Kroner and, subject to any applicable legal or regulatory restrictions and any applicable reporting requirements, any other currency agreed between the Issuer and the relevant Dealer (each a “ <b>Specified Currency</b> ”).
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity as agreed between the Issuer and the relevant Dealer(s).
Issue Price:	Covered Bonds may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Covered Bonds:	<p>The Covered Bonds will be issued in bearer form or registered form, as described in “<i>Form of Covered Bonds</i>” below.</p> <p>Each Tranche of Registered Covered Bonds will be represented by either (i) a Restricted Global Covered Bond, deposited with a custodian for, and registered in the name of, a nominee of DTC or (ii) a Reg. S Global Covered Bond, deposited with a custodian for, and</p>

registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg for the accounts of their respective participants or deposited with a common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be (i) paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency outside of DTC or (ii) converted into U.S. dollars for payment through DTC, in each case in accordance with the provisions of the Agency Agreement.

Each Tranche of Bearer Covered Bonds will be initially represented by a Temporary Bearer Global Covered Bond which will: (i) if the global Covered Bonds are intended to be issued in NGCB form, as specified in the applicable Final Terms, be delivered on or prior to the Issue Date to a Common Safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the Issue Date to a Common Depository for Euroclear and Clearstream, Luxembourg. The Temporary Bearer Global Covered Bond will be exchangeable, as specified in the applicable Final Terms, for either a Permanent Bearer Global Covered Bond or Bearer Covered Bonds in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations.

Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and *vice versa*.

Clearing Systems: DTC, Euroclear, Clearstream, Luxembourg, and/or, in relation to any Tranche of Covered Bonds, any other clearing system as may be specified in the relevant Final Terms.

Status of the Covered Bonds: The Covered Bonds are unsubordinated obligations issued in accordance with the Financial Institutions Act and rank *pari passu* among themselves and with all other obligations of the Issuer that have been provided the same priority as debt instruments issued pursuant to the Financial Institutions Act. To the extent that claims in relation to the Covered Bonds and related derivative agreements are not met out of the assets of the Issuer that are covered in accordance with the Financial Institutions Act, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer. In the event of the Issuer's bankruptcy, the costs of such bankruptcy will rank ahead of a claim for payment of the Covered Bonds. See also "*Certain Norwegian Legislation Relating to Covered Bonds*".

Fixed Rate Covered Bonds: Covered Bonds may provide for interest based on a fixed rate ("**Fixed Rate Covered Bonds**"). Interest will be payable on Fixed Rate Covered Bonds on such date or dates as may be agreed between the

Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) 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(s).

Floating Rate Covered Bonds:

Covered Bonds may provide for interest based on a floating rate ("**Floating Rate Covered Bonds**"). Floating Rate Covered Bonds will bear interest at a rate determined:

- (i) 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 2000 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 Covered Bonds of the relevant Series); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

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

Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both.

Zero Coupon Covered Bonds:

Covered Bonds may provide that no interest is payable ("**Zero Coupon Covered Bonds**"). Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:

The applicable Final Terms will indicate the scheduled maturity date of such Covered Bonds (the "**Maturity Date**") and will also indicate whether such Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or that such Covered Bonds will be redeemable at the option of the Issuer ("**Issuer Call**") and/or at the option of the Covered Bondholders ("**Investor Put**")), in each case upon giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders or the Issuer, as the case may be, on a date or dates specified in the applicable Final Terms, at the maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

Extended Maturity Date:

The applicable Final Terms may provide that an Extended Maturity Date shall apply to a Series of Covered Bonds.

As regards redemption of Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter), the maturity of the principal amount outstanding of the Covered Bonds not redeemed will automatically extend on a monthly basis up to but, not later than, the Extended Maturity Date, subject as otherwise provided for in the applicable Final Terms. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment

Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Final Terms.

As regards interest on Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter), the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date and will be payable in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms on each Interest Payment Date after the Maturity Date at the rate provided for in the applicable Final Terms.

In the case of a Series of Covered Bonds to which an Extended Maturity Date so applies, those Covered Bonds may, for the purposes of the U.S. Programme, be:

- (a) Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Zero Coupon Covered Bonds in respect of the period from the Issue Date to (and including) the Maturity Date; and
- (b) Fixed Rate Covered Bonds or Floating Rate Covered Bonds, in respect of the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date, as set out in the applicable Final Terms.

In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date applies, the initial outstanding principal amount on the Maturity Date for the above purposes will be the total amount otherwise payable by the Issuer but unpaid on the relevant Covered Bonds on the Maturity Date.

Denomination of Covered Bonds:

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than Euro, the equivalent amount in such currency at the time of issue) or such other amount as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency.

Taxation:

All payments in respect of the Covered Bonds will be made without deduction for or on account of withholding taxes imposed within the Kingdom of Norway, subject as provided in Condition 6 (*Taxation*).

Negative Pledge:

The Covered Bonds will not contain a negative pledge provision.

Cross Default and other Events:

The Covered Bonds will not contain a cross-default provision or any other events of default entitling holders of Covered Bonds to demand immediate redemption.

Approval, Listing and Admission to Trading:

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the

Luxembourg Stock Exchange for Covered Bonds issued under the U.S. Programme during the period of 12 months from the date of this Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

Covered Bonds issued under the U.S. Programme may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

This Prospectus and any supplement to this Prospectus will only be valid for listing Covered Bonds on the Luxembourg Stock Exchange, or any other stock exchange in the European Economic Area, in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Covered Bonds previously or simultaneously issued under the U.S. Programme, does not exceed U.S.\$12,000,000,000 or its equivalent in other currencies.

Governing Law:

The Covered Bonds and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law except that the provisions of the Covered Bonds under Condition 2 (*Status of the Covered Bonds*) and Condition 11 (*Issuer Covenants*) will be governed by, and construed in accordance with, Norwegian law.

United States Selling Restrictions:

The Covered Bonds have not been and will not be registered under the Securities Act or any state securities laws, and are being offered and sold in the United States only to "qualified institutional buyers" (in reliance on, and as defined by, Rule 144A) and outside of the United States to non-U.S. persons in reliance on Regulation S and, in each case, in compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

For United States securities law only, the Issuer is a Category 2 issuer under Regulation S. Bearer Covered Bonds will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**D Rules**"), unless the Bearer Covered Bonds are issued in circumstances in which the Bearer Covered Bonds will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Selling Restrictions:

There are selling restrictions on the offer, sale and transfer of the Covered Bonds in the United States, the European Economic Area, the United Kingdom, Norway, Denmark, The Netherlands and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds. See "*Subscription and Sale and Transfer and Selling Restrictions*" below.

Risk Factors:

There are certain factors that may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the U.S. Programme. These are set out in the section entitled "*Risk Factors*" and include risks relating to the Issuer's ability to fulfil its obligations under the Covered Bonds, the Norwegian mortgage market, factors which are material for the purpose of assessing market risks associated with the Covered Bonds and risks related to the market generally.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited annual financial statements of the Issuer for each of the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, including the information set out at the following pages of the Issuer's "Annual Report 2010", "Annual Report 2011" and "Annual Report 2012". The audited annual financial statements of the Issuer for the year ended 31 December 2010 were prepared in accordance with Norwegian Accounting Regulations regarding "simplified application of International Financial Reporting Standards according to the Norwegian Ministry of Finance's regulations on Annual Accounts Section 1-5" ("**Norwegian IFRS Regulations**"). On 1 January 2011 the Issuer changed its accounting policies to comply with International Financial Reporting Standards as adopted by the EU ("**IFRS**") and the audited annual financial statements of the Issuer for the years ended 31 December 2011 and 31 December 2012 were prepared in accordance with IFRS:

	<i>2010</i>	<i>2011</i>	<i>2012</i>
Income statement	page 7	page 6	page 6
Balance sheet	page 8	page 7	page 7
Statements of changes in equity	page 9	page 8	page 8
Cash flow statements	page 10	page 9	page 9
Accounting principles and explanatory notes	pages 11-43	pages 10-37	pages 11-38
Auditors' report	pages 44-45	pages 38-39	pages 39-40

- (b) the terms and conditions of the Covered Bonds as set out at pages 54 to 82 of the prospectus of the Issuer in relation to the Programme dated 15 September 2011; and
- (c) the terms and conditions of the Covered Bonds as set out at pages 60 to 88 of the prospectus of the Issuer in relation to the Programme dated 22 September 2010.

Where only certain parts of a document are incorporated by reference in this Prospectus, the non-incorporated parts are either not relevant to the investor or are covered elsewhere in this Prospectus.

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

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

Certain information about the Issuer may be found on the Issuer's website at <https://www.dnb.no/en/about-us/investor-relations/funding.html>. The Issuer's website and the contents thereof do not form any part of this Prospectus.

In the event of any significant new factor arising or any material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of any Covered Bonds or any change in the condition of the Issuer which is material in the context of the U.S. Programme or the issue of any Covered Bonds, the Issuer will prepare and publish a supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue of Covered Bonds. Furthermore, the Issuer has undertaken to the Dealers in the Programme Agreement (as defined under “*Subscription and Sale and Transfer and Selling Restrictions*”) that it will, in connection with the listing of the Covered Bonds on the Luxembourg Stock Exchange, so long as any Covered Bond remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of the Issuer which is not reflected in this Prospectus, prepare and publish a further supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue of the Covered Bonds to be listed on the Luxembourg Stock Exchange.

## FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in registered form or bearer form.

Registered Covered Bonds of each Tranche of such Series may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs. Bearer Covered Bonds of each tranche of such Series will only be issued outside the United States in reliance on Regulation S. The Registered Covered Bonds of each Tranche sold to QIBs will be represented by a Restricted Global Covered Bond which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

### *Registered Covered Bonds*

Unless otherwise provided with respect to a particular Series of Registered Covered Bonds, the Registered Covered Bonds of each Tranche of such Series offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Reg. S Global Covered Bond which will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg for the accounts of their respective participants or (ii) be deposited with a common safekeeper or common depository, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Prior to expiry of the Distribution Compliance Period applicable to each Tranche of Covered Bonds, beneficial interests in a Reg. S Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 9 (Transfer and Exchange of Registered Covered Bonds) and may not be held otherwise than through DTC, Euroclear or Clearstream, Luxembourg and such Reg. S Global Covered Bond will bear a legend regarding such restrictions on transfer.

Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Covered Bonds in fully registered form.

Subject as otherwise provided in Condition 9 (Transfer and Exchange of Registered Covered Bonds), Registered Covered Bonds in definitive form may be exchanged or transferred in whole or in part in the authorised denominations for one or more definitive Registered Covered Bonds of like aggregate nominal amount.

Interests in the Reg. S Global Covered Bond and the Restricted Global Covered Bond will be exchangeable for Registered Covered Bonds in definitive form if (i) DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, notifies the Issuer that it is unwilling or unable to continue as depository for such Registered Global Covered Bond; or (ii) if applicable, DTC ceases to be a "Clearing Agency" registered under the U.S. Securities Exchange Act of 1934, as amended, or the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced its intention permanently to cease business or has in fact done so, and a successor depository or alternative clearing system satisfactory to the Issuer, the Fiscal Agent, the other Paying Agents and the Covered Bondholders is not available; or (iii) a payment default has occurred and is continuing with respect to such Covered Bonds; or (iv) if the applicable Final Terms so permit, a written request for one or more Registered Covered Bonds in definitive form is made by a holder of a beneficial interest in a Registered Global Covered Bond; provided that in the case of (iv) above such written notice or request, as the case may be, is submitted to the Registrar by the beneficial owner not later than 60 days prior to the requested date of such exchange. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate Registered Covered Bonds in definitive form to be delivered provided that, notwithstanding the above, no Reg. S Covered Bonds in definitive form will be issued until the expiry of the Distribution Compliance Period, as

certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue.

Payments of principal on the Registered Covered Bonds will be made on the relevant payment date to the persons shown on the Statutory Register at the close of business on the business day (being for this purpose a day on which banks are open for business in Brussels) immediately prior to the relevant payment date. Payments of interest on the Registered Covered Bonds will be made on the relevant payment date to the person in whose name such Covered Bonds are registered on the Record Date (as defined in Condition 4(b) (Presentation of Covered Bonds and Coupons)) immediately preceding such payment date.

Payments of the principal of, and interest (if any) on, the Registered Global Covered Bonds will be made to the person shown on the register as the registered holder of the Registered Global Covered Bonds. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be (i) paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency outside of DTC or (ii) converted into U.S. dollars for payment through DTC, in each case in accordance with the provisions of the Agency Agreement.

Definitive Registered Covered Bonds issued pursuant to and in reliance on Rule 144A will be issued only in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

#### *Bearer Covered Bonds*

Each Tranche of Bearer Covered Bonds will initially be represented by a Temporary Bearer Global Covered Bond without Coupons or Talons (each as defined in “*Terms and Conditions of the Covered Bonds*”) which will (i) if the global Covered Bonds are intended to be issued in NGCB form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the original issue date of the Tranche to a Common Depository for, Euroclear and Clearstream, Luxembourg.

Interests in the Temporary Bearer Global Covered Bond will be exchanged either for interests in a Permanent Bearer Global Covered Bond or, where specified in the applicable Final Terms (subject to such notice period as is specified in the Final Terms), for definitive Bearer Covered Bonds on or after the date which is the later of (i) 40 days after the Temporary Bearer Global Covered Bond is issued; and (ii) 40 days after completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue) (the “**Exchange Date**”). Such exchange will be made only upon delivery of written certification to Euroclear and/or Clearstream, Luxembourg, as the case may be, to the effect that the beneficial owner of such Covered Bonds is not a U.S. person or other person who has purchased such Covered Bonds for resale to, or on behalf of, U.S. persons and Euroclear and/or Clearstream, Luxembourg, as the case may be, has given a like certification (based on the certification it has received) to the Fiscal Agent.

If an interest or principal payment date for any Covered Bonds occurs whilst such Covered Bonds are represented by a Temporary Bearer Global Covered Bond, the related interest or principal payment will be made only to the extent that certification of non-U.S. beneficial ownership has been received as described in the last sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Bearer Global Covered Bond will not

be entitled to collect any payment of interest or principal due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Covered Bond is improperly withheld or refused. Payments of principal or interest (if any) on a Permanent Bearer Global Covered Bond will be made through Euroclear or Clearstream, Luxembourg (against presentation or surrender, as the case may be, of the Permanent Bearer Global Covered Bond if the Permanent Bearer Global Covered Bond is not intended to be issued in NGCB form) without any further requirement for certification. Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Covered Bonds*” below) the Fiscal Agent shall arrange that, where a further Tranche of Covered Bonds is issued, the Covered Bonds of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Covered Bonds of any other Tranche of the same Series until at least expiry of the Distribution Compliance Period applicable to the Covered Bonds of such Tranche.

The applicable Final Terms will specify that either (i) a Permanent Bearer Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Covered Bonds with, where applicable, Receipts, Coupons and Talons attached upon 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 Bearer Global Covered Bond) to the Fiscal Agent as described therein; or (ii) a Permanent Bearer Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Covered Bonds with, where applicable, Coupons and Talons attached only upon the occurrence of an Exchange Event as described therein.

“**Exchange Event**” means (i) the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statute or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Issuer, the Fiscal Agent, the other Paying Agents and the Covered Bondholders is available or (ii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 6 (*Taxation*) which would not be required were the Covered Bonds represented by the Permanent Bearer Global Covered Bond in definitive bearer form and a certificate to such effect signed by two Directors of the Issuer has been given to the Fiscal Agent. The Issuer will promptly give notice to Covered Bondholders in accordance with Condition 13 (Notices) 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 Bearer Global Covered Bond) or the Covered Bondholders may give notice to the Fiscal 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 Fiscal Agent and the Covered Bondholders requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all bearer Covered Bonds, Coupons and Talons which have an original maturity of more than one year:

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

The sections referred to provide that U.S. holders, with certain exceptions, will not be entitled to deduct any loss on bearer Covered Bonds or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of bearer Covered Bonds or coupons.

#### *General*

For so long as DTC or its nominee is the registered holder of a Registered Global Covered Bond or so long as any of the Covered Bonds are represented by a global Covered Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of DTC, Euroclear and/or

Clearstream, Luxembourg, as the case may be, as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by such clearing system or its nominee, as to the nominal amount of such Covered Bonds standing to the account of any person shall, save in the case of manifest error, be conclusive and binding for all purposes, including any form of statement or print out of electronic records provided by the relevant clearing system in accordance with its usual procedures and in which the holder of a particular nominal amount of such Covered Bonds is clearly identified together with the amount of such holding) shall be treated by the Issuer, the Fiscal Agent, the Replacement Agent and any other Paying Agent as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest on the Covered Bonds, for which purpose, (i) in the case of a Registered Global Covered Bond registered in the name of DTC or its nominee, DTC or its nominee or, (ii) in the case of Covered Bonds represented by a bearer global Covered Bond, the bearer of the relevant bearer global Covered Bond or, (iii) in the case of Covered Bonds represented by a Registered Global Covered Bond deposited with a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg, the nominee of such common depository or common safekeeper, shall be treated by the Issuer, the Fiscal Agent, the Replacement Agent and any other Paying Agent as the holder of such Covered Bonds in accordance with and subject to the terms of the relevant global Covered Bond and the expressions “**Covered Bondholder**” and “**holder of Covered Bonds**” and related expressions shall be construed accordingly.

Covered Bonds which are represented by a bearer global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

No beneficial owner of an interest in a Registered Global Covered Bond will be able to exchange or transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

Any reference herein to DTC and/or Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Fiscal Agent.

The Issuer has entered into an agreement with Euroclear and Clearstream, Luxembourg (together the “**ICSDs**”) in respect of any Covered Bonds issued in NGCB form or to be held under the New Safekeeping Structure (“**NSS**”) that the Issuer may request be made eligible for settlement with the ICSDs (the “**Issuer-ICSDs Agreement**”). The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such Covered Bonds, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer’s request, produce a statement for the Issuer’s use showing the local nominal amount of its customer holdings of such Covered Bonds as of a specified date.

## FORM OF FINAL TERMS

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

[Date]

### DNB Boligkreditt AS

#### Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] under the U.S.\$12,000,000,000 Covered Bond Programme

#### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] [and the supplements to the Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended (which includes the amendments made by Directive 2010/73/EU (the “**2010 PD Amending Directive**”) to the extent such amendments have been implemented in a Relevant Member State of the European Economic Area) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplement[s] to the Prospectus] [is] [are] available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] which are incorporated by reference in the Prospectus dated [date]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive as amended (which includes the amendments made by the 2010 PD Amending Directive to the extent that such amendments have been implemented in a Relevant Member State of the European Economic Area) and must be read in conjunction with the Prospectus dated [current date] [and the supplement[s] to the Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus dated [current date] [as so supplemented]. Copies of such Prospectus [and the supplement[s]] to the Prospectus are available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

*[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

- |    |      |                                                                                |                                                                                                                                                                                                                                                                                                                                           |
|----|------|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | (i)  | Series Number:                                                                 | [ ]                                                                                                                                                                                                                                                                                                                                       |
| 2. | [(i) | Tranche Number:                                                                | [ ]]                                                                                                                                                                                                                                                                                                                                      |
|    | (ii) | Date on which the Covered Bonds will be consolidated and form a single Series. | [The Covered Bonds issued under these Final Terms will be consolidated and form a single Series with [identify earlier tranche] on [the Issue Date/exchange of the Temporary Bearer Global Covered Bond for interests in the Permanent Bearer Global Covered Bond, as referred to in paragraph 21 below; which is expected to occur on or |

- about [ ].] [Not Applicable]]
3. Specified Currency or Currencies: [ ]
  4. Aggregate Nominal Amount: [ ]
    - (i) Series: [ ]
    - [(ii) Tranche: [ ]]
  5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
  6. (i) Specified Denominations: [ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. No Covered Bonds in definitive form will be issued with a denomination above [ ]]
  - (ii) Calculation Amount: [ ]
  7. (i) Issue Date: [ ]
  - (ii) Interest Commencement Date:
    - (a) Period to Maturity Date: [ ]
    - (b) Period from Maturity Date up to Extended Maturity Date: [Not Applicable] [Maturity Date]
  8. (i) Maturity Date: *[Fixed rate – specify date/Floating Rate – Interest Payment Date falling in or nearest to [specify month and year]]*
  - (ii) Extended Maturity Date: *[Applicable/Not Applicable]*  
*[The applicable Final Terms may provide that the Issuer's obligations to pay the Final Redemption Amount of the applicable Series of Covered Bonds on their Maturity Date shall be deferred until the Extended Maturity Date]*  
 [The Extended Maturity Date is [ ]].  
 (See Conditions 3(d) and 5(i))
  9. Interest Basis:
    - (i) Period to (and including) Maturity Date: [[ ] per cent. Fixed Rate]  
 [[[ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate]  
 (see paragraph [13/[14] below)  
 [Zero Coupon]  
 (see paragraph [15] below)
    - (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [Not Applicable]  
 [[ ] per cent. Fixed Rate]  
 [[[ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate]  
 (see paragraph [13]/[14] below)
  10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at [99][100][101] per cent. of their nominal amount.
  11. Change of Interest Basis: [Not Applicable] [*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there*]

12. Put/Call Options: [Not Applicable]  
 [Investor Put]  
 [Issuer Call]  
 (see paragraph [17]/[18] below)

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

13. Fixed Rate Covered Bond Provisions:
- (I) To Maturity Date: [Applicable/Not Applicable]
  - (II) From Maturity Date up to Extended Maturity Date: [Applicable/Not Applicable]
    - (i) Rate(s) of Interest:
      - (a) To Maturity Date: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
      - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable][ [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]]
    - (ii) Interest Payment Date(s):
      - (a) To Maturity Date: [ ] in each year up to and including the Maturity Date
      - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [[ ] in each month up to and including the Extended Maturity Date]
    - (iii) Fixed Coupon Amount(s):
      - (a) To Maturity Date: [ ] per Calculation Amount
      - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [[ ] per Calculation Amount]
    - (iv) Broken Amount(s):
      - (a) To Maturity Date: [Not Applicable] [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]
      - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]
    - (v) Day Count Fraction:
      - (a) To Maturity Date: [Actual/Actual (ICMA)] [30/360]
      - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [Actual/Actual (ICMA) or 30/360]
    - (vi) Determination Date(s):
      - (a) To Maturity Date: [Not Applicable] [[ ] in each year]
      - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [[ ] in each year]
14. Floating Rate Covered Bond Provisions:
- (I) To Maturity Date: [Applicable/Not Applicable]
  - (II) From Maturity Date up to Extended Maturity Date: [Applicable/Not Applicable]

Maturity Date:

- (i) Specified Period(s)/Specified Interest Payment Dates:
  - (a) To Maturity Date: [ ]
  - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [ ]
- (ii) Business Day Convention:
  - (a) To Maturity Date: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
  - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iii) Additional Business Centre(s):
  - (a) To Maturity Date: [ ]
  - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined:
  - (a) To Maturity Date: [Screen Rate Determination/ISDA Determination]
  - (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [Screen Rate Determination/ISDA Determination]
- (v) Screen Rate Determination:
  - (a) To Maturity Date:
    - Reference Rate: [ ] month [LIBOR/EURIBOR]
    - Interest Determination Date(s): [ ]  
*(Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Euro LIBOR or Sterling LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)*

- Relevant Screen Page:    
*(In the case of EURIBOR, if not Reuters Screen EURIBOR 01 (or any successor page) ensure it is a page which shows a composite rate or amend the fall back provisions appropriately)*
- (b) From Maturity Date up to Extended Maturity Date:  [Not Applicable]
- Reference Rate:  month [LIBOR/EURIBOR]
- Interest Determination Date(s):    
*(Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Euro LIBOR or Sterling LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)*
- Relevant Screen Page:    
*(In the case of EURIBOR, if not Reuters Screen EURIBOR 01 (or any successor page) ensure it is a page which shows a composite rate or amend the fall back provisions appropriately)*
- (vi) ISDA Determination
  - (a) To Maturity Date:
    - Floating Rate Option:
    - Designated Maturity:
    - Reset Date:
  - (b) From Maturity Date up to Extended Maturity Date:  [Not Applicable]
    - Floating Rate Option:
    - Designated Maturity:
    - Reset Date:
- (vii) Margin(s):
  - (a) To Maturity Date:  [+/-][ ] per cent. per annum
  - (b) From Maturity Date up to Extended Maturity Date:  [Not Applicable] [+/-][ ] per cent. per annum

- (viii) Minimum Rate of Interest:
- (a) To Maturity Date: [ ] per cent. per annum
- (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [[ ] per cent. per annum]
- (ix) Maximum Rate of Interest:
- (a) To Maturity Date: [ ] per cent. per annum
- (b) From Maturity Date up to Extended Maturity Date: [Not Applicable] [[ ] per cent. per annum]
- (x) Day Count Fraction:
- (a) To Maturity Date: [Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
Actual/Actual (ISDA)  
Actual/Actual  
360/360  
Bond Basis  
Eurobond Basis  
30E/360 (ISDA)  
30E/360]
- (b) From Maturity Date up to Extended Maturity Date: [Not Applicable]  
[Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
Actual/Actual (ISDA)  
Actual/Actual  
360/360  
Bond Basis  
Eurobond Basis  
30E/360 (ISDA)  
30E/360]
15. Zero Coupon Covered Bond Provisions: [Applicable/Not Applicable]
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]

Actual/360  
Actual/365]  
(See Conditions 5(e)(iii) and 5(i))

## PROVISIONS RELATING TO REDEMPTION

16. Notice periods for Condition 5(b): Minimum period: [ ] days  
Maximum period: [ ] days
17. Issuer Call: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) [ ] per Calculation Amount
- (iii) If redeemable in part:  
Minimum Redemption Amount: [ ] per Calculation Amount  
Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice period: Maximum period: [ ] days  
Minimum period: [ ] days  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 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 Fiscal Agent or the Covered Bondholders)*
18. Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Covered Bond: [ ] per Calculation Amount
- (iii) Notice period: Maximum period: [ ] days  
Minimum period: [ ] days  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 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 Fiscal Agent or the Covered Bondholders)*
19. Final Redemption Amount of each Covered Bond: [ ] per Calculation Amount  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal amount, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Regulation will apply)*
20. Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation [ ] per Calculation Amount

reasons or on event of default:

## GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21. Form of Covered Bonds:

(i) Form:

[Registered Covered Bonds:

Restricted Global Covered Bond registered in the name of a nominee for DTC]

[Reg. S Global Covered Bond registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]

[Bearer Covered Bonds:

Temporary Bearer Global Covered Bond exchangeable for a Permanent Bearer Global Covered Bond which is exchangeable for Definitive Bearer Covered Bonds [on not less than 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Bearer Global Covered Bond exchangeable for Definitive Covered Bonds on and after the Exchange Date on [ ] days' notice given at any time]

(ii) New Global Covered Bond:

[Yes] [No]

22. Additional Financial Centre(s):

[Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period and dates to which paragraph 14(II)(iii) applies]

23. Talons for future Coupons to be attached to Definitive Covered Bonds:

[Yes/No]

24. U.S. Selling Restrictions:

[Regulation S, Category 2, TEFRA D/TEFRA not applicable]

## 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 the Issuer:

By: .....  
Duly authorised

**PART B – OTHER INFORMATION**

**1 LISTING AND ADMISSION TO TRADING:**

- (i) Listing and Admission to trading: [Application [has been][is expected to be] made for the Covered Bonds to be admitted to trading on [ ] with effect from [ ].] [Not Applicable.]  
*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (ii) Estimate of total expenses related to admission to trading: [ ]

**2 RATINGS:**

[The Covered Bonds [have been][are expected to be] assigned the following ratings:  
[Standard & Poor's: [ ]]  
[Moody's: [ ]]  
[Fitch: [ ]]  
[The Covered Bonds to be issued have not been assigned any rating]

**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 Covered Bonds 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.] *[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive).]*

**4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:**

- (i) Reasons for the offer: [ ]
- (ii) Estimated net proceeds: *(See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*  
[ ]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
- (iii) Estimated total expenses: [ ] *[Include breakdown of expenses.]*  
*(Delete unless the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required if the reasons for the offer are different from making a profit and/or hedging certain risks and where such reasons are inserted in (i), disclosure of net proceeds and total*

expenses at (ii) and (iii) above are required.)]

5 **YIELD: (Fixed Rate Covered Bonds only)** [ ]  
**Indication of yield:**

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 **OPERATIONAL INFORMATION:**

(i) CUSIP Number: [ ]

(ii) ISIN Code: [ ]

(iii) Common Code: [ ]

(iv) Any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/(give name(s) and number(s))]

(v) Delivery: Delivery [against/free of] payment

(vi) Names and addresses of additional Paying Agent(s) (if any): [ ]

(vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]  
[Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper,] [*include this text for registered Covered Bonds*] and does not necessarily mean that the Covered Bonds 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.][*Include this text if “yes” selected in which case bearer Covered Bonds must be issued in NGCB form and registered Covered Bonds must be held under the New Safekeeping Structure.*]

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each global Covered Bond and each definitive Covered Bond, 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(s) at the time of issue but, if not so permitted and agreed, such definitive Covered Bond 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 Covered Bond and definitive Covered Bond. Reference should be made to “**Form of the Covered Bonds**” 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 Covered Bonds.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by DNB Boligkreditt AS (the “**Issuer**”) pursuant to an Agency Agreement (as amended and restated on 15 September 2011 and 7 March 2013 and as may be amended or supplemented from time to time, the “**Agency Agreement**”) dated 22 September 2010 between the Issuer, Citibank, N.A., London Branch as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented from time to time, the “**Deed of Covenant**”) dated 22 September 2010 executed by the Issuer in relation to the Covered Bonds.

References herein to the “**Covered Bonds**” shall be references to the Covered Bonds of this Series and shall mean:

- (i) in relation to any Covered Bonds represented by a global Covered Bond, units of the lowest Specified Denomination in the Specified Currency;
- (ii) (in the case of Bearer Covered Bonds) definitive Bearer Covered Bonds issued in exchange (or part exchange) for a global Covered Bond;
- (iii) (in the case of Registered Covered Bonds) definitive Registered Covered Bonds; and
- (iv) any global Covered Bond.

