

OFFERING CIRCULAR

U.S.\$300,000,000

**Den norske Creditbank**

(Incorporated in the Kingdom of Norway with limited liability)

**DnC**

**FLOATING RATE CAPITAL NOTES DUE 1996**

**Convertible at the option of Den norske Creditbank into Primary Capital Perpetual Floating Rate Notes**

Principal and interest are payable in United States dollars in certain cities outside the United States or in New York City (except for interest on Notes in bearer form) without deduction for or on account of Norwegian withholding taxes, to the extent set forth herein. Interest will be payable semi-annually in arrears on the Interest Payment Date in February and August of each year, commencing February 1987, in the case of the Notes at a rate equal to the arithmetic mean of the London interbank offered rates for six-month Eurodollar deposits for the Notes and, in the case of the Perpetual Notes 0.15 per cent. above such rate, quoted by Reference Banks on the second business day before the beginning of each Interest Period, as described more fully herein.

The Notes are unsecured and unsubordinated obligations of Den norske Creditbank (the "Bank" or "DnC") but may be subordinated at any time by the Bank.

The Notes will mature on the Interest Payment Date in August 1996 and are not redeemable prior to August 1991, except that the Notes may be redeemed in whole at their principal amount on any Interest Payment Date in the event of the imposition of Norwegian withholding taxes, as set forth herein. On and after the Interest Payment Date in August 1991, the Notes may be redeemed on any Interest Payment Date at the option of the Bank in whole but not in part at their principal amount.

The Bank may convert the Notes, in aggregate principal amounts of U.S.\$100,000,000 or integral multiples thereof, on any Interest Payment Date falling after the Exchange Date (as defined in "Subscription and Sale") into an equal aggregate principal amount of Primary Capital Perpetual Floating Rate Notes. The Perpetual Notes will have no final maturity and will rank after all other subordinated debt of the Bank and in a winding up of the Bank will be treated as preference shares in the capital of the Bank. Payments, principal and interest in respect of the Perpetual Notes are conditional upon the Bank being solvent after making such payment. The Perpetual Notes are only redeemable in the event of the imposition of Norwegian withholding taxes or five years after their issue in either case in whole on any Interest Payment Date at their principal amount.

Application has been made to list the Notes and the Perpetual Notes on the Luxembourg Stock Exchange.

**ISSUE PRICE 100%**

The Notes and the Perpetual Notes have not been and will not be registered under the United States Securities Act of 1933 and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions, or to U.S. Persons (as defined herein) except under the limited circumstances described herein, all as set forth herein.

The Notes are offered, subject to prior sale, when, as and if issued by Den norske Creditbank and accepted by the Managers and subject to the approval of certain legal matters by counsel for the Managers. A temporary global note, without interest coupons, representing the Notes (the "Global Note") will be deposited with a common depositary for Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System and CEDEL S.A. on or about 21st August, 1986. The Global Note will be exchangeable for definitive Notes (i) not earlier than 90 days after completion of the distribution of the Notes, as determined by Morgan Stanley International, upon certification as to non-U.S. beneficial ownership and (ii) in the case of U.S. persons purchasing Notes in the private placement referred to in "Subscription and Sale" below only, promptly after 21st August, 1986, upon certification as to, inter alia, beneficial ownership thereof, as more fully set forth herein.

**MORGAN STANLEY INTERNATIONAL**

BANK OF TOKYO INTERNATIONAL LIMITED  
DAIWA EUROPE LIMITED  
IBJ INTERNATIONAL LIMITED

BANKERS TRUST INTERNATIONAL LIMITED  
GOLDMAN SACHS INTERNATIONAL CORP.  
YAMAICHI INTERNATIONAL (EUROPE) LIMITED

BANQUE BRUXELLES LAMBERT S.A.  
DSL BANK - DEUTSCHE SIEDLUNGS- UND LANDESRENTENBANK  
FIRST CHICAGO LIMITED  
E. F. HUTTON AND COMPANY (LONDON) LIMITED

CREDIT LYONNAIS  
DEN NORSKE CREDITBANK PLC  
GENOSSENSCHAFTLICHE ZENTRALBANK A. G. VIENNA  
KANSALLIS BANKING GROUP

KYOWA BANK NEDERLAND N.V.  
NIPPON CREDIT INTERNATIONAL LIMITED  
SANWA INTERNATIONAL LIMITED  
SUMITOMO FINANCE INTERNATIONAL  
SVENSKA HANDELSBANKEN GROUP  
TOKAI INTERNATIONAL LIMITED, LONDON

MITSUI TRUST INTERNATIONAL LIMITED  
PRUDENTIAL-BACHE SECURITIES INTERNATIONAL  
SECURITY PACIFIC HOARE GOVETT LIMITED  
SUMITOMO TRUST INTERNATIONAL LIMITED  
TAKUGIN INTERNATIONAL BANK (EUROPE) S.A.  
UNION BANK OF FINLAND LTD

WESTDEUTSCHE LANDESBANK GIROZENTRALE

No person has been authorised to give any information or to make any representation save as contained in this Offering Circular in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank or by any of the Managers (as defined under "Subscription and Sale" herein). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof. This Offering Circular does not constitute an offer of, or any invitation on behalf of the Bank or on behalf of the Managers or any of them to subscribe or purchase, any of the Notes. This Offering Circular may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. (See "Subscription and Sale".)

The Bank, having made all reasonable enquiries, confirms that to the best of its knowledge, information and belief the information contained in this Offering Circular with regard to the Bank and its subsidiaries (the "DnC Group") is true and accurate in all material respects and does not contain any untrue statement of a material fact or omit to state any fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading.

The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Offering Circular comes are required by the Bank and the Managers to inform themselves about and to observe any such restrictions.

Offers of the Notes may not be made in Great Britain except to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, and this Offering Circular may not be distributed, in preliminary or final form, in or from Great Britain except to persons whose business involves the acquisition and disposal, or the holding, of securities, whether as principal or as agent.

In this Offering Circular, references to "kroner" and "NOK" are to Norwegian kroner and references to "dollars" and "\$" are to United States dollars. In this Offering Circular, unless otherwise stated, kroner amounts have been translated into dollars at the rate of  $\text{NOK}7.58 = \$1.00$ , the mean of the buying and selling spot delivery rate for the dollar quoted on the Oslo Stock Exchange on 31st December, 1985. On 12th August, the mean of the buying and selling spot delivery rate for the dollar quoted on the Oslo Stock Exchange was  $\text{NOK} 7.3710 = \$1.00$ .

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IN CONNECTION WITH THE OFFERING OF THE NOTES, THE MANAGERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS IN THE NOTES WITH A VIEW TO STABILISING OR MAINTAINING THE MARKET PRICE OF THE NOTES AT LEVELS OTHER THAN THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

## TERMS AND CONDITIONS OF THE FLOATING RATE CAPITAL NOTES DUE 1996

*The following terms and conditions, subject to alteration, will be endorsed on the definitive Notes.*

The \$300,000,000 Floating Rate Capital Notes Due 1996 (the "Notes") are constituted by a supplemental trust deed (the "Supplemental Trust Deed") entered into between Den norske Creditbank (the "Bank") and The Law Debenture Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") supplemental to a trust deed (the "Principal Deed" and together with the Supplemental Trust Deed, the "Trust Deed") dated 4th December, 1981 between the Bank and the Trustee. The forms of the Notes and the coupons appertaining to the Notes in bearer form (the "Coupons") are set out in the Supplemental Trust Deed. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the Agreement dated 13th November, 1984 between the Bank, Citibank, N.A. and Citicorp Bank (Luxembourg) S.A. together with the agreement supplemental thereto entered into between the Bank, the Trustee and the Paying Agents, the Reference Agent, the Registrar and the Transfer Agents referred to below (together the "Agency Agreement") will be available for inspection at the registered office of the Trustee, currently at Estates House, 66 Gresham Street, London EC2V 7HX, and at the specified offices of each of the Paying Agents. The Noteholders and the holders of the respective Coupons (the "Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions contained in the Trust Deed.

### 1. Status, Optional Subordination, Form, Denomination and Title

The Notes and the Coupons are unsecured obligations of the Bank and will rank *pari passu* without any preference among themselves and, on issue, will rank (subject to such mandatory exceptions as are from time to time applicable under Norwegian law) *pari passu* with all other unsecured unsubordinated obligations of the Bank, provided that the Bank, having given notice to the Trustee, and not less than 30 days' notice to the Noteholders, may (without prejudice to the provisions for conversion set out in Condition 4 (d)) at any time determine that in the event of the distribution of assets of the Bank upon any winding up, liquidation or reorganisation of the Bank, the claims of Noteholders and Couponholders will be subordinated and subject in right of payment to the prior payment of claims of depositors and all other creditors of the Bank, other than subordinated creditors but not further or otherwise subordinated. *In such event the Notes will rank pari passu with all other subordinated indebtedness of the Bank then outstanding.*

*The Notes will be represented initially by a temporary global note, without interest coupons (the "Global Note"). The Global Note will be deposited with a common depositary for Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System (the "Euro-clear Operator") and CEDEL S.A., on or about 21st August, 1986 (the "Closing Date") for credit, against payment, to the accounts designated by the subscribers of the Notes with the Euro-clear Operator or CEDEL S.A. The Global Note will be exchangeable (free of charge) (a) on and after the date (the "Exchange Date") which is 90 days after completion of the distribution of the Notes, as determined by Morgan Stanley International, into definitive Notes in bearer form ("Bearer Notes"), in the denominations of U.S.\$10,000 and U.S.\$100,000 each with Coupons attached, or into definitive Notes in registered form in denominations of U.S.\$100,000 and integral multiples thereof ("Registered Notes"), upon certification that the beneficial owners of such Notes are not (i) U.S. persons or (ii) persons who have acquired such Notes for resale to any U.S. person and (b) promptly after the Closing Date, into Registered Notes upon certification from Morgan Stanley International to the effect that (i) it has received a letter from each person to be registered as a holder thereof to the effect that such person has purchased such Notes in a minimum principal amount of U.S.\$500,000 for its own account for investment and without a view to any distribution or other disposition thereof, (ii) such person has agreed to certain restrictions on any disposition of such Notes, (iii) Morgan Stanley International gave its written approval for the acquisition of such Notes by such person prior to the acquisition thereof and (iv) Morgan Stanley International believes that such person has such knowledge and experience in financial and business matters that it is capable of evaluating the risks of the investment. Definitive Notes must be obtained before interest payments can be collected (except as otherwise provided below).*

Title to the Bearer Notes and the Coupons will pass by delivery; title to the Registered Notes will pass by registration in accordance with the Agency Agreement and the Trust Deed.