The fiscal agent, the paying agents, the registrar, the exchange agents and the transfer agents for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrar**”, the “**Exchange Agents**” and the “**Transfer Agents**”.

Interest bearing definitive Bearer Covered Bonds have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Covered Bonds, in definitive or global form, do not have Coupons attached on issue.

The final terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms which are attached to or endorsed on this Covered Bond. Part A of the Final Terms (or such relevant provisions thereof) must be read in conjunction with these Terms and Conditions. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) which are attached to or endorsed on this Covered Bond.

In these Terms and Conditions, “**Covered Bondholders**” means the holders for the time being of the Covered Bonds, and such expression shall, in relation to any Covered Bonds represented by a global Covered Bond, be construed as provided below; “**Couponholders**” means the holders of the Coupons, and such expression shall, unless the context otherwise requires, include the holders of Talons.

As used herein, “**Tranche**” means Covered Bonds which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single

series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement and the Deed of Covenant are obtainable during normal business hours at the specified office of each of the Paying Agents, the Registrar and the Transfer Agents. If this Covered Bond is admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be available for viewing on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu). If this Covered Bond is not admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area, the applicable Final Terms will only be obtainable by a Covered Bondholder holding one or more Covered Bonds and such Covered Bondholder must produce evidence satisfactory to the Issuer and/or the Paying Agent as to its holding of such Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of all the provisions of the Agency Agreement and the Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

## **1 Form, Denomination and Title**

The Covered Bonds are in registered form (“**Registered Covered Bonds**”) or bearer form (“**Bearer Covered Bonds**”), as specified in the applicable Final Terms and, in the case of definitive Covered Bonds, serially numbered, in the Specified Currency and the Specified Denomination(s). Save as provided in Condition 9 (*Transfer and Exchange of Registered Covered Bonds*), Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

Registered Covered Bonds may not be exchanged for Bearer Covered Bonds and *vice versa*.

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

Where the applicable Final Terms specifies that an Extended Maturity Date applies to a Series of Covered Bonds, those Covered Bonds may be Fixed Rate Covered Bonds, or Floating Rate Covered Bonds, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms in respect of the period from the Issue Date to and including the Maturity Date, and Fixed Rate Covered Bonds or Floating Rate Covered Bonds, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms in respect of the period from the Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

Definitive Bearer Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds and an Extended Maturity Date is not specified in the applicable Final Terms to the relevant Series of Covered Bonds, in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Covered Bonds and Coupons will pass by delivery, and title to the Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and the Replacement Agent (as defined in the Agency Agreement), the Registrar, any Transfer Agent and any Paying Agent may deem and treat the bearer of any Bearer Covered Bond or Coupon and the registered holder of any Registered Covered Bond 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 Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph, and the expressions “**Covered Bondholder**” and “**holder of Covered Bonds**” and related expressions shall be construed accordingly.

For so long as The Depository Trust Company (“**DTC**”) or its nominee is the registered holder of a Registered Global Covered Bond or for so long as any of the Covered Bonds is represented by a global Covered Bond held on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or DTC, as the case may be, as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by such clearing system or its nominee as to the nominal amount of such Covered Bonds standing to the account of any person shall, save in the case of manifest error, be conclusive and binding for all purposes, including any form of statement or print out of electronic records provided by the relevant clearing system in accordance with its usual procedures and in which the holder of a particular nominal amount of such Covered Bonds is clearly identified together with the amount of such holding) shall be treated by the Issuer, the Fiscal Agent, the Replacement Agent and any other Paying Agent as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest on the Covered Bonds, for which purpose, (i) in the case of a Registered Global Covered Bond registered in the name of DTC or its nominee, DTC or its nominee or, (ii) in the case of Covered Bonds represented by a bearer global Covered Bond, the bearer of the relevant bearer global Covered Bond or, (iii) in the case of Covered Bonds represented by a Registered Global Covered Bond deposited with a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg, the nominee of such common depository or common safekeeper, shall be treated by the Issuer, the Fiscal Agent, the Replacement Agent and any other Paying Agent as the holder of such Covered Bonds in accordance with and subject to the terms of the relevant global Covered Bond and the expressions “**Covered Bondholder**” and “**holder of Covered Bonds**” and related expressions shall be construed accordingly.

Covered Bonds which are represented by a global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and/or Clearstream, Luxembourg as the case may be.

References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Fiscal Agent.

If specified in the applicable Final Terms, a Temporary Bearer Covered Bond or a Permanent Bearer Covered Bond may be issued in new global Covered Bond form (a “**New Global Covered Bond**” or a “**NGCB**”).

## **2 Status of the Covered Bonds**

The Covered Bonds are unsubordinated obligations issued in accordance with Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-chapter IV and appurtenant regulations (the “**Financial Institutions Act**”) and rank *pari passu* among themselves and with all other obligations of the Issuer that have been provided the same priority as debt instruments issued pursuant to the Financial Institutions Act. To the extent that claims in relation to the Covered Bonds and relating derivative agreements are not met out of the assets of the Issuer that are covered in accordance with the Financial Institutions Act, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

### 3 Interest

#### (a) Interest on Fixed Rate Covered Bonds

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

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

As used in these Terms and 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 or if no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, 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 in accordance with this Condition 3(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Covered Bonds 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 Covered Bonds 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.

In these Terms and Conditions:

“**Determination Period**” means the 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 Covered Bonds*

(i) Interest Payment Dates

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

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

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

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day 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:

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

Payment Date shall be brought forward to the immediately preceding Business Day; or

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

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to interest payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System or any successor thereto (the "**TARGET System**") is open.

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Covered Bonds

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 Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent (as such term is defined in the ISDA Definitions) for that swap transaction under the terms of an agreement incorporating the 2000 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 Covered Bonds (the "**ISDA Definitions**") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is the day specified in the applicable Final Terms.

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

(B) Screen Rate Determination for Floating Rate Covered Bonds

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 inter-bank offered rate (“**LIBOR**”) or the Euro-zone inter-bank offered rate (“**EURIBOR**”), as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page 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 Fiscal 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 Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the Specified Time.

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

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

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

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

The Fiscal 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 Fiscal Agent will calculate the amount of interest (the “**Interest Amount**”) payable per Calculation Amount in respect of the Floating Rate Covered Bonds for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, 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 in accordance with this Condition 3(b):

- (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 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
  - (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 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).
- (v) Notification of Rate of Interest and Interest Amounts

The Fiscal 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, each of the other Paying Agents, the Covered Bondholders and any stock exchange on which the relevant Floating Rate Covered Bonds 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 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) 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 Covered Bonds are for the time being listed and to the Covered Bondholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph (v), 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.

(vi) Certificates to be Final

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

(c) *Accrual of Interest*

Subject as provided in Condition 3(d) (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*), each Covered Bond (or, in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) 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 in accordance with these Terms and Conditions.

(d) *Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*

- (i) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 5(i) (*Extension of Maturity up to Extended Maturity Date*), the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date, subject to Condition 3(c) (*Accrual of Interest*). In that event, interest shall be payable on those Covered Bonds at the rate determined in accordance with Condition 3(d)(iii) on the principal amount outstanding of the Covered Bonds in arrear on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date.
- (ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date but does redeem the Covered Bonds in full or in part within two Business Days thereafter, the Covered Bonds that are redeemed shall bear interest from (and including) the Maturity Date to (and including) the date on which such Covered Bonds were redeemed at the rate which applied to the Covered Bonds in the Interest Period prior to the Maturity Date of the Covered Bonds.
- (iii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 5(i) (*Extension of Maturity up to Extended Maturity Date*), the rate of interest payable from time to time in respect of the principal amount outstanding of the Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Fiscal Agent two Business Days

after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.

- (iv) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 3(d) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
- (v) This Condition 3(d) shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds (in full) on the Maturity Date (or within two Business Days thereafter) and the maturity of those Covered Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 5(i) (*Extension of Maturity up to Extended Maturity Date*).

#### 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 (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) 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
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*) 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 (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding or deduction. References to “**Specified Currency**” will include any successor currency under applicable law.

##### (b) Presentation of Covered Bonds and Coupons

Payments of principal in respect of definitive Bearer Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of definitive Bearer Covered Bonds, and payments of interest in respect of definitive Bearer Covered Bonds 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 only, 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)).

Except as provided below, all payments of interest and principal with respect to Bearer Covered Bonds will be made at such paying agencies outside the United States as the Issuer may appoint from time to time and to accounts outside the United States.

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds (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 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7 (*Prescription*)) 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 Covered Bond in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Covered Bond**” is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond 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 Covered Bond.

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

Payments of principal and interest (if any) in respect of Covered Bonds represented by any bearer global Covered Bond will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Covered Bonds or otherwise in the manner specified in the relevant bearer global Covered Bond, where applicable, against presentation or surrender, as the case may be, of such bearer global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment made distinguishing between any payment of principal and any payment of interest will be made on such bearer global Covered Bond by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

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

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be (i) paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency or (ii)

converted into U.S. dollars for payment in each case in accordance with the provisions of the Agency Agreement.

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

- (i) 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 Covered Bonds in the manner provided above when due;
- (ii) 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
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

Payments of principal in respect of Registered Covered Bonds (whether in definitive or global form) will be made in the manner provided in paragraph (a) above to the persons in whose name such Covered Bonds are registered (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Covered Bonds at the specified office of the Registrar or the Transfer Agent.

Payments of interest due on a Registered Covered Bond (whether in definitive or global form) will be made in the manner specified in paragraph (a) above to the person in whose name such Covered Bond is registered (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the 15th day (whether or not such 15th day is a business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the "**Record Date**")) prior to such due date. In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder's registered address on the business day (as described above) immediately preceding the due date.

If payment in respect of any Registered Covered Bonds is required by credit or transfer as referred to in paragraph (a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

(c) *Payment Day*

If the date for payment of any amount in respect of any Covered Bond 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 any day which is (subject to Condition 7 (*Prescription*)):

- (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) in the case of Covered Bonds in definitive form, the relevant place of presentation; and
- (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings 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 (2) in relation to any sum payable in Euro, a day on which the TARGET System is open.

*(d) Interpretation of Principal and Interest*

Any reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 6 (*Taxation*);
- (ii) the Final Redemption Amount of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds;
- (iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 5(e) (*Early Redemption Amounts*)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds.

Any reference in these Terms and Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Agency Agreement.

## **5 Redemption and Purchase**

*(a) At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond 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, subject as provided below if an Extended Maturity Date is specified in the applicable Final Terms.

*(b) Redemption for Tax Reasons*

Subject to Condition 5(e) (*Early Redemption Amounts*), the Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Covered Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Norway or any political subdivision or any authority

thereof or any authority or agency therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Covered Bonds; and

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures 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 Covered Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent to make available (during normal business hours and on reasonable notice) at its specified office to the Covered Bondholders (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.

Covered Bonds redeemed pursuant to this Condition 5(b) will be redeemed at their Early Redemption Amount referred to in paragraph (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 shall, having given:

- (i) not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders in accordance with Condition 13 (*Notices*); and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Fiscal Agent and (in the case of a redemption of Registered Covered Bonds) the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds 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. In the case of a partial redemption of Covered Bonds, the Covered Bonds (or, as the case may be, parts of Registered Covered Bonds) to be redeemed ("**Redeemed Covered Bonds**") will be selected individually by lot without involving any part only of a Bearer Covered Bond, in the case of Redeemed Covered Bonds represented by definitive Covered Bonds, and in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), as the case may be, in the case of Redeemed Covered Bonds represented by a global Covered Bond, in each case 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 Covered Bonds represented by definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case

on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Calculation Amount, and the aggregate nominal amount of Redeemed Covered Bonds represented by a global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

*(d) Redemption at the Option of the Covered Bondholders (Investor Put)*

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 13 (*Notices*) not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem in whole (but not in part), such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Covered Bond is in definitive form and held outside DTC, Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must deliver such Covered Bond at the specified office of any Paying Agent, in the case of Bearer Covered Bonds, or any Transfer Agent or the Registrar in the case of Registered Covered Bonds at any time during normal business hours of such Paying Agent, Transfer Agent or the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

If this Covered Bond is represented by a global Covered Bond or is a Covered Bond in definitive form and held through DTC, Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must, within the notice period, give notice to the Fiscal Agent or the Registrar of such exercise in accordance with the standard procedures of DTC, Euroclear and/or Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Fiscal Agent by electronic means) in a form acceptable to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, from time to time and, if this Covered Bond is represented by a global Covered Bond in bearer form the terms of which require presentation for recording changes to its nominal amount, at the same time present or procure the presentation of the relevant global Covered Bond to the Fiscal Agent for notation accordingly.

Any Put Notice given by a holder of any Covered Bond pursuant to this paragraph (d) shall be irrevocable.

*(e) Early Redemption Amounts*

For the purpose of paragraph (b) above, the Covered Bonds will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Covered Bonds with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Covered Bonds (other than Zero Coupon Covered Bonds) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bonds are denominated, at the amount specified in, or determined in the manner specified in,

the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount.

- (iii) in the case of Zero Coupon Covered Bonds, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

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

where:

“**RP**” means the Reference Price per Calculation Amount;

“**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 Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond 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 Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond 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 the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable and the denominator will be 365).

(f) *Purchases*

The Issuer, DNB ASA or any of their respective subsidiaries may at any time purchase beneficially or procure others to purchase beneficially for its account Covered Bonds (provided that, in the case of definitive Bearer Covered Bonds, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer, DNB ASA or any of their respective subsidiaries, surrendered to any Paying Agent and/or the Registrar for cancellation.

(g) *Cancellation*

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of definitive Bearer Covered Bonds, all unmatured Coupons attached thereto or surrendered therewith at the time of redemption). The details of all Covered Bonds so cancelled and the Covered Bonds purchased and cancelled pursuant to Condition 5(f) (*Purchases*) (together, in the case of definitive Bearer Covered Bonds, with all unmatured Coupons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

(h) *Late Payment on Zero Coupon Covered Bonds*

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to paragraph (a), (b), (c) or (d) above is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption 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 Covered Bond 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 Covered Bonds has been received by the Fiscal Agent or the Registrar and notice to that effect has been given to the Covered Bondholders in accordance with Condition 13 (*Notices*).
- (i) *Extension of Maturity up to Extended Maturity Date*
- (i) An Extended Maturity Date may be specified in the applicable Final Terms as applying to a Series of Covered Bonds.
  - (ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Terms and Conditions will be automatically extended up to one year to, but no later than, the Extended Maturity Date without constituting an event of default or giving holders of the Covered Bonds any right to accelerate payments on the Covered Bonds. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date. The Issuer shall give to the Covered Bondholders (in accordance with Condition 13 (*Notices*)) and the Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.
  - (iii) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 5(i) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Terms and Conditions.
  - (iv) Any extension of the maturity of Covered Bonds under this Condition 5(i) shall be irrevocable. Where this Condition 5(i) applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 5(i) shall not constitute an event of default for any purpose or give any Covered Bondholder any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Terms and Conditions.
  - (v) In the event of the extension of the maturity of Covered Bonds under this Condition 5(i), interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 3(d) (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*).
  - (vi) If the Issuer redeems part and not all of the principal amount outstanding of Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the

principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.

- (vii) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 5(i), for so long as any of those Covered Bonds remains in issue, the Issuer shall not issue any further mortgage Covered Bonds, unless the proceeds of issue of such further mortgage Covered Bonds are applied by the Issuer on issue in redeeming in whole or in part the relevant Covered Bonds in accordance with the terms hereof.
- (viii) This Condition 5(i) shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds in full on the Maturity Date (or within two Business Days thereafter).

## 6 Taxation

All payments of principal and interest in respect of the Covered Bonds and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Norway or any political subdivision or any authority or agency thereof or therein having power to tax 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 Covered Bonds 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 Covered Bonds 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 Covered Bond or Coupon:

- (i) presented for payment in the Kingdom of Norway; or
- (ii) presented for payment by or on behalf of a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bond or Coupon by reason of his having some connection with the Kingdom of Norway other than the mere holding of such Covered Bond or Coupon; or
- (iii) 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 30th day assuming that day to have been a Payment Day (as defined in Condition 4(c) (*Payment Day*)); or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Covered Bond or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the “**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 Fiscal Agent or the Registrar, as the case may be, 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 Covered Bondholders in accordance with Condition 13 (Notices).

## 7 Prescription

The Covered Bonds (whether in bearer, registered or uncertificated book-entry form) and Coupons will become void unless claims in respect of principal and/or interest are made within a

period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6 (*Taxation*)) therefor.

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

## **8 Replacement of Covered Bonds, Coupons and Talons**

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

## **9 Transfer and Exchange of Registered Covered Bonds**

### *(a) Form of Registered Covered Bonds*

Registered Covered Bonds of each Tranche sold in private transactions to qualified institutional buyers (“**QIBs**”) within the meaning of Rule 144A under the United States Securities Act of 1933, as amended (the “**Securities Act**”) will initially be represented by a permanent global Covered Bond in registered form, without interest coupons (the “**Restricted Global Covered Bond**”) and, together with the Reg. S Global Covered Bond, the “**Registered Global Covered Bonds**”), deposited with a custodian for, and registered in the name of a nominee of, DTC. Covered Bonds in definitive form issued in exchange for Restricted Global Covered Bonds or otherwise sold or transferred in accordance with the requirements of Rule 144A under the Securities Act, together with the Restricted Global Covered Bonds, are referred to herein as “**Restricted Covered Bonds**”.

Registered Covered Bonds of each Tranche sold outside the United States in reliance on Regulation S under the Securities Act, will initially be represented by a permanent global Covered Bond in registered form, without interest coupons (the “**Reg. S Global Covered Bond**”), which will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC or common safekeeper, as the case may be, for the accounts of Euroclear and Clearstream, Luxembourg or (ii) be deposited with a common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Covered Bonds in definitive form issued in exchange for Reg. S Global Covered Bonds or otherwise sold or transferred in reliance on Regulation S under the Securities Act, together with the Reg. S Global Covered Bonds, are referred to herein as “**Reg. S Covered Bonds**”. Beneficial interests in a Reg. S Global Covered Bond registered in the name of a nominee of DTC may be held only through DTC directly, by a participant in DTC, or indirectly, through a participant in DTC, including Euroclear or Clearstream, Luxembourg.

Registered Covered Bonds in definitive form and Restricted Covered Bonds shall bear the legend set forth in the Restricted Global Covered Bond (the “**Legend**”), such Covered Bonds being referred to herein as “**Legended Covered Bonds**”. Upon the transfer, exchange or replacement of Legended Covered Bonds, or upon specific request for removal of the Legend, the Registrar shall (save as provided in Condition 9(f) (*Exchanges and transfers of Registered Covered Bonds generally*)) deliver only Legended Covered Bonds or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Subject as otherwise provided in this Condition 9, Registered Covered Bonds in definitive form may be exchanged or transferred in whole or in part in the authorised denominations for one or more definitive Registered Covered Bonds of like aggregate nominal amount.

*(b) Exchange of interests in Registered Global Covered Bonds for Registered Covered Bonds in definitive form*

Interests in the Reg. S Global Covered Bond and the Restricted Global Covered Bond will be exchangeable for Registered Covered Bonds in definitive form if (i) DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, notifies the Issuer that it is unwilling or unable to continue as depository for such Registered Global Covered Bond; or (ii) if applicable, DTC ceases to be a “Clearing Agency” registered under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) or the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statute or otherwise) or has announced its intention permanently to cease business or has in fact done so, and a successor depository or alternative clearing system satisfactory to the Issuer, the Fiscal Agent, the other Paying Agents and the Covered Bondholders is not available; or (iii) a payment default has occurred and is continuing with respect to such Covered Bonds; or (iv) if the applicable Final Terms so permit, a written request for one or more Registered Covered Bonds in definitive form is made by a holder of a beneficial interest in a Registered Global Covered Bond; provided that in the case of (iv) above such written notice or request, as the case may be, is submitted to the Registrar by the beneficial owner not later than 60 days prior to the requested date of such exchange. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate Registered Covered Bonds in definitive form to be delivered provided that, notwithstanding the above, no Reg. S Covered Bonds in definitive form will be issued until the expiry of the period that ends 40 days after completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue (the “**Distribution Compliance Period**”).

*(c) Transfers of Registered Global Covered Bonds*

Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor’s nominee.

*(d) Transfers of interests in Reg. S Global Covered Bonds*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Reg. S Global Covered Bond to a transferee in the United States will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Covered Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities law of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Covered Bond in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Reg. S Global Covered Bonds registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(e) *Transfers of interests in Legended Covered Bonds*

Transfers of Legended Covered Bonds or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Reg. S Covered Bond, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Covered Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Covered Bond where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Covered Bonds transferred to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC and the Registrar will arrange for any Covered Bonds which are the subject of such a transfer to be represented by the appropriate Registered Global Covered Bond, where applicable.

(f) *Exchanges and transfers of Registered Covered Bonds generally*

Registered Covered Bonds may not be exchanged for Bearer Covered Bonds and *vice versa*.

Holders of Registered Covered Bonds in definitive form may exchange such Covered Bonds for interests in a Registered Global Covered Bond of the same type at any time.

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will be transferable and exchangeable for Covered Bonds in definitive form or for a beneficial interest in another Registered Global Covered Bond only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be (the “**Applicable Procedures**”).

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the Specified Denominations set out in the applicable Final Terms) by the holder or holders surrendering the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the

Issuer, the Fiscal Agent and the Registrar or, as the case may be, the relevant Transfer Agent prescribe, including any restrictions imposed by the Issuer on transfers of Registered Covered Bonds originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Registered Covered Bond in definitive form of a like aggregate nominal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of a Registered Covered Bond in definitive form for an interest in, or to a person who takes delivery of such Covered Bond through, a Registered Global Covered Bond will be made no later than 60 days after the receipt by the Registrar or, as the case may be, relevant Transfer Agent of the Registered Covered Bond in definitive form to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

*(g) Registration of transfer upon partial redemption*

In the event of a partial redemption of Covered Bonds under Condition 5 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond, called for partial redemption.

*(h) Closed Periods*

No Covered Bondholder may require the transfer of a Registered Covered Bond to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Covered Bond.

*(i) Costs of exchange or registration*

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions (except for the expenses of delivery by other than regular mail (if any) and, if the Issuer shall so require, for the payment of a sum sufficient to cover any tax or other governmental charge or insurance charges that may be imposed in relation thereto which will be borne by the Covered Bondholder) will be borne by the Issuer.

## **10 Fiscal Agent, Paying Agents, Exchange Agent, Transfer Agents and Registrar**

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

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

- (i) so long as the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a Paying Agent (which may be the Fiscal Agent), in the case of Bearer Covered Bonds, and a Transfer Agent (which

may be the Registrar), in the case of Registered Covered Bonds, with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority;

- (ii) there will at all times be a Paying Agent (which may be the Fiscal Agent) with a specified office in a city in Europe outside the Kingdom of Norway;
- (iii) there will at all times be a Fiscal Agent;
- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Fiscal Agent;
- (v) so long as any of the Registered Global Covered Bonds are held through DTC or its nominee, there will at all times be an Exchange Agent able to make payments and fulfil all other obligations in respect of DTC;
- (vi) there will at all times be a Registrar with a specified office outside the United Kingdom and, so long as the Covered Bonds are listed on any stock exchange, in such place as may be required by the rules and regulations of the relevant stock exchange; and
- (vii) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the 11th paragraph of Condition 4(b) (*Presentation of Covered Bonds and Coupons*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or where the Fiscal Agent, Registrar or Paying Agent is an FFI and does not become, or ceases to be, a Participating FFI, 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 Covered Bondholders in accordance with Condition 13 (*Notices*).

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 Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent, Fiscal Agent, Registrar, Exchange Agent, or Transfer 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, fiscal agent, registrar, exchange agent or transfer agent.

In these Terms and Conditions, the following terms shall bear the following meanings:

“**FATCA**” means Sections 1471 to 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code;

“**FFI**” means a “foreign financial institution” as such term is defined pursuant to FATCA; and

“**Participating FFI**” means a “participating foreign financial institution”, a “deemed-compliant FFI” or an FFI that is otherwise exempt from the requirements of FATCA, as such terms are used in FATCA.

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.

## 11 Issuer Covenants

- (i) Maintenance of the Issuer Cover Pool:
  - (a) For so long as the Covered Bonds are outstanding, the Value (as defined below) of the Issuer Cover Pool (as defined below) will at all times exceed 100 per cent. of the outstanding principal amount of the Covered Bonds issued under the Issuer's U.S.\$12,000,000,000 Covered Bond Programme and any other mortgage covered bonds of the Issuer in issue at such time.

- (ii) Other Issuer Covenants:

For so long as any of the Covered Bonds are outstanding, save where the Norwegian Supplementary Regulations (as defined below) provide otherwise, the Issuer shall ensure that:

- (a) Composition of the Issuer Cover Pool
  - (A) the Cover Pool (as defined under the Financial Institutions Act) maintained or to be maintained by the Issuer under the Financial Institutions Act shall comply with the requirements of the Financial Institutions Act and shall only include loans secured (i) by Residential Mortgages, (ii) by mortgages over second homes or (iii) by mortgages over joint debt of housing cooperatives (in addition to receivables in the form of derivatives agreements specified under the Financial Institutions Act and substitute assets (as defined under the Financial Institutions Act)) (the "**Issuer Cover Pool**"); and
  - (B) substitute assets within the meaning of the Financial Institutions Act only makes up to 20 per cent. of the Issuer Cover Pool, save where special authority has been granted by the Norwegian Financial Supervisory Authority in accordance with the Financial Institutions Act, in which case, substitute assets will not exceed 30 per cent. of the Issuer Cover Pool;
- (b) Loan-to-Value Ratio
  - (A) the Value of each loan forming part of the Issuer Cover Pool which falls within the meaning of a specific category of mortgages under the Financial Institutions Act shall not exceed the percentage applicable to such category of mortgages (as prescribed under the Financial Institutions Act) of the Property Value of the property securing such loan at the time at which the loan is contributed to the Issuer Cover Pool; and
  - (B) if at any time the Value of a loan forming part of the Issuer Cover Pool which falls within the meaning of a specific category of mortgages under the Financial Institutions Act exceeds the percentage applicable to such category of mortgages (as prescribed under the Financial Institutions Act) of the Property Value of the property securing such loan, only such applicable percentage of the Property Value will be counted towards the overall valuation of the Issuer Cover Pool,

provided that, for the purposes of this Condition 11, "**Value**" shall mean nominal par value and shall, at any time, exclude the nominal par value of each loan within the Issuer Cover Pool which is in arrears for 90 days or longer at such time, and "**Property Value**" shall mean the most recent valuation of the relevant property on which the relevant loan is secured;

- (c) Interest Cover
 

the amounts receivable by the Issuer in respect of the Issuer Cover Pool and under the related derivative contracts entered into by the Issuer shall be at least equal to or exceed the amounts payable by the Issuer under the Covered Bonds and the related derivative contracts entered into by the Issuer;
- (d) Interest Rate, Liquidity and Foreign Exchange Risks
 

the Issuer's interest rate, liquidity and foreign exchange risks shall be hedged or otherwise limited in accordance with the terms of the Financial Institutions Act;
- (e) Valuations
 

save as expressly provided in this Condition 11, all valuations required under the Financial Institutions Act shall be made in compliance with the terms of the Financial Institutions Act;
- (f) Register
 

a statutory register (the "**Statutory Register**") of the Covered Bonds and the Issuer Cover Pool shall be maintained by the Issuer in accordance with the terms of the Financial Institutions Act;
- (g) No Encumbrance, etc.
 

assets in the Issuer Cover Pool shall not be pledged, or subject to execution, attachment or other enforcement proceedings in favour of particular creditors of the Issuer, or subject to a right of set-off, right of retention or the like; and
- (h) Inspector
 

the independent inspector appointed under the Financial Institutions Act (the "**Inspector**") shall be (1) given all relevant information about the Issuer's business and such other further information as may be requested by the Inspector, (2) given full access to the Statutory Register, (3) facilitated to conduct investigations at the Issuer's premises, and (4) paid reasonable remuneration by the Issuer, in each case, in accordance with the terms of the Financial Institutions Act.

All references to the Financial Institutions Act in this Condition 11 shall, unless the context requires otherwise, include the Financial Regulations on mortgage credit institutions which issue bonds conferring a preferential claim over a cover pool consisting of public sector loans and loans secured on residential property or other real property ("**Covered Bonds**") (the "**Norwegian Regulations**") and any other supplementary regulations laid down pursuant to the Financial Institutions Act (any and all such regulations, the "**Norwegian Supplementary Regulations**").

## 12 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 Fiscal 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 Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 7 (Prescription).

### **13 Notices**

All notices regarding the Covered Bonds shall be published (i) in a leading English language daily newspaper of general circulation in London; and (ii) if and for so long as the Covered Bonds are admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange, either in a daily newspaper of general circulation in Luxembourg and/or on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu). It is expected that any such publication in a newspaper will be made (i) in the *Financial Times* or any other daily newspaper in London; and (ii) either in the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Covered Bonds are for the time being listed or by which they have been admitted to listing. 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 each such newspaper or, where published in such newspapers on different dates, the last date of such first publication. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Fiscal Agent shall approve.

Until such time as any definitive Covered Bonds are issued, there may (provided that, in the case of Covered Bonds listed on a stock exchange, the rules of such stock exchange (or other relevant authority) permit), so long as the global Covered Bond(s) is or are held in its/their entirety on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, for communication by them to the holders of the Covered Bonds. Any such notice shall be deemed to have been given to the holders of the Covered Bonds on the day after the day on which the said notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be.

Notices to be given by any holder of the Covered Bonds shall be in writing and given by lodging the same, together with the relative Covered Bond or Covered Bonds, with the Fiscal Agent. Whilst any of the Covered Bonds is represented by a global Covered Bond, such notice may be given by any holder of a Covered Bond to the Fiscal Agent and/or Registrar via DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent and/or Registrar or DTC and/or Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

### **14 Meetings of Covered Bondholders**

The Agency Agreement contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Covered Bonds, 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 or the Covered Bondholders if required in writing by Covered Bondholders holding not less than 5 per cent. in nominal amount of the Covered Bonds for the time being remaining outstanding (as defined in the Agency Agreement). 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 Covered Bonds for the time being outstanding (as defined in the Agency Agreement), or at any adjourned meeting one or more persons being or representing Covered Bondholders whatever the nominal amount of the Covered Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Covered Bonds or Coupons or the Agency Agreement (including modifying the date of maturity of the Covered Bonds 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 Covered Bonds or altering the currency of payment of the Covered Bonds or Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Covered Bonds for the time

being outstanding (as defined in the Agency Agreement), or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the Covered Bonds for the time being outstanding (as defined in the Agency Agreement). An Extraordinary Resolution passed at any meeting of the Covered Bondholders shall be binding on all the Covered Bondholders, whether or not they are present at the meeting, and on all Couponholders.

## **15 Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or Couponholders to create and issue further covered bonds ("**Further Covered Bonds**") having terms and conditions the same as the Covered Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds.

## **16 Provision of Information**

For so long as any Covered Bonds remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any holder of, or beneficial owner of an interest in, such Covered Bonds in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

## **17 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Covered Bonds under the Contracts (Rights of Third Parties) Act 1999.

## **18 Governing law and submission to jurisdiction**

- (a) The Agency Agreement, the Covered Bonds and the Coupons and any non-contractual obligations arising out of or in connection with any of them shall be governed by, and construed in accordance with, English law except that the provisions of the Covered Bonds under Condition 2 (*Status of the Covered Bonds*) and Condition 11 (*Issuer Covenants*) are governed by, and construed in accordance with, Norwegian law.
- (b) The Issuer agrees, for the exclusive benefit of the Paying Agents, the Covered Bondholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement, the Covered Bonds and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Agency Agreement, the Covered Bonds and the Coupons may be brought in such courts.

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

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

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

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

## CERTAIN NORWEGIAN LEGISLATION RELATING TO COVERED BONDS

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

As of the date of this Prospectus, the main legislation which governs covered bonds comprises an amendment to Chapter 2, Subsection IV of the Financial Institutions Act and the Financial Regulations issued by the Ministry of Finance (the “**Ministry**”) (together the “**Financing Legislation**”).

For the avoidance of doubt, references in this section to “covered bonds” are to covered bonds issued by a Credit Institution (as defined below) under any of its programmes, and references in this section to “Cover Pool” are to a cover pool with respect to any such covered bonds.

### **Financing Legislation**

Under the Financing Legislation, certain Norwegian credit institutions which meet the general definitions of a “**Financial Institution**” (*finansinstitusjon*) and “**Credit Institution**” (*kredittforetak*) contained in the Financial Institutions Act, and whose articles of association comply with prescribed mandatory requirements, may issue covered bonds (*obligasjoner med fortrinnsrett*). The Financial Institutions Act defines Credit Institutions as credit businesses which are not banks (and whose activity is the receiving of funds or other assets to be repaid and the granting of credit and loans in their own name). Credit Institutions must hold licences issued by the King in order to conduct business as a Credit Institution. However, a Credit Institution is not required to obtain any specific governmental licence or approval in order to issue covered bonds, but must notify the NFSA at least 30 days in advance before its first issuance of covered bonds. The Issuer is a “**kredittforetak**”, as defined by the Financial Institutions Act, has received the required Credit Institution licence, has adapted its articles of association to meet the mandatory requirements and, consequently, may issue covered bonds.

The Financing Legislation provides that holders of covered bonds (and also counterparties under derivatives contracts entered into for hedging purposes in relation to the covered bonds) have an exclusive and prioritised right of claim, on a *pari passu* basis between themselves and the counterparties under derivatives agreements relating to the covered bonds, over a pool of certain security assets (the “**Cover Pool**”).

Under Norwegian law, an issuer of bonds, such as an issuer of covered bonds, must register the bonds in paperless book entry form by registration in the Norwegian Central Securities Depository (“**Verdipapirsentralen**” or “**VPS**”) if the bonds are issued in Norway. If the bonds are issued outside Norway, and (a) if in NOK, they can only be subscribed for by entities not residing in Norway, or (b) if in a currency other than NOK, there is no requirement for VPS registrations and the bonds may be issued as bearer bonds, registered bonds or by book entry into a securities registry. The Issuer does not intend to issue Covered Bonds which must be registered in VPS under the U.S. Programme.

### **The Statutory Register**

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

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

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

### **Benefit of a prioritised claim**

Pursuant to the Financial Institutions Act, if a Credit Institution which has issued covered bonds is declared bankrupt (*konkurs*), enters into debt negotiations pursuant to the Norwegian Bankruptcy Act, is liquidated or is placed under public administration, the holders of covered bonds issued by the relevant Credit Institution and the counterparties to the relevant derivatives agreements will have an exclusive, equal and *pro rata* prioritised claim over the Cover Pool. The prioritised claims will rank ahead of all other claims, save for claims relating to the fees and expenses of a bankruptcy estate. According to the provisions of Section 6-4 of the Norwegian Liens Act, a future bankruptcy estate of the Credit Institution will have a first priority lien over all of the assets included in the Cover Pool as security for fees and expenses incurred by the bankruptcy administrator and creditors' committee in connection with the administration of the bankruptcy estate, ranking ahead of the claims of holders of covered bonds and of the counterparties to the relevant derivatives agreements. Such liens will, however, be limited to 700 times the standard Norwegian court fee (approximately NOK 602,000) in respect of the Cover Pool. Pursuant to the Financial Regulations, costs incurred by the bankruptcy estate in administering the Cover Pool may be recovered by the estate before holders of covered bonds receive payments from loans and receivables in the Cover Pool.

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

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

### **Cover Pool – composition of assets**

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

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

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

Substitute assets may only consist of receivables of certain liquidity and credit quality and are as a general rule subject to a limit of 20 per cent. of the total value of the Cover Pool, as described below. However, under certain circumstances, and for a limited period of time only, the NFSA may approve an increase in this limit to 30 per cent. of the total value of the Cover Pool. The substitute assets must also meet certain risk category requirements under the Financial Regulations in order to be included among the assets which form the basis for the value calculation of the Cover Pool.

### **Loan-to-value ratios (and other restrictions)**

Pursuant to the Financial Regulations, when calculating the value of the Cover Pool assets consisting of loans secured by Mortgages, the following loan-to-value requirements apply:

- (1) Loans secured by Residential Mortgages may not exceed 75 per cent. of the value of the property; and
- (2) Loans secured by Other Property Mortgages may not exceed 60 per cent. of the value of the property.

There is no restriction with regard to the proportion of the Cover Pool which may be represented by Residential Mortgages or Other Property Mortgages (although the Issuer Cover Pool will only include loans secured by Residential Mortgages, loans secured by mortgages over second homes and loans secured by mortgages over joint debt of housing cooperatives). According to the Financial Regulations, the proportion of the Cover Pool represented by Government Loans and receivables in the form of derivatives agreements may vary, depending on the risk category pertaining to the relevant assets.

Additional provisions regarding quantitative and qualitative requirements placed on the assets forming part of the Cover Pool are set out in the Financial Regulations. In order to qualify for inclusion in the Cover Pool all legislative requirements must be met. If a Cover Pool asset ceases to meet the requirements of the Financial Institutions Act and/or the Financial Regulations in relation to ratios, risk categories or proportion limits after inclusion in the Cover Pool, such asset may continue to form part of the Cover Pool but will, to the extent it does not meet the relevant requirements, be excluded from the calculation (which is required by the Financial Institutions Act, as described below) of the value of the Cover Pool.

### **Valuations**

The Financial Institutions Act requires that the value of the Cover Pool at all times must exceed, not by a specified amount, the aggregate value of the covered bonds which confer a right on the holders and the counterparties to derivatives agreements to a prioritised claim over the Cover Pool.

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

### **Balance and liquidity requirements**

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

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

## **Inspector**

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

The Credit Institution is required to give the Inspector all relevant information pertaining to its business. The Inspector must be granted access to the Statutory Register and may also request additional information. The Inspector may perform inspections of the Credit Institution, and shall at least every three months determine compliance with the requirements of Sections 2-31 and 2-33 of the Financial Institutions Act, which set out, amongst other things, the requirements that the value of the Cover Pool must exceed the aggregate value of the covered bonds and that a register of covered bonds must be maintained. Furthermore, the Inspector shall submit annual reports of observations and assessments to the NFSA.

As of 28 May 2008, Ernst & Young was appointed by the NFSA as the Issuer’s Inspector pursuant to Section 2-34 of the Financial Institutions Act.

## **Remedial regulatory measures**

Pursuant to the Norwegian Act of 1996 on Guarantee Schemes For Banks and Public Administration etc. of Financial Institutions, each of the managing director and the Board of Directors of the Issuer are under an obligation to notify the NFSA if there is reason to fear that (i) the Issuer may fail to satisfy its financial obligations as they fall due (ii) the Issuer may fail to meet the capital adequacy requirements or other soundness or security requirements which arise from law or regulation (including the Financial Institutions Act and Basel rules) or (iii) an event has occurred which may result in serious lack of confidence or losses which will materially reduce or threaten the soundness of the Issuer. On receipt of such notice, or if the NFSA has reason to believe that any of the circumstances above has occurred, the NFSA will, in collaboration with the Issuer, ascertain and impose the necessary measures to be taken to ensure continued operation.

## **Cover Pool administration in the event of bankruptcy**

Bankruptcy or insolvency on the part of the Credit Institution does not in itself give the right to accelerate claims.

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

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

If the bankrupt estate is unable to make timely payments to the covered bond holders or the counterparties to related derivatives agreements, the Bankruptcy Administrator must set a date for suspension of payments, and inform interested parties of this as soon as possible. If suspension of payments is initiated, further administration of the bankrupt estate will be conducted in accordance with general Norwegian bankruptcy legislation. The claims of the covered bondholders and counterparties to related derivatives agreements, in respect of all series of covered bonds in issue, will continue to have a prioritised claim against the Cover Pool.

## **Regulatory discussion and proposed changes**

In December 2012, the Ministry of Finance asked the NFSA to draft white papers and regulations in respect of a number of issues, including (i) an increase of the risk weighting of loans

secured by residential mortgages under the IRB method (which is used by DNB) when calculating capital adequacy (in particular, a minimum risk weighting of 35 per cent.), and (ii) quantitative regulations in respect of transfers of loans from banks to covered bond issuers, so that banks may not transfer more loans than is deemed to be prudent. In addition, the Ministry of Finance asked the NFSA to establish facts about a number of issues, including the economic ties between banks and covered bond issuers (including the financing of overcollateralisation, guarantees issued, and overdraft facilities granted by banks to covered bond issuers), and whether covered bond issuers should be granted limited banking licenses in order to enable them to take up loans from the Central Bank of Norway. At this stage it is not certain as to what changes, if any, will be made to the relevant regulations or when such regulations may come into force.

## THE ISSUER COVER POOL

### Composition of assets

The Financial Institutions Act prescribes that the Cover Pool may only consist of certain assets, which include loans secured by various types of mortgages, and requires that loans secured by the Residential Mortgages in the Cover Pool do not exceed 75 per cent. of the value of collateral security and that loans secured by other mortgages in the Cover Pool do not exceed 60 per cent. of the value of the collateral security. See "*Certain Norwegian Legislation Relating to Covered Bonds*". The Issuer Cover Pool primarily consists of Residential Mortgages, but also mortgages over second homes, mortgages over joint debt of housing cooperatives and receivables in the form of certain derivative agreements (hedging the interest rate and foreign currency risk in the Cover Pool) and amounts held by the Issuer on deposit with DNB Bank.

A substantial majority (82.6 per cent. as of 31 December 2012) of the Mortgage Loans in the Issuer Cover Pool consists of Mortgage Loans secured by privately owned dwellings. Mortgage Loans secured by dwellings owned by housing cooperatives (shares in housing cooperatives) account for most of the remaining part (13.3 per cent. as of 31 December 2012) of the Mortgage Loans in the Issuer Cover Pool. Furthermore, a small part of the Mortgage Loans in the Issuer Cover Pool (2.9 per cent. as of 31 December 2012) consists of Mortgage Loans collateralised by buildings owned by housing cooperatives (mortgages over joint debt of housing cooperatives). It is not expected that the proportion of joint debt of housing cooperatives will exceed 5 per cent. of the Issuer Cover Pool in the future. As from March 2011, the Issuer began to include loans secured by mortgages over second homes in the Issuer Cover Pool. These Mortgage Loans are expected to constitute less than 2 per cent. of the Issuer Cover Pool going forward. All properties securing Mortgage Loans in the Issuer Cover Pool are located in Norway.

The amount of derivative contracts in the Issuer Cover Pool fluctuates with market conditions. The amount on deposit with DNB Bank is modest and fluctuates with the Issuer's general business.

The Issuer covenants under the Terms and Conditions of the Covered Bonds that the Cover Pool maintained by the Issuer under the Financial Institutions Act will comply with the requirements of the Financial Institutions Act and will only include loans secured by Residential Mortgages, mortgages over second homes or mortgages over joint debt of housing cooperatives in addition to receivables in the form of certain derivatives agreements specified under the Financial Institutions Act and substitute assets (as defined under the Financial Institutions Act) (together the "**Issuer Cover Pool**"). All references to the Cover Pool in accordance with the Financial Institutions Act mean the Issuer Cover Pool to which the U.S. Programme, the Euro Programme, the Australian Programme, the Covered Bonds and the derivative agreements entered into in connection therewith have preferential rights.

### Valuation of assets

The Financial Institutions Act requires that the value of the Cover Pool at all times must exceed, not by a specified amount, the aggregate value of the covered bonds which confer a right on the holders and the counterparties to derivatives agreements to a prioritised claim over the Cover Pool. See "*Certain Norwegian Legislation Relating to Covered Bonds – Valuations*". Furthermore, the Issuer covenants under the Terms and Conditions of the Covered Bonds that for so long as the Covered Bonds are outstanding, the Value (as defined in the Terms and Conditions) of the Issuer Cover Pool (as defined in the Terms and Conditions) will at all times exceed 100 per cent. of the outstanding principal amount of the Covered Bonds issued under the U.S. Programme and any other mortgage covered bonds of the Issuer in issue at such time.

## CERTAIN PROVISIONS OF KEY TRANSACTION DOCUMENTS

### Origination and Purchase of Mortgages

The Issuer originates new Mortgage Loans directly in its own name using DNB Bank's branch and retail network, and also purchases Mortgage Loans from DNB Bank and may purchase mortgages from other members of the DNB Group. Increasingly, Mortgage Loans for inclusion in the Issuer Cover Pool are originated by the Issuer itself. The Mortgage Loans originated or purchased by the Issuer for inclusion in the Issuer Cover Pool include loans secured (i) by Residential Mortgages (as defined by Norwegian legislation), (ii) by mortgages over second homes and (iii) by mortgages over joint debt of housing cooperatives.

Mortgage Loans purchased from DNB Bank are purchased under the Master Sale Agreement (as defined below) and serviced by DNB Bank as described below. In the future, Mortgage Loans may be purchased from other members of the DNB Group under agreements entered into with those members for a consideration determined on a similar basis to that paid to DNB Bank under the Master Sale Agreement (as defined below) and containing similar representations and warranties and would be serviced by either DNB Bank or the member of the DNB Group that sold the Mortgage Loans, in each case to a servicing standard similar to that in the Service Agreement (as defined below), although such service agreement would not contain certain functions, for example, an overdraft facility.

Mortgage Loans originated by the Issuer are serviced by DNB Bank as described below. In respect of these Mortgage Loans, DNB Bank makes representations and warranties as to the nature of the Mortgage Loans and security and manner of origination in the Service Agreement, similar to the Warranties under the Master Sale Agreement, as set out below.

### Master Sale Agreement

#### *General*

Pursuant to the terms of a transfer agreement entered into by the Issuer (as purchaser) and DNB Bank (as seller) on 16 February 2011 (the "**Master Sale Agreement**" which replaced the Master Sale Agreement entered into on 20 August 2009 and as amended or supplemented from time to time), the Seller has agreed to sell, and the Issuer has agreed to purchase Mortgage Loans.

All Mortgage Loans purchased by the Issuer and included in the Issuer Cover Pool (the "**Qualified Loans**") must satisfy eligibility requirements in accordance with the Financing Legislation as specified in the section entitled "*Certain Norwegian Legislation Relating to Covered Bonds*", including having a loan-to-value ratio of less than 75 per cent. in the case of Residential Mortgages, or 60 per cent. in the case of mortgages over second homes and joint debt of housing cooperatives. Qualified Loans purchased (or originated) by the Issuer prior to 16 February 2011 are referred to as "**Initially Qualified Loans**" and those loans purchased (or originated) after 16 February 2011 are referred to as "**New Qualified Loans**" (the "**Initially Qualified Loans**" and the "**New Qualified Loans**" together being the "**Qualified Loans**").

#### *Consideration*

The consideration payable in respect of Qualified Loans purchased by the Issuer amounts to the total principal sum of the Qualified Loans being transferred (the "**Transferring Loans**") on the relevant transfer date plus total accrued interest in respect of the Transferring Loans for the period up until the transfer of the Transferring Loans is completed. In accordance with Norwegian legislation, the Transferring Loans are transferred at fair value. Therefore, the amount payable may vary slightly from the total principal amount plus total accrued interest.

The consideration payable in respect of the Qualified Loans purchased by the Issuer prior to the first issue by the Issuer of covered bonds was funded by the Seller (as defined below) in the form of equity, subordinated loans and an overdraft facility advanced by the Seller (the "**Overdraft Facility**", which is part of the Service Agreement). As of 31 December 2012, the Issuer had drawn

NOK 130.1 billion of the NOK 160 billion Overdraft Facility. For a further description of the Overdraft Facility, see “*Service Agreement*”. In the event of the Issuer’s compulsory liquidation, entry by the Issuer into a voluntary arrangement or other such agreement with its creditors or otherwise in connection with the Issuer’s liquidation, claims by the Seller for any amounts payable in respect of the Overdraft Facility shall be subordinate to the claims of the Covered Bondholders.

#### *Registration and Transfer of Legal Title*

The transfer and assignment of each Qualified Loan purchased by the Issuer shall be effected by the relevant Qualified Loan being entered into the Issuer’s register of assets held within the Cover Pool in accordance with the Financing Legislation (the “**Cover Pool Register**”), entered into the Issuer’s accounts and deregistered in the loan register and accounts of the Seller.

If the Issuer has originated the Qualified Loan itself, the loan will on origination be included in the Cover Pool Register.

The Seller shall notify each borrower under the Transferring Loans, in writing, of the transfer to the Issuer at its earliest convenience following the transfer (the “**Transfer Notices**”).

#### *Representations and Warranties*

The Issuer has not made (nor will it make) any of the investigations which a prudent purchaser would normally make in relation to the acquisition of secured loans. In addition, the Issuer has not made (nor will it make) any investigations as to whether (i) the Transferring Loans are advanced in accordance with the relevant legislation; or (ii) the secured loans are validly established with the necessary legal protection; or (iii) the secured loans can be subject to legal measures if a borrower under a Qualifying Loan defaults on its obligations.

In relation to the Transferring Loans and their collateral security, the Issuer will rely entirely on the representations and warranties (each a “**Warranty**” and, together the “**Warranties**”) given by DNB Bank or the relevant member of the DNB Group acting as seller (each a “**Seller**”) to the Issuer. The Warranties given by the Seller under the Master Sale Agreement are that:

- (a) The Seller has all creditor rights to each of the loans and these rights are included in the transfer of the loans to the Issuer. The Seller confirms that none of the loans are encumbered with transfer restrictions;
- (b) All of the loans secured by collateral are validly established and binding on the borrowers and the guarantors in question. The loans and the collateral may be enforced in accordance with the terms of both the debt certificates and the collateral documents;
- (c) All collateral documents cover repayments of the respective loans’ principal sums, interest, costs and expenses;
- (d) All necessary registrations are complete, or will be complete as soon as new loans have been established, to secure the Issuer’s legal remedy with respect to the loans secured by collateral. The Seller will also ensure that necessary notifications are and/or will be given to the individual borrowers about the Issuer’s acquisition of the secured loans;
- (e) All requirements stipulated in the Financing Legislation whereby loans can be deemed to be Qualified Loans are fulfilled on the transfer date, and all collateral which the Seller shall introduce into the Issuer Cover Pool will be introduced there in accordance with the Financing Legislation as soon as possible; and
- (f) The individual transferred loan agreements will not obligate the Issuer to grant additional loans to any of the borrowers.

The Seller will immediately inform the Issuer in the event that one or more of the above mentioned Warranties is breached.

The Issuer and the Seller each represent and warrant that each loan has been and will be transferred and assigned in accordance with the Act on Financial Contracts of Financial Assignment (No. 46 of 25 June 1999) and all other applicable laws.

### *Repurchase by the Seller on Breach of Warranty*

If there is a breach of any Warranty given by the Seller, as determined conclusively by the courts, the Seller shall be required to repurchase the relevant secured loan immediately from the Issuer for a consideration equal to the then-remaining principal sum of the relevant Mortgage Loan plus any accrued interest for the period until the relevant loan is transferred to the Seller. The Seller shall also be required to refund any costs incurred by the Issuer as a result of such repurchase.

### *Governing Law*

The Master Sale Agreement is governed by Norwegian Law.

### **Service Agreement**

Pursuant to the terms of a service agreement entered into between the Issuer and DNB Bank as servicer (the “**Servicer**”) on 16 February 2011 (as amended or supplemented from time to time, and which replaced the service agreement entered into on 25 June 2007, the “**Service Agreement**”), the Servicer has agreed to (i) carry out the marketing, sales and distribution of mortgages on behalf of the Issuer; (ii) manage the Issuer Cover Pool with respect to mortgages the Issuer has directly originated and mortgages the Issuer has purchased from DNB Bank; and (iii) provide an overdraft facility to the Issuer of an amount up to NOK 160 billion (of which NOK 130.1 billion had been drawn as of 31 December 2012). Any mortgages not originated by the Issuer or purchased from DNB Bank are to be serviced by either DNB Bank or the member of the DNB Group that sold the mortgage, in each case to a servicing standard similar to that in the Service Agreement, as set out below, although such service agreement would not contain certain functions such as, for example, an overdraft facility.

### *Marketing, Sale and Distribution of Mortgages*

As a part of its duties under the Service Agreement, the Servicer has agreed to undertake the marketing, sales and distribution of mortgages on behalf of the Issuer (including product development, granting credit lines, issuing documents, concluding loan agreements and agreements for furnishing security and establishing any necessary legal protection).

### *Servicing of the Loans*

The Servicer has agreed to manage the Issuer Cover Pool in a prudent manner, in accordance with the terms of the Service Agreement and the Financing Legislation, other relevant legislation (which includes but is not limited to capital requirement rules based on internal measurements, legislation regarding the use of information and communication technology and personal data legislation) and the duty to act honestly, fairly and professionally and in the best interests of the Issuer. The Servicer’s role includes, but is not limited to, the following tasks:

- (a) providing assistance to the Issuer in obtaining all relevant approvals, permits, consents and licences required for its operation;
- (b) monitoring the size of the Issuer Cover Pool to ensure that it comprises only assets which meet the eligibility criteria in the Financing Legislation;
- (c) monitoring the loan-to-value ratio of mortgages to ensure that this does not exceed 75 per cent in the case of loans secured by Residential Mortgages or 60 per cent in the case of loans secured by mortgages over second homes and mortgages over joint debt of housing cooperatives, when the mortgages are included in the Issuer Cover Pool;
- (d) monitoring the Issuer Cover Pool to ensure that the requirements set out in the Financing Legislation relating to, amongst other things, location, risk and classification are complied with at all times;
- (e) monitoring the overcollateralisation and maturity of the assets in the Issuer Cover Pool to ensure that the value of the Issuer Cover Pool at all times exceeds the value of the Covered Bonds, and that the interest returns from the Issuer Cover Pool at all times exceed the sum of the costs linked with the Covered Bonds, taking into account the cash flows from the interest rate and currency swaps concluded;

- (f) providing regular reports to demonstrate to the Issuer compliance with the Financing Legislation;
- (g) establishing and maintaining registers showing records of all mortgages, derivative contracts, substitute assets and covered bonds owned or issued by the Issuer, specifying such details as are required by the Financial Institutions Act (and allowing access to such registers to the Issuer, the Issuer's auditors and the Inspector appointed in respect of the Covered Bonds); and
- (h) administering and maintaining the accounts of the Issuer separately from those of the Servicer.

#### *Collection and Enforcement Procedures*

The Servicer will, on behalf of the Issuer, send out instalment payment notices in accordance with the procedures that apply for DNB Bank's own loans and that are otherwise employed by an ordinary, prudent credit institution.

The Servicer has also agreed to comply with similar procedures in respect of sending payment reminders if the loan is in arrears, debt recovery and taking any legal steps to protect the Issuer's interests in defaulted mortgages and the collateral security, or the Issuer's interest in other parts of the Issuer Cover Pool. The Servicer will keep the Issuer continuously informed of which loans are in default and what steps are being taken in respect of such defaulting loans. The Servicer will also ensure that any sums recovered on behalf of the Issuer are credited to the defaulted loan account directly or within two working days of such sum being recovered by the Servicer.

#### *Fees*

Under the Service Agreement, DNB Bank as Servicer is authorised to set prices for borrowers (both interest rates and charges) on all Mortgage Loans covered by the Service Agreement. The Issuer is to retain a minimum level of earnings on all Mortgage Loans encompassed by the Service Agreement to cover costs and return on equity ("**Minimum Earnings**", as described below). Net interest and commission income in excess of the Minimum Earnings on the same Mortgage Loans is to accrue to DNB Bank and constitute the fee payable to DNB Bank under the Service Agreement.

The Minimum Earnings are to cover:

- (a) operating expenses according to the current budget;
- (b) normalised losses on each budget date (calculated by using the DNB Group's IRB models for the type of mortgage portfolio held by the Issuer); and
- (c) the Group's risk-adjusted profitability requirement, which consists of:
  - return on risk-adjusted capital according to the budget (in the 2013 budget, 10 per cent. after tax), and
  - interest on surplus capital (equity in excess of risk-adjusted capital), corresponding to the ordinary internal transfer rate set by the Treasury Department in DNB Markets for the relevant settlement period.

If DNB Bank sets prices for customers which are not sufficient to cover the Minimum Earnings to be retained by the Issuer, DNB Bank is required to pay the differential to the Issuer (a "negative" portfolio commission).

#### *Duty of Confidentiality*

The Servicer, and all officers and employees of the Servicer, have a duty of confidentiality under Section 18 of the Commercial Banks Act. The Servicer will effect the necessary measures to prevent unauthorised and illegal use of personal data and to prevent accidental loss or destruction of such information.

#### *Termination and Cancellation of the Service Agreement*

The Issuer may terminate the appointment of the Servicer with immediate effect by letter to the Servicer (and a copy to any relevant rating agency) in the event that:

- (a) the Servicer is in default of its payment obligations towards the Issuer under the Service Agreement and such breach continues for at least seven days after the Issuer has notified the Servicer of the defaulted payments or the Servicer itself has become aware of the default;
- (b) the Servicer is in default of other obligations under the Service Agreement and the Inspector or the NFSA is of the opinion that the default is material relative to the holders of Covered Bonds and such default continues for a period of 14 days after the Servicer has been given written notice of the default, demanding that it be remedied, or the Servicer itself has become aware of the default;
- (c) the Servicer is placed under public administration; or
- (d) it becomes illegal for the Servicer to perform all or a major portion of its obligations under the Service Agreement.

In addition, subject to the fulfilment of certain conditions including, without limitation, that a Substitute Servicer satisfactory to the Issuer be appointed by the Issuer, the Servicer may voluntarily resign by giving not less than 12 months' notice of termination to the Issuer.

#### *Appointment of a Substitute Servicer*

In circumstances where its appointment is terminated, the Servicer will:

- (a) ensure that all computer files relating to the managed Mortgage Loans with their collateral, accounts, papers, registers, correspondence and other documents possessed by the Servicer on behalf of the Issuer, are delivered immediately to the Issuer or the Issuer's authorised representative;
- (b) ensure that all monies and other assets held on behalf of the Issuer are delivered to the Issuer or the Issuer's authorised representative;
- (c) perform such other acts as are reasonably requested by the Issuer so that a transition to the Substitute Servicer (as defined in the Service Agreement) may take place in the best possible manner;
- (d) co-operate with and assist the Issuer and the Substitute Servicer (as defined in the Service Agreement) to ensure an effective transfer of the Servicer function (including ensuring that payments from borrowers are paid into the new accounts); and
- (e) notify public authorities, insurance companies, borrowers and all relevant third parties of the change of Servicer.

#### *Overdraft Facility*

The Issuer has a committed overdraft facility with the Servicer (the "**Overdraft Facility**"). The limit of the Overdraft Facility is NOK 160 billion and, as of 31 December 2012, the drawn amount was NOK 130.1 billion.

The Overdraft Facility is an integrated part of the Service Agreement between the Issuer and DNB Bank. The Service Agreement and, therefore, the Overdraft Facility, may only be terminated by the Servicer with the consent of the Issuer, subject always to the right of DNB Bank to resign as Servicer as described above.

Initially, apart from providing working capital to enable the Issuer to meet its daily ordinary business expenses, the main function of the Facility was to finance the Issuer's purchases of Mortgage Loans from DNB Bank. The build-up of the Issuer Cover Pool of these Mortgage Loans was very rapid and had to be financed by unsecured debt until the Issuer could issue covered bonds in the capital markets. Neither the domestic nor the European covered bond markets had the capacity to provide the necessary funding for this rapid increase in the Issuer Cover Pool.

Increasingly, purchases of Mortgage Loans from the Seller have been phased out. Instead, eligible Mortgage Loans are originated directly by the Issuer through the Servicer's branch network and the Servicer's employees acting on behalf of the Issuer. Still, the origination of new Mortgage Loans requires temporary unsecured debt financing in order to run smoothly.

In addition, a major reason for the Issuer taking unsecured debt from DNB Bank relates to the overcollateralisation percentage of the Issuer Cover Pool necessary to support a rating of the Covered Bonds in line with the Issuer's strategy. Unsecured debt finances overcollateralisation of the Issuer Cover Pool and such debt does not form part of the statutory covered bond priority arrangements. As at 31 December 2012, the nominal overcollateralisation of the Issuer Cover Pool was 38.2 per cent., a level which is higher than that required by the rating agencies.