The holder of each Coupon, whether or not the Coupon is attached to a Bearer Note, in his capacity as such shall be subject to and bound by all the provisions contained in the relevant Note. The holder of any Bearer Note and the holder of any Coupon may (to the fullest extent permitted by applicable laws) be treated at all times, by all persons and for all purposes, as the absolute owner of such Note or Coupon, as the case may be, regardless of any notice of ownership, theft or loss or of any writing thereon. The Registered Notes, and transfers thereof, shall be registered as provided under Condition 2 below. The person in whose name a Registered Note is registered may (to the fullest extent permitted by applicable laws) be treated at all times, by all persons and for all purposes, as the absolute owner of such Note, regardless of any notice of ownership, theft or loss or of any writing thereon.

*Bearer Notes and the Coupons will bear the following legend: "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 in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss on the Bearer Notes and will not be entitled to capital gains treatment of any gain on any sale or disposition of, or any payment of principal on, the Bearer Notes.*

## **2. Exchange and Transfer**

The Bank has appointed the Registrar to maintain a register (the "Register") at its specified office in Luxembourg for the registration, transfer and exchange of Registered Notes and has also appointed the Transfer Agents to provide facilities for the exchange, transfer and replacement thereof. Except as provided below, Bearer Notes in principal amounts of U.S.\$100,000 or integral multiples thereof may be exchanged for a Registered Note of an authorised denomination by surrender of such Note (and, subject as mentioned below, all unmatured Coupons relating thereto) to the Registrar or a Transfer Agent at its specified office, together with a written request for the exchange in the form available from the Registrar or any Transfer Agent. No Bearer Note may be surrendered for exchange to, or shall be issued by, the Registrar or a Transfer Agent in New York City. Within three business days of a request for the exchange of a Bearer Note for a Registered Note, the Registrar or the relevant Transfer Agent will authenticate and deliver at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the request for exchange a new Registered Note or Notes, as the case may be, of a like aggregate principal amount and of such authorised denomination or denominations as may be requested in respect of the Bearer Note or Notes exchanged.

A Registered Note may not be exchanged for a Bearer Note.

A Registered Note may be transferred in whole or in part (in the principal amount of U.S.\$100,000 or any integral multiple thereof) by the holder or holders depositing the Registered Note for transfer and registration at the specified office of either the Registrar or a Transfer Agent, with the form of transfer endorsed thereon duly signed by or on behalf of the transferor 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 Bank and the Registrar may prescribe including any restrictions imposed by the Bank on transfers of Registered Notes originally sold to U.S. Persons. The Registrar or the Transfer Agent will, within three business days of such request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver 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 Note or Registered Notes, as the case may be, of a like aggregate principal amount and of such authorised denomination or denominations as may be requested in respect of the Registered Note transferred. In the case of the transfer of part only of a Registered Note, a new Registered Note in respect of the balance of the Registered Note not transferred will be so delivered to the transferor at his risk.

Bearer Notes called for conversion may only be exchanged for a Registered Note which is then endorsed to indicate that it will be subject to conversion. A Registered Note issued upon the transfer of a Registered Note called in whole for conversion will be endorsed to indicate that it has been called for conversion. A Registered Note called for conversion in part may only be transferred if the Transferor and Transferee give written instructions to the Registrar or Transfer Agent as to the appropriate division as to the form of the new Registered Notes to be issued with the Registered Note or Notes which is to be subject to the call for conversion being endorsed to indicate such fact.

Where Bearer Notes are surrendered in exchange for Registered Notes between the Record Date (as defined in Condition 5 below) and the relevant Interest Payment Date (as defined in Condition 3 below), the Coupons relating to such Interest Payment Date will not be required to be surrendered therewith.

The Noteholders will not be required to bear the costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing paragraphs, except for the expenses of delivery other than by regular mail (if any) and except that the Bank may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto.

## **3. Interest**

### *(a) Period of Accrual of Interest and Coupons*

The Notes bear interest from 21st August, 1986. Interest payments will be made in the case of Bearer Notes against surrender of the appropriate Coupons and in the case of Registered Notes by cheque or transfer to the registered holder, in both cases in accordance with and subject to the provisions of Condition 5. Interest on each Note shall cease to accrue from the due date for redemption or conversion thereof unless, upon due presentation, payment of principal or conversion is improperly withheld or refused. After such due date any unmatured Coupons relating to such Bearer Note (whether or not attached thereto) shall become void.

*(b) Interest Payment Dates and Interest Periods*

Interest on the Notes shall accrue from day to day and shall be payable on each Interest Payment Date in respect of the interest accrued in the Interest Period ending on such date.

For the purposes hereof the expressions have the following meanings:—

“Interest Payment Date” means the date which falls six months after the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, six months after the Closing Date, but so that if any Interest Payment Date would otherwise fall on a date which is not a Business Day it shall be postponed until the next Business Day unless it would thereby fall into the next calendar month, in which event that Interest Payment Date shall be the immediately preceding Business Day and each subsequent Interest Payment Date shall be the last Business Day of the sixth calendar month after the calendar month in which the preceding Interest Payment Date shall have fallen.

“Interest Period” means the period from and including one Interest Payment Date (or the Closing Date) to but excluding the next (or first) Interest Payment Date.

“Business Day” means (but not for the purposes of the fifth paragraph of Condition 5) a day on which banks and foreign exchange markets are open for business in both London and New York City.

*(c) Rate of Interest*

The rate of interest from time to time payable in respect of the Notes (the “Rate of Interest”) shall be determined by the Reference Agent (as described in paragraph (h) below) on the basis of the following provisions:—

- (i) On the second Business Day prior to the commencement of each Interest Period (“Interest Determination Date”), the Reference Agent will either request the principal London offices of the Reference Banks (as described in paragraph (h) below) to provide the Reference Agent with, or will obtain from such electronic or other means by which the Reference Banks are generally indicating them, their offered quotations to leading banks for deposits of United States dollars in the London inter-bank market for such Interest Period as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for such Interest Period shall, subject as provided below, be the arithmetic mean (rounded upwards if necessary to the nearest  $\frac{1}{16}$  per cent.) of such offered quotations, as determined by the Reference Agent.
- (ii) If on any Interest Determination Date only two or three of the Reference Banks communicate to the Reference Agent such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with sub-paragraph (i) of this paragraph on the basis of the quotations of those Reference Banks communicating such quotations.
- (iii) If on any Interest Determination Date fewer than two of the Reference Banks communicates to the Reference Agent such quotations, the Rate of Interest for the relevant Interest Period shall be whichever is the higher of:—
  - (A) the Rate of Interest in effect for the last preceding Interest Period to which sub-paragraph (i) or (ii) of this paragraph shall have applied; and
  - (B) a rate per annum which the Reference Agent determines as being the arithmetic mean (rounded upwards if necessary to the nearest  $\frac{1}{16}$  per cent.) of the rates, as communicated to and at the request of the Reference Agent by or on behalf of the Reference Banks or any two or more of them, at which such Reference Banks are offered United States dollar deposits for the relevant Interest Period, as at 11.00 a.m. (New York City time) on the relevant Interest Determination Date, by leading banks in New York City or, if fewer than two of the Reference Banks provides the Reference Agent with such rates, the lowest United States dollar lending rate which leading banks in New York City (selected by the Reference Agent after consultation, if practicable, with the Bank) quote on the relevant Interest Determination Date to leading banks which have their head offices in Europe for the relevant Interest Period, provided that if the banks selected as aforesaid by the Reference Agent are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest specified in (A) above.

*(d) Determination of Rate of Interest and Interest Amounts*

The Reference Agent will, as soon as practicable after each Interest Determination Date, determine and notify to the Bank, the Trustee, the Principal Paying Agent (as defined in the Trust Deed) and the Registrar (1) the Rate of Interest applicable to the Interest Period immediately succeeding such Interest Determination Date, and (2) the United States dollar amount payable in respect of each Bearer Note and each U.S.\$100,000 principal amount of Registered Notes (the "Interest Amounts") pertaining to such Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest to the principal amount of U.S.\$10,000 and U.S.\$100,000 respectively, multiplying such sum by the actual number of days in the Interest Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

*(e) Publication of Rate of Interest and Interest Amounts*

The Reference Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Stock Exchange in Luxembourg (the "Stock Exchange") and to be published in accordance with Condition 13. The Interest Amounts and Interest Payment Date so published may subsequently be amended with the consent of the Trustee (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

*(f) Determination or Calculation by Trustee*

In the event that the Reference Agent does not at any time for any reason determine the Rate of Interest or the Interest Amounts in accordance with paragraphs (c) and (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (c) above), it thinks fit, or, as the case may be, the Trustee shall calculate the Interest Amounts in such manner as it shall deem fair and reasonable in all the circumstances and such determination or calculation shall be deemed to have been made by the Reference Agent.

*(g) Notifications to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these provisions, whether by the Reference Banks (or any of them), the Reference Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Reference Banks, the Reference Agent, the Trustee, the Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Reference Banks, the Reference Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

*(h) Reference Banks and Reference Agent*

The Bank shall procure that so long as any of the Notes is outstanding there shall at all times be four Reference Banks and a Reference Agent. The initial Reference Banks shall be the principal London office of each of Bankers Trust Company, The Bank of Tokyo Ltd., Barclays Bank plc and International Westminster Bank PLC and the initial Reference Agent shall be Citibank, N.A. but the Bank may terminate the appointment of any of the Reference Banks or (with the prior written approval of the Trustee) of the Reference Agent. In the event of the principal London office of any such bank being unable or unwilling to continue to act as Reference Bank or of Citibank, N.A. being unable or unwilling to continue to act as Reference Agent, the Bank shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Reference Agent may in addition resign its duties as such provided that neither the resignation nor the removal of the Reference Agent shall take effect until a successor approved by the Trustee has been appointed.