#### *Governing Law*

The Service Agreement is governed by Norwegian Law.

#### **Derivative Contracts**

##### *General*

The Financial Institutions Act allows for the inclusion of derivative contracts in the Cover Pool. Such derivative contracts can be entered into in order to hedge interest rate, currency exchange or liquidity risks and may be taken into account in the assessment of the financial ratios and requirements of the Financial Institutions Act.

Pursuant to the requirements of the Financial Institutions Act, any such derivative contract can only be entered into with a counterparty which is: (i) a clearing house established in the EEA or the OECD area; (ii) a state or central bank in the EEA or OECD area; or (iii) a credit institution established in the EEA or OECD area. Each counterparty must comply with the credit rating requirements applicable thereto set out in the Financial Institutions Act.

In addition, pursuant to the Financial Institutions Act, derivative contracts must be allocated to the Cover Pool and the corresponding covered bonds to which they relate. The register of assets within the Cover Pool must, in relation to each derivative contract, set out information relating to: (i) the name, identity and company number of the swap counterparty and its most recent rating; (ii) the address of the swap counterparty; (iii) the original and the remaining amounts owed under the derivative contract; (iv) the payment structure and the cash flow set out in the derivative contract; (v) the identity and address of any owner of collateral provided in respect of the derivative contract and (vi) any other claims the Issuer may have against the owner of such collateral.

##### *Currency Swaps*

If a particular Tranche of Covered Bonds is issued in a denomination other than NOK, the Issuer will enter into a currency swap by executing an ISDA Master Agreement (including a schedule, confirmations and credit support annex) (each such agreement a "**Currency Swap Agreement**" and each of the transactions thereunder, a "**Currency Swap**") with a currency swap provider (a "**Currency Swap Provider**"), for the purpose of hedging any currency exchange risk. As at the date of this Prospectus, DNB Bank is the Currency Swap Provider under all Currency Swaps and, as such, all the Currency Swaps may be entered into under the same ISDA Master Agreement. A credit support annex has been put in place ensuring that DNB Bank will post collateral in the case of a downgrade below certain levels. In such a case, right and title of the collateral will be transferred to the Issuer.

Under the terms of the Currency Swap Agreement, in the event that the relevant rating of the Currency Swap Provider or any guarantor of the Currency Swap Provider's obligations is downgraded by Moody's, Fitch and/or Standard and Poor's (each a "**Rating Agency**" and together the "**Rating Agencies**") below the rating specified in the Currency Swap Agreement (in accordance with the Rating Agencies' criteria) for the Currency Swap Provider or any guarantor of the Currency Swap Provider's obligations, the Currency Swap Provider will, in accordance with the Currency Swap Agreement, be required to take certain remedial measures which may include posting collateral for its obligations under the Currency Swap, arranging for its obligations under the Currency Swap to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations under the Currency Swap, or taking such other action (as confirmed by the relevant Rating Agency) as will result in the rating of the Covered Bonds then outstanding following the taking of such action being

maintained at, or restored to, the level at which it was immediately prior to such downgrade. Any failure to take such steps will allow the Issuer to terminate the Currency Swap Agreement.

The Currency Swap Agreement may also be terminated in certain other circumstances, including (without limitation) pursuant to any other events of default and termination events set out in the Currency Swap Agreement (each referred to as a “**Currency Swap Early Termination Event**”), including:

- (a) at the option of any party to the Currency Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under the Currency Swap Agreement; and
- (b) upon the occurrence of the insolvency of the Currency Swap Provider or any guarantor of the Currency Swap Provider’s obligations.

Upon the termination of the Currency Swap pursuant to a Currency Swap Early Termination Event, the Issuer or the Currency Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Currency Swap Agreement.

The Currency Swap Agreement is (and each Currency Swap thereunder will be) governed by English law.

The Issuer may decide to introduce deferral of payment mechanics into its currency swaps at some point in the future.

Should the Issuer introduce deferral of payment mechanics into the currency swaps, if the substitute assets available to the Issuer on a payment date are insufficient to make the payment ordinarily required in full, the payment obligations of both the Issuer and the swap counterparty on that payment date will be reduced accordingly and will be deferred.

#### *Interest Rate Swaps*

To provide a hedge against the variance between the rates of interest payable on the assets in the Issuer Cover Pool and the rate of interest payable by the Issuer in respect of a Tranche of Covered Bonds, the Issuer may also enter into an interest rate swap by executing an ISDA Master Agreement (including a schedule, confirmations and credit support annex) (each such agreement an “**Interest Rate Swap Agreement**” and each of the transactions thereunder, an “**Interest Rate Swap**”) with an interest rate swap provider (an “**Interest Rate Swap Provider**”). As at the date of this Prospectus, DNB Bank is the Interest Rate Swap Provider under all Interest Rate Swaps and, as such, all the Interest Rate Swaps may be entered into under the same ISDA Master Agreement. A credit support annex has been put in place ensuring that DNB Bank will post collateral in the case of a downgrade below certain levels. In such a case, right and title of the collateral will be transferred to the Issuer.

Under the terms of the Interest Rate Swap Agreement, in the event that the relevant rating of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider’s obligations is downgraded by a Rating Agency below the rating specified in the Interest Rate Swap Agreement (in accordance with the Rating Agencies’ criteria) for the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider’s obligations, the Interest Rate Swap Provider will, in accordance with the Interest Rate Swap Agreement, be required to take certain remedial measures which may include posting collateral for its obligations under the Interest Rate Swap, arranging for its obligations under the Interest Rate Swap to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations under the Interest Rate Swap, or taking such other action (as confirmed by the relevant Rating Agency) as will result in the rating of the Covered Bonds then outstanding following the taking of such action being maintained at, or restored to, the level at which it was immediately prior to such ratings downgrade. Any failure to take such steps will allow the Issuer to terminate the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement may also be terminated in certain other circumstances, including (without limitation) pursuant to any other events of default and termination events set out in

the Interest Rate Swap Agreement (each referred to as an “Interest Rate Swap Early Termination Event”), including:

- (a) at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under the Interest Rate Swap Agreement; and
- (b) upon the occurrence of the insolvency of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider’s obligations.

Upon the termination of the Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement is (and each Interest Rate Swap thereunder will be) governed by English law.

The Issuer may decide to introduce deferral of payment mechanics into its interest rate swaps at some point in the future.

Should the Issuer introduce deferral of payment mechanics into the interest rate swaps, if the substitute assets available to the Issuer on a payment date are insufficient to make the payment ordinarily required in full, the payment obligations of both the Issuer and the swap counterparty on that payment date will be reduced accordingly and will be deferred.

#### *Restrictions on Use of Derivative Contracts*

The Issuer uses derivatives, including the swaps described above, strictly for hedging purposes, and these derivatives are designated as hedging instruments. Derivatives are not used in trading activities or for speculative purposes.

Interest rate risk is governed by section 5 of the Financial Regulations, liquidity risk by section 6 of the Financial Regulations and foreign exchange risk by section 7 of the Financial Regulations.

In addition, the Issuer complies with restrictions on currency-related derivative activities under the Financial Institutions Act. In respect of assets within the Issuer Cover Pool, the Issuer complies with the currency matching requirements set out in the Financial Institutions Act and provisions applicable to cover assets derivative contracts.

## **USE OF PROCEEDS**

The net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes, which may include a repayment of part of amounts outstanding under the overdraft facility from DNB Bank. If, in respect of an issue of Covered Bonds which are derivative securities for the purposes of Article 15 of Commission Regulation No. 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for Norwegian Kroner per U.S. dollar.

	<u>Period-end</u>	<u>Average<sup>(1)</sup></u>	<u>High<sup>(2)</sup></u>	<u>Low<sup>(2)</sup></u>
2008 .....	6.96	5.65	7.29	4.95
2009 .....	5.79	6.29	7.23	5.54
2010 .....	5.83	6.05	6.73	5.60
2011 .....	5.98	5.61	6.03	5.25
2012 .....	5.56	5.82	6.12	5.50
January 2013 .....	5.47	5.55	5.60	5.47
February 2013 .....	5.74	5.57	5.74	5.45

Note:

(1) The average exchange rate for each period is the average of the last quoted rate for each day during the period.

(2) The high and low exchange rate for each period shows the highest and lowest quoted rate at the end of each day during the period.

(Source: Bloomberg)

No representation is made that Norwegian Kroner amounts have been, could have been or can be converted into U.S. dollars at any of the exchange rates herein indicated or any other rate.

## CAPITALISATION OF THE ISSUER

The following table sets forth the Issuer's consolidated capitalisation as at 31 December 2012. To the best of the Issuer's knowledge, other than the issuance of Covered Bonds as set out at Note (2) in the table below, there has been no material change in its capitalisation since 31 December 2012. This information should be read together with the Issuer's audited financial statements at and for the year ended 31 December 2012 and the related notes thereto, which are incorporated by reference into the Prospectus.

	<b>At 31 December 2012</b>	
	(NOK millions)	(U.S.\$ millions) <sup>(1)</sup>
<b>Liabilities</b>		
Due to credit institutions.....	130,128	23,404
Financial derivatives .....	24,243	4,360
Covered Bonds .....	382,531	68,801
Payable taxes .....	286	51
Deferred taxes .....	158	28
Other liabilities .....	374	67
Provisions .....	31	6
Subordinated loan capital .....	2,058	370
<b>Total borrowings</b> .....	<b>539,810</b>	<b>97,088</b>
<b>Equity</b>		
Contributed equity.....	19,420	3,493
Accrued equity .....	2,889	520
Proposed dividends .....	-	-
Total shareholders' equity.....	22,309	4,012
<b>Total capitalisation</b> .....	<b>562,118</b>	<b>101,100</b>

Note:

- (1) Solely for the convenience of the investor, NOK amounts have been translated at a rate of NOK 5.56 = U.S.\$1.00, the Representative Market Rate on 31 December 2012.
- (2) From 1 January 2013 to 31 January 2013 (inclusive), the Issuer issued NOK 1,500 million, SEK 1,500 million and EUR 1,810 million of indebtedness in the form of Covered Bonds and Registered Covered Bonds.

## CERTAIN FINANCIAL INFORMATION OF THE ISSUER

The financial information set forth below is derived from the Issuer's audited financial statements as at and for the years ended 31 December 2012, 2011 and 2010.

The financial statements for the years ended 31 December 2012 and 2011 have been prepared in accordance with IFRS Regulations. The financial statements for the year ended 31 December 2010 have been prepared in accordance with Norwegian IFRS Regulations, and comparable figures have been restated below.

### Transition to IFRS

The Issuer implemented IFRS with effect from 1 January 2011. The transition from Norwegian IFRS Regulations to IFRS had no effect on balance sheet values, with the exception of the classification of allocated group contributions from liabilities to equity. Norwegian IFRS Regulations allowed the Issuer to record provisions for dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until formally approved by general meeting. In addition, Norwegian IFRS Regulations allow for simplified disclosures compared with IFRS.

The reconciliation of equity in connection with the transition from Norwegian IFRS Regulations to IFRS is shown under "Statement of changes in equity" in the report for 2011. The transition from Norwegian IFRS Regulations to IFRS with effect from 1 January 2011 had no effect on the income statement.

The table below sets forth selected profit and loss account data for the years ended 31 December 2012, 2011 and 2010.

	Year ended 31 December		
	2012	2011	2010
	(NOK millions)		
<b>Profit and Loss Account data:</b>			
Interest income .....	18,961	15,856	12,815
Interest expenses .....	<u>14,930</u>	<u>14,188</u>	<u>10,495</u>
<b>Net interest income .....</b>	<b>4,031</b>	<b>1,667</b>	<b>2,320</b>
Commissions and fees income .....	<u>70</u>	<u>64</u>	<u>46</u>
Commissions and fees expenses .....	2	2	2
Net gains/(losses) on financial instruments .....	(3,543)	2,031	1,688
Other income .....	<u>5</u>	<u>6</u>	<u>7</u>
<b>Net other operating income.....</b>	<b>3,469</b>	<b>2,099</b>	<b>1,739</b>
<b>Total income .....</b>	<b>562</b>	<b>3,766</b>	<b>4,058</b>
Salaries and other personnel expenses.....	19	19	19
Other expenses .....	<u>2,573</u>	<u>549</u>	<u>1,282</u>
<b>Operating expenses .....</b>	<b>2,592</b>	<b>568</b>	<b>1,301</b>
<b>Operating profit before losses and tax .....</b>	<b>(2,030)</b>	<b>3,198</b>	<b>2,757</b>
Impairments on loans and commitments .....	<u>8</u>	<u>75</u>	<u>33</u>
Operating profit before tax.....	(2,038)	3,123	2,724
Tax expense .....	<u>(571)</u>	<u>874</u>	<u>763</u>
<b>Profit/(loss) for the period .....</b>	<b><u>(1,468)</u></b>	<b><u>2,248</u></b>	<b><u>1,961</u></b>

The table below sets forth selected balance sheet data as at 31 December for the years 2012, 2011 and 2010.

	As at 31 December		
	2012	2011	2010
	(NOK millions)		
<b>Balance Sheet data:</b>			
<b>Assets</b>			
Due from credit institutions .....	13,099	2,698	621
Loans to customers .....	519,362	463,615	397,640
Financial derivatives .....	29,652	23,981	12,080
Other assets .....	5	9	187
<b>Total assets</b> .....	<b>562,118</b>	<b>490,303</b>	<b>410,528</b>
<b>Liabilities</b>			
Debt securities issued .....	382,531	363,273	289,406
Due to credit institutions .....	130,128	94,735	94,307
Financial derivatives .....	24,243	11,060	8,315
Payable taxes .....	286	293	1,127
Deferred taxes .....	158	989	408
Other liabilities .....	374	64	235
Provisions .....	31	30	30
Subordinated loan capital .....	2,058	2,361	3,090
<b>Total liabilities</b> .....	<b>539,810</b>	<b>472,806</b>	<b>396,916</b>
<b>Equity</b>			
Share capital and share premium reserve .....	19,420	12,420	9,920
Retained earnings .....	2,889	5,076	3,692
Total equity .....	22,309	17,496	13,612
<b>Total liabilities and equity</b> .....	<b>562,118</b>	<b>490,303</b>	<b>410,528</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ISSUER

*The following discussion of DNB Boligkreditt AS's financial condition and results of operations should be read in conjunction with the rest of this Prospectus, including our audited financial statements for the years ended 31 December 2012, 2011 and 2010, which are incorporated by reference into the Prospectus, and the related notes thereto. The audited financial statements for the years ended 31 December 2012 and 2011 have been prepared in accordance with IFRS, and the audited financial statements for the year ended 31 December 2010 have been prepared in accordance with Norwegian IFRS regulations. This discussion contains forward-looking statements that involve risks and uncertainties. The actual results of operations could differ materially from those anticipated by these forward-looking statements as a result of various factors.*

### Overview

The Issuer is DNB Bank's vehicle for the issue of Covered Bonds based on residential property mortgages. The Issuer is a wholly-owned subsidiary of DNB Bank and is reported along with the Retail Banking business area in DNB Bank's consolidated accounts. Since August 2005, the Issuer has acquired Mortgage Loan portfolios from DNB Bank at fair value (as agreed between DNB Bank and the Issuer). The Issuer also originates new Mortgage Loans through DNB Bank's distribution channels. Both new Mortgage Loans and the purchase of Mortgage Loan portfolios from DNB Bank are financed (i) by the Issuer through issuances of Covered Bonds and (ii) by DNB Bank through subordinated loan capital and equity as well as unsecured senior debt (in the form of an overdraft facility).

DNB Bank is Norway's largest bank in terms of total assets, offering retail and investment banking services and products to customers in Norway under the DNB Bank brand name and outside of Norway under the DNB Bank and (in Poland) DNB NORD brand names. In addition, for a transitional period of up to two years, Nordlandsbanken will be a DNB brand (Nordlandsbanken ASA was formally merged with DNB Bank on 1 October 2012).

As at 31 December 2012 the Issuer's total assets amounted to NOK 562 billion, of which loans to customers amounted to NOK 519 billion. Profit for the period for the year ended 31 December 2012 was negative NOK 1,468 million.

### Factors Affecting Results of Operations

The Issuer's results of operations have been affected and will continue to be affected by various factors, the most significant of which are described below. The impact of these and other potential factors may vary significantly in the future.

#### **Macro-economic developments**

The Norwegian economy has for several years been stimulated by a rise in petroleum activity, affecting other economic activities. It has also contributed to low unemployment levels and a significant increase in household demand. On the one hand, population growth, a moderate number of new residential properties and prospects of continuing low interest rate levels could lead to a lasting stable upward trend in housing prices. On the other hand, relatively high housing prices and stricter down payment requirements introduced by the NFSA could, and in the fourth quarter 2012 seemed to, dampen further price and market growth.

Household debt in Norway rose by 7.1 per cent. from December 2011 to December 2012, which is stable compared to the prior year. At year-end 2012 housing prices were 8.8 per cent. higher than at year-end 2011. Unemployment rose from 2.3 per cent. in March 2008 to 3.6 per cent. in November 2010 and has since then declined to 3.2 per cent. in December 2012 (*Source: Statistics Norway*).

Development in the international economy has been weak during the period under review. Norway's trading partners have experienced large budget deficits and rising national debt, and in most European countries unemployment levels remain high.

### ***Interest rates***

Changes in prevailing interest rates affect the Issuer's financial performance. For example, the current relatively low interest rate environment in Norway has driven rapid growth in mortgage volumes. In addition, rising interest rates can also lead to higher or lower interest margins depending on whether the Issuer's interest-earning assets reprice at a faster rate than its interest-bearing liabilities, and the degree to which the spreads on assets or liabilities increase or decrease. In particular, the interest-bearing liabilities of the Issuer are generally fixed quarterly based on NIBOR. On the other hand, a significant portion of the Issuer's Mortgage Loans bear interest at floating rates, and require a six-week notice period before the interest rates can be increased.

### ***Fees under the Service Agreement***

For the year ended 31 December 2012, the fee payable under the Service Agreement amounted to NOK 2,524 million. The corresponding amount for the year ended 31 December 2011 was NOK 508 million. The fees are based on the lending volume under management and the lending spreads achieved. The fees increased due to an increase in net interest income from 2011 to 2012, due to a widening of interest rate spreads and increased lending volumes. See "Fees" under the section "*Certain Provisions of Key Transaction Documents – Service Agreement*".

### ***Fair value of derivatives and other financial instruments***

Financial derivatives are used to manage risk on balance sheet items. Gains or losses on derivatives and other financial instruments affect net interest income and other operating income. This is because a significant portion of the Issuer's assets are measured at amortised cost, while instruments used to manage risk are measured at fair value. The Issuer faces exposure to changes in credit spreads and changes in basis swap spreads. Mark-to-market adjustments of the Issuer's issued bonds in NOK and financial derivatives may significantly influence the Issuer's reported other operating income.

### ***Individual impairments***

If there are objective indications that an impairment loss has been incurred (such as serious financial problems on the part of the debtor, non-payment or other serious breaches of contract, a probability that the debtor will enter into debt negotiations or other special circumstances), impairments on loans are calculated as the difference between the value of the loan on the balance sheet and the net present value of estimated future cash flows discounted by the effective interest rate. Renegotiation of loan terms to ease the position of the borrower also qualifies as an objective indication of impairment.

As at 31 December 2012 individual impairments (excluding individual impairments on accrued interest) amounted to NOK 45 million, which constituted 0.01 per cent. of total assets as at that date. The corresponding amount as at 31 December 2011 was NOK 36 million. The increase in total individual impairments largely reflected increased lending volume.

### ***Collective impairments***

Loans which have not been individually evaluated for impairment are evaluated collectively in groups. Loans which have been individually evaluated, but not individually written down, are also evaluated in groups. Loans are grouped on the basis of similar risk and value characteristics in accordance with the division of customers into main sectors or industries and risk categories. The need for impairments is estimated per customer group based on estimates of the general economic situation and loss experience for the respective customer groups.

Like individual impairments, collective impairments are based on discounted cash flows. Cash flows are discounted on the basis of statistics derived from individual impairments. Interest is

calculated on commitments subject to collective impairments according to the same principles and experience base as for commitments evaluated on an individual basis.

As at 31 December 2012 collective impairments amounted to NOK 122 million, which constituted 0.02 per cent. of total assets as at that date. The corresponding amount as at 31 December 2011 was NOK 137 million. Changes in collective impairments primarily relate to Norwegian macro-economic conditions, particularly those relating to the Norwegian mortgage market. See “*Norwegian Macro-economic Conditions and the Norwegian Mortgage Market*”.

## Results of Operations

For the year ended 31 December 2012, total loss amounted to NOK 1,468 million, a decrease from a profit of NOK 2,248 million for the year ended 31 December 2011. Pre-tax operating loss amounted to NOK 2,038 million for the year ended 31 December 2012, a decrease from a pre-tax operating profit of NOK 3,123 million for the year ended 31 December 2011. The significant decline in profit and operating profit mainly reflected net losses on financial instruments at fair value due to mark-to-market adjustments.

The following table summarises the Issuer’s profit and loss accounts for the years ended 31 December 2012, 2011 and 2010.

	Year ended 31 December		
	2012	2011	2010
	(NOK millions)		
<b>Profit and Loss Account data:</b>			
Interest income .....	18,961	15,856	12,815
Interest expenses .....	14,930	14,188	10,495
<b>Net interest income .....</b>	<b>4,031</b>	<b>1,667</b>	<b>2,320</b>
Commissions and fees income .....	70	64	46
Commissions and fees expenses .....	2	2	2
Net gains/(losses) on financial instruments .....	(3,543)	2,031	1,688
Other income .....	5	6	7
<b>Net other operating income.....</b>	<b>(3,469)</b>	<b>2,099</b>	<b>1,739</b>
<b>Total income .....</b>	<b>562</b>	<b>3,766</b>	<b>4,058</b>
Salaries and other personnel expenses.....	19	19	19
Other expenses .....	2,573	549	1,282
<b>Operating expenses .....</b>	<b>2,592</b>	<b>568</b>	<b>1,301</b>
Impairments on loans and commitments .....	8	75	33
<b>Operating profit before tax.....</b>	<b>(2,038)</b>	<b>3,123</b>	<b>2,724</b>
Tax expense .....	(571)	874	763
<b>Profit/(loss) for the period .....</b>	<b>(1,468)</b>	<b>2,248</b>	<b>1,961</b>

## Year ended 31 December 2012 compared to the year ended 31 December 2011

### Introduction

Operating profit before tax represented a loss of NOK 2,038 million for the year ended 31 December 2012, a decrease of NOK 5,161 million compared to a pre-tax operating profit of NOK 3,123 million for the corresponding period in 2011. After taxes, the loss for the period was NOK 1,468 million for the year ended 31 December 2012, compared to a profit of NOK 2,248 million for the corresponding period in 2011. The loss for the year ended 31 December 2012 was primarily the result of a loss of NOK 3,543 million on financial instruments at fair value in 2012, compared to a profit of

NOK 2,031 million on financial instruments at fair value in 2011. See “*Net other operating income*” below.

**Net interest income**

	Year ended 31 December	
	2012	2011
	(NOK millions)	
Interest income .....	18,961	15,856
Interest expenses .....	14,930	14,188
<b>Net interest income .....</b>	<b>4,031</b>	<b>1,667</b>

Net interest income was NOK 4,031 million in 2012, an increase of NOK 2,364 million compared to 2011. The improvement was due to wider interest rate spreads on loans, as well as the positive effect of increasing lending volumes.

**Net other operating income**

	Year ended 31 December	
	2012	2011
	(NOK millions)	
Commissions and fees income.....	70	64
Commissions and fees expenses.....	2	2
Net gains/(losses) on financial instruments.....	(3,543)	2,031
Other income .....	5	6
<b>Net other operating income.....</b>	<b>(3,469)</b>	<b>2,099</b>

Net other operating income was negative at NOK 3,469 million in 2012. In 2011, net other operating income amounted to NOK 2,099 million. Net losses on financial instruments at fair value amounted to NOK 3,543 million in 2012. A significant part of such losses were comprised of (i) fair value adjustments on debt securities issued with changes in credit spreads (a negative effect of NOK 2,318 million), (ii) fair value adjustments due to changes in basis swaps relating to foreign currency exposure on debt securities of the Issuer not denominated in NOK (a negative effect of NOK 767 million) and (iii) fair value adjustments on originated fixed rate loans, due to changes in interest rates on new loans granted. These instruments are used within the funding and interest risk management of the Issuer and are normally held until maturity. The Issuer records a high level of income from fair value adjustments on financial instruments when the financial markets are volatile (as in 2011), though the income is reversed over the instrument's term to maturity. In more stable markets, market values are reduced.

**Total operating expenses**

	Year ended 31 December	
	2012	2011
	(NOK millions)	
Salaries and other personnel expenses .....	19	19
Other expenses .....	2,573	549
<b>Operating expenses .....</b>	<b>2,592</b>	<b>568</b>

Operating expenses totalled NOK 2,592 million for the year ended 31 December 2012, an increase of NOK 2,024 million compared to the same period in 2011. The fees payable under the Service Agreement to DNB Bank were NOK 2,524 million in 2012, an increase from NOK 508 million in the corresponding period in 2011. The fees are based on the lending volume under management and the lending spreads achieved. The fees increased due to an increase in net interest income from 2011 to 2012, due to a widening of interest rate spreads and increased lending volumes.

## **Impairments on loans and commitments**

	Year ended 31 December	
	2012	2011
	(NOK millions)	
Individual impairments.....	27	45
Recoveries of previous write-offs.....	(5)	(1)
Change in collective impairments.....	(14)	31
<b>Impairment expenses for the period .....</b>	<b>8</b>	<b>75</b>

For the year ended 31 December 2012, impairment expenses amounted to NOK 8 million, comprising collective impairments of negative NOK 14 million (net recoveries) and individual impairments of NOK 27 million. Impairments recorded for the years ended 31 December 2012 and 2011 did not represent a significant percentage of loans to customers as at 31 December 2012 and 2011, respectively.

Before deductions for individual impairments, non-performing and impaired loans and commitments totalled NOK 1,204 million as at 31 December 2012, an increase of NOK 119 million compared to NOK 1,085 million as at 31 December 2011, which largely reflected increased lending volumes. However, compared to total net loans, net non-performing and impaired loans decreased: such loans represented 0.13 per cent. of net loans as at 31 December 2012, compared with 0.14 per cent. as at 31 December 2011.

### **Taxes**

For the year ended 31 December 2012, as a consequence of the negative result for the period, the tax expense came to negative NOK 571 million, which reduces the Issuer's deferred taxes. The tax rate in effect for the year ended 31 December 2012 was 28 per cent., the same tax rate in effect for the year ended 31 December 2011.

## **Year ended 31 December 2011 compared to the year ended 31 December 2010**

### **Introduction**

Operating profit before tax totalled NOK 3,123 million for the year ended 31 December 2011, an increase of NOK 399 million compared to NOK 2,724 million for the corresponding period in 2010. After taxes, the profit for the year ended 31 December 2011 was NOK 2,248 million compared to NOK 1,961 million for the corresponding period in 2010. The increase in profits was due to lower operating expenses, primarily due to lower service management fees paid to DNB Bank in 2011. See "Operating expenses" below.

### **Net interest income**

	Year ended 31 December	
	2011	2010
	(NOK millions)	
Interest income.....	15,856	12,815
Interest expenses.....	14,188	10,495
<b>Net interest income .....</b>	<b>1,667</b>	<b>2,320</b>

Net interest income was NOK 1,667 million for the year ended 31 December 2011, a decrease of NOK 652 million compared to the year ended 31 December 2010. The decline was due to the effect of narrowing interest rate spreads, which outweighed the effect of increasing lending volumes.

### **Net other operating income**

	Year ended 31 December	
	2011	2010
	(NOK millions)	
Commissions and fees income.....	64	46
Commissions and fees expenses.....	2	2
Net gains/(losses) on financial instruments at fair value .....	2,031	1,688
Other income .....	6	7
<b>Net other operating income.....</b>	<b>2,099</b>	<b>1,739</b>

Net other operating income was NOK 2,099 million for the year ended 31 December 2011. In the year ended 31 December 2010, net other operating income amounted to NOK 1,739 million. The improvement mainly reflected increased profits relating to unrealised changes in the value of financial instruments. There was a high level of income from fair value adjustments on financial instruments in both 2011 and 2010. These adjustments included (i) fair value adjustments on debt securities issued with changes in credit spreads; (ii) fair value adjustments due to changes in basis swap spreads relating to foreign currency exposure on debt securities of the Issuer that are not denominated in NOK; and (iii) fair value adjustments on originated fixed rate loans, due to changes in interest rates on new loans granted. The Issuer records a high level of such income when the financial markets are volatile, though the income is reversed over the instrument's term to maturity. In more stable markets, market values are reduced.

### **Operating expenses**

	Year ended 31 December	
	2011	2010
	(NOK millions)	
Salaries and other personnel expenses .....	19	19
Other expenses .....	549	1,282
<b>Operating expenses .....</b>	<b>568</b>	<b>1,301</b>

Operating expenses totalled NOK 568 million for the year ended 31 December 2011, a decrease of NOK 733 million compared to the same period in 2010. The fees payable under the Service Agreement to DNB Bank were NOK 508 million in 2011, a decrease from NOK 1,261 million in the corresponding period in 2010. The fees are based on the lending volume under management and the lending spreads achieved. The fees decreased due to a decrease in net interest income from 2010 to 2011 due to tightening spreads.

### **Impairments on loans and commitments**

	Year ended 31 December	
	2011	2010
	(NOK millions)	
Individual impairments.....	45	18
Recoveries of previous write-offs.....	(1)	0
Change in collective impairments.....	31	16
<b>Impairment expenses for the period.....</b>	<b>75</b>	<b>33</b>

For the year ended 31 December 2011, impairment expenses amounted to NOK 75 million, comprising collective impairments of NOK 31 million and individual impairments of NOK 45 million. For the year ended 31 December 2010 impairments on loans amounted to NOK 33 million. The increase in impairments largely reflected increased lending volume. Impairments recorded for the years ended 31 December 2011 and 2010 did not represent a significant percentage of loans to customers as at 31 December 2011 or 2010, respectively.