**4. Redemption and Conversion**

*(a) Final Redemption*

Unless previously redeemed or purchased and cancelled or converted as provided below, the Notes will be redeemed at their principal amount on the Interest Payment Date falling in August 1996.



*(b) Redemption for Taxation Reasons*

If the Trustee is satisfied, immediately prior to the giving of notice to Noteholders hereinafter referred to, that, on the occasion of the next payment due in respect of the Notes or Coupons, the Bank would be required to pay additional amounts in accordance with Condition 6, the Bank may, on any Interest Payment Date, on giving not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 13, redeem all (but not some only) of the Notes at their principal amount. Upon the expiration of such notice the Bank shall be bound to redeem the Notes at their principal amount.

*(c) Optional Redemption*

On giving not more than 60 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 13, the Bank may, on any Interest Payment Date falling in or after August 1991, redeem all but not some only of the Notes at their principal amount. Notices will specify the date fixed for redemption and upon the expiration of such notice the Bank shall be bound to redeem the Notes at their principal amount.

*(d) Optional Conversion*

On giving not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 13 and to the holders of Registered Notes by pre-paid first class mail addressed to them at their addresses appearing in the Register, the Bank may, on any Interest Payment Date falling after the Exchange Date (being not earlier than 90 days after the completion of the distribution of the Notes as determined by Morgan Stanley International and notified to the Bank, the Trustee and the Principal Paying Agent), convert all or some (in the amount of U.S.\$100,000,000 or an integral multiple thereof) of the Notes into an equal principal amount of Primary Capital Perpetual Floating Rate Notes (the "Perpetual Notes"). Such notice will specify the date fixed for conversion and, in the case of partial conversion, the aggregate principal amount of the Notes to be converted, the serial numbers of the Notes drawn for conversion and the aggregate principal amount of the Notes which will be outstanding after such partial conversion. Upon the expiration of such notice the Bank shall be bound to convert the relevant Notes and such Notes shall cease to bear interest.

Such conversion shall be effected by delivery to the relevant Noteholders, in the case of Bearer Notes, at the specified office of the Principal Paying Agent or of the Paying Agent in Luxembourg and, in the case of Registered Notes, by post to the registered address of the holder of an equal principal amount of Perpetual Notes of the same denominations as those converted. The Perpetual Notes shall be in the form required by the Supplemental Trust Deed and shall bear interest from the Interest Payment Date upon which the conversion takes place. Upon such date, unless delivery of the relevant Perpetual Note is improperly withheld or refused, interest shall cease to accrue on the Notes called for conversion and the Notes shall become void for all purposes other than surrender in exchange for a Perpetual Note and the Bank shall have no obligation in respect of repayment of the principal thereof.

Holders of Registered Notes bearing a legend restricting transferability of such Notes shall receive, upon conversion, Perpetual Notes in registered form bearing a similar legend.

*(e) Drawings*

Notes to be converted in accordance with sub-paragraph (d) of this Condition 4 will (if comprising less than all of the Notes) be selected by drawings by lot by the Principal Paying Agent, in a manner approved by the Trustee, not less than 30 nor more than 60 days before the date fixed for conversion thereof and subject to the Trustee having received notice in writing not less than 15 days prior to the date of the drawing of the Bank's intention to convert.

*(f) Purchases*

The Bank or any of its subsidiaries may at any time purchase Notes together (in the case of Bearer Notes) with all unmatured Coupons relating thereto, in the open market or otherwise.

*(g) Cancellation*

All Notes redeemed or converted as aforesaid will be cancelled forthwith, together (in the case of Bearer Notes) with all unmatured Coupons attached thereto or surrendered therewith, and may not be resold or reissued.

References in this sub-paragraph (g) to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business of dealing in securities or the purchase of Notes otherwise than as beneficial owner.

## 5. Payments

Payments of principal in respect of Bearer Notes will be made against presentation and surrender of Bearer Notes in dollars at the specified office of the Paying Agent in New York City or, at the option of the holder, at any specified office of any Paying Agent by dollar cheque drawn on, or by transfer to a dollar account maintained by the payee with, a bank in New York City. Payments of interest in respect of Bearer Notes will be made against presentation and surrender of the appropriate Coupons at any specified office of any Paying Agent in the manner provided in the preceding sentence, provided that (subject as mentioned below) no payments of interest in respect of Bearer Notes will be made at any specified office of any Paying Agent in the United States of America or any of its territories or possessions. Notwithstanding the provisions to the contrary herein, payments of interest in respect of Bearer Notes may be made at a specified office of a Paying Agent in the United States of America if (i) the Bank shall have appointed Paying Agents outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes in dollars when due, (ii) payment of the full amount of such interest at such offices outside the United States of America is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law, and shall be so made at the option of the holder if such payment is then permitted by applicable United States law without involving, in the opinion of the Bank, adverse consequences to the Bank.

Payments of principal in respect of Registered Notes will be made by dollar cheque drawn on a bank in New York City against presentation and surrender of such Registered Notes at the specified office of either the Registrar or a Transfer Agent. Payments of interest in respect of each Registered Note will (subject as mentioned below) be made by dollar cheque drawn on a bank in New York City and mailed to the holder (or to the first-named of joint holders) of such Registered Note at its address appearing in the Register. Upon application by the holder to the specified office of the Principal Paying Agent not less than 15 days prior to the due date for any payment in respect of a Registered Note, such payment may be made (in the case of payment of principal against surrender of the relevant Registered Note as aforesaid) by transfer to a dollar account maintained by the payee with a bank in New York City. Each payment in respect of the Registered Notes will be made to the holders on the Register at the close of business 15 days prior to the Relevant Date (as defined in Condition 6) in respect of such payment (the "Record Date").

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

Each Bearer Note presented for conversion where there are to be Notes outstanding after such conversion must be presented together with all unmatured Coupons appertaining thereto. Where any Note is presented for conversion without all unmatured Coupons relating thereto, payment shall be made only against the provision of such indemnity as the Bank shall require.

If the due date for payment of any amount of principal or interest in respect of any Note is not a day on which banks are open for business in New York City and, where applicable, in the place where the relevant Note or Coupon is presented for payment, then the holder thereof shall not be entitled to payment in such place of the amount due (and cheques in respect of Registered Notes shall not be mailed) until the next following such day nor to any further interest or other payment in respect of any such delay. If any Bearer Note is presented for redemption at the specified office of a Paying Agent in the United States, its territories and its possessions, principal only will be paid and any accrued interest will be paid as provided above and in the Agency Agreement, subject to the provisions for payment of interest in the United States of America referred to above.

The names of the initial Paying Agents, Registrar and Transfer Agents and their specified offices are set out at the foot hereof.

The Bank reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent or Transfer Agent or the Registrar and to appoint additional or other Paying Agents or Transfer Agents or another Registrar and to approve any change in the specified offices through which any Paying Agent or Transfer Agent or the Registrar acts, provided that it will at all times maintain (i) Paying Agents having specified offices in New York City and Luxembourg; (ii) a Transfer Agent having a specified office in a European city approved by the Trustee; and (iii) a Registrar having a specified office outside Great Britain. Notice of any such termination, appointment or change will be given to the Noteholders in accordance with Condition 13.



*In the case of each Interest Payment Date and any principal payment date occurring prior to the Exchange Date, payment of such interest and/or principal shall be made to the Euro-clear Operator or to CEDEL S.A. only upon presentation to the Trustee at an office of the Trustee outside the United States of a certificate to the effect that the Euro-clear Operator or CEDEL S.A., as the case may be, has received a certificate that as of such Interest Payment Date and/or principal payment date the portion of the Global Note on which interest and/or principal is to be paid is not beneficially owned by a U.S. person or any person who has purchased an interest in the Global Note for resale to a U.S. person. Interest and/or principal payable prior to the Exchange Date in respect of any portion of the Global Note will be credited by the Euro-clear Operator or CEDEL S.A. to the account of the owner of such portion of the Global Note as of the relevant Interest Payment Date and/or principal payment date only upon receipt by either the Euro-clear Operator or CEDEL S.A. of such certificate. Interest and/or principal payable on or after the Exchange Date may be collected only by a holder who has caused his share of the Global Note to be exchanged for definitive Securities.*

## **6. Taxation**

All payments of principal and interest will be made without withholding or deduction for or on account of any taxes, charges or duties of whatsoever nature, present or future, imposed or levied by or on behalf of the Kingdom of Norway or any authority therein or thereof having power to levy taxes or duties, unless the Bank is compelled by law to withhold or deduct any such taxes, charges or duties. In that event, the Bank will pay such additional amounts as may be necessary so that the net amount receivable by the Noteholders or Couponholders, after such withholding or deduction, will equal the respective amounts of principal and interest which would (but for such withholding or deduction) otherwise have been receivable; except that no such additional amounts shall be payable with respect to any Note or Coupon:—

- (a) to, or to a third party on behalf of, a holder who is liable to such taxes, charges or duties in respect of such Note or Coupon by reason of his having some connection with the Kingdom of Norway other than the mere holding of the Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment at the close of such period of 30 days. As used herein, the "Relevant Date" in respect of any payment means the date on which such payment first becomes due or, if the full amount of the moneys payable has not been received by the Principal Paying Agent (as defined in the Trust Deed) or the Trustee on or prior to such due date, the date on which such moneys shall have been so received and notice to that effect shall have been duly given to the Noteholders.

References in these Terms and Conditions to principal and/or interest in respect of the Notes shall be deemed to include any additional amount which may be payable under these provisions or under any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **7. Prescription**

Notes (whether in registered or bearer form) and Coupons will become void twelve years and six years respectively after the Relevant Date for the payment thereof.

## **8. Events of Default**

If any of the following events shall have occurred, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall, (but, in any of the events mentioned in sub-paragraphs (b) to (d) below, only if the Trustee shall have certified to the Bank that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders) declare the Notes to be, and upon such declaration the Notes shall become, due and repayable immediately at their principal amount together with accrued interest to the date upon which, the principal amount of the Notes having been duly paid to the Trustee or to the Principal Paying Agent, notice thereof is duly given to the Noteholders, namely:—

- (a) there is failure for more than fourteen days to make payment of any amount of interest on any Note; or
- (b) the Bank shall fail duly to perform or observe any other term of, or undertaking or agreement in, the Trust Deed or the Notes required to be performed or observed by the Bank and any such default shall continue for a period of thirty days after written notice is received by the Bank from the Trustee specifying such default and requiring the Bank to remedy the same; or

- (c) any indebtedness of the Bank shall become prematurely repayable as a result of a default by the Bank in observing the terms thereof, or the Bank defaults in the repayment of any indebtedness at the maturity thereof or at the expiration of any applicable grace period therefor (or, in the case of indebtedness due on demand, defaults in the payment thereof on demand or at the expiration of any applicable grace period) or any guarantee or indemnity in respect of any indebtedness of others given by the Bank shall not be honoured when due and called upon; or
- (d) an order is made or an effective resolution is passed for the winding-up or dissolution of the Bank (except for the purposes of a merger, reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee); or
- (e) the Bank (except in each case for the purposes of a merger, reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee) stops payment or ceases or threatens to cease to carry on the whole or substantially the whole of its business, or if an encumbrancer takes possession or a receiver is appointed of the whole or any substantial part of the undertaking or assets of the Bank, or if a distress or execution is levied or enforced upon or sued out against any of the property of the Bank and is not discharged within fifteen days, or if any order is made or effective resolution passed by the Bank applying for or granting a suspension of payments or appointing a liquidator, receiver or trustee of the Bank or of a substantial part of its undertaking or assets; or
- (f) the Bank, whether by a single transaction or by a number of transactions, whether related or not, sells, transfers, lends or otherwise disposes, directly or indirectly, of the whole or a substantial part of its undertaking or assets (other than by making loans or deposits or transferring the benefit of loans in the ordinary course of banking business) to any of its subsidiaries except with the prior written approval of the Trustee. For this purpose, a part of the undertaking or assets of the Bank shall be deemed to be substantial if, when aggregated with all previous disposals after the date hereof taken into account under this sub-paragraph, the value thereof amounts to ten per cent. or more of the gross assets of the Bank determined by reference to the latest available audited unconsolidated balance sheet of the Bank.

## **9. Enforcement**

Only the Trustee may enforce the provisions of the Trust Deed or the Notes and no Noteholder or Couponholder shall be entitled to enforce performance of any such provisions unless the Trustee, having become bound to proceed as aforesaid, fails to do so and such failure is continuing. The Trustee is, as a matter of Norwegian law, not entitled to petition for the winding-up of the Bank.

## **10. Meetings of Noteholders and Modifications of Terms and Conditions; Substitution; Waiver**

Provision is made in the Trust Deed for convening meetings of the Noteholders to consider any matters affecting their interests, including modification of the Notes and the Trust Deed, provided always that the subordination provisions (referred to in Condition 1) shall not be capable of amendment. Any such modification must be authorised by Extraordinary Resolution of the Noteholders (which is defined in the Trust Deed to mean a resolution passed by a majority consisting of not less than 75 per cent. of the votes cast at a meeting of the Noteholders). The quorum at any such meeting for passing an Extraordinary Resolution is persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, provided that at any meeting the business of which includes the modification of certain terms, including the reduction of the principal amount of the Notes or the rate of interest payable thereon or any variation in the method of calculating the rate of interest payable or any variation of the currency of payment of the Notes and the Coupons, the quorum is persons holding or representing not less than two-thirds, or at any such adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed at a meeting is binding on all the Noteholders (whether present at the meeting or not) and on all the Couponholders. The Trustee may agree without the consent of the Noteholders or the Couponholders to any modification of the Trust Deed and/or the Notes (other than to the terms referred to above) which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or which is of a formal, minor or technical nature or to any such modification which is necessary to correct a manifest error and may similarly agree to the substitution of any corporation or body as principal debtor, subject to the relevant provisions of the Trust Deed, to such conditions (if any) as the Trustee may require and to the Notes being unconditionally and irrevocably guaranteed by the Bank. Any such modification or substitution shall, except as aforesaid, be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter.

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution as aforesaid) the Trustee shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

The Trustee may also, without the consent of the Noteholders or Couponholders, authorise or waive any breach or proposed breach by the Bank of the provisions of the Trust Deed and/or the Notes which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders.

#### **11. Indemnification of the Trustee, Paying Agents, Registrar and Transfer Agents**

- (a) The Trust Deed will contain provisions for the indemnification of the Trustee, for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction and for its replacement by Extraordinary Resolution of the Noteholders. The Trustee is entitled to enter into business transactions with the Bank and/or any company controlled by it without accounting for any profit resulting therefrom.
- (b) The Agency Agreement will contain provisions indemnifying Citibank, N.A., as Principal Paying Agent (or any substitute Principal Paying Agent appointed by the Bank with the prior written approval of the Trustee) and the other Paying Agents, the Registrar and the Transfer Agents and absolving the Principal Paying Agent and the other Paying Agents, the Registrar and the Transfer Agents from responsibility in connection with certain matters.
- (c) In acting under the Agency Agreement, the Principal Paying Agent, the other Paying Agents, the Registrar and the Transfer Agents will act solely as agents of the Bank and will not assume any obligations or relationships of agency or trust for or with the Noteholders or Couponholders.

#### **12. Replacement of Notes and Coupons**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent for the time being in London (or, in the case of a Registered Note, at the specified office of the Registrar or any Transfer Agent) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Bank may require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### **13. Notices**

All notices regarding the Notes will be valid if published in one leading London daily newspaper and one leading Luxembourg daily newspaper or, if either is not possible, additionally in one other leading English language daily newspaper of general circulation in Europe which is approved by the Trustee. Any notice so published shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner and shall be deemed to have been given on such date as the Bank and the Trustee shall determine. It is expected that publication of notices will normally be made in the *Financial Times* and in the *Luxemburger Wort* in Luxembourg.

#### **14. Further Issues**

The Bank shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes so as to form a single issue with the Notes or notes or bonds not so to form a single series with the Notes, in either case upon such terms as to interest, conversion, premium, redemption and otherwise as the Bank may at the time of the issue thereof determine. Any such notes, if they are to form a single issue with the Notes, shall be constituted by a deed supplemental to the Trust Deed and in any other case if the Trustee so agrees may be so constituted. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series for the purpose of passing an Extraordinary Resolution in certain circumstances where the Trustee so decides.

## **15. Governing Law**

The Trust Deed, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law, except the provisions relating to subordination of the Notes and the Coupons which is governed by Norwegian law.

The Bank irrevocably agrees for the benefit of Noteholders that any suit, action or proceeding ("Proceedings") arising out of or in connection with the Notes may be brought in the courts of England or in any New York State or U.S. Federal court sitting in New York City and submits to the jurisdiction of each such court to settle any disputes which may arise out of or in connection with the Notes. The Bank irrevocably waives any objection which it may have to the laying of the venue of any Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any Proceedings brought in any of such courts shall be conclusive and binding upon the Bank and may be enforced in the courts of any other jurisdiction. The Bank has appointed Den norske Creditbank PLC and DnC America Banking Corporation as its authorised agents for the receipt of any writ, judgment or other process in connection with Proceedings in England and the United States respectively and will agree that any writ, judgment or other process shall be sufficiently and effectively served on it if delivered to the said agent at its registered offices for the time being in England or, as the case may be, New York or in any other manner permitted by law.

The Bank further agrees that any final judgment obtained against it in any of the above courts with respect to the Notes may be enforced to the full extent permitted by all applicable laws in any such jurisdiction in which any assets of the Bank may be situated and hereby submits to and accepts, irrevocably and unconditionally, for the purposes of such enforcement, each such jurisdiction and warrants that it does not have, but to the extent that it may become entitled thereto irrevocably waives to the fullest extent permitted by applicable law, any immunity from enforcement, execution or attachment in each such jurisdiction.

## TERMS AND CONDITIONS OF THE PRIMARY CAPITAL PERPETUAL FLOATING RATE NOTES

*The following terms and conditions, subject to alteration, will be endorsed on the definitive Perpetual Notes:—*

The Primary Capital Perpetual Floating Rate Notes (the "Notes") are constituted by a supplemental trust deed (the "Supplemental Trust Deed") dated 21st August, 1986 between Den norske Creditbank (the "Bank") and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") supplemental to a trust deed (the "Principal Trust Deed" dated 15th November, 1985 and together with the Supplemental Trust Deed the "Trust Deed"). The forms of the Notes and of the talons and the coupons (the "Coupons") appertaining to the Notes in bearer form are set out in the Trust Deed. The issue of the Notes was authorised by a resolution of the Supervisory Board passed on . . . . . The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and of the Agreement dated 13th November, 1984 entered into between the Bank, Citibank, N.A. and Citicorp Bank (Luxembourg) S.A. together with the agreement supplemental thereto entered into between the Bank, the Trustee, the Reference Agent, the Paying Agents, the Registrar and the Transfer Agents referred to below are available for inspection at the registered office of the Trustee, currently at Estates House, 66 Gresham Street, London EC2V 7HX, and at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents for the time being. The Noteholders, the holders of the Coupons (the "Couponholders") and the holders of the talons are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions contained in the Trust Deed.

### 1. Status and Subordination

#### (a) Status

The Notes and the Coupons are unsecured obligations of the Bank, conditional as described below, ranking *pari passu* without any preference among themselves.