Before deductions for individual impairments, non-performing and impaired loans and commitments totalled NOK 1,085 million as at 31 December 2011, an increase of NOK 478 million compared to NOK 607 million as at 31 December 2010. Net non-performing and impaired commitments represented 0.14 per cent. of net loans as at 31 December 2011, compared with 0.14 per cent. of net loans as at 31 December 2010.

### **Taxes**

The Issuer's tax charge for the year ended 31 December 2011 was NOK 874 million, at a tax rate in effect of 28 per cent. The tax rate in effect for the year ended 31 December 2010 was also 28 per cent.

## **Assets and Liabilities**

### **Assets**

The table below summarises total assets as at the years ended 31 December 2012, 2011 and 2010:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(NOK millions)		
Due from credit institutions .....	13,099	2,698	621
Loans to customers .....	519,362	463,615	397,640
Financial derivatives <sup>(1)</sup> .....	29,652	23,981	12,080
Other assets .....	5	9	187
<b>Total assets</b> .....	<b>562,118</b>	<b>490,303</b>	<b>410,528</b>

Note:

- (1) Increases in receivables under financial derivatives reflect, amongst other things, an increase in debt securities issued in foreign currencies and general market conditions. See also Note 2 in table below.

Total assets as at 31 December 2012 were NOK 562 billion, a 15 per cent. increase compared to total assets as at 31 December 2011. The growth was primarily due to an increase in loans to customers resulting from loan portfolios purchased from DNB Bank and origination of new loans to customers.

Total assets as at 31 December 2011 were NOK 490 billion, an increase of NOK 79 billion, or 19 per cent., compared to NOK 411 billion as at 31 December 2010. The growth was primarily due to an increase in loans to customers resulting from loan portfolios purchased from DNB Bank and origination of new loans to customers.

### **Loans to customers**

Loans to customers as at 31 December 2012 was NOK 519 billion, representing an increase of NOK 55 billion, or 12 per cent., compared to NOK 464 billion as at 31 December 2011 and NOK 398 billion as at 31 December 2010. The increase in loans to customers was primarily driven by a general growth in the Norwegian mortgage market. See "*Norwegian Macro-economic Conditions and the Norwegian Mortgage Market*".

## Liabilities and equity

The table below summarises total liabilities and equity as at the years ended 31 December 2012, 2011 and 2010:

	As at 31 December		
	2012	2011	2010
	(NOK millions)		
<b>Balance Sheet data:</b>			
<b>Assets</b>			
Due from credit institutions .....	13,099	2,698	621
Loans to customers.....	519,362	463,615	397,640
Financial derivatives <sup>(2)</sup> .....	29,652	23,981	12,080
Other assets.....	5	9	187
<b>Total assets</b> .....	<b>562,118</b>	<b>490,303</b>	<b>410,528</b>
<b>Liabilities</b>			
Debt securities issued .....	382,531	363,273	289,406
Due to credit institutions.....	130,128	94,735	94,307
Financial derivatives .....	24,243	11,060	8,315
Payable taxes .....	286	293	1,127
Deferred taxes .....	158	989	408
Other liabilities .....	374	64	235
Provisions .....	31	30	30
Subordinated loan capital .....	2,058	2,361	3,090
<b>Total liabilities</b> .....	<b>539,810</b>	<b>472,806</b>	<b>396,916</b>
<b>Equity</b>			
Share capital and share premium reserve .....	19,420	12,420	9,920
Retained earnings.....	2,889	5,076	3,692
Total equity .....	22,309	17,496	13,612
<b>Total liabilities and equity</b> .....	<b>562,118</b>	<b>490,303</b>	<b>410,528</b>

Note:

- (2) Increases in payables under financial derivatives reflect, amongst other things, an increase in debt securities issued in foreign currencies and general market conditions. See also Note 1 above.

## Funding

The Issuer's operations are mainly funded through its issuances of Covered Bonds and equity. The remainder is financed through subordinated loans and unsecured senior debt (in the form of an overdraft facility) from DNB Bank. See description of the "Overdraft Facility" under the section "Certain Provisions of Key Transaction Documents — Service Agreement".

### Due to credit institutions

Due to credit institutions was NOK 130 billion as at 31 December 2012, an increase of NOK 35 billion, or 37 per cent., compared to NOK 95 billion as at 31 December 2011. DNB Bank is the counterparty to these loans and deposits. The increase was due to the fact that the Issuer issued less debt securities than it originated Mortgage Loans over the period.

## Debt securities issued

Set forth in the following table is a breakdown by type of securities issued and outstanding as at 31 December 2012, 2011 and 2010:

	As at 31 December		
	2012	2011	2010
	(NOK millions)		
Total listed covered bonds.....	324,787	315,343	256,306
Total private placement under the bond programme.....	36,988	35,911	28,704
Total fair value adjustment .....	20,756	12,019	4,395
<b>Total debt securities issued .....</b>	<b>382,531</b>	<b>363,273</b>	<b>289,406</b>

Total debt securities issued were NOK 382,531 billion as at 31 December 2012, an increase of NOK 19 billion, or 5 per cent., compared to NOK 363,273 billion as at 31 December 2011. The increase in debt securities issued reflected increased growth in the Issuer's lending to customers. The majority of these securities were issued in the international capital markets.

Set forth below is a breakdown by maturity of the Issuer's debt securities as at 31 December 2012.

Maturity (year)	As at
	31 December 2012
	(NOK millions)
2013 .....	15,582
2014 .....	22,500
2015 .....	43,136
2016 .....	79,231
2017 .....	81,358
2018 .....	22,044
2019 and later .....	97,924
<b>Total debt securities issued (nominal value) .....</b>	<b>361,775</b>

Note:  
Values based on exchange rates on the date of issuance of the bond.

## Financial Risks

For a discussion of financial risks faced by the Issuer, please see Note 4 (*Credit risk*), Note 5 (*Market risk*) and Note 6 (*Liquidity risk*) of the Issuer's 'Annual Report 2012'.

## Capital and Capital Adequacy

### Existing Regulation

The Issuer follows the Basel II regulations as implemented in Norway for capital adequacy calculations. Under Pillar 1 of the Basel regulations, the Issuer is required to have a minimum capital adequacy ratio of 8.0 per cent. of risk-weighted assets. Furthermore, under prevailing EBA policy as adopted by Norwegian regulation (with effect from 1 July 2012), the Issuer is required to have an equity Tier 1 capital ratio as well as a total capital adequacy ratio of minimum 9.0 per cent. From 30 June 2007, the Issuer has been granted permission to use the Internal Ratings Based (the "IRB") approach for credit risk to calculate total risk-weighted assets. The portfolio for which permission to use the IRB approach has been granted is comprised of residential home mortgages. However, as long as Norwegian transitional rules relating to full implementation of the IRB approach remain in force, total risk-weighted assets cannot be reduced below 80 per cent. of the Basel I requirements. Without the transitional rules, the Issuer's capital adequacy ratio would be higher.

### Capitalisation Policy

On 20 March 2012, the Board of Directors approved a new capitalisation policy, which sets forth that, upon full implementation of the IRB approach, Tier 1 capital as a percentage of risk-weighted assets shall be a minimum of 8.5 per cent., calculated as the minimum regulatory requirement plus a buffer of 0.5 per cent. Because with effect from 1 July 2012 the Norwegian financial authorities increased the minimum Tier 1 capital ratio to 9.0 per cent. of risk-weighted assets, the Issuer's capitalisation policy since that time in practice targets a Tier 1 level of 9.5 per cent.

### New Regulatory Framework

The Basel Committee's work on new regulatory requirements relating to capitalisation and liquidity in banking and financial services groups have resulted in a number of recommendations, which together constitute the Basel III regulatory framework. These recommendations are the basis for, among other things, the EU's Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD IV"). The EU's revised directives, once they are implemented by national legislation, including in Norway, are expected to lead to stricter requirements with respect to capital adequacy, capital structure, liquidity buffers and financing structure. Based on its current capital structure, the Issuer is expected to be relatively well-prepared to meet the new Basel III capital ratio requirements. However, the final drafting and implementation guidelines of the new requirements are still uncertain. The Ministry of Finance is expected to announce a clarification and approve changes during 2013, with full implementation expected from 2019.

In the meantime, the Ministry of Finance has asked the NFSA to consider increasing the risk weight of residential mortgages under capital adequacy calculations to a minimum 35 per cent. At this stage it is not certain as to what changes, if any, will be made to the relevant regulations or when such regulations may come into force, but such changes could have a negative impact on the Issuer's capital ratio.

The Board of Directors of the Issuer will, on an ongoing basis, evaluate its capitalisation needs in light of international and domestic developments.

### Capital and Capital Ratios

The following table sets forth a breakdown of total capital and total capital as a percentage of total risk-weighted assets as at 31 December 2012, 2011 and 2010.

	As at 31 December		
	2012	2011	2010
	(NOK millions)		
Tier 1 capital <sup>(1)</sup> .....	22,025	14,836	11,843
Term subordinated loan capital.....	2,050	2,350	3,080
Deductions.....	210	198	152
Total eligible primary capital.....	23,865	16,988	14,772
Risk-weighted volume.....	213,870	190,438	159,126
Tier 1 capital ratio (%).....	10.3	7.8	7.4
Capital ratio (%).....	11.2	8.9	9.3

Note:

The loss for the year ended 31 December 2012 is included in Tier 1 capital.

## CERTAIN INFORMATION REGARDING THE ISSUER COVER POOL

The following information has been sourced from the most recent report provided by DNB Boligkreditt AS dated 31 December 2012 (the “**Issuer Report**”). It has not been updated since the date of that Issuer Report and may no longer be a true reflection of the Issuer Cover Pool. The following information does not include any Mortgage Loans originated or sold into the Issuer Cover Pool since the date of the most recent Issuer Report and it does not reflect any redemption or sales out of the Issuer Cover Pool since the date of the most recent Issuer Report. This information is provided for information purposes only and the Issuer makes no representations and warranties in connection with its disclosure.

The Issuer provides Issuer Reports at three-month intervals shortly after Issuer Cover Pool data is determined. Issuer Cover Pool data is currently determined at 31 March, 30 June, 30 September and 31 December in each year. The Issuer Reports will be posted on the Issuer’s website at: <https://www.dnb.no/en/about-us/investor-relations/funding.html>.

The Issuer’s website and the contents thereof do not form any part of this Prospectus.

The ratings of the Issuer and DNB Bank as of the date of this Prospectus are below:

<b>DNB Boligkreditt</b>		
<b>Rating Agency</b>	<b>Rating</b>	<b>Last Report</b>
Standard & Poor’s	Long term: AAA	Standard & Poor’s rating of DNB Boligkreditt – December 2010
Moody’s	Long term: Aaa	Moody’s rating of DNB Boligkreditt – September 2010
Fitch	Long term: AAA	Fitch’s rating of DNB Boligkreditt AS – December 2009

<b>DNB Bank</b>		
<b>Rating Agency</b>	<b>Rating</b>	<b>Last Report</b>
Standard & Poor’s	Short term: A-1	Standard & Poor’s rating of DNB Bank ASA – July 2012
	Long term: A+	
	Outlook Stable	
Moody’s	Short term: P-1	Moody’s rating of DNB Bank ASA – May 2012
	Long term: A-1	
	Outlook Stable	
Dominion Bond Rating Service (DBRS)	Long term: AA	DBRS’s rating of DNB Bank ASA – June 2011

**The Issuer Cover Pool includes Norwegian residential mortgages and assets in the form of derivative contracts. From time to time substitute assets may also be included. Details are specified in the Norwegian Financial Institutions Act Sections 2-28.**

### 1. General Cover Pool Information

<b>1.1 Key Characteristics</b>	
Total Outstanding Balance of Mortgages in the Issuer Cover Pool, Nominal Amount (NOK)	516,399,111,303
Number of Mortgages in the Issuer Cover Pool	454,515
Number of Borrowers	372,960
Average Loan Balance (NOK)	1,136,154
Outstanding Covered Bonds, Nominal Amount (NOK)	373,699,605,475
Substitute Assets (% of Total Issuer Cover Pool)	0.0
Weighted Average Seasoning* (in Months)	53
Weighted Average LTV indexed (%)	55.1
Weighted Average Maturity of Issuer Cover Pool (Contractual Maturity in Years)	13.6
Weighted Average Maturity of Outstanding Covered Bonds (Contractual Maturity in Years)	6.0

\*Seasoning indicates the number of months since collateral for the loan was established

<b>1.2 Overcollateralisation*</b>		
<b>Issuer Cover Pool Size</b>	<b>Nominal Amount (NOK)</b>	<b>Market value (NOK)</b>
Residential mortgages, eligible loan balance	512,627,397,707	514,748,330,502
Residential mortgages, non-eligible loan balance	3,771,713,596	3,771,713,596
Substitute assets	0	0
Market value derivatives (net MtM)		5,408,840,441
Total cover pool (incl. non-eligible loan balance)	516,399,111,303	523,928,884,538
Total cover pool, eligible loan balance	512,627,397,707	520,157,170,943
Outstanding covered bonds, nominal balance	373,699,605,475	382,372,086,355
Overcollateralisation (incl. non-eligible loan balance)	38.2 %	37.0 %
Overcollateralisation, eligible loan balance	37.2 %	36.0 %

\* The nominal Overcollateralisation (OC) percentage may change from time to time and may be reduced in the future. However, DNB Boligkreditt intends to uphold an OC percentage necessary to support a rating of the covered bonds in line with the Issuer's strategy.

<b>1.3 Maturity Structure of Issuer Cover Pool</b>		
<b>Contractual Maturity in Years</b>	<b>Loan Balance (NOK)</b>	<b>% of Cover Pool</b>
≥ 0 ≤ 1	14,964,638,639	2.9 %
1 ≤ 2	15,744,042,124	3.0 %
2 ≤ 3	16,415,479,298	3.2 %
3 ≤ 5	34,850,913,954	6.7 %
5 ≤ 10	99,071,053,834	19.2 %
> 10	335,352,983,454	64.9 %
Total	516,399,111,303	100.0 %

<b>1.3 Maturity Structure of Cover Bonds</b>		
<b>Contractual Maturity in Years</b>	<b>Loan Balance (NOK)</b>	<b>% of Bonds Outstanding</b>
≥ 0 ≤ 1	1,075,350,000	0.3 %
1 ≤ 2	16,000,000,000	4.3 %
2 ≤ 3	26,493,380,000	7.1 %
3 ≤ 5	121,635,874,500	32.5 %
5 ≤ 10	160,474,910,975	42.9 %
> 10	48,020,090,000	12.8 %
Total	373,699,605,475	100.0 %

<b>Expected Maturity in Years</b>	<b>Loan Balance (NOK)</b>	<b>% of Bonds Outstanding</b>
≥ 0 ≤ 1	17,075,350,000	4.6 %
1 ≤ 2	22,500,000,000	6.0 %
2 ≤ 3	42,953,530,000	11.5 %
3 ≤ 5	164,946,224,500	44.1 %
5 ≤ 10	100,683,362,975	26.9 %
> 10	25,541,138,000	6.8 %
Total	373,699,605,475	100.0 %

## 2. Composition of the Residential Mortgage Issuer Cover Pool

<b>2.1 Property Types</b>			
	<b>Loan Balance (NOK)</b>	<b>% of Cover Pool</b>	<b>Weighted Average LTV</b>
Private Ownership			
Detached	275,319,810,279	53.3 %	55.6
Semi-detached	63,303,430,512	12.3 %	55.1
Apartment	87,931,284,164	17.0 %	55.7
Share in housing cooperative			
Semi-detached	8,197,494,423	1.6 %	59.2
Apartment	60,733,872,349	11.8 %	57.9
Housing cooperative	14,839,316,427	2.9 %	24.9
Second home	6,004,262,940	1.2 %	59.0
Other	69,640,208	0.0 %	24.1
Total	516,399,111,303	100.0 %	55.1

<b>2.2 Largest Borrowers</b>	
<b>Private Individuals</b>	
5 largest (% of total mortgages)	0.04%
10 largest (% of total mortgages)	0.06%
<b>Housing Cooperatives</b>	
5 largest (% of total mortgages)	0.14%
10 largest (% of total mortgages)	0.23%

<b>2.3 Occupancy Type</b>			
	<b>Loan Balance (NOK)</b>	<b>% of Cover Pool</b>	<b>Weighted Average LTV</b>
Owner occupied	422,902,405,019	81.9 %	55.6
Housing cooperative	14,839,316,427	2.9 %	24.9
Second home	6,004,262,940	1.2 %	59.0
Buy-to-let	435,792,982	0.1 %	64.4
No data	72,217,333,934	14.0 %	57.6
Total	516,399,111,303	100.0 %	55.1

<b>2.4 Repayment Type</b>			
	<b>Loan Balance (NOK)</b>	<b>% of Cover Pool</b>	<b>Weighted Average LTV</b>
Amortisation	308,220,372,286	59.7 %	52.1
Interest only*	208,178,739,017	40.3 %	59.5
Total	516,399,111,303	100.0 %	55.1

\* No instalments for a limited period of time.

<b>2.5 Flexible Loans</b>	
Drawn balance	132,645,972,541
Total limit on flexible loans	172,195,978,918
Percentage of limit drawn	77.0 %
Weighted Average LTV*	55.7

\* The Weighted Average LTV is calculated based on the limit.

<b>2.6 LTV Buckets</b>		
<b>Indexed LTV</b>	<b>Loan Balance (NOK)</b>	<b>% of Cover Pool</b>
0 ≤ 40	106,253,513,991	20.6 %
40 ≤ 50	61,446,289,538	11.9 %
50 ≤ 60	93,791,459,730	18.2 %
60 ≤ 70	158,879,690,740	30.8 %

2.6 LTV Buckets		
Indexed LTV	Loan Balance (NOK)	% of Cover Pool
70 ≤ 75	71,406,648,541	13.8 %
75 ≤ 80	14,296,515,153	2.8 %
80 ≤ 85	4,195,570,688	0.8 %
85 ≤ 90	2,014,671,124	0.4 %
90 ≤ 95	1,207,866,218	0.2 %
95 ≤ 100	762,061,610	0.1 %
100 ≤ 105	499,219,556	0.1 %
105 ≤ 115	577,011,280	0.1 %
> 115	1,068,593,134	0.2 %
Total	516,399,111,303	100.0 %

2.7 Seasoning of Loans*			
	Loan Balance (NOK)	% of Cover Pool	Weighted Average LTV
≤ 12 months	98,002,778,253	19.0 %	62.7
12 < 24 months	87,713,191,803	17.0 %	60.6
24 < 36 months	60,555,036,968	11.7 %	57.1
36 < 60 months	95,149,512,796	18.4 %	55.7
≥ 60 months	174,978,591,484	33.9 %	46.9
Total	516,399,111,303	100.0 %	55.1

\* Seasoning indicates the number of months since collateral for the loan was established.

2.8 Interest Rate Type			
	Loan Balance (NOK)	% of Cover Pool	Weighted Average LTV
Floating rate	446,011,475,795	86.4 %	55.0
Fixed rate with reset < 2 years	13,323,099,630	2.6 %	53.3
Fixed rate with reset ≥ 2 but < 5 years	43,288,943,502	8.4 %	56.6
Fixed rate with reset ≥ 5 years	13,775,592,375	2.7 %	54.3
Total	516,399,111,303	100.0 %	55.1

2.9 Loan Performance			
	Loan Balance (NOK)	% of Cover Pool	Weighted Average LTV
Performing Loans	514,699,002,794	99.67%	55.0
Delinquent loans (arrears 31 to 90 days)	934,878,869	0.18%	59.7
Gross non-performing loans (arrears 91+ days)	765,229,640	0.15%	62.4
Total	516,399,111,303	100.00%	55.1

2.10 Geographic Distribution			
	Loan Balance (NOK)	% of Cover Pool	Weighted Average LTV
Akershus	95,289,885,601	18.5 %	52.7
Aust-Agder	9,010,753,761	1.7 %	58.7
Buskerud	33,719,106,928	6.5 %	54.3
Finnmark	7,793,856,325	1.5 %	62.5
Hedmark	12,127,113,339	2.3 %	57.0
Hordaland	40,082,895,662	7.8 %	57.1
Møre og Romsdal	8,476,960,506	1.6 %	58.1
Nordland	12,667,935,653	2.5 %	57.3
Nord-Trøndelag	7,318,991,560	1.4 %	59.5
Oppland	19,008,803,157	3.7 %	58.3
Oslo	108,993,137,740	21.1 %	52.3
Østfold	33,044,156,272	6.4 %	56.9
Rogaland	33,183,993,081	6.4 %	56.0

<b>2.10 Geographic Distribution</b>			
	<b>Loan Balance (NOK)</b>	<b>% of Cover Pool</b>	<b>Weighted Average LTV</b>
Sogn og Fjordane	2,037,834,026	0.4 %	62.6
Sør-Trøndelag	19,295,563,641	3.7 %	56.6
Telemark	13,314,989,577	2.6 %	59.0
Troms	13,181,792,207	2.6 %	55.5
Vest-Agder	9,068,129,297	1.8 %	59.2
Vestfold	38,783,212,970	7.5 %	54.5
<b>Total</b>	<b>516,399,111,303</b>	<b>100.0 %</b>	<b>55.1</b>

## DESCRIPTION OF THE ISSUER

The Issuer is a limited company incorporated under the laws of the Kingdom of Norway and was originally established in Norway as a finance company on 14 June 2003 with registration number 985 621 551. The Issuer's visiting and registered address is Dronning Eufemias gate 30, N-0191 Oslo, Norway, and its mailing address is Postboks 1600 Sentrum, N-0021 Oslo, Norway. The telephone number of the Issuer is (+47) 91503000. The Issuer was formerly known as DnB NOR Boligkreditt AS and changed its name to DNB Boligkreditt AS in November 2011.

The Issuer issues covered bonds under the U.S. Programme, the Euro Programme and the Australian Programme. The Issuer is a wholly-owned subsidiary of DNB Bank, part of DNB Bank's Group Finance and Risk Management business area and an important funding vehicle for the DNB Group. Pursuant to article 1 of its articles of association, the main object of the Issuer is to originate and acquire loans secured by Residential Mortgages, loans secured by mortgages over second homes and loans secured by mortgages over joint debt of housing cooperatives. The Norwegian Financial Supervisory Authority granted the Issuer a licence to operate as a finance company on 11 August 2005, and licensed it to become a Mortgage Credit Institution on 9 May 2007. For further information on the regulatory environment in which the Issuer operates, see "*Certain Norwegian Legislation relating to Covered Bonds*".

### Operations

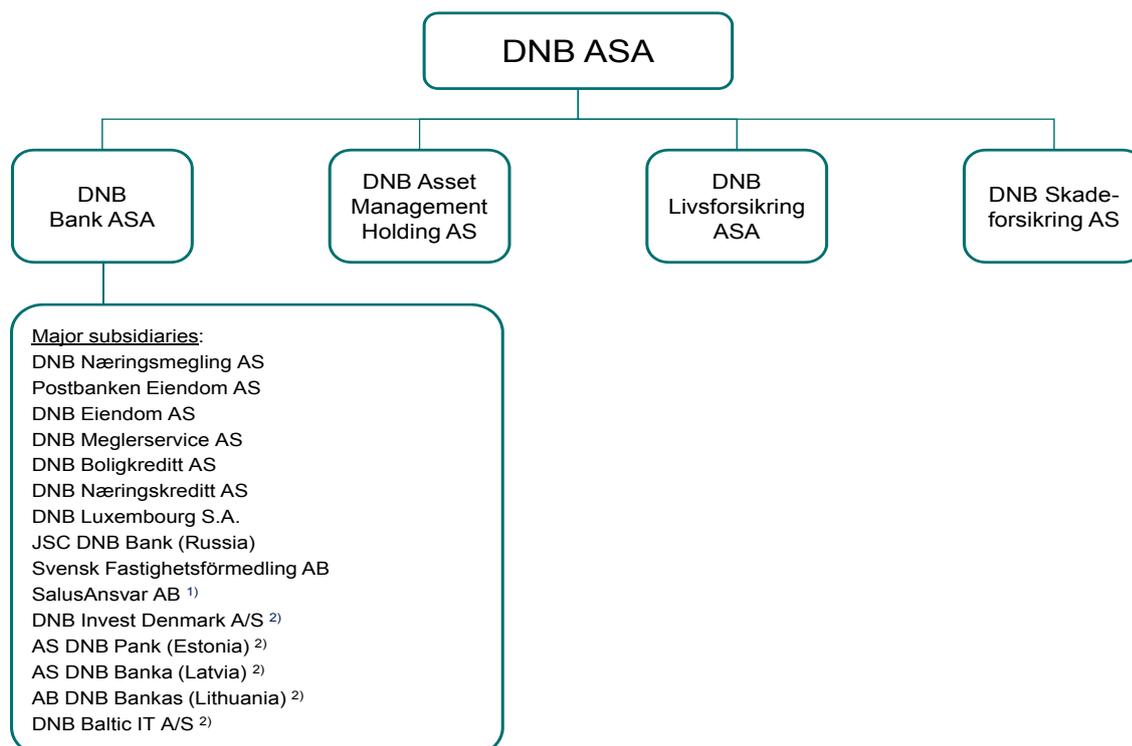
The Issuer employs 12 staff directly. The main task of the staff is to administer and monitor the Issuer Cover Pool, ensuring that the Issuer Cover Pool is at all times compliant with all the requirements of Norwegian covered bond legislation and the rating agencies. In addition, the staff administers the Service Agreement with DNB Bank. The staff completes financial reporting, risk reporting and analysis on the Issuer as well as provides reports to, and communicates with, the rating agencies. All other activities, including origination paperwork relating to all residential mortgages originated or purchased by the Issuer and all other lending operations, are performed by DNB Bank pursuant to the Service Agreement, as more fully described under "*Certain Provisions of Key Transaction Documents – Service Agreement*" above.

Since August 2005, the Issuer has acquired Mortgage Loan portfolios from DNB Bank at fair value (as agreed between DNB Bank and the Issuer). In addition, as the size of the Issuer Cover Pool has increased, the Issuer has increasingly originated, and continues to increasingly originate, Mortgage Loan directly in its own name using DNB Bank's distribution channels and origination services. As at 31 December 2012, the Issuer had a Mortgage Loan portfolio with a nominal value of NOK 519.4 billion. This portfolio is financed (i) by the Issuer through issuances of Covered Bonds, and (ii) by DNB Bank through subordinated loan capital and equity as well as through unsecured senior debt that does not benefit from statutory priority over the Issuer Cover Pool.

On 16 February 2011, the Issuer and DNB Bank entered into the Master Sale Agreement to replace the sale agreements entered into on 20 August 2009. Since 31 December 2010, the Issuer has acquired Mortgage Loans exclusively from companies within the DNB Group (although the Issuer is permitted to acquire Mortgage Loans from other entities if it enters into new sale and purchase agreements with such entities). The Master Sale Agreement is further described under "*Certain Provisions of Key Transaction Documents – Master Sale Agreement*".

## Group Structure

Below is a structure chart of the DNB Group.



- (1) During the third quarter of 2012, DNB entered into an agreement to sell SalusAnsvar AB. The transaction was formally completed in late January 2013.
- (2) Operations in DNB Baltics have been restructured, and operations in Poland are under restructuring. As part of the DNB Baltics restructuring, ownership of the banks in Lithuania and Latvia was transferred to DNB Bank at end-June 2011. In the first quarter of 2012 the ownership of AS DNB Liising in Estonia was transferred to DNB Bank. AS DNB Liising has now received a banking licence in Estonia and has thus changed its name to AS DNB Pank and taken over the operations of the branch in Estonia. In the second quarter of 2012 the ownership of DNB Baltic IT A/S was transferred to DNB Bank. DNB Invest Denmark A/S still owns the operations in Poland, but the ownership is planned to be transferred to DNB Bank ASA within the first quarter. The company's banking licence in Denmark was relinquished on 9 November 2012, and the company will continue as a "bank holding company" until the Polish operations are transferred to DNB Bank. Following the restructuring, DNB Invest Denmark A/S will only engage in investment activity. DNB Bank has entered into a sale of its retail branch network in Poland, with the sale expected to be completed during the first half of 2013.

### Separate Euro covered bond programme

In addition to the U.S. Programme, the Issuer has an active Euro covered bond programme (the "**Euro Programme**") pursuant to which it has issued, and may further issue, covered bonds denominated in any currency. As with Covered Bonds issued under the U.S. Programme, covered bonds issued under the Euro Programme have been admitted to trading on the Luxembourg Stock Exchange's regulated market and are listed on the Official List of the Luxembourg Stock Exchange. Furthermore covered bonds issued under the Euro Programme are issued in accordance with the Financial Institutions Act.

## **Australian covered bond programme**

In May 2011, the Issuer established a separate covered bond programme in Australia (the “**Australian Programme**”) pursuant to which it has issued and may further issue covered bonds normally denominated in Australian dollars. Covered bonds issued under the Australian Programme are issued in accordance with the law in force in New South Wales, Australia (subject to certain provisions which will be governed by Norwegian law). Covered bonds issued under the Australian Programme have been admitted to the official list of the Australian Securities Exchange.

### **All covered bonds issued by the Issuer will share the benefit of a shared Issuer Cover Pool**

All covered bonds issued under the U.S. Programme, the Euro Programme and the Australian Programme (which rank *pari passu* with the Issuer’s derivative contracts) have, and will have, the benefit of a statutory preference under the Financial Institutions Act and the Financial Regulations on the Cover Pool maintained by the Issuer. The Issuer maintains only one Cover Pool in respect of the covered bonds issued under the U.S. Programme, the Euro Programme, the Australian Programme and any other mortgage covered bonds that it may issue from time to time. The Covered Bondholders will share the benefit of the Issuer Cover Pool with all other covered bondholders.

## **Derivatives arrangements**

The Issuer has entered into derivatives arrangements with DNB Bank and may enter into derivatives arrangements with other parties, comprising interest rate swaps and currency swaps, for the purpose of controlling interest rate and currency risk relating to the Issuer’s funding and lending operations as described in “*Certain Provisions of Key Transaction Documents – Derivative Contracts*” above.

## **Financial information**

The Issuer was initially established with a share capital of NOK 200,000. The first financial period of the Issuer ran from 14 June 2003 to 31 December 2003. The Issuer did not conduct any business between 14 June 2003 and 31 December 2004.

The audited annual financial statements for the years ended 31 December 2005 and 31 December 2006 were prepared in accordance with generally accepted accounting principles in Norway. In 2007, the Issuer adopted Norwegian IFRS Regulations under the Norwegian Accounting Act. Norwegian IFRS Regulations allow the Issuer to record provisions for dividends and group contributions as liabilities on the balance sheet date. According to International Financial Reporting Standards, dividends should be classified as equity until formally approved by the shareholders of a company in a general meeting. In addition, Norwegian IFRS Regulations allow for simplified disclosures compared with IFRS. On 1 January 2011 the Issuer changed its accounting policies to comply with IFRS.

The Issuer finances the origination of new Mortgage Loans and the purchase of Mortgage Loans through (i) Covered Bonds; (ii) subordinated loan capital from DNB Bank; (iii) increases in share capital (which was last increased to NOK 2,527,000,000 at a general meeting on 4 September 2012); and (iv) unsecured senior debt under the overdraft facility described in “*Certain Provisions of Key Transaction Documents – Service Agreement*” above.

## **2012 audited financial statements**

The audited financial statements of the Issuer for the financial year ended 31 December 2012 have been duly approved by a resolution of the meeting of the Board of Directors of the Issuer dated 27 February 2013, and the Issuer expects these audited financial statements will be duly approved at a general meeting of the Issuer to be held on 19 April 2013.

## MANAGEMENT OF THE ISSUER

### Board of Directors

The Issuer's Board of Directors consists of five members and one deputy elected by the Supervisory Board. The current directors are as follows:

Bjørn Erik Næss	Chairman of the Board; CFO and Group executive vice president of Group Finance and Risk Management in DNB Bank
Ingrid Tjønneland	Vice-chairman of the Board; Executive Vice President, Private Banking Division, Retail Banking in DNB Bank
Stein Ove Steffensen	Senior Vice President, Loan Portfolio Management in Corporate Banking Area in DNB Bank
Rein Øsebak	Actuary, retired
Elisabeth Ege	Managing Director, AKAN
Reidar Bolme	Deputy of the Board of Directors; Executive Vice President of Treasury, DNB Markets in DNB Bank

The Issuer does not consider the activities outside the Issuer of any of the persons listed in the table above to be significant with respect to the Issuer.

The address of the members of the board and the executive management is the registered address of the Issuer.

The Board of Directors is required to conduct its functions in accordance with the applicable rules of procedure adopted at the meeting of the Board of Directors held on 12 February 2009.

### Auditors

The Issuer's current statutory auditor is Ernst & Young AS of Dronning Eufemias gate 6, 0051 Oslo, with company registration number 976 389 387. Ernst & Young AS is also the current statutory auditor of the DNB Group.

The Issuer's financial statements as of and for the years ended 31 December 2012, 31 December 2011 and 31 December 2010 were audited by Ernst & Young AS.

The auditor's statements for the financial years ended 31 December 2012, 2011 and 2010 were unqualified.

Other than as stated above, no other information in this Prospectus has been audited by the Issuer's auditors.

### Conflict of interest within administration, management, and supervisory bodies

Under Norwegian law, three out of five of the Issuer's board members may be appointed from the DNB Group. DNB Bank employs three of the five current members and also the deputy of the Issuer's Board of Directors, and the actual composition of the board is in accordance with the relevant regulations. Although the Issuer is a wholly owned subsidiary of DNB Bank, the Issuer's primary business is to issue Covered Bonds on behalf of the DNB Group, and therefore the Issuer does not believe that conflicts of interest will arise. As at the date of this Prospectus, the Issuer is not aware of any conflicts of interest relating to responsibilities of members of the Board of Directors of the Issuer and their private interests or other duties.

### Jurisdiction

The Issuer is incorporated under the laws of the Kingdom of Norway. Should the Issuer conduct operations outside Norwegian jurisdiction, such operations will also be governed by the laws and regulations of the country in question. See "*Enforceability of Judgements*".

## **Shareholders, Management and Employees**

The Issuer is a wholly owned subsidiary of DNB Bank. DNB Bank is a wholly owned subsidiary of DNB ASA, which is the holding company of the DNB Group with shares listed on the Oslo Stock Exchange.

The following persons are members of the Issuer's management:

Øyvind Birkeland	Chief Executive Officer
Roar Sørensen	Head of Finance and Risk Reporting
Jan Otto Lahn	Head of Company Secretariat and Compliance
Fred Skarsteen	Head of Lending Residential Real Estate
Helge Stray	Head of Capital Markets and Regulations
Gunnar Gabrielsen	Head of Lending Commercial Real Estate
Håkon Røsand	Head of Rating and Investor Information

The Issuer does not consider the activities outside the Issuer of any of the persons listed in the table above to be significant with respect to the Issuer.

## DESCRIPTION OF THE DNB GROUP

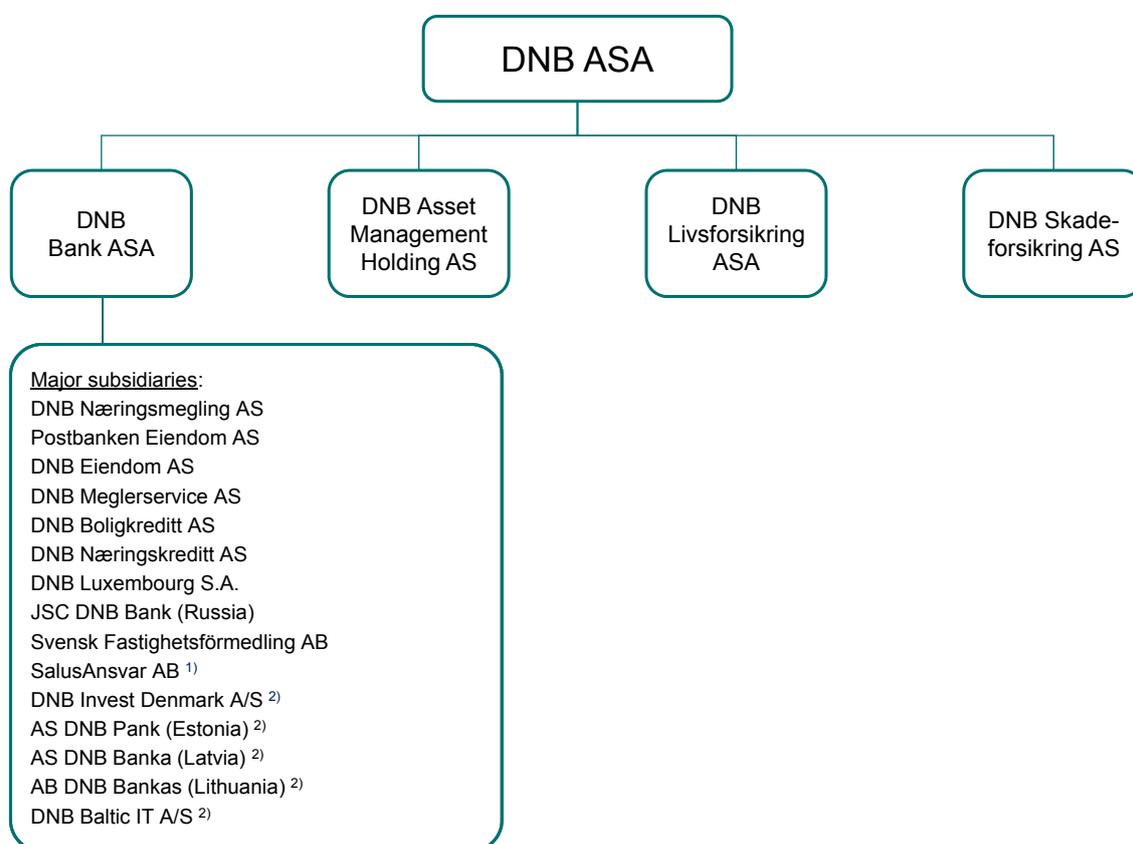
### DNB Group

The DNB Group constitutes Norway's largest financial services group with total assets of NOK 2,265 billion as of 31 December 2012. As of the date of this Prospectus, the DNB Group is servicing approximately 2.1 million private individuals, more than 220,000 corporate customers and approximately 1 million insurance customers in Norway (*Source: DNB*).

The DNB Group offers a full range of financial services including lending, deposits, foreign exchange and interest rate products, investment banking products, life insurance and pension saving products, property and casualty insurance products, equity funds, asset management and securities operations as well as real estate brokering.

DNB ASA is the holding company of the DNB Group, and its shares are listed on the Oslo Stock Exchange. As of 31 December 2012, the Norwegian government held 34 per cent. of DNB ASA's shares.

As of 31 December 2012, the DNB Group had the following legal structure (reflecting the major companies of the Group):



(1) During the third quarter of 2012, DNB entered into an agreement to sell SalusAnsvar AB. The transaction was formally completed in late January 2013.

(2) Operations in DNB Baltics have been restructured, and operations in Poland are under restructuring. As part of the DNB Baltics restructuring, ownership of the banks in Lithuania and Latvia was transferred to DNB Bank at end-June 2011. In the first quarter of 2012 the ownership of AS DNB Liising in Estonia was transferred to DNB Bank. AS DNB Liising has now received a banking licence in Estonia and has thus changed its name to AS DNB Pank and taken over the operations of the branch in Estonia. In the second quarter of 2012 the ownership of DNB Baltic IT A/S was transferred to DNB Bank. DNB Invest Denmark A/S still owns the operations in Poland, but the ownership is planned to be transferred to DNB Bank ASA within the first quarter. The company's banking licence in Denmark was relinquished on 9 November 2012, and the company will continue as a "bank holding company" until the Polish operations are transferred to DNB Bank. Following the restructuring, DNB Invest Denmark A/S will only engage in investment activity. DNB Bank has entered into a sale of its retail branch network in Poland.

In 2012, the activities of the DNB Group were organised in the following business areas: Retail Banking, Large Corporates and International, DNB Markets and Insurance and Asset Management. The business areas operate as independent profit centres and have responsibility for serving the Group's customers and for the total range of products. DNB Baltics and Poland's operations are organised as a separate division in Large Corporates and International, but is reported as a separate profit centre.

In January 2013, the DNB Group announced that the organisational structure of the Group would be changed. The largest changes will be the division of Retail Banking into two business areas, Personal Banking Norway and Corporate Banking Norway, respectively, and the establishment of a new business area for high-net worth clients, Wealth Management. **Wealth Management** will include Private Banking and Asset Management. **Personal Banking Norway** will serve the bank's individual customers through all channels, both digital and face-to-face. **Corporate Banking Norway** will serve small and medium-sized companies and increase its focus on the largest industries in this segment. The largest product units, such as DNB Finans, DNB Livsforsikring and DNB Skadeforsikring, will be organised under **Products and Business Development**.

The DNB Group executive vice presidents were appointed on 14 January 2013, and the new organisation is expected to become operative with effect from 1 April 2013. The DNB Group expects its financial accounts reporting to follow the new structure as from 1 January 2014.

## **DNB Bank Group**

### **Introduction**

The DNB Bank Group, which includes DNB Bank and its subsidiaries, is Norway's largest bank group as measured by total assets (with NOK 2,013 billion in assets as at 31 December 2012) and DNB Bank has approximately 30 per cent. blended market share (lending and deposits) of each of the retail market and the corporate market (*Source: DNB and Statistics Norway*). DNB Bank is the largest company in the DNB Group and is the main unit in the DNB Group.

### **Business overview**

DNB Bank's core business areas are Retail Banking and Large Corporates and International. In addition, DNB Bank's operations include DNB Markets, Norway's largest provider of a wide range of securities and investment banking services. The organisational structure will be changed in 2013 (as described above).

As at 31 December 2012, DNB Bank had 185 domestic DNB-branded bank branches, nine international branches and five international representative offices. The domestic distribution network also included approximately 179 post office counters, 1,230 in-store postal outlets and 1,080 in-store banking outlets, through all of which banking services are offered. Also as at 31 December 2012, DNB Eiendom, a wholly-owned real estate brokerage subsidiary of the Bank, had 136 sales offices.

A substantial majority of DNB Bank's lending, deposits and income is attributable to Norway (Source: DNB).

### **Retail Banking**

Retail Banking is responsible for serving individual customers and small- and medium-sized enterprises in Norway. The subsidiaries, DNB Eiendom and Postbanken Eiendom, together with Svensk Fastighetsförmedling and SalusAnsvar in Sweden, are also part of this business area. An agreement on the sale of SalusAnsvar AB in Sweden was signed at the end of third quarter of 2012. The sale was formally completed in late January 2013. In the DNB Group's consolidated accounts, DNB Boligkreditt is reported with the Retail Banking business area.

Retail Banking services more than 2.1 million private individuals throughout Norway, of whom approximately 1.6 million use one of the DNB Group's internet banks (Source: DNB). Residential Mortgage Loans are by far the most important lending product of Retail Banking. Of total lending within Retail Banking as at 31 December 2012, NOK 587 billion was in the form of residential

Mortgage Loans. Of the residential Mortgage Loans, approximately 87.7 per cent. were Mortgage Loans with an LTV ratio of 60 per cent. or less and approximately 97.3 per cent. were loans with an LTV ratio of 80 per cent. or less.

See “DNB Residential Mortgage Loans” for a discussion of Mortgage Loans included in the Issuer Cover Pool.

DNB Boligkreditt is instrumental in securing the DNB Group’s access to long-term funding through the issue of covered bonds, with the goal of securing DNB Bank’s access to lower-priced funding and thus greater competitive power.

### **Large Corporates and International**

Large Corporates and International offers a broad range of financial products and services to large Norwegian and international customers in co-operation with several of the DNB Group’s product areas, including various types of financing solutions, deposits and investments, insurance, e-commerce products, commercial property brokerage, foreign currency and interest rate products, trade finance and corporate finance.

This business area is responsible for payment services in respect of DNB Bank and its subsidiaries, including cash management services, for all clients in Norway and at the banking group’s international units. Corporate clients utilise a broad range of products within this area. Straightforward solutions and global accessibility are important for this customer segment. DNB Bank has established joint solutions in its international branches as it seeks to provide recognisability, predictability and simplicity for clients, independent of geographic location.

### **DNB Markets**

DNB Markets is Norway’s largest provider of securities and investment banking services (Source: DNB). DNB Markets comprises the following units: Fixed Income/Currencies/Commodities, Equities, Investment Products, Corporate Finance and Securities Services. The Group Treasury is organised within DNB Markets, though profits and losses for the unit are not recorded under this business area.

DNB Markets aims to be the leading investment bank for Norwegian, as well as international clients requiring services relating to Norway and the Norwegian Kroner. Clients outside Norway, in particular shipping, energy and seafood clients and Norwegian companies’ international entities, are served through the DNB Group’s international units. The business area has a diversified business/revenue mix (products and customers), a mix of customer and trading activities and cost- and capital-efficient operations. DNB Markets offers currency, interest rate and commodity derivatives, securities and other investment products, debt and equity financing in capital markets, as well as merger and acquisition and other advisory and corporate finance services as well as custodial and other securities services.

### **DNB Baltics and Poland**

The DNB Group’s operations in the Baltics and Poland are organised under the Large Corporates and International business area. DNB Baltics has either an established market position or expects long-term growth potential in its Estonian, Latvian and Lithuanian markets. The bank provides a broad range of products to both the retail and corporate markets and is committed to developing a strong brand as a full-service bank. The strategy in Poland has been changed, whereby future operations will focus on the corporate market within the DNB Group’s international priority areas. As part of this strategy, DNB Bank has entered into a sale of its retail branch network in Poland with the sale expected to be completed during the first half of 2013.

**NORWEGIAN MACRO-ECONOMIC CONDITIONS  
AND THE NORWEGIAN HOUSING MORTGAGE MARKET**

According to the most recent official housing statistics by Statistics Norway, there were 2,343,010 dwellings in Norway on 1 January 2011. The last Population and Housing Census published in 2001 containing more detailed information, but not subsequently updated, indicated there were 1,961,548 occupied dwellings in Norway. Of the total number of dwellings, as at 3 November 2001, 76.7 per cent. were owned by the occupants (*Source: Statistics Norway*).

**Outlook for the Norwegian economy**

The table below, which is reproduced from the OECD, sets out with respect to the Norwegian mainland economy (as compared to Sweden, the UK and the Eurozone): (i) historical growth in GDP; (ii) historical growth in the headline consumer price index ("CPI"); and (iii) historical changes in the unemployment rate.

**GDP (percentage change from previous year), CPI (percentage change from previous year) and harmonised unemployment rates (percentage of civilian labour force)**

Percentage change from previous year

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Norway<sup>(1)</sup></b>									
GDP growth rate	1.0	4.0	2.6	2.5	2.7	0.0	-1.7	0.7	1.4
CPI growth rate	2.5	0.5	1.5	2.3	0.7	3.8	2.2	2.4	1.3
Unemployment rate	4.2	4.3	4.5	3.4	2.5	2.5	3.2	3.6	3.3
<b>Sweden</b>									
GDP growth rate	2.5	3.7	3.2	4.6	3.4	-0.8	-5.0	6.3	3.9
CPI growth rate	1.9	0.4	0.5	1.4	2.2	3.4	-0.5	1.2	3.0
Unemployment rate	6.6	7.4	7.7	7.1	6.1	6.2	8.3	8.4	7.5
<b>UK</b>									
GDP growth rate	3.8	2.9	2.8	2.6	3.6	-1.0	-4.0	1.8	0.9
CPI growth rate	1.4	1.3	2.0	2.3	2.3	3.6	2.2	3.3	4.5
Unemployment rate	5.0	4.7	4.8	5.4	5.3	5.6	7.6	7.8	8.0
<b>Eurozone</b>									
GDP growth rate	0.7	2.0	1.8	3.4	3.0	0.3	-4.3	1.9	1.5
CPI growth rate	2.1	2.2	2.2	2.2	2.1	3.3	0.3	1.6	2.7
Unemployment rate	9.0	9.3	9.2	8.5	7.6	7.7	9.6	10.1	10.2

(Source: OECD Economic Outlook no. 92, November 2012)

Note (1): Norwegian mainland economy

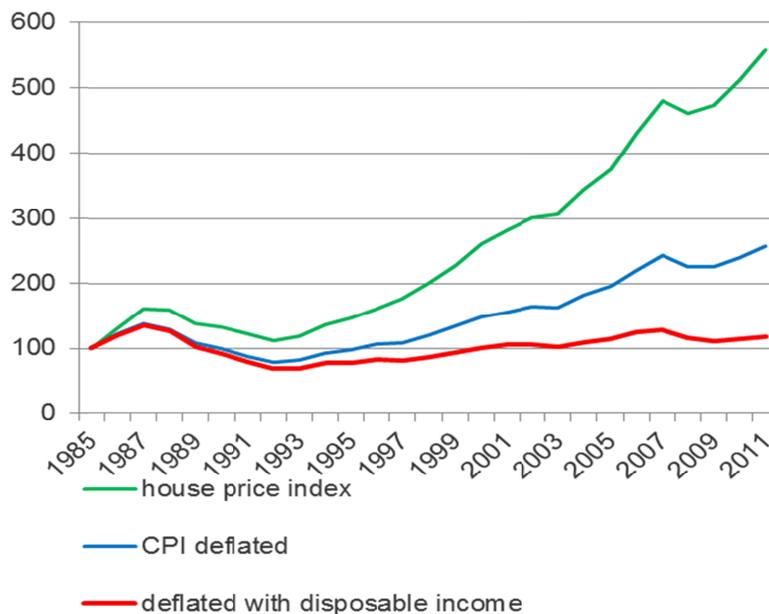
In addition, the Norwegian mainland GDP has grown at an annual nominal rate of 5.8 per cent. from 1990 to 2012, compared to a growth rate of 4.4 per cent., 3.6 per cent. and 3.7 per cent. for Sweden, Denmark and Finland, respectively, over the same period (*Source: Thomson Datastream and DNB Markets*).

From the summer of 2003 through to the end of 2007, Norway experienced a period of strong growth. Thereafter, the severe global downturn had a substantial effect on the Norwegian open economy (approximately half of all production is exported and half of all goods and services used are imported). Unemployment increased from 3.0 per cent. in June 2009 to 3.7 per cent. in December 2010 and stood at 3.5 per cent. in November 2012 (*Source: Statistics Norway*).

According to the OECD, the Norwegian general government's financial balance sheet showed a surplus of 13.7 per cent. of Norway's GDP in 2011 compared to the corresponding OECD negative average of (6.5) per cent.

As a general rule, under current Norwegian tax law, a Norwegian mortgage loan borrower may deduct all borrowing costs (that is, costs incurred in establishing, servicing and terminating a mortgage loan, including, without limitation, all accrued interest costs, the costs of establishing collateral and delay costs) from taxable income. The applicable rate is 28 per cent. (Source: the Norwegian act "Lov om skatt av formue og inntekt" (LOV-1999-03-26-14) (The Taxation Act), in particular Sections 6-1 and 6-40).

### Housing Prices and the Financial Condition of Households



(Source: Statistics Norway, Real Estate Brokerage Association)

During the period from 1993 to 2007, Norway experienced a significant increase in housing prices. During the second half of 2007 and throughout 2008, prices decreased somewhat. Stimulated by substantial cuts in interest rates, housing prices started to rise in early 2009, but at a gradually slower rate as the effects of the interest cuts declined. At the end of 2012, housing prices were approximately 25 per cent. higher in nominal terms than the preceding peak in August 2007 (Source: EFF). High growth in population and strong growth in income could promote a further increase in housing prices. On the other hand, the unemployment rate has bottomed out and home-building activity is increasing, which could lead to stable or decreasing housing prices. (Source: DNB).

### Regulation of the Norwegian Residential Mortgage Market

Pursuant to the Financial Institutions Act, any entity conducting financial activities in Norway, such as the origination of loans secured by residential mortgages, must be authorised by the Norwegian authorities and is subject to regulatory requirements in its capacity as a financial institution pursuant to the Financial Institutions Act.

Mortgage companies such as the Issuer must have their registered office and head office in Norway. The relevant mortgage company is subject to capital adequacy requirements set out in the Financial Institutions Act and regulations issued thereunder. The capital adequacy requirements specify that the mortgage company must, at all times, maintain a satisfactory capital ratio based on the credit risk, market risk and the operational risk relating to the company. The relevant mortgage company's articles of association must be approved by the relevant Norwegian authorities and may

not be amended without approval from the authorities. A mortgage company is further subject to additional requirements, in particular, extensive reporting requirements.

## DNB RESIDENTIAL MORTGAGE LOANS

As set forth above under “*The Issuer Cover Pool*” and “*Certain Provisions of Key Transaction Documents*”, the Issuer Cover Pool includes loans secured (i) by Residential Mortgages (as defined by Norwegian legislation), (ii) by mortgages over second homes and (iii) by mortgages over joint debt of housing cooperatives. The Issuer Cover Pool includes new Mortgage Loans originated directly by the Issuer through DNB Bank’s distribution channels and Mortgage Loans purchased by the Issuer from DNB Bank. DNB Bank services the Mortgage Loans within the Issuer Cover Pool.

### Mortgage products offered

DNB Bank offers a variety of fixed rate and variable rate categories of mortgage loan products to borrowers through DNB Bank’s Retail Banking business area. DNB Bank or, if the Issuer has originated the loan directly, the Issuer in each case provides one, or a combination of, the following mortgage products (collectively, the “**Mortgage Loans**”):

- Variable Interest Rate Home Equity Credit Line (*rammekreditt*);
- Variable Interest Rate Mortgage Loans; and
- Fixed Interest Rate Mortgage Loans that are subject to a fixed interest rate for a specified period of time (three, five or ten years).

DNB Bank or the Issuer may also sell Variable Interest Rate Mortgage Loans and Fixed Interest Rate Mortgage Loans to housing cooperatives.

In connection with transfers of Mortgage Loans, DNB Bank warrants that all requirements stipulated in the Financial Institutions Act and the Financial Regulations, whereby Mortgage Loans can be deemed to be Qualified Loans, are fulfilled on the transfer date.

### Key features of the Mortgage Loans

The Mortgage Loans have the following key features:

- (i) purpose – a Mortgage Loan may be for the purposes of purchase, remortgage (including to take out equity) and home improvement. If the borrower is a housing cooperative, remortgage to take out equity is not allowed;
- (ii) primary residence (first home) – these are normally available to owner-occupiers only. If the borrower is a housing cooperative, these are generally only available if the homes are to be used as residences for the members of the cooperative. A few Mortgage Loans may have been originated as “buy to let”;
- (iii) secondary residence (second home) – second homes are owned by the borrower and used by their owners for leisure purposes. Loans secured by mortgages over second homes are not secured by any other property. In accordance with the Financing Legislation, the Issuer Cover Pool only includes mortgages over second homes that have an LTV within 60 per cent.;
- (iv) types of interest rates – interest rates on the Mortgage Loans are fixed or variable;
- (v) interest rates after the fixed term – when any fixed rate finishes, the rate on the Mortgage Loan will generally revert to the then standard variable rate. The borrower may choose to continue at a fixed rate;
- (vi) home equity credit line (*rammekreditt*) – the home equity credit line enables the borrower to take out a further advance (allowable) up to the maximum permitted LTV of 75 per cent. (from 2013, typically not above 70 per cent.) (when aggregated with the then-current balance);

- (vii) transferability/assignability – a borrower may move a Mortgage Loan with a fixed interest rate to a new property. A borrower may not assign a Mortgage Loan to a subsequent purchaser of the relevant property;
- (viii) early termination/repayment – early termination/repayment charges are not applicable to Mortgage Loans in the Issuer Cover Pool. For Fixed Interest Rate Mortgage Loans, if the current interest rate on an equivalent mortgage loan is lower than the fixed interest in the Mortgage Loan, early termination/repayment may be made on the Mortgage Loan at a premium. If the current interest rate is higher, the borrower is eligible for a discount;
- (ix) overpayments – either regularly or as a lump sum, overpayments may be made on any portion of a Mortgage Loan. For Fixed Interest Rate Mortgage Loans, the borrower may have to pay a premium or may receive a discount on the amount that differs from the agreed instalment– see (viii);
- (x) interest accrual – interest on a Mortgage Loan is accrued daily; and
- (xi) amendment – DNB Bank may increase the Mortgage Loan's variable rate with six weeks' notice.

### **Repayment terms of the Mortgage Loans**

Borrowers typically make payments of interest and repay principal on their Mortgage Loans using one of the following two methods:

- (a) Principal and Interest – Mortgage Loans where the borrower makes monthly payments of both interest and principal on a straight line or annuity basis so that, when the Mortgage Loan is scheduled to mature, the borrower will have repaid the full amount of the principal of the Mortgage Loan (“**Repayment Mortgage Loans**”); and
- (b) Interest-Only – Mortgage Loans where the borrower makes monthly payments of interest but not of principal for a fixed period, typically no more than five years (and before 2013, typically no more than 10 years) (“**Interest-Only Mortgage Loans**”). When the interest-only period ends, the borrower must make monthly payments of both interest and principal on a straight line or annuity base so that, when the Mortgage Loan is scheduled to mature, the borrower will have repaid the full amount of the principal of the Mortgage Loan.

Borrowers have the flexibility to switch from an Interest-Only Mortgage Loan to a Repayment Mortgage Loan and *vice versa* subject to any requirements that the Servicer may have at the time.

The required Monthly Payment due on each Monthly Payment Date in connection with Repayment Mortgage Loans or Interest-Only Mortgage Loans may vary from month to month for various reasons, including changes in interest rates.

Almost all borrowers in respect of the Mortgage Loans in the Issuer Cover Pool make monthly payments by direct debit.

### **Loans in arrears**

The Issuer has a stringent and standardised routine for reporting and action on loans in arrears. Direct debit is agreed on almost all (approximately 95 per cent.) of loans, and cover is checked on a daily basis from the first day that the loan is past due. After 14 days past due, a first reminder is sent to the borrower. After 28 days past due, a second reminder is sent to the borrower, and if payment is not made within 14 days, an external debt collection agency proceeds with collection efforts. After 45 days past due, the borrower is given warning of a forced sale of the property securing the loan. After 75 days past due, the borrower receives notice that a petition for forced sale will be made, and after 90 days past due, a petition for forced sale is sent to the court.

## **Product switches**

From time to time, borrowers may request a variation in the terms and conditions applicable to their Mortgage Loans.

## **Security in respect of the Mortgage Accounts**

Each Mortgage Loan is secured by way of a mortgage over a residential property (or two residential properties) in Norway. Each Mortgage Loan is subject to Norwegian law. If the Mortgage Loan is secured over two residential properties, the owner of the second property is typically the guarantor, and the value of the second property is taken into account with respect to the LTV calculation for the Mortgage Loan. If the borrower is a housing cooperative, the Mortgage Loan is secured over all the residential properties of the cooperative. There are no regional differences relating to the terms of the Mortgage Loans, which take the same form throughout Norway.

## **Origination of the Mortgage Accounts**

DNB Bank currently derives its mortgage lending business from the following sources:

- (i) directly from borrowers through DNB Bank's branch network, telephone or internet bank; and
- (ii) indirectly through mortgage brokers (agents).

However, as of 22 March 2013 all distribution agreements with mortgage broker (agents) will be terminated.

In each case, DNB Bank performs all the evaluations of the borrower and determines whether a Mortgage Loan will be offered.

DNB Bank competes in the Norwegian residential mortgage market together with a large number of other Norwegian and Scandinavian banks.

## **Credit Appraisal – residential mortgages**

### *Application process - overview*

The Retail Banking area in DNB Bank uses scoring as a decision-making basis to the greatest possible extent. The customer's score/risk category and relationship with DNB Bank form the basis for deciding whether the customer will be granted credit.

The credit appraisal begins with a loan application to DNB Bank, either in person, via the internet or by telephone. DNB Bank uses support tools for credit appraisals. The credit appraisal is based on:

- registered personal information about the customer (e.g. age, job status, marital status, etc.);
- received information about the applicant's income and current indebtedness;
- received information about other demographics (period of residence, etc);
- information from AAA Soliditet (an external credit rating agency) about payment history and tax information;
- internal payment history; and
- information about the proposed collateral.