#### (b) Condition of Payment

The rights of the Noteholders and Couponholders are subordinated to the claims of Senior Creditors (as defined below) in that no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter. For this purpose, the Bank shall be considered to be solvent if (i) it is able to pay its debts to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities to Senior Creditors. A report as to the solvency of the Bank by two directors of the Bank or, in certain circumstances as provided in the Trust Deed, the auditors of the Bank or, if the Bank is being liquidated or dissolved in Norway, its liquidator will, unless the contrary is proved, be treated and accepted by the Bank, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence thereof.

For the purposes of these Conditions, "Senior Creditors" means creditors of the Bank (i) who are depositors or other unsubordinated creditors of the Bank, (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the liquidation or dissolution of the Bank or otherwise) to the claims of depositors and other unsubordinated creditors of the Bank but not further or otherwise or (iii) who are other subordinated creditors of the Bank except those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the Noteholders; "Assets" means the total assets of the Bank and "Liabilities" means the total liabilities of the Bank, all as shown by the latest published audited balance sheet of the Bank but adjusted for subsequent events, all valued in such manner as such directors, the auditors or the liquidator of the Bank (as the case may be) may determine.

#### (c) Liquidation or dissolution

If an order is made or an effective resolution is passed for the liquidation or dissolution of the Bank in Norway, the Bank shall, in lieu of any other payment on the Notes and on the Coupons in respect of Arrears in Interest, be obliged to pay in respect of each Note and each Coupon such amounts, if any, as would have been payable if the holder of such Note or Coupon had, on the day preceding the commencement of such liquidation or dissolution, become the holder of preference shares in the capital of the Bank of a class having a preferential right to a return of assets in a liquidation or dissolution over the holders of all other classes of shares for the time being in the capital of the Bank and entitled to receive in a liquidation or dissolution an amount equal to, in respect of each Note, the principal amount of such Note, together with interest accrued from the Interest Payment Date last preceding the earlier of the due date for repayment of such Note and the date on which the liquidation or dissolution of the Bank commenced or occurred, as the case may be, to the date of repayment (as provided in the

Trust Deed) and, in respect of such Coupon or (if such Note is a Registered Note) such Note, the Arrears of Interest which accrued during the Interest Period which ended on the Interest Payment Date enfaced on such Coupon or, as the case may be, all Arrears of Interest in respect of such Note (other than any such Arrears of Interest which accrued during an Interest Period which ended on an Interest Payment Date (as defined in Condition 4 below) enfaced on a Coupon which appertains to a Bearer Note which was exchanged for such Note and which Bearer Note was surrendered for exchange after the Record Date (as defined in Condition 6 below) in respect of such Interest Payment Date).

*N.B. The obligations of the Bank in respect of the Notes and the Coupons are conditional upon the Bank being able to make payments in respect of the Notes and Coupons and remain solvent immediately thereafter. If this condition is not satisfied, any amounts which might otherwise have been allocated in or towards payment of principal of and interest on the Notes may be used to meet losses.*

## **2. Title, Form and Denomination**

The Notes are issued in bearer form serially numbered in the denominations of U.S.\$10,000 and U.S.\$100,000 each ("Bearer Notes") with Coupons and a talon for further Coupons attached, and title to the Bearer Notes, the Coupons and talons will pass by delivery, and in registered form serially numbered in denominations of U.S.\$100,000 and integral multiples thereof ("Registered Notes") and title thereto will pass by registration in accordance with the Agency Agreement and the Trust Deed.

The holder of each Coupon and talon, whether or not the Coupon or talon is attached to a Bearer Note, in his capacity as such shall be subject to and bound by all the provisions contained in the relevant Note. The holder of any Bearer Note and the holder of any Coupon may (to the fullest extent permitted by applicable laws) be treated at all times, by all persons and for all purposes as the absolute owner of such Note or Coupon, as the case may be, regardless of any notice of ownership, theft or loss or of any writing thereon. The Registered Notes, and transfers thereof, shall be registered as provided under Condition 3 below. The person in whose name a Registered Note is registered may (to the fullest extent permitted by applicable laws) be treated at all times, by all persons and for all purposes as the absolute owner of such Note, regardless of any notice of ownership, theft or loss or of any writing thereon.

## **3. Exchange and Transfer**

The Bank has appointed the Registrar to maintain a register (the "Register") at its specified office in Luxembourg for the registration, transfer and exchange of Registered Notes and has also appointed Transfer Agents to provide facilities for the exchange, transfer and replacement of Notes. A Registered Note or Registered Notes may be exchanged for a Bearer Note or Bearer Notes and a Bearer Note or Bearer Notes may be exchanged for a Registered Note of an authorised denomination by surrender of such Note or Notes (and in the case of an exchange of a Bearer Note or Bearer Notes, subject as mentioned below, all unmatured Coupons (which expression shall mean Coupons maturing on Interest Payment Dates (as defined below) falling for repayment thereafter but, for the avoidance of doubt, shall not include Coupons maturing on Interest Payment Dates falling on or prior thereto in respect of which interest has not been paid by the Bank) and talons appertaining thereto) to the Registrar or a Transfer Agent at its specified office, together with a written request for exchange in the form available from the Registrar or a Transfer Agent provided that any exchange of Registered Notes issued on conversion of notes in registered form originally issued to U.S. persons shall be in compliance with such reasonable regulations as the Bank may prescribe. Within three business days of such request, the Registrar or the relevant Transfer Agent will authenticate and deliver at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the request for exchange a new Note or Notes, as the case may be, of a like aggregate principal amount and in such form and of such authorised denomination as may be requested in respect of the Note or Notes exchanged. Bearer Notes so issued will have attached thereto on delivery Coupons in respect of Interest Payment Dates which have not occurred and also in respect of Interest Payment Dates the interest due on which constitutes Arrears of Interest.

Where a Bearer Note is surrendered in exchange for a Registered Note between the Record Date and the relevant Interest Payment Date, the Coupon relating to such Interest Payment Date will not be required to be surrendered therewith.

A Registered Note may be transferred in whole or in part (in the principal amount of U.S.\$100,000 or any integral multiple thereof) by the holder or holders depositing the Registered Note for transfer and registration at the specified office of either the Registrar or a Transfer Agent, with the form of transfer endorsed thereon duly signed by or on behalf of the transferor. 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 Bank and the Registrar may prescribe, including any restrictions imposed by the Bank on transfers of Registered Notes issued upon conversion of notes in registered form originally allotted to U.S. persons, the Registrar or the relevant Transfer Agent will, within three business days of such request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver 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 Note of the same principal amount as the Registered Notes transferred. In the case of the exchange or transfer of part only of a Registered Note, a new Registered Note in respect of the balance not exchanged or transferred will be so delivered or sent to the transferor at his risk.

Noteholders will not be required to bear the costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing paragraphs, except for the expenses (if any) of delivery other than by regular mail and except that the Bank may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto.

#### **4. Interest**

##### *(a) Period of Accrual of Interest and Coupons*

The Notes bear interest from the Interest Payment Date on which they are issued. Interest payments will, subject as provided in Condition 1 above, be made in accordance with and subject to the provisions of Condition 6 below. After all the Coupons attached to or issued in respect of a Bearer Note have matured, further Coupons and one further talon will (subject to the terms of the Trust Deed) be issued against presentation of the relevant talon. Interest on each Note shall cease to accrue from the due date for repayment thereof unless, upon due presentation, payment of principal is improperly withheld or refused or default is otherwise made in payment thereof or is not made by reason of the provisions of Condition 1 above. On the earlier of such due date for repayment and the liquidation or dissolution of the Bank commencing or occurring, any unmatured Coupons and any talon appertaining to such Note, if a Bearer Note, (whether or not attached thereto) shall become void.

##### *(b) Interest Payment Dates, Interest Periods and Arrears of Interest*

Interest on the Notes shall accrue from day to day and shall (subject to the provisions of Condition 1 above) be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued during the Interest Period (as defined below) ending on such date. On any Optional Interest Payment Date (as defined below), there may be paid the interest accrued during the Interest Period ending on such date, but the Bank shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest not paid on an Interest Payment Date shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may at the option of the Bank be paid in whole or in part (being the whole of the interest accrued on all the Notes during any Interest Period, but so that in the case of such a partial payment the interest accrued during any Interest Period shall not be paid prior to that accrued during any earlier Interest Period) at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 13 below, but all Arrears of Interest on all Notes outstanding shall (subject to Condition 1 above) become due in full on whichever is the earliest of (i) the date upon which a dividend or other distribution is next declared, paid or made on any class of share capital of the Bank, (ii) the date set for any repayment of any of the Notes pursuant to paragraph (b) or (c) of Condition 5 below or (iii) the commencement of a winding up or the dissolution of the Bank. If notice is given by the Bank of its intention to pay the whole or part of Arrears of Interest, the Bank shall be obliged (subject to Condition 1 above) to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

For the purposes hereof, the expressions following have the following meanings:—

"Interest Payment Date" means the date which falls six months after the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, six months after 21st August, 1986, but so that if any Interest Payment Date would otherwise fall on a date which is not a Business Day it shall be postponed until the next Business Day unless it would thereby fall into the next calendar month, in which event that Interest Payment Date shall be the immediately preceding Business Day and each subsequent Interest Payment Date shall be the last Business Day of the sixth calendar month after the calendar month in which the preceding Interest Payment Date shall have fallen.



"Compulsory Interest Payment Date" means any Interest Payment Date if, in the Interest Period ending on such Interest Payment Date or in any of the two immediately preceding Interest Periods, any dividend or other distribution has been declared, paid or made on any class of share capital of the Bank.

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"Interest Period" means the period from and including one Interest Payment Date to the next Interest Payment Date.

"Business Day" means a day on which banks and foreign exchange markets are open for business in both London and New York City.