The information the customer provides to DNB Bank is checked against internal and external records (AAA Soliditet), and must be documented when the application is presented.

DNB uses a credit-decision system in the credit application process which takes into account the customer's willingness to repay the loan, the customer's capability of repaying the loan, and the

proposed collateral, as described below under “*Description of scoring system*”. Credit is not typically approved solely on the basis of the proposed collateral.

Information about customers’ current indebtedness is based on information given by the customer. There is no database in Norway that can give the total outstanding claims on a customer. To compensate for this, DNB Bank uses behaviour scoring, whereby the customer is classified monthly on the basis of his/her net salary and use of deposit accounts.

All borrowers must be 18 years old or over (the age of majority). There are no restrictions for older clients; as long as they meet the criteria in the decision-support system, they may be granted Mortgage Loans. However, within a month of turning 60 years old, a system-generated notice prompts the customer adviser to contact the client to ensure that the borrower has the ability to pay when retired if the borrower has an equity credit line.

#### *Reasons for rejection*

Common reasons for rejecting loan applications are:

- bad experience with the customer’s willingness to pay, unauthorised overdrafts;
- inadequate payment ability;
- inadequate collateral; and
- black marks in AAA Soliditet’s register.

#### *Credit scoring*

Credit scoring is one of the elements in the processing of credit applications. DNB Bank has used scoring systems since 1992 and has extensive experience in using a statistical approach in conjunction with in-depth credit experience and knowledge of local markets.

#### *Description of scoring system*

At present, DNB Bank uses a credit-decision system based on analyses of three elements:

1. the customer’s willingness to pay (probability of default);
2. the customer’s ability to pay; and
3. the collateral offered.

In addition, AAA Soliditet’s register is checked for any negative encumbrances.

**Willingness to pay** is computed either by use of a behaviour scorecard or an application scorecard depending on the condition of the application and the customer. A behaviour scorecard is used when the bank has enough information on the customer to calculate the behaviour score and when the amount applied for is below NOK 200,000. If this is not the case, the bank uses an application score. The application score is based on demographic data and the customer’s payment history. The credit score is used to predict the probability that the customer will default on loan payments in the future.

Characteristics of the application score:

- use of demographic data; and
- customers are scored individually when they apply for loans.

The following variables are important in the application scorecard currently used in the Retail Banking Area:

- age;
- gross income;
- internal payment history (number of reminders sent by DNB Bank);

- marital status;
- job status; and
- any black marks on the credit report from AAA Soliditet.

The variables are weighted according to the degree to which they can contribute to predicting future default.

A behaviour score is calculated by use of transaction information from the customer's current account. This score is calculated for every customer each month.

**Payment ability** is computed by means of a liquidity model based on the SIFO (SIFO: National Institute for Consumer Research) model's fixed rates for living expenses, depending on the composition of the family with regard to age and gender. The amount of monthly repayments of principal and interest on the customer's total borrowings from DNB Bank, including the credit for which he/she is applying, is computed. The interest rate used in the computation is the prevailing market interest rate plus the margin that applies in DNB Bank from time to time. The instalment amount is a living expense in the budget.

When computing the customer's payment capability, a margin considered adequate to accommodate the effects of a possible increase in interest rates (at present 5 per cent.), is included in the model (in accordance with the rules and guidelines set out in DNB Bank's credit process and internal control manuals as they apply from time to time).

The budget model covers the following expenses:

- personal expenses (food, clothing, hygiene, leisure and travel);
- household expenses (household goods, furniture, phone, media, car and kindergarten);
- monthly debt obligations, included the loan for which the customer is applying; and
- other housing costs (insurance, heating, electricity and maintenance).

The recommended decision from the scoring system depends on whether total monthly income less expenses is positive (>0) after all the figures have been input in the budget model. If it is not, the application is evaluated further.

**Collateral** is assessed in accordance with DNB Bank's guidelines. Information, such as the title to and any encumbrances on the property(ies) securing the loans, is retrieved from the official property register.

The following objective information and sources of information are considered in connection with evaluating and estimating the value of residential property:

#### **Sales price**

In connection with the impending or recent purchase of property, value can be assessed based on the sales price. The sales price indicates what the market is/was willing to pay for the property. In connection with property sales, an appraisal or building-condition assessment typically accompanies the sales description.

#### **Appraisal from a licensed appraiser**

Specially trained appraisers are used. In Norway, these appraisers are normally either master bricklayers or master carpenters. Appraiser training is in addition to the relevant vocational training. The appraisal states the size of the building, the materials used to construct the building, the type of construction technique used, whether maintenance of the building has been satisfactory, and what it would cost to erect a similar building. In addition, the appraisal includes the estimated market value and loan value.

## **Building-condition assessment**

A building-condition assessment is normally done by an appraiser. A building condition assessment is more detailed than an appraisal in that it involves a more in-depth investigation intended to reveal any hidden defects or deficiencies.

### ***Eiendomsverdi***

The “*Eiendomsverdi*” assessment system, provided by Eiendomsverdi AS, is used to estimate the value of a property. The system can, based on a selection of properties from a limited geographic area, with a reasonable degree of certainty estimate the market price of residential property based on the location, size of the dwelling, year of construction and the building’s technical qualities. Besides sales prices in the geographic area, factors that are used in connection with estimating the value of a residential property include the previous sales price of the property in question and price index adjustments. The data that are used as inputs in the system are retrieved from the official public property register, real estate agents, real estate developers and housing cooperatives.

The Issuer also uses *Eiendomsverdi* to update value estimates of the property prices in the Issuer Cover Pool every third month.

### ***Real estate agent’s estimate***

Estimates are prepared by DNB Eiendomsmegling or licensed real estate agents with knowledge of the price levels in their district.

The source must not be older than three months. It is up to the person who considers the loan application to do an overall assessment of the available information regarding the estimated sales value of the collateral and to assign a final value to it.

## **Terms and conditions**

Term:

- Generally 15 – 25 years but loans can be granted with shorter or longer terms.

Repayment:

- Borrowers typically make payments of interest and repay principal on their loans over the term of the loan.

Interest-only loans:

- Based on a separate assessment, DNB Bank may agree to defer payments of loan principal for up to ten years (from 2013, typically up to five years); and
- Deferments of principal payments are not typically granted for loans that exceed 75 per cent. of the sales value (from 2013, typically not above 70 per cent.).

Standard interest capitalisation method:

- Monthly.

## **Review and level of authorisation involved**

DNB Bank has divided its credit-approval authorisations into levels. Customer advisers in sales origination who have credit-approval authorisation are permitted to grant loans of up to NOK 3 million provided that the scoring system has given a positive recommendation.

Applications which the scoring system has labelled “requires evaluation” are decided by a credit adviser or by the customer adviser’s manager in accordance with the latter’s special authorisation. In such cases, the salesperson/customer adviser has to record the reason(s) why he/she recommends that the loan should be granted, with emphasis on the risk factors associated with the exposure.

The level of authorisation necessary for credit-approval relates to the customer's total exposure with DNB Bank.

Applications are raised to the committee level for a decision not just on the basis of the amount but also if the credit is outside DNB Bank's approved strategy.

Endorsement from the Senior Credit Officer is needed for exposures of NOK 12 million or higher.

## **Reporting**

Reporting methods used in credit origination:

- Management information system.

Central/main reports:

- Portfolio reporting, which includes elements such as risk classifications, LTV ratio and geography;
- Default and loss trends; and
- Profitability.

## **Approved credit reports from "Kundefront" (credit process tracking system)**

This report shows all newly approved credits and is used to follow-up on the quality of new credits and to ensure that the decision was made at the right authorisation level. This is used by managers who are responsible for the loan portfolios.

## **Ad-hoc reports**

Reports are created using the data extraction tool SAS Enterprise Guide or equivalent systems to retrieve information from the data warehouse. The data warehouse contains all the relevant information about customers, such as credits, scoring data and default data.

## **Training/qualifications**

To help ensure high portfolio quality, scoring systems must be supplemented by credit know-how. All managers are required to have the necessary expertise to carry out active credit management.

The required know-how is in two areas:

- (1) Customer advisers need to have both advisory skills and credit know-how in order to have a comprehensive understanding of the customer's personal finances.
- (2) Customer advisers need to have strategic expertise on credit strategy, analysis, scoring and support systems. All managers and employees who deal with credits are responsible for ensuring good follow-up and adequate controls.

DNB Bank continually reviews the way in which it conducts its Mortgage Loan origination business in order to ensure that it remains up-to-date and cost-effective in the market.

## **Loans to housing cooperatives**

Housing cooperatives, which are specific to Norway, are financed partly by capital contributions from the initial members of the cooperative and partly by mortgage loans granted by private banks (or the Government housing bank). The capital contribution functions as equity in the cooperative and is given in exchange for an exclusive right of residence to one specific residence (which is typically a flat) in the property. Common expenses, such as servicing of the cooperative's mortgage loans, are shared. This right of residence is fully negotiable in the open housing market.

Loans to housing cooperatives are not originated by use of scoring systems. Origination of loans to housing cooperatives is based on individual assessments and factors such as:

- the location of the property, i.e. the depth and liquidity of the housing market in question;
  - the LTV of the loan – typically, loans are not granted if the LTV is higher than 70 per cent, and to be included in the Issuer Cover Pool, the LTV must be below 60 per cent. The value of the cooperative's property is determined by the aggregate market value of the residences in the property. The market value of the individual residences is determined in the same manner as described above. The cooperative's debt to DNB Bank is added to determine the market value of the cooperative's property itself;
  - the number of residences in the property and their attractiveness in the context of market prices per square metre in the area;
  - the quality of the business management of the cooperative;
  - the vacancy rate of residences in the cooperative;
  - the age of the cooperative – new versus well-established and proven to be well-run;
- and
- membership in a scheme – to guarantee payment of common expenses – important for newly established cooperatives with a high LTV and few flats.

## BOOK-ENTRY CLEARANCE SYSTEM

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together the “**Clearing Systems**”) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Fiscal Agent or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### DTC

DTC has advised the Issuer as follows: “DTC is a limited-purpose trust company organised under the New York Banking Law, a “**banking organisation**” within the meaning of the New York Banking Law, a “**clearing corporation**” within the meaning of the New York Uniform Commercial Code and a “**clearing agency**” registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). The rules applicable to DTC and its Participants are on file with the U.S. Securities and Exchange Commission.”

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**Rules**”), DTC makes book-entry transfers of Registered Covered Bonds among Direct Participants on whose behalf it acts with respect to Covered Bonds accepted into DTC’s book-entry settlement system (“**DTC Covered Bonds**”) as described below and receives and transmits distributions of principal and interest on DTC Covered Bonds. Direct Participants and Indirect Participants with which beneficial owners of DTC Covered Bonds (“**Owners**”) have accounts with respect to the DTC Covered Bonds similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Covered Bonds through Direct Participants or Indirect Participants will not possess Registered Covered Bonds, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able transfer their interest in respect of the DTC Covered Bonds.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC’s records. The ownership interest of each actual purchaser of each DTC Covered Bond (a “**Beneficial Owner**”) is in turn recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase but are expected to receive written confirmations regarding details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfer of ownership interests in the DTC Covered Bonds are accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the DTC Covered Bonds, except in the event that the use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Covered Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Covered Bonds will be made to Cede & Co., as nominee of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Issuer or the Fiscal Agent, on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, the other Paying Agents or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. is the responsibility of the Issuer or the Fiscal Agent or any other Paying Agents, as the case may be. Disbursement of payment received by DTC to Direct Participants shall be the responsibility of DTC. Disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The laws of some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, any transfer of beneficial interests in a Registered Global Covered Bond to such persons may require that such interests be exchanged for Registered Covered Bonds in definitive form. Because DTC can only act on behalf of Direct Participants which, in turn, act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Registered Global Covered Bond to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of a physical registered certificate.

DTC may discontinue providing its services as securities depository with respect to Registered Covered Bonds at any time by giving reasonable notice to the Issuer or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Registered Covered Bonds in definitive form would be delivered to individual Covered Bondholders. In addition, the Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Registered Covered Bonds in definitive form would be delivered to individual Covered Bondholders.

### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg both hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

## TAXATION

Prospective purchasers of Covered Bonds are advised to consult their tax advisers as to the tax consequences under the tax laws of the country of which they are residents of a purchase of Covered Bonds, including, but not limited to, the consequences of receipts of interest and sale or redemption of Covered Bonds.

### UNITED STATES TAXATION

**TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, WE ADVISE YOU THAT: (A) ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR PURPOSES OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE COVERED BONDS TO BE ISSUED PURSUANT TO THIS PROSPECTUS; AND (C) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Covered Bonds by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Covered Bond which may be issued under the U.S. Programme. This summary deals only with purchasers of Covered Bonds that are U.S. Holders and that will hold the Covered Bonds as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Covered Bonds by particular investors, and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities, notional principal contracts or currencies, investors that will hold the Covered Bonds as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, regulated investment companies, real estate investment trusts or investors whose functional currency is not the U.S. dollar).

As used herein, the term “**U.S. Holder**” means a beneficial owner of Covered Bonds that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation created in or organised under the laws of the United States or any State or political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Covered Bonds will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Covered Bonds by the partnership.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986 (the “**Code**”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Bearer Covered Bonds are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Covered Bond may be subject to limitations under U.S. income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

This summary addresses Covered Bonds that will be treated as debt for U.S. federal income tax purposes.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE COVERED BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

### **Payments of Interest**

Interest on a Covered Bond, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “**foreign currency**”), other than interest on a “Discount Covered Bond” that is not “qualified stated interest” (each as defined below under “*Original Issue Discount – General*”), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. Interest paid by the Issuer on the Covered Bonds and original issue discount (“**OID**”), if any, accrued with respect to the Covered Bonds (as described below under “*Original Issue Discount - General*”) generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Covered Bonds.

### **Original Issue Discount**

#### *General*

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Covered Bonds issued with OID.

A Covered Bond, other than a Covered Bond with a term of one year or less (a “**Short-Term Covered Bond**”), will be treated as issued with OID (a “**Discount Covered Bond**”) if the excess of the Covered Bond’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Covered Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “**instalment obligation**”) will be treated as a Discount Covered Bond if the excess of the Covered Bond’s stated redemption price at maturity over its issue price is greater than or equal to 0.25 per cent. of the Covered Bond’s stated redemption price at maturity multiplied by the weighted average maturity of the Covered Bond. A Covered Bond’s weighted average maturity is the sum of the following amounts determined for each payment on a Covered Bond (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Covered Bond’s stated redemption price at maturity. Generally, the issue price of a Covered Bond will be the first price at which a substantial amount of Covered Bonds included in the issue of which the Covered Bond is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Covered Bond is the total of all payments provided by the Covered Bond that are not payments of “**qualified stated interest**”. A qualified stated interest payment is generally any one of a series of stated interest payments on a Covered Bond that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “*Variable Interest Rate Covered Bonds*”), applied to the outstanding principal amount of the Covered Bond. Solely for the purposes of determining whether a Covered Bond has OID, the Issuer will be deemed to exercise any call option

that has the effect of decreasing the yield on the Covered Bond, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Covered Bond.

If a Covered Bond has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Covered Bond as part of the amount realized, unless the holder makes the election described below under “*Election to Treat All Interest as Original Issue Discount*”. The includible amount with respect to each such payment is determined by multiplying the total amount of the Covered Bond’s *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Covered Bond.

U.S. Holders of Discount Covered Bonds must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Covered Bonds. The amount of OID includible in income by a U.S. Holder of a Discount Covered Bond is the sum of the daily portions of OID with respect to the Discount Covered Bond for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Covered Bond (“**accrued OID**”). The daily portion is determined by allocating to each day in any “**accrual period**” a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Covered Bond may be of any length selected by the U.S. Holder and may vary in length over the term of the Covered Bond as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Covered Bond occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Covered Bond’s adjusted issue price at the beginning of the accrual period and the Discount Covered Bond’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Covered Bond allocable to the accrual period. The “**adjusted issue price**” of a Discount Covered Bond at the beginning of any accrual period is the issue price of the Covered Bond increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Covered Bond that were not qualified stated interest payments.

#### *Acquisition Premium*

A U.S. Holder that purchases a Discount Covered Bond for an amount less than or equal to the sum of all amounts payable on the Covered Bond after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “**acquisition premium**”) and that does not make the election described below under “*Election to Treat All Interest as Original Issue Discount*”, is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Covered Bond immediately after its purchase over the Covered Bond’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Covered Bond after the purchase date, other than payments of qualified stated interest, over the Covered Bond’s adjusted issue price.

#### *Fungible Issue*

The Issuer may, without the consent of the Holders of outstanding Covered Bonds, issue additional Covered Bonds with identical terms. These additional Covered Bonds, even if they are treated for non-tax purposes as part of the same series as the original Covered Bonds, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Covered Bonds may be considered to have been issued with OID even if the original Covered Bonds had no OID, or the additional Covered Bonds may have a greater amount of OID than the original Covered Bonds. These differences may affect the market value of the original Covered Bonds if the additional Covered Bonds are not otherwise distinguishable from the original Covered Bonds.

### *Market Discount*

A Covered Bond, other than a Short-Term Covered Bond, generally will be treated as purchased at a market discount (a “**Market Discount Covered Bond**”) if the Covered Bond’s stated redemption price at maturity or, in the case of a Discount Covered Bond, the Covered Bond’s “revised issue price” exceeds the amount for which the U.S. Holder purchased the Covered Bond by at least 0.25 per cent. of the Covered Bond’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Covered Bond’s maturity (or, in the case of a Covered Bond that is an instalment obligation, the Covered Bond’s weighted average maturity). If this excess is not sufficient to cause the Covered Bond to be a Market Discount Covered Bond, then the excess constitutes “*de minimis* market discount”. For this purpose, the “revised issue price” of a Covered Bond generally equals its issue price, increased by the amount of any OID that has accrued on the Covered Bond and decreased by the amount of any payments previously made on the Covered Bond that were not qualified stated interest payments.

Under current law, any gain recognised on the maturity or disposition of a Market Discount Covered Bond (including any payment on a Covered Bond that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Covered Bond. Alternatively, a U.S. Holder of a Market Discount Covered Bond may elect to include market discount in income currently over the life of the Covered Bond. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the “**IRS**”). A U.S. Holder of a Market Discount Covered Bond that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Covered Bond that is in excess of the interest and OID on the Covered Bond includible in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Covered Bond was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Covered Bond with respect to which it is made and is irrevocable.

### *Election to Treat All Interest as Original Issue Discount*

A U.S. Holder may elect to include in gross income all interest that accrues on a Covered Bond using the constant-yield method described above under “*Original Issue Discount – General*”, with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under “*Covered Bonds Purchased at a Premium*”) or acquisition premium. This election will generally apply only to the Covered Bond with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Covered Bond is made with respect to a Market Discount Covered Bond, the electing U.S. Holder will be treated as having made the election discussed above under “*Market Discount*” to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

### *Variable Interest Rate Covered Bonds*

Covered Bonds that provide for interest at variable rates (“**Variable Interest Rate Covered Bonds**”) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under Treasury regulations governing accrual of OID. A Variable Interest Rate Covered Bond will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Covered Bond by more

than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “**qualified floating rate**” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Covered Bond is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Covered Bond (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Covered Bond’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Covered Bond.

An “**objective rate**” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Covered Bond will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Covered Bond’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Covered Bond’s term. A “**qualified inverse floating rate**” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Covered Bond provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Covered Bond’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “**current value**” of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Covered Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Covered Bond which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Covered Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout

the term thereof and that qualifies as a “variable rate debt instrument” will generally not be treated as having been issued with OID unless the Variable Interest Rate Covered Bond is issued at a “true” discount (i.e., at a price below the Covered Bond’s stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Covered Bond arising from “true” discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Covered Bond.

In general, any other Variable Interest Rate Covered Bond that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Covered Bond. Such a Variable Interest Rate Covered Bond must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Covered Bond with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Covered Bond’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Covered Bond is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Covered Bond. In the case of a Variable Interest Rate Covered Bond that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Covered Bond provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair value of the Variable Interest Rate Covered Bond as of the Variable Interest Rate Covered Bond’s issue date is approximately the same as the fair value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Covered Bond is converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Covered Bond is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Covered Bond will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Covered Bond during the accrual period.

If a Variable Interest Rate Covered Bond, such as a Covered Bond the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Covered Bond will be treated as a contingent payment debt obligation.

#### *Contingent Payment Debt Instruments*

Certain Covered Bonds may be treated as contingent payment debt instruments for U.S. federal income tax purposes. Under applicable U.S. Treasury regulations, interest on contingent payment debt instruments is treated as OID and must be accrued on a constant-yield basis based on a yield to maturity that reflects the rate at which the issuer would issue a comparable fixed-rate instrument with no contingent payments but with terms and conditions otherwise similar to the contingent payment debt instruments (the “**comparable yield**”), based on a projected payment schedule determined by the Issuer (the “**projected payment schedule**”). This projected payment

schedule must include each non-contingent payment on the Covered Bond and an estimated amount for each contingent payment, and must produce the comparable yield.

The Issuer will be required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on such Covered Bonds. The applicable Final Terms will either contain the comparable yield and projected payment schedule, or will provide an address to which a U.S. Holder of a contingent payment debt instrument can submit a written request for this information. A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Issuer unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly and timely justifies and discloses such schedule to the IRS. The Issuer's determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

Gain from the sale or other disposition of a contingent payment debt instrument will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total interest inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Prospective purchasers should consult their tax advisers as to the U.S. federal income tax consequences of purchasing contingent payment debt instruments.

#### *Covered Bonds with an Extended Maturity Date*

The following rules will apply to any Covered Bond to which an Extended Maturity Date applies. The rules governing the calculation of OID are not entirely clear for Covered Bonds that provide the Issuer with the option to extend the Maturity Date with interest payable at more than one interest rate during the life of the Covered Bonds. The Issuer believes that the discussion below properly describes the application of the OID rules to a Series of Covered Bonds to which an Extended Maturity Date applies. However, there is no assurance that the IRS will agree with this treatment. **Each U.S. Holder should consult its own tax adviser about the proper application of the OID rules to a Covered Bond that provides the Issuer with the option to extend the Maturity Date.**

In the case of Covered Bonds that provide for a "qualified floating rate" (as described under "Variable Interest Rate Covered Bonds" above) through the Maturity Date, using the rates applicable on the Issue Date, if the interest rate through the Maturity Date is less than the interest rate from the Maturity Date through the Extended Maturity Date, the Issuer will be presumed to redeem the Covered Bonds at the Maturity Date and the Covered Bonds should be treated as "variable rate debt instruments" that provide for stated interest at a single qualified floating rate (as described under "Variable Interest Rate Covered Bonds" above). If, using the rates applicable on the Issue Date, the interest rate through the Maturity Date is greater than the interest rate from the Maturity Date through the Extended Maturity Date, the Issuer will be presumed to extend the Covered Bonds at the Maturity Date and the Covered Bonds should be treated as "variable rate debt instruments" that do not provide for stated interest at either a single qualified floating rate or a single objective rate (as described under "Variable Interest Rate Covered Bonds" above).

In the case of Covered Bonds that provide for a fixed rate through the Maturity Date, the Covered Bonds must be converted into an "equivalent" fixed rate debt instrument (as described under "Variable Interest Rate Covered Bonds" above). If, using the rates applicable on the Issue Date, the interest rate on the "equivalent" fixed rate debt instrument is less than the interest rate from the Maturity Date through the Extended Maturity Date, the Issuer will be presumed to redeem the Covered Bonds at the Maturity Date and the general rules pertaining to OID should apply. If, using the rates applicable on the Issue Date, the interest rate on the "equivalent" fixed rate debt instrument is greater than the interest rate from the Maturity Date through the Extended Maturity Date, the Issuer will be presumed to extend the Covered Bonds at the Maturity Date and the Covered Bonds should

be treated as “variable rate debt instruments” that do not provide for stated interest at either a single qualified floating rate or a single objective rate (as described under “Variable Interest Rate Covered Bonds” above).

#### *Short-Term Covered Bonds*

In general, an individual or other cash basis U.S. Holder of a Short-Term Covered Bond is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Covered Bonds on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Covered Bond will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Covered Bonds will be required to defer deductions for interest on borrowings allocable to Short-Term Covered Bonds in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Covered Bond are included in the Short-Term Covered Bond’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Covered Bond as if the Short-Term Covered Bond had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Covered Bond. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

#### **Covered Bonds Purchased at a Premium**

A U.S. Holder that purchases a Covered Bond for an amount in excess of its principal amount or, for a Discount Covered Bond, its stated redemption price at maturity, may elect to treat the excess as “**amortisable bond premium**”, in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Covered Bond will be reduced by the amount of amortisable bond premium allocable (based on the Covered Bond’s yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “*Original Issue Discount – Election to Treat All Interest as Original Issue Discount*”.

#### **Purchase, Sale and Retirement of Covered Bonds**

A U.S. Holder’s tax basis in a Covered Bond will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Covered Bond and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder’s income with respect to the Covered Bond, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Covered Bond.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Covered Bond equal to the difference between the amount realised on the sale or retirement and the tax basis of the Covered Bond. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under “*Original Issue Discount – Market Discount*” or “*Original Issue Discount – Short Term Covered Bonds*” or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Covered Bond will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder’s holding period in the

Covered Bonds exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Covered Bond generally will be U.S. source.

### **Foreign Currency Covered Bonds**

#### *Interest*

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Covered Bond) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### *OID*

OID for each accrual period on a Discount Covered Bond that is denominated in, or determined by reference to, a foreign currency will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Covered Bond or a sale of the Covered Bond), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### *Market Discount*

Market Discount on a Covered Bond that is denominated in, or determined by reference to, a foreign currency will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Covered Bond, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

### *Bond Premium*

Bond premium (including acquisition premium) on a Covered Bond that is denominated in, or determined by reference to, a foreign currency will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset and the spot rate in effect on the date the Covered Bonds were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Covered Bond matures.

### *Sale or Retirement*

As discussed above under “*Purchase, Sale and Retirement of Covered Bonds*”, a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Covered Bond equal to the difference between the amount realised on the sale or retirement and its tax basis in the Covered Bond. A U.S. Holder’s tax basis in a Covered Bond that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Covered Bond. The U.S. dollar cost of a Covered Bond purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Covered Bonds traded on an established securities market, within the meaning of the applicable Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Covered Bonds traded on an established securities market, within the meaning of the applicable Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Covered Bond equal to the difference, if any, between the U.S. dollar values of the U.S. Holder’s purchase price for the Covered Bond (or, if less, the principal amount of the Covered Bond) on (i) the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Covered Bond. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

### *Disposition of Foreign Currency*

Foreign currency received as interest on a Covered Bond or on the sale or retirement of a Covered Bond will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Covered Bonds or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

### **Backup Withholding and Information Reporting**

In general, payments of interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Covered Bonds, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments and to accruals of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax

advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

### **Reportable Transactions**

A U.S. taxpayer that participates in a “reportable transaction” will be required to disclose its participation to the IRS. A U.S. Holder may be required to treat a foreign currency exchange loss from the Covered Bonds as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. Accordingly, if a U.S. Holder realises a loss on any Covered Bond (or, possibly, aggregate losses from the Covered Bonds) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to penalties. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Covered Bonds.

### **Foreign Financial Asset Reporting**

Individual U.S. Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Covered Bonds. Investors who fail to report required information could be subject to substantial penalties. U.S. Holders should consult their tax advisers regarding the application of this legislation.

### **Norwegian Taxation**

Payments of principal and interest on the Covered Bonds issued under the U.S. Programme to persons who have no connection with Norway other than the holding of such Covered Bonds issued by the Issuer are, under present Norwegian law, not subject to Norwegian tax, and may hence be made without any withholding tax or deduction for any Norwegian taxes, duties, assessments or governmental charges.

Capital gains or profits realised on the sale, disposal or redemption of such Covered Bonds by persons who have no connection with Norway other than the holding of the Covered Bonds are not, under present Norwegian law, subject to Norwegian taxes or duties.

No Norwegian issue tax or stamp duty is payable in connection with the issues of the Covered Bonds.

The Covered Bonds will not be subject to any Norwegian estate duties provided that, at the time of death of the holder, such holder has no connection with Norway other than the holding of such Covered Bonds and provided that the Covered Bonds have not been used in, or in connection with, any business activity operated through a permanent establishment situated in Norway.

Persons considered domiciled in Norway for tax purposes will be subject to Norwegian income tax on interest received in respect of the Covered Bonds. Likewise, capital gains or profits realised by such persons on the sale, disposal or redemption of the Covered Bonds will be subject to Norwegian taxation.

### **Luxembourg Taxation**

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

## **Withholding Tax**

### **(i) Non-resident holders of Covered Bonds**

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the "**Laws**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident holders of Covered Bonds.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**"), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories, will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the relevant paying agent. Payments of interest under the Covered Bonds coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent.

### **(ii) Resident holders of Covered Bonds**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Law**"), mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident holders of Covered Bonds.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the relevant paying agent. Payments of interest under the Covered Bonds coming within the scope of the Law would be subject to withholding tax of 10 per cent.

## **EU Savings Directive**

Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

## ERISA CONSIDERATIONS

The Covered Bonds should be eligible for purchase by employee benefit plans and other plans subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and/or the provisions of section 4975 of the Code and by governmental plans (as defined in section 3(32) of ERISA), church plans (as defined in section 3(33) of ERISA) and non-U.S. plans (as described in section 4(b)(4) of ERISA) that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or section 4975 of the Code, subject to consideration of the issues described in this section. ERISA imposes certain requirements on employee benefit plans (as defined in section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under Risk Factors.

Section 406 of ERISA and section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the "**Plans**")) and certain persons (referred to as parties in interest or disqualified persons) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a plan fiduciary, who engages in a prohibited transaction, may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Dealers or any other party to the transactions contemplated by the Transaction Documents may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of section 406 of ERISA or section 4975 of the Code may arise if any of the Covered Bonds is acquired or held by a Plan with respect to which the Issuer, the Dealers or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Covered Bonds and the circumstances under which such decision is made. Included among these exemptions are section 408(b)(17) of ERISA and section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisers regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Covered Bonds.