*(c) Rate of Interest*

The rate of interest from time to time payable in respect of the Notes (the "Rate of Interest") shall be determined by the Reference Agent (as described in paragraph (h) below) on the basis of the following provisions:—

- (i) On the second Business Day prior to the commencement of each Interest Period ("Interest Determination Date"), the Reference Agent will either request the principal London offices of the Reference Banks (as described in paragraph (h) below) to provide the Reference Agent with, or will obtain from such electronic or other means by which the Reference Banks are generally indicating them, their offered quotations to leading banks for deposits of dollars in the London inter-bank market for such Interest Period as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for such Interest Period shall be 0.15 per cent. per annum above the arithmetic average (rounded upwards if necessary to the nearest  $\frac{1}{16}$  per cent.) of such offered quotations, as determined by the Reference Agent.
- (ii) If on any Interest Determination Date only two or three of the Reference Banks communicate to the Reference Agent such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with sub-paragraph (i) of this paragraph on the basis of the quotations of those Reference Banks communicating such quotations.
- (iii) If on any Interest Determination Date fewer than two of the Reference Banks communicate to the Reference Agent such quotations, the Rate of Interest for the relevant Interest Period shall be whichever is the higher of:—
  - (A) the Rate of Interest in effect for the last preceding Interest Period to which sub-paragraph (i) or (ii) of this paragraph shall have applied; and
  - (B) a rate per annum which the Reference Agent determines as being 0.15 per cent. per annum above the arithmetic average (rounded upwards if necessary to the nearest  $\frac{1}{16}$  per cent.) of the rates, as communicated to and at the request of the Reference Agent by or on behalf of the Reference Banks or any two or more of them, at which such Reference Banks are offered United States dollar deposits for the relevant Interest Period, as at 11.00 a.m. (New York City time) on the relevant Interest Determination Date, by leading banks in New York City or, if fewer than two of the Reference Banks provides the Reference Agent with such rates, 0.15 per cent. per annum above the lowest dollar lending rate which leading banks in New York City (selected by the Reference Agent after consultation, if practicable, with the Bank) quote on the relevant Interest Determination Date to leading banks which have their head offices in Europe for the relevant Interest Period, provided that if the banks selected as aforesaid by the Reference Agent are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest specified in (A) above.

*(d) Determination of Rate of Interest and Interest Amounts*

The Reference Agent will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, determine and notify to the Bank, the Trustee, the Registrar and the Principal Paying Agent (as defined in the Trust Deed) (1) the Rate of Interest applicable to the Interest Period immediately succeeding such Interest Determination Date and (2) the dollar amount payable (the "Interest Amounts") in

respect of each Bearer Note and each U.S.\$100,000 principal amount of Registered Notes in respect of such Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest to U.S.\$10,000 and U.S.\$100,000 respectively, multiplying such sum by the actual number of days in the Interest Period (being inclusive of the first day, but exclusive of the last day, thereof) divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

*(e) Publication of Rate of Interest and Interest Amounts*

The Reference Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Luxembourg Stock Exchange and to be published in accordance with Condition 13 below. The Interest Amounts and Interest Payment Date so published may subsequently be amended with the consent of the Trustee (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

*(f) Determination or Calculation by Trustee*

In the event that the Reference Agent does not at any time for any reason determine the Rate of Interest or the Interest Amounts in accordance with paragraphs (c) and (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (c) above) as it thinks fit, or, as the case may be, the Trustee shall calculate the Interest Amounts in such manner as it shall deem fair and reasonable in all the circumstances and such determination or calculation shall be deemed to have been made by the Reference Agent.

*(g) Notifications to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, whether by the Reference Banks (or any of them), the Reference Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Reference Banks, the Reference Agent, the Trustee, the Registrar, the Principal Paying Agent, the other Paying Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Reference Banks, the Reference Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

*(h) Reference Banks and Reference Agent*

The Bank shall procure that so long as any of the Notes is outstanding there shall at all times be four Reference Banks and a Reference Agent. The initial Reference Banks shall be the principal London office of each of Bankers Trust Company, The Bank of Tokyo Ltd., Barclays Bank plc and International Westminster Bank PLC and the initial Reference Agent shall be Citibank, N.A., but the Bank may terminate the appointment of any of the Reference Banks or (with the prior approval of the Trustee) of the Reference Agent. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or of Citibank, N.A. being unable or unwilling to continue to act as Reference Agent, the Bank shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Reference Agent may in addition resign its duties as such, provided that neither the resignation nor the removal of the Reference Agent shall take effect until a successor approved by the Trustee has been appointed.

## **5. Repayment**

*(a) No Fixed Maturity*

The Bank shall not be at liberty to repay the Notes except in accordance with the following provisions and the provisions of Condition 1 above.

*(b) Repayment for Taxation Reasons*

If the Trustee is satisfied, immediately prior to the giving of notice to Noteholders hereinafter referred to, that on the occasion of the next payment due in respect of the Notes or Coupons the Bank would be required to pay additional amounts in accordance with Condition 7 below, the Bank may (subject as referred to in

Condition 1 above) on any Interest Payment Date, on giving not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 13 below, repay all (but not some only) of the Notes at their principal amount together with all Arrears of Interest (if any). Upon the expiration of such notice the Bank shall, subject to Condition 1 above, be bound to repay the Notes at their principal amount together with all Arrears of Interest (if any).

*(c) Optional Repayment*

On giving not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 13 below, the Bank may, on any Interest Payment Date falling on or after the fifth anniversary of the date of issue of the last of the Notes then outstanding, repay all but not some only of the Notes at their principal amount together with all Arrears of Interest (if any) in respect of all of the Notes. Upon the expiration of such notice the Bank shall be bound, subject to Condition 1 above, to repay the Notes at their principal amount and to pay all Arrears of Interest (if any) in respect of all of the Notes.

*(d) Purchases*

The Bank or any of its subsidiaries may at any time purchase Notes (together, in the case of Bearer Notes, with all unmatured Coupons and talons appertaining thereto) in the open market or otherwise.

*(e) Cancellation*

All Notes repaid or purchased as aforesaid will be cancelled forthwith, together with all unmatured Coupons and talons attached thereto or surrendered therewith, and may not be resold or reissued.

References in this paragraph to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business of dealing in securities or the purchase of Notes otherwise than as beneficial owner.

## **6. Payments**

*(a)* Payments of principal (including any payment pursuant to paragraph *(c)* of Condition 1 above) in respect of Bearer Notes will be made against presentation and surrender of Bearer Notes in dollars at the specified office of the Paying Agent in New York City or, at the option of the holder, at the specified office of any Paying Agent by dollar cheque drawn on, or by transfer to, a dollar account maintained by the payee with, a bank in New York City. Payments of interest in respect of Bearer Notes will be made against presentation and surrender of the appropriate Coupons (or, as provided in paragraph *(e)* below, Notes) at the specified office of any Paying Agent in the manner provided in the preceding sentence.

*(b)* Payments of principal in respect of Registered Notes will be made by dollar cheque drawn on a bank in New York City against presentation and surrender of such Registered Notes at the specified office of either the Registrar or a Transfer Agent. Payments of interest in respect of each Registered Note will be made by dollar cheque drawn on a bank in New York City and mailed to the holder (or to the first-named of joint holders) of such Registered Note at its address appearing in the Register. Upon application by the holder to the specified office of the Principal Paying Agent not less than 15 days prior to the due date for any payment in respect of a Registered Note, such payment may be made (and, in the case of payment of principal, against surrender of the relevant Registered Note as aforesaid) by transfer to a dollar account maintained by the payee with a bank in New York City. Each payment in respect of the Registered Notes will be made on the due date to the holders who are on the Register at the close of business 15 days prior to the due date in respect of such payment (the "Record Date").

*(c)* Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 below.

*(d)* If the due date for payment of any amount of principal or interest in respect of any Note is not a day on which banks are open for business in New York City and, where applicable, in the place where the relevant Note or Coupon is presented for payment, then the holder thereof shall not be entitled to payment in such place of the amount due (and cheques in respect of Registered Notes shall not be required to be mailed) until the next following such day nor to any further interest or other payment in respect of any such delay.

*(e)* If the due date for repayment of any Note is not an Interest Payment Date or if payment of principal is improperly withheld or refused on or in respect of any Note or if default is otherwise made in respect of any payment of principal, interest accrued in respect of such Note since the last preceding Interest Payment Date will

be paid to the holder of the relevant Note against surrender of the relevant Note at the specified office of, in the case of a Bearer Note, any Paying Agent and, in the case of a Registered Note, either the Registrar or a Transfer Agent.

(f) The initial Paying Agents, Registrar and Transfer Agents and their initial specified offices are set out below. The Bank reserves the right at any time to vary or terminate the appointment of any Paying Agent or Transfer Agent or the Registrar, subject, in the case of the Principal Paying Agent or the Registrar, to the prior approval of the Trustee, and to appoint additional or other Paying Agents or Transfer Agents, provided that it will at all times maintain (i) Paying Agents having specified offices in New York City and one city in Continental Europe which, so long as the Notes are listed on the Luxembourg Stock Exchange, shall be Luxembourg; (ii) a Transfer Agent having a specified office in a European city approved by the Trustee; and (iii) a Registrar having its specified office outside Great Britain. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents, the Registrar or the Transfer Agents will be given to the Noteholders in accordance with Condition 13 below.

## 7. Taxation

All payments of principal and interest will be made without withholding or deduction for or on account of any taxes, charges or duties of whatsoever nature, present or future, imposed or levied by or on behalf of Norway or any authority therein or thereof having power to levy taxes or duties, unless the Bank is compelled by law to withhold or deduct any such taxes, charges or duties. In that event, the Bank will pay such additional amounts as may be necessary so that the net amount receivable by the Noteholders or Couponholders, after such withholding or deduction, will equal the respective amounts of principal and interest which would (but for such withholding or deduction) otherwise have been receivable; except that no such additional amount shall be payable with respect to any Note or Coupon:—

- (a) to, or to a third party on behalf of, a holder who is liable to such taxes, charges or duties in respect of such Note or Coupon by reason of his having some connection with Norway other than the mere holding of the Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment at the close of such period of 30 days. As used herein, the “Relevant Date” in respect of any payment means the date on which such payment first becomes due or, if the full amount of the moneys payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which such moneys shall have been so received and notice to that effect shall have been duly given to the Noteholders.

References in these Terms and Conditions to principal and/or interest in respect of the Notes shall be deemed to include any additional amount which may be payable under these provisions or under any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## 8. Default and Enforcement

### (a) Default

If the Bank shall default in making any payment of principal or interest in respect of any Note (other than a payment of interest due on a Compulsory Interest Payment Date which is not payable by reason of the provisions of paragraph (b) of Condition 1 above) for a period of 15 days or more after the date on which it is obliged to make such payment, or would be so obliged but for the provisions of paragraph (b) of Condition 1 above, the Trustee may take such steps (if any) as are then available to it under the law of Norway to procure the liquidation or dissolution of the Bank in Norway (but not elsewhere) or the institution of any legal or administrative proceeding or other action which, under the laws of Norway, is a necessary pre-condition to the institution of liquidation or dissolution proceedings. In the event of liquidation or dissolution proceedings being current in respect of the Bank, the Trustee may prove in such proceedings for payment of the sums due pursuant to paragraph (c) of Condition 1 above.

*See “The Norwegian Banking System” on page 45 for a description of the present provisions of Norwegian law relating to the insolvency of a commercial bank. Under such provisions, the Trustee would not be entitled to petition for the liquidation or dissolution of the Bank.*

*(b) Enforcement by the Trustee*

The Trustee shall not be bound to take any action pursuant to paragraph (a) above unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

*(c) Enforcement by Noteholders or Couponholders*

No Noteholder or Couponholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to proceed, fails to do so and such failure is continuing, in which case the Noteholder or Couponholder shall have only such rights against the Bank as those which the Trustee is entitled to exercise.

*(d) Remedy available*

No remedy against the Bank, other than the action referred to in paragraph (a) above, shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or the Coupons or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Trust Deed or the Notes (other than for recovery of the Trustee's remuneration or expenses).

**9. Prescription**

Notes and Coupons will become void unless presented for payment within a period of 12 years in the case of Notes and six years in the case of Coupons from the Relevant Date (as defined in Condition 7 above) for the payment thereof.

**10. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of the terms and conditions of the Notes and the provisions of the Trust Deed, provided that certain provisions (including, *inter alia*, the terms concerning status, subordination, the currency and due dates of payment of principal or interest in respect of the Notes and the principal amount of any Note) may only be modified at a meeting of Noteholders for which special quorum provisions apply. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to any modification (other than a modification for which a special quorum is required) of, or to any waiver or authorisation of any breach or proposed breach of, any provision of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification to correct a manifest error or which is of a formal, minor or technical nature. Unless the Trustee agrees otherwise, any modification shall be notified to the Noteholders in accordance with Condition 13 below as soon as practicable thereafter.

The Trustee may also agree, subject to such amendment of the Trust Deed and of the terms and conditions of the Notes and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution, subject to the Notes and the Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 1 above, of a subsidiary of the Bank, any holding company of the Bank or any subsidiary of such holding company in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons and so that the claims of the Noteholders and the Couponholders may, in the case of the substitution of a banking company (as defined in the Trust Deed) in the place of the Bank, be subordinated, on a basis equivalent to that mentioned in Condition 1 above, to the rights of Senior Creditors (as defined in Condition 1 above, but with the substitution of references to that banking company in place of references to the Bank).

In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution as aforesaid) the Trustee shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

#### **11. Indemnification of the Trustee, Paying Agents, Registrar and Transfer Agents**

(a) The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction, and for its replacement by Extraordinary Resolution of the Noteholders. The Trustee is entitled to enter into business transactions with the Bank and/or any of its subsidiaries without accounting for any profit resulting therefrom.

(b) The Agency Agreement contains provisions indemnifying the Principal Paying Agent and the other Paying Agents, the Registrar and the Transfer Agents and absolving the Principal Paying Agent and the other Paying Agents, the Registrar and the Transfer Agents from responsibility in connection with certain matters.

(c) In acting under the Agency Agreement, the Principal Paying Agent, the other Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Bank and do not assume any obligation or relationship of agency or trust for or with the Noteholders or Couponholders.

#### **12. Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent for the time being in London (or, in the case of a Registered Note, at the specified office of the Registrar or any Transfer Agent) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Bank may reasonably require. Mutilated or defaced Notes, Coupons or talons must be surrendered before replacements will be issued.

#### **13. Notices**

All notices regarding the Notes will be valid if published in one leading London daily newspaper and one leading Luxembourg daily newspaper or, if either is not practicable, in one other leading English language daily newspaper of general circulation in Europe which is approved by the Trustee. Any notice so published shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner and shall be deemed to have been given on such date as the Bank and the Trustee shall determine. It is expected that publication of notices will normally be made in the *Financial Times* and in the *Luxemburger Wort*. Couponholders will be deemed to have notice of the contents of any notice given to Noteholders in accordance herewith.

#### **14. Further Issues**

The Bank shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes so as to form a single issue with the Notes or further notes or bonds not so to form a single series with the Notes, in either case, upon such terms as to interest, conversion, premium, repayment and otherwise as the Bank may at the time of the issue thereof determine. Any such notes, if they are to form a single issue with the Notes, shall be constituted by a deed supplemental to the Trust Deed and any other such notes or any such bonds, if the Trustee so agrees, may be so constituted. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series for the purpose of passing an Extraordinary Resolution in certain circumstances where the Trustee so decides.

## **15. Governing Law**

The Trust Deed, the Notes, the Coupons and the talons are governed by, and shall be construed in accordance with, English law, save that Condition 1 above, and the provisions of the Trust Deed in so far as they relate to the matters provided for in Condition 1, are governed by, and shall be construed in accordance with, Norwegian law.

The Bank irrevocably agrees for the benefit of Noteholders that any suit, action or proceeding ("Proceedings") arising out of or in connection with the Notes may be brought in the courts of England or in any New York State or U.S. Federal court sitting in New York City and submits to the jurisdiction of each such court to settle any disputes which may arise out of or in connection with the Notes. The Bank irrevocably waives any objection which it may have to the laying of the venue of any Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any Proceedings brought in any of such courts shall be conclusive and binding upon the Bank and may be enforced in the courts of any other jurisdiction. The Bank has appointed Den norske Creditbank PLC and DnC America Banking Corporation as its authorised agents for the receipt of any writ, judgment or other process in connection with Proceedings in England and the United States respectively and will agree that any writ, judgment or other process shall be sufficiently and effectively served on it if delivered to the said agent at its registered offices for the time being in England or, as the case may be, New York or in any other manner permitted by law.

The Bank further agrees that any final judgment obtained against it in any of the above courts with respect to the Notes may be enforced to the full extent permitted by all applicable laws in any such jurisdiction in which any assets of the Bank may be situated and hereby submits to and accepts, irrevocably and unconditionally, for the purposes of such enforcement, each such jurisdiction and warrants that it does not have, but to the extent that it may become entitled thereto irrevocably waives to the fullest extent permitted by applicable law, any immunity from enforcement, execution or attachment in each such jurisdiction.

## **USE OF PROCEEDS**

The net proceeds of the issue will be used in the general business of the Bank.



## CAPITALISATION OF DEN NORSKE CREDITBANK

The following table sets out the unaudited unconsolidated loan capital and shareholders' equity of the Bank as at 30th April, 1986, and as adjusted to reflect the changes referred to in the notes to the table including the Notes now being issued:—

	As at 30th April, 1986 (in millions of NOK)(7)	As adjusted (in millions of NOK)
<b>Loan capital (1)(6)(9)</b>		
U.S.\$50,000,000 13 per cent. Capital Notes 1990.....	347.5	347.5
U.S.\$50,000,000 11¼ per cent. Capital Notes 1993.....	347.5	347.5
S.Fr.70,000,000 5¾ per cent. Notes 1990 .....	265.3	265.3
U.S.\$50,000,000 11¾ per cent. Capital Notes 1991.....	347.5	347.5
U.S.\$20,600,000 11¼ per cent. Capital Notes 1991 (2).....	122.5	143.4
U.S.\$63,400,000 12¾ per cent. Serial A Notes 1991 (3) .....	440.3	440.3
U.S.\$38,100,000 12¾ per cent. Serial B Notes 1991 (4).....	258.0	265.0
A\$70,000,000 12⅞ per cent. Notes Due 1988.....	358.2	358.2
U.S.\$150,000,000 Floating Rate Capital Notes Due March 1991.....	1,042.5	1,042.5
U.S.\$280,000,000 Primary Capital Perpetual Floating Rate Notes .....	1,946.0	1,946.0
DM.250,000,000 Floating Rate Notes of 1986 (1996).....	794.2	794.2
Lux.Fr.300,000,000 9 per cent. Bonds 1986–1991.....	46.5	46.5
Lux.Fr.300,000,000 7½ per cent. Bonds 1986–1991 (5).....	—	46.5
Can\$75,000,000 9¾ per cent. Notes Due 10th July, 1989 (5).....	—	378.6
U.S.\$300,000,000 Floating Rate Capital Notes Due August 1996 (now being issued) .....	—	2,085.0
<b>Total loan capital</b> .....	<u>6,316.0</u>	<u>8,854.0</u>
<b>Shareholders' equity</b>		
Capital (8) .....	1,724.9	1,727.2
Legal reserve .....	656.3	657.4
Other reserves .....	982.4	982.4
<b>Total shareholders' equity</b> .....	<u>3,363.6</u>	<u>3,367.0</u>
<b>Total capitalisation</b> .....	<u>9,679.6</u>	<u>12,221.0</u>