Each purchaser and subsequent transferee of any Covered Bond will be deemed by such purchase or acquisition of any such covered bond to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Covered Bond through to and including the date on which the purchaser or transferee disposes of such Covered Bond, either that

(a) it is not a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other law that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code or (b) its acquisition, holding and disposition of such Covered Bond will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, under any substantially similar federal, state, local, non-U.S. or other law) for which an exemption is not available.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. section 2510.3-101, as modified by section 3(42) of ERISA (the “**Plan Asset Regulation**”) describing what constitutes the assets of a Plan with respect to the Plan’s investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the United States Investment Company Act of 1940, the Plan’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form of debt may be considered an equity interest if it has substantial equity features. If the Issuer were deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan’s investment in any of the Covered Bonds, such plan assets would include an undivided interest in the assets held by the Issuer and transactions by the Issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and section 4975 of the Code. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Covered Bonds should not be treated as equity interests for the purposes of the Plan Asset Regulation.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Covered Bonds should determine whether, under the documents and instruments governing the Plan, an investment in such Covered Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan’s investment portfolio. Any Plan proposing to invest in such Covered Bonds (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any substantially similar federal, state, local, non-U.S. or other law).

The sale of any Covered Bonds to a Plan is in no respect a representation by the Issuer, the Dealers or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have in a Programme Agreement dated 22 September 2010 and amended and restated on 15 September 2011 and 7 March 2013 (as may be amended or supplemented from time to time, the “**Programme Agreement**”) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated under “*Form of the Covered Bonds*” and “*Terms and Conditions of the Covered Bonds*” above.

The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

One or more Dealers may purchase Covered Bonds, as principal, from the Issuer from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Dealer, or, if so specified in the applicable Final Terms, for resale at a fixed offering price.

A Dealer may sell Covered Bonds it has purchased from the Issuer as principal to certain other dealers less a concession equal to all or any portion of the discount received in connection with such purchase. The Dealer may allow, and such dealers may re-allow, a discount to certain other dealers. After the initial offering of Covered Bonds, the offering price (in the case of Covered Bonds to be resold at a fixed offering price), the concession and the re-allowance may be changed.

The Issuer may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase Covered Bonds in whole or in part.

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with applicable laws and rules.

These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Covered Bonds. If the Dealer creates or the Dealers create, as the case may be, a short position in the Covered Bonds, that is, if it sells or they sell Covered Bonds in an aggregate principal amount exceeding that set forth in the applicable Final Terms, such Dealer(s) may reduce that short position by purchasing Covered Bonds in the open market. In general, purchase of Covered Bonds for the purpose of stabilisation or to reduce a short position could cause the price of the Covered Bonds to be higher than it might be in the absence of such purchases.

Neither the Issuer nor any of the Dealers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Covered Bonds. In addition, neither the Issuer nor any of the Dealers makes any representation that the Dealers will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

Under the Programme Agreement, the Issuer has agreed to indemnify the Dealers against some liabilities (including liabilities under the Securities Act) or to contribute to payments the Dealers may be required to make in respect thereof in connection with the establishment and any future updates of the U.S. Programme and the issue of Covered Bonds under the U.S. Programme. The

Issuer has also agreed to reimburse the Dealers for some other expenses in connection with the establishment and any future updates of the U.S. Programme and the issue of Covered Bonds under the U.S. Programme.

The Dealers may, from time to time, purchase and sell Covered Bonds in the secondary market, but they are not obligated to do so, and there can be no assurance that there will be a secondary market for the Covered Bonds or liquidity in the secondary market if one develops. From time to time, the Dealers may make a market in the Covered Bonds.

The Dealers and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Issuer, and the Dealers have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Issuer has consulted its own legal, accounting, regulatory and tax advisers to the extent it deemed appropriate. Certain of the Dealers and their respective affiliates have, directly or indirectly, performed investment and commercial banking or financial advisory services for the Issuer and/or its affiliates for which they have received customary fees and commissions, and they expect to provide these services to the Issuer and/or its affiliates in the future, for which they also expect to receive customary fees and commissions.

In the ordinary course of their business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Transfer Restrictions**

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds or person wishing to transfer an interest from one Registered Covered Bond to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware, and each beneficial owner of such Covered Bonds has been advised, that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person;

(ii) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds have not been and will not be registered under the Securities Act or any applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Reg. S Global Covered Bond and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell,

pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last issue date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the Seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

(iv) that, except as otherwise provided in the applicable Final Terms, either (A) it is not and for so long as it holds a Covered Bond (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), (iii) an entity whose underlying assets are deemed for purposes of ERISA or the Code to include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local, non-U.S. or other law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) its acquisition, holding and disposition of the Covered Bonds will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or in the case of such a governmental, church or non-U.S. plan, under any such substantially similar U.S. federal, state, local, non-U.S. or other law) for which an exemption is not available.

(v) that it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(vi) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Restricted Global Covered Bonds and that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(vii) that the Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, “RULE 144A”) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE AGENCY AGREEMENT) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY

RULE 144 (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

EXCEPT AS OTHERWISE PROVIDED IN THE APPLICABLE FINAL TERMS, BY ITS ACQUISITION AND HOLDING OF THIS COVERED BOND (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE COVERED BONDS WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.";

(viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the Distribution Compliance Period, it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE COVERED BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "**AGENCY AGREEMENT**") AND

PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE ARE A PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OR REGULATIONS UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT.

EXCEPT AS OTHERWISE PROVIDED IN THE APPLICABLE FINAL TERMS, BY ITS ACQUISITION AND HOLDING OF THIS COVERED BOND (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE COVERED BONDS WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE."; and

(ix) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent in another Specified Currency).

#### **United States**

The Covered Bonds 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 Covered Bonds in bearer form 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.

Each Dealer has represented and agreed and each further Dealer appointed under the U.S. Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Covered Bonds of any Series (i) as part of the distribution thereof at any time; or (ii) until the end of the Distribution Compliance Period, as certified by the relevant Dealer or, as the case may be, the lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed that it will have sent to each dealer to which it sells the Covered Bonds (other than a sale pursuant to Rule 144A) during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until the expiration of the applicable Distribution Compliance Period, an offer or sale of Registered Covered Bonds within the United States by any dealer that is 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 Rule 144A under the Securities Act.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent in another Specified Currency).

Any resale or other transfer, or attempted resale or other transfer, of Covered Bonds made other than in compliance with the restrictions set out above and below shall not be recognised by the Issuer or any of its agents. The certificates for the Covered Bonds sold in the United States shall bear a legend to this effect.

#### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the U.S. Programme will be required to represent, warrant 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 Covered Bonds which are the subject of the offering contemplated by this 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 Covered Bonds 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;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in paragraphs (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:

- (a) the expression “**offer of Covered Bonds to the public**” in relation to any Covered Bonds 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 Covered Bonds to be offered so

as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;

- (b) the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State; and
- (c) “**2010 PD Amending Directive**” means Directive 2010/73/EU.

#### **United Kingdom**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the U.S. Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Covered Bonds having 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 Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds 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 Covered Bonds in, from or otherwise involving the United Kingdom.

#### **Norway**

Each Dealer has represented, warranted and agreed that it has not made and will not make an offer of Covered Bonds to the public in Norway prior to the publication of a prospectus in relation to the Covered Bonds which has been approved by the competent authority in Norway or, where appropriate, approved in another Relevant Member State and notified to the competent authority in Norway, all in accordance with the Prospectus Directive, except that it may make an offer of Covered Bonds to the public in Norway at any time:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 (2) of the Prospectus Directive and the Securities Trading Act chapter 7.

For the purposes of this provision, the expression an “**offer to the public**” means the communication in any form and by any means of sufficient information on the terms of the offer so as to enable an investor to decide to purchase or subscribe the instruments offered, and the expression “**Prospectus Directive**” means Directive EC/2003/71 as amended by Directive 2010/73/EU.

#### **Denmark**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the U.S. Programme will be required to represent, warrant and agree, that it has not offered or sold and will not offer, sell or deliver any Covered Bonds directly or indirectly in the Kingdom of Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act,

Consolidation Act No. 959 of 11 August 2010, as amended from time to time and any Orders issued thereunder.

### **The Netherlands**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the U.S. Programme will be required to represent, warrant and agree, that the Covered Bonds (or any interest therein) may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in The Netherlands, on their issue date or at any time thereafter, and neither this Prospectus or any other document in relation to any offering of the Covered Bonds (or any interest therein) may be distributed or circulated in The Netherlands, other than to professional market parties (“PMPs”) within the meaning of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (which includes, *inter alios*, qualified investors as defined in the Prospectus Directive such as banks, insurance companies, securities firms, collective investment undertakings and pension funds), provided that these parties acquire the relevant Covered Bonds for their own account or that of another PMP.

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the U.S. Programme will be required to represent, warrant and agree, that bearer Zero Coupon Covered Bonds in definitive bearer form and other bearer securities in definitive form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the “SCA”) may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such securities to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such securities if they are physically issued outside The Netherlands and are not immediately thereafter distributed in The Netherlands.

### **Japan**

The Covered Bonds 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, warranted and agreed, and each further Dealer appointed under the U.S. Programme will be required to represent, warrant and agree, that it has not offered or sold and will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (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, any 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.

### **General**

Each Dealer has agreed, and each further Dealer appointed under the U.S. 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 Covered Bonds or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds 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, the Fiscal Agent, the Arranger nor any other Dealer shall have any responsibility therefor.

None of the Issuer, the Fiscal Agent, the Arranger nor any of the Dealers represents that Covered Bonds 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.

## **INDEPENDENT AUDITORS**

The Issuer's financial statements for each of the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010, incorporated by reference in the Prospectus, were audited by Ernst & Young AS of Dronning Eufemias gate 6, 0051 Oslo, State-Authorised Public Accountants, as stated in their report appearing therein. Ernst & Young AS is a member of the Norwegian Institute of Public Accountants.

## **LEGAL MATTERS**

Certain legal matters relating to the Covered Bonds under English Law will be passed upon for the Dealers by Linklaters LLP. Advokatfirmaet Wiersholm AS will pass upon certain matters of Norwegian law for the Dealers. Certain matters of United States law will be passed upon for the Issuer by Allen & Overy LLP and for the Dealers by Linklaters LLP.

## GENERAL INFORMATION

### Authorisation

The establishment of the U.S. Programme and the issue of Covered Bonds have been duly authorised by resolutions of the meeting of the Board of Directors of the Issuer dated 19 January 2010, 18 January 2011 and 25 January 2013.

### Approval, Listing of Covered Bonds and Admission to Trading on the Luxembourg Stock Exchange

Application has been made to the CSSF for the approval of this document as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the U.S. Programme during the period of 12 months from the date of this Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

### Documents Available

For as long as the U.S. Programme remains valid with the Luxembourg Stock Exchange, copies of the following documents will be available, upon request, free of charge, from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg (where applicable, with an English translation thereof):

- (i) the constitutional documents (with an English translation thereof) of the Issuer;
- (ii) the Programme Agreement, the Agency Agreement, the Deed of Covenant, the forms of the Temporary Bearer Global Covered Bonds, the Permanent Bearer Global Covered Bonds, the Reg. S Global Covered Bond, the Restricted Global Covered Bond, the definitive Bearer and Registered Covered Bonds, the Coupons and the Talons; and
- (iii) in the case of each issue of Covered Bonds admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

For as long as the U.S. Programme remains valid with the Luxembourg Stock Exchange, copies of the following documents will be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and, upon request, free of charge, from the registered office of the Issuer and the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (i) a copy of this Prospectus and any Final Terms relating to Covered Bonds which are admitted to trading on the Luxembourg Stock Exchange's regulated market;
- (ii) any future prospectuses, information memoranda and supplements to the Prospectus and any other documents incorporated herein or therein by reference; and
- (iii) the audited annual financial statements of the Issuer for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, in each case together with the auditors' report thereon.

### Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer will make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP number for each Tranche of Registered Covered Bonds, together with the relevant ISIN and common code, will be specified in the applicable Final

Terms. Euroclear, Clearstream, Luxembourg and DTC are the entities in charge of keeping the records.

The address of Euroclear is 1 Boulevard du Roi Albert II, B.1210 Brussels, Belgium; the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg; and the address of DTC is 55 Water Street, New York, New York 10041-0099, USA.

#### **Conditions for Determining Price**

The issue price and amount of the Covered Bonds of any Tranche to be issued under the U.S. Programme will be determined by the Issuer and the relevant Dealer at the time of the issue of such Tranche in accordance with prevailing market conditions.

#### **Material and Significant Change**

Since 31 December 2012, there has been no material adverse change in the prospects of the Issuer and, since 31 December 2012, there has been no significant change in the financial or trading position of the Issuer.

#### **Litigation**

The Issuer is not nor has it been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer.

#### **Post-issuance Information**

The Issuer does not intend to provide any post-issuance information in relation to its assets underlying issues of Covered Bonds constituting derivative securities. The Issuer provides Issuer Reports at three-month intervals shortly after Issuer Cover Pool data is determined. Issuer Cover Pool data is currently determined at 31 March, 30 June, 30 September and 31 December in each year. The Issuer Reports shall be posted on the Issuer's website at: <https://www.dnb.no/en/about-us/investor-relations/funding.html>. The Issuer's website and the contents thereof do not form any part of this Prospectus.

## GLOSSARY

In this Prospectus, the following defined terms have the meanings set out below:

**“2010 PD Amending Directive”** shall mean Directive 2010/73/EU.

**“Accrual Period”** shall mean 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.

**“Agency Agreement”** shall mean the agency agreement dated 22 September 2010 (as amended and restated on 15 September 2011 and 7 March 2013 (and as may be amended or supplemented from time to time) between the Issuer, Fiscal Agent and the other agents.

**“Amortised Face Amount”** shall have the meaning given to it in Condition 5(e) (*Early Redemption Amounts*) of the Terms and Conditions of the Covered Bonds.

**“Applicable Procedures”** shall mean, in relation to the transfer and/or exchange of a beneficial interest in the Registered Global Covered Bond, the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be.

**“Australian Programme”** shall mean the A\$4,000,000,000 Covered Bond Programme of DNB Boligkreditt established on 11 May 2011 (as updated from time to time).

**“Bank”** shall mean DNB Bank ASA.

**“Bankruptcy Administrator”** shall mean the administrator of the bankruptcy estate appointed by the bankruptcy court in the case where a Financial Institution is declared bankrupt.

**“Bearer Covered Bonds”** shall mean Covered Bonds issued in bearer form.

**“Beneficial Owner”** shall mean the actual purchaser of a Registered Covered Bond.

**“Business Day”** shall have the meaning given to it in Condition 3 (*Interest*) of the Terms and Conditions of the Covered Bonds.

**“Clearstream, Luxembourg”** shall mean Clearstream Banking, *société anonyme*.

**“Code”** shall mean the U.S. Internal Revenue Code of 1986.

**“Common Depository”** shall mean the common depository who receives the Temporary Bearer Global Covered Bonds (which are not intended to be issued in NGCB form) on or prior to the original issue date of the Tranche.

**“Common Safekeeper”** shall mean the common safekeeper who receives the Temporary Bearer Global Covered Bonds (which are intended to be issued in NGCB form) on or prior to the original issue date of the Tranche.

**“Conditions”** shall mean the conditions set forth in this Prospectus.

**“Couponholders”** shall mean the holders of the Coupons, and unless the context requires otherwise, the holders of Talons.

**“Coupons”** shall mean the interest coupons on interest bearing definitive Bearer Covered Bonds.

**“Covered Bondholder”** shall mean the holder of Covered Bonds.

**“Covered Bonds”** shall mean those covered bonds issued by the Issuer under the U.S. Programme in accordance with the Financial Institutions Act.

**“Cover Pool”** shall mean the cover pool as defined in the Financial Institutions Act.

**“Cover Pool Register”** has the meaning given to it on page 79.

**“Creditors’ Committee”** shall have the meaning given to it on page 11.

“**CSSF**” shall mean the *Commission de Surveillance du Secteur Financier*.

“**Currency Swap**” has the meaning given to it on page 83.

“**Currency Swap Agreement**” has the meaning given to it on page 83.

“**Currency Swap Early Termination Event**” has the meaning given to it on page 84.

“**Currency Swap Provider**” has the meaning given to it on page 83.

“**Day Count Fraction**” shall have the meaning given to it in Condition 3 (*Interest*) of the Terms and Conditions of the Covered Bonds.

“**Deed of Covenant**” shall mean the deed of covenant (as amended or supplemented from time to time) executed by the Issuer in relation to the Covered Bonds on 22 September 2010.

“**Dealer**” shall mean each entity specified as such in the U.S. Programme.

“**Determination Period**” shall mean the 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).

“**Direct Participants**” shall mean participants who deposit their securities with DTC.

“**Distribution Compliance Period**” shall mean the period that ends 40 days after completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer or, as the case may be, the Lead Manager.

“**DNB Group**” shall mean DNB ASA and its subsidiaries.

“**DTC**” shall mean The Depository Trust Company.

“**EEA**” shall mean European Economic Area.

“**EURIBOR**” shall mean the Euro-zone inter-bank offered rate.

“**Euro Programme**” shall mean the €60,000,000,000 Covered Bond Programme of DNB Boligkreditt established on 25 June 2007 (as updated from time to time).

“**Euroclear**” shall mean Euroclear Bank SA/NV.

“**Euro-zone**” means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended.

“**Exchange Act**” shall mean the U.S. Securities Exchange Act of 1934, as amended.

“**Exchange Agent**” shall mean Citibank, N.A., London Branch or any successor exchange agent appointed in accordance with the Agency Agreement.

“**Exchange Date**” shall mean the date on which interests in the Temporary Bearer Global Covered Bond are exchanged either for interests in a Permanent Bearer Global Covered Bond or for definitive Bearer Covered Bonds as the case may be.

“**Exchange Event**” shall mean (i) the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statute or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Issuer, the Fiscal Agent, the other Paying Agents and the Covered Bondholder is available, (ii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 6 (*Taxation*) which would not be required were the Covered Bonds represented by the Permanent Bearer Global Covered Bond in definitive bearer form and a certificate to such effect signed by two Directors of the Issuer has been given to the Fiscal Agent.

**“Extended Maturity Date”** shall mean the automatic monthly extension to the Maturity Date up to but not later than 12 months from the Maturity Date, subject as otherwise provided for in the applicable Final Terms, where the Issuer has failed to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter).

**“FIEA”** shall mean the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended).

**“Financial Institutions”** shall mean the Norwegian financial institutions as defined in the Financial Institutions Act which may issue covered bonds.

**“Financial Institutions Act”** shall mean Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-chapter IV and appurtenant regulations.

**“Financing Legislation”** shall mean the Financial Institutions Act and the Financial Regulations.

**“Financial Regulations”** shall mean the regulation of 25 May 2007 issued by the Ministry of Finance under the authority conferred on it by the Financial Institutions Act.

**“Fiscal Agent”** shall mean Citibank, N.A., London Branch or any successor agent appointed in accordance with the Agency Agreement.

**“Fitch”** shall mean Fitch Ratings Limited.

**“Fixed Interest Period”** shall mean the period from (and including) as Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

**“Fixed Rate Covered Bond”** shall mean Covered Bonds which provide for interest based on a fixed rate.

**“Floating Rate Covered Bond”** shall mean Covered Bonds which provide for interest based on a floating rate.

**“Further Covered Bonds”** shall mean further covered bonds created and issued by the Issuer from time to time having terms and conditions the same as the Covered Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds.

**“Government Loans”** shall mean a loan guaranteed by certain governmental bodies which, pursuant to the Financial Institutions Act, can be included in the Cover Pool.

**“Group”** shall mean the DNB Group.

**“IFRS”** shall mean International Financial Reporting Standards as adopted by the European Union.

**“Indirect Participants”** shall mean participants who clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly.

**“Inspector”** shall mean the independent inspector appointed under the Financial Institutions Act.

**“Interest Amount”** shall mean the amount of interest payable per Calculation Amount on the Floating Rate Covered Bonds for the relevant Interest Period as calculated by the Fiscal Agent.

**“Interest Payment Date”** shall have the meaning given to it in Condition 3 (*Interest*) of the Terms and Conditions of the Covered Bonds.

**“Interest Rate Swap”** has the meaning given to it on page 84.

**“Interest Rate Swap Agreement”** has the meaning given to it on page 84.

**“Interest Rate Swap Provider”** has the meaning given to it on page 84.

**“Investor Put”** shall mean the option of the Covered Bondholders to redeem certain Covered Bonds.

**“Investor’s Currency”** shall mean the currency or currency unit in which an investor’s financial activities are denominated principally, other than a Specified Currency.

**“IRS”** shall mean the United States Internal Revenue Service.

**“ISDA Definitions”** shall have the meaning given to it in Condition 3 (*Interest*) of the Terms and Conditions of the Covered Bonds.

**“ISDA Rate”** shall have the meaning given to it in Condition 3 (*Interest*) of the Terms and Conditions of the Covered Bonds.

**“Issuer”** shall mean DNB Boligkreditt AS.

**“Issuer Call”** shall mean the option of the Issuer to redeem certain Covered Bonds.

**“Issuer Cover Pool”** shall mean the Cover Pool maintained by the Issuer in accordance with the terms of the Financial Institutions Act (as amended by the Terms and Conditions of the Covered Bonds) which only consists of loans secured (i) by Residential Mortgages (as defined by Norwegian legislation), (ii) by mortgages over second homes and (iii) by mortgages over joint debt of housing cooperatives, in addition to receivables in the form of certain derivatives agreements specified under the Financial Institutions Act and substitute assets (as defined under the Financial Institutions Act).

**“Law”** shall mean the law of 23 December 2005 passed in Luxembourg.

**“Laws”** shall mean the laws of 21 June 2005 passed in Luxembourg, which implement the EC Council Directive 2003/48/EC.

**“Legend”** shall mean the legend set forth in the Restricted Global Covered Bond.

**“Legended Covered Bonds”** shall mean Covered Bonds which bear the Legend.

**“LIBOR”** shall mean the London inter-bank offered rate.

**“London Business Day”** shall mean a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**“Long Maturity Covered Bond”** shall mean a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon, provided that such Covered Bond shall cease to be a Long Maturity Covered Bond 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 Covered Bond.

**“LTV”** shall mean loan-to-value ratio.

**“Markets in Financial Instruments Directive”** shall mean Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments of 21 April 2004.

**“Master Sale Agreement”** shall mean the transfer agreement (as amended or supplemented from time to time and which replaced the master sale agreement entered into on 20 August 2009) between DNB Bank and the Issuer entered into on 16 February 2011.

**“Maturity Date”** shall mean the scheduled maturity date of such Covered Bonds as set out in the applicable Final Terms.

**“Ministry”** shall mean the Norwegian Ministry of Finance.

**“Minimum Earnings”** has the meaning given to it on page 81.

**“Moody’s”** shall mean Moody’s Investor Services Limited.

**“Mortgages”** shall mean the various types of mortgages which, pursuant to the Financial Institutions Act, may be the subject of security for mortgage loans that can be included in the Cover Pool.

**“NGCB”** and **“New Global Covered Bond”** shall mean those global Covered Bonds which are issued in new global Covered Bond form.

**“NIBOR”** shall mean the Norwegian inter-bank offered rate.

**“NOK”** means Norwegian Kroner.

**“Non-exempt Offer”** shall mean an offer where the applicable Final Terms in relation to the Covered Bonds specify that an offer of those Covered Bonds may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State.

**“Non-U.S. Dollar Covered Bond”** shall mean a Covered Bond denominated in a currency other than the U.S. dollar.

**“non-U.S. person”** means a person other than a “U.S. person” as defined in Regulation S, and **“non-U.S. persons”** shall be construed accordingly.

**“Norwegian IFRS Regulations”** shall mean International Financial Reporting Standards according to the Norwegian Ministry of Finance’s regulations on Annual Accounts Section 1-5.

**“Norwegian Regulations”** shall mean the Regulations on mortgage credit institutions which issue bonds conferring a preferential claim over a cover pool consisting of public sector loans and loans secured on residential property or other real property (Covered Bonds).

**“Norwegian Supplementary Regulations”** shall mean any regulations laid down pursuant to the Financial Institutions Act supplementary to the Norwegian Regulations.

**“OECD”** shall mean the Organisation for Economic Co-operation and Development.

**“OID”** shall mean any original issue discount.

**“Other Property Mortgages”** shall mean mortgages over other real property to the extent not Residential Mortgages.

**“Overdraft Facility”** has the meaning given to it on page 82.

**“Paying Agent”** shall mean Citibank, N.A., London Branch and any additional or successor paying agent(s) appointed in accordance with the terms of the Agency Agreement.

**“Paying Agents”** shall mean the Paying Agent and the Fiscal Agent.

**“Payment Day”** shall have the meaning given to it in Condition 4 (*Payments*) of the Terms and Conditions of the Covered Bonds.

**“Permanent Bearer Global Covered Bond”** shall mean a permanent global Covered Bond.

**“Proceedings”** shall mean any suit, action or proceedings arising out of or in connection with the Agency Agreement, the Covered Bonds and/or the Coupons.

**“Programme Agreement”** shall mean the Programme Agreement dated 22 September 2010 and amended and restated on 15 September 2011 and 7 March 2013 (as may be amended or supplemented from time to time) between the Issuer and Barclays Bank PLC and the other dealers named therein.

**“Prospectus Directive”** shall mean Directive 2003/71/EC.

**“QIBs”** shall mean qualified institutional buyers within the meaning of Rule 144A under the Securities Act.

**“Rating Agency”** has the meaning given to it on page 83.

**“Record Date”** shall have the meaning ascribed to it in Condition 4(b) (*Presentation of Covered Bonds and Coupons*) of the Terms and Conditions of the Covered Bonds.

**“Redeemed Covered Bonds”** shall mean Covered Bonds (or, as the case may be, parts of Registered Covered Bonds) to be redeemed.

**“Reg. S Global Covered Bond”** shall mean a permanent global Covered Bond in registered form, without interest coupons sold outside the United States in reliance on Regulation S under the Securities Act.

**“Registered Covered Bonds”** shall mean Covered Bonds issued in registered form.

**“Registered Global Covered Bonds”** shall mean Reg. S Global Covered Bonds together with Restricted Global Covered Bonds.

**“Registrar”** shall mean Citigroup Global Markets Deutschland AG or any successor registrar appointed in accordance with the Agency Agreement.

**“Relevant Date”** shall mean 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 Fiscal Agent or the Registrar 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 Covered Bondholders in accordance with the Condition 13 (*Notices*).

**“Relevant Factor”** shall mean an index or formula, changes in the prices of securities or commodities, movements in currency exchange rates or other factors, each being reference factors used to determine principal or interest of Covered Bonds.

**“Relevant Implementation Date”** shall mean the date on which the Prospective Directive is implemented in that Relevant Member State.

**“Relevant Member State”** shall mean each Member State of the EEA which has implemented the Prospectus Directive.

**“Replacement Agent”** means each Paying Agent and the Registrar issuing replacement Bearer Covered Bonds, Coupons and Talons in accordance with Condition 8 (*Replacement of Covered Bonds, Coupons and Talons*).

**“Residential Mortgages”** shall have the meaning ascribed to it in the Financial Institutions Act.

**“Restricted Global Covered Bond”** shall mean a restricted permanent global covered bond in registered form, without interest coupons sold in private transactions to QIBs.

**“Rule 144A”** shall mean Rule 144A under the Securities Act.

**“SEC”** shall mean the United States Securities and Exchange Commission.

**“Securities Act”** shall mean the United States Securities Act of 1933, as amended.

**“Selection Date”** shall have the meaning given to it in Condition 5 (*Redemption and Purchase*) of the Terms and Conditions of the Covered Bonds.

**“Series”** shall mean a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

**“Service Agreement”** shall mean the servicing agreement (as amended on 9 February 2010, 20 May 2010, 15 September 2010 and 16 February 2011 and as amended or supplemented from time to time and which replaced the Service Agreement entered into on 25 June 2007) between DNB Bank and the Issuer entered into on 20 August 2009.

“**Servicer**” has the meaning given to it on page 80.

“**Short-Term Covered Bond**” shall mean a Covered Bond which has a fixed maturity date not more than one year from the date of issue.

“**Specified Currency**” shall mean each of Euro, Sterling, U.S. dollars, Yen, Norwegian Kroner, Danish Kroner, Swedish Kroner and, subject to any applicable legal or regulatory restrictions and any applicable reporting requirements, any other currency agreed between the Issuer and the relevant Dealer.

“**Standard & Poor’s**” shall mean Standard & Poor’s Credit Market Services Europe Limited.

“**Statutory Register**” shall mean the register of the Covered Bonds and the Issuer Cover Pool maintained by the Issuer in accordance with the terms of the Financial Institutions Act.

“**Substitute Servicer**” has the meaning given to it in the Service Agreement.

“**Talons**” shall mean talons for further Coupons.

“**TARGET System**” shall mean the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System or any successor thereto.

“**Temporary Bearer Global Covered Bond**” shall mean the temporary global Covered Bond in bearer form which will initially represent the Bearer Covered Bonds of each Tranche.

“**Terms and Conditions of the Covered Bonds**” shall mean the conditions set forth in this Prospectus.

“**Territories**” shall mean certain dependent and associated territories of the EU Member States.

“**Tranche**” shall mean Covered Bonds which are identical in all respects (including as to listing).

“**Transfer Agents**” shall mean Citibank, N.A., London Branch and any additional or successor transfer agent(s) appointed in accordance with the terms of the Agency Agreement.

“**Transfer Certificate**” shall mean a transfer certificate substantially in the form set out in the Agency Agreement.

“**Transfer Notices**” has the meaning given to it on page 79.

“**U.S. Programme**” shall mean the U.S.\$12,000,000,000 Covered Bond Programme of DNB Boligkreditt AS.

“**Warranty**” has the meaning given to it on page 79.

“**Zero Coupon Covered Bonds**” shall mean Covered Bonds which provide that no interest is payable.

**THE ISSUER**

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**EXCHANGE AGENT**

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**REGISTRAR**

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**ARRANGER**

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