### Notes:—

- (1) The maturity profile of DnC's loan capital as at 28th July, 1986 in millions of kroner was as follows:— 1988 – 358.2; 1989 – 378.6; 1990 – 612.8; 1991 – 2,331.7; 1993 – 347.5; 1996 – 2,879.2
- (2) As at 28th July, 1986, there remained outstanding 29,371 warrants to subscribe a further U.S.\$29,371,000 11¼ per cent. Capital Notes 1991. Such warrants are exercisable on or before 1st February, 1988 at a subscription price of par.
- (3) As at 28th July, 1986, U.S.\$11,650,000 12¾ per cent. Serial A Notes 1991 had been purchased by the Bank and cancelled.
- (4) As at 28th July, 1986, there remained outstanding 36,865 warrants to subscribe a further U.S.\$36,865,000 12¾ per cent. Serial B Notes 1991. Such warrants are exercisable at any time on or prior to 27th November, 1989 at a subscription price of par. The increase since 30th April, 1986 in the issued amount of these Notes resulted from the exercise of warrants.
- (5) The Bonds were issued with effect from 10th June, 1986 and the Notes with effect from 10th July, 1986.
- (6) As at 27th February, 1986 the Bank issued 100,000 warrants to subscribe U.S.\$100,000,000 9¼ per cent. Capital Bonds Due 1996. A further 100,000 warrants to subscribe U.S.\$100,000,000 9¼ per cent. Capital Bonds (Series B) Due 1996 were issued with effect from 1st April, 1986. As at 28th May, 1986 the Bank issued 80,000 warrants to subscribe £80,000,000 9 per cent. Capital Bonds Due 1996. As at 8th August, 1986 the Bank issued 75,000 warrants to subscribe U.S.\$75,000,000 8¼ per cent. Notes due 1996. As at 13th August, 1986 the Bank issued 250,000 warrants to subscribe DM250,000,000 6¾ per cent. Bonds Due 1996. As at the date hereof, none of the warrants in these five issues have been exercised.
- (7) For the purpose of this table, foreign currency amounts have been translated into NOK at the mean of buying and selling spot delivery rate for the respective currency as quoted on the Oslo Stock Exchange on 30th April, 1986.
- (8) Subsequent to 30th April, 1986 the share capital has been increased by NOK2,305,700. The Bank's Share Capital as at the date of this document is NOK 1,727,157,900. On 19th March, 1986 the Supervisory Board decided to make an issue of NOK 14,400,000 in connection with the merger of Jøtun & Co. A/S (100 per cent. owned by DnC) and A/S Wilu, a money-broking company. The issue will be effected in August 1986 by issuing shares of the Bank to the shareholders of A/S Wilu.
- (9) As at 20th August, 1986, the Bank will issue DKK250,000,000 9½ per cent. Bonds Due 1991.

## DEN NORSKE CREDITBANK

DnC was established as a private limited company in Oslo in 1857 with unlimited duration to provide commercial banking services throughout Norway, without any particular regional affiliation. The Bank is the largest Norwegian commercial bank in terms of total assets, capital and earnings and has approximately 145 offices and branches nationwide. The Bank has a branch in Singapore and subsidiaries in Luxembourg: Den norske Creditbank (Luxembourg) S.A. ("DnC (Luxembourg)"), in London: Den norske Creditbank PLC, in Houston: Den norske Creditbank Finance Corporation ("DnC Finance"), in Amsterdam: DnC Ship Mortgage International Bank N.V., in New York: DnC America Banking Corporation, in Gothenburg: Den norske Creditbank Sverige and in Hong Kong: DnC Limited. The Bank has a 10 per cent. shareholding in Manufacturers Hanover Banque Nordique in Paris. The Bank also conducts its international business through 12 representative offices worldwide.

The Bank's shares are quoted on the Oslo Stock Exchange and were, as of 22nd May, 1986, held by approximately 64,644 shareholders, of whom about 97.6 per cent. are individuals and about 2.4 per cent. are insurance companies and other institutional investors, holding 58.6 per cent. and 41.4 per cent. of total shares respectively.

At 30th April, 1986 total assets of DnC were NOK 70,006 million and total deposits were NOK 42,575 million. At the same date, total shareholders' equity and subordinated loan capital and provisional tax free reserves amounted to NOK 6,353 million.

The following tables show selected financial information relating to the Bank for the indicated periods:—

	As at 31st December,					As at 30th April,
	1981	1982	1983	1984	1985	1986
	<i>(in millions of NOK)</i>					<i>(unaudited)</i>
Total assets .....	28,241	34,933	39,727	52,821	60,770	70,006
Bearer bonds .....	8,131	9,560	8,633	7,880	7,143	9,062
Loans and credits .....	15,247	19,068	24,255	31,987	40,555	42,467
Deposits (1)						
Other than from banks (2) .....	19,841	22,321	25,354	30,852	35,823	33,097
From banks .....	5,332	8,277	7,346	11,052	7,830	9,478
Ordinary subordinated loan capital .....	378	458	886	1,045	1,137	1,043
Primary perpetual capital .....	—	—	—	—	2,122	1,946
Share capital and reserves .....	1,180	1,328	1,800	2,477	3,257	3,364

Notes:—

(1) Excluding loans and deposits from Norges Bank, which amounted to NOK 9,657 million as of 30th April, 1986, which represented an extraordinarily high amount due to liquidity constraints prior to the 12 per cent. devaluation of the Norwegian kroner on 11th May, 1986.

(2) Including Certificates of Deposit denominated in foreign currencies.

	Year ended 31st December,					Four months ended 30th April,
	1981	1982	1983	1984	1985	1986
	<i>(in millions of NOK)</i>					<i>(unaudited)</i>
Total net interest income and other operating revenues .....	1,261.4	1,484.0	1,909.2	2,300.1	2,856.9	1,028.6
Operating profit (1) .....	203.4	231.3	395.3	473.5	556.3	231.9

Note:—

(1) Before extraordinary items, taxes and year-end adjustments.

### Commercial Banking Business

DnC carries out all the principal activities of a commercial bank, including the provision of general banking facilities to public and private sector customers, the taking of demand and term deposits in Norwegian kroner and foreign currency and the provision of loans and overdraft facilities to individuals and

companies. DnC also effects foreign exchange transactions and money transfers, acts as a broker in stocks and bonds, offers safekeeping facilities and, in accordance with Norwegian practice, provides financial guarantees and performance guarantees on behalf of customers. DnC is active in the domestic capital and money markets and provides, either directly or through a subsidiary, specialised financing facilities, including hire-purchase, factoring and leasing. DnC also acts as an investment bank in Norway.

## Funding

At 30th April, 1986, total deposits amounted to NOK 42,575 million of which NOK 33,097 million (77.7 per cent.) were non-bank deposits and NOK 9,478 million (22.3 per cent.) were from banks. The Bank's principal source of deposits is from individuals, who at 30th April, 1986 accounted for approximately 42.9 per cent. of total deposits other than from banks. DnC has traditionally placed great emphasis on the composition of the Bank's deposit base to ensure maximum stability of funding. A feature of DnC's deposits is the high proportion from non-bank sources.

The following table sets out the development of the composition of the Bank's deposits during the period from 31st December, 1981 to 30th April, 1986:—

	As at 31st December,				As at 30th April,	
	1981	1982	1983	1984	1985	1986
	(in millions of NOK)				(unaudited)	
Demand deposits, other than from banks.....	4,631	4,946	6,061	7,978	9,540	8,404
Term deposits, other than from banks (1) .....	15,210	17,375	19,293	22,874	26,283	24,693
Due to domestic banks.....	179	253	225	318	581	608
Due to foreign banks.....	5,153	8,024	7,121	10,734	7,249	8,870
<b>Total deposits (2).....</b>	<b>25,173</b>	<b>30,598</b>	<b>32,700</b>	<b>41,904</b>	<b>43,653</b>	<b>42,575</b>

### Notes:—

(1) Including Certificates of Deposit denominated in foreign currencies.

(2) Excluding loans and deposits from Norges Bank.

In common with other Norwegian commercial banks, the amount due from the Bank to foreign banks as a percentage of total deposits increased during the period 1981 to 1984. This increase was largely attributable to the increase in the Bank's foreign currency lending, which was partly funded by deposits from foreign banks as well as through funds raised on the international money and capital markets.

A major objective has been to diversify the Bank's sources of funds. Domestically, new funding devices have been developed enabling the Bank to offer better and more diversified loan facilities. Kroner generated through the swap market, the issuance of domestic certificates of deposits and new borrowing facilities provided by Norges Bank are funding instruments in this category.

Internationally, the Bank has increased its long-term funding in non-Norwegian kroner from 0 to 30 per cent. over the last six years. This has been accomplished through frequent bond offerings of senior as well as subordinated debt in the various international capital markets. The Bank has also issued primary capital perpetual floating rate notes. Please see the Capitalisation table on page 23. The majority of the fixed rate bond issues have been swapped into floating rate debt. To an increasing extent the Bank utilises new and innovative financing devices and hedging techniques, both on and off balance sheet, in its treasury and asset liability management. The Bank operates a U.S. Commercial Paper programme, currently standing at U.S.\$500 million and a Euro Commercial Paper programme at U.S.\$200 million.

The maturities of DnC's deposits other than from banks as at 31st December, 1984 and 1985, and at 30th April, 1986 are shown in the following table:—

	As at 31st December,		As at
	1984	1985	30th April,
	<i>(in millions of NOK)</i>		<i>(unaudited)</i>
Three months' notice .....	1,454	1,409	1,365
Twelve months' notice .....	7,200	9,008	8,931
Placement accounts (1) .....	1,180	1,151	1,406
Fixed term deposits .....	117	148	150
Salary accounts .....	1,285	1,466	1,373
Current accounts .....	3,799	5,076	4,333
Foreign currency .....	4,418	3,910	3,579
Deposits on special terms (2) .....	11,399	13,066	10,714
Certificates of deposit .....	—	589	1,246
<b>Total deposits other than from banks .....</b>	<b>30,852</b>	<b>35,823</b>	<b>33,097</b>

Notes:—

- (1) Placement accounts offer increased interest rates for long-term deposits. The deposits have no fixed maturity and carry interest at a rate equivalent to approximately 11 per cent. over two years and more.
- (2) Funds generated through individual negotiations with large depositors, the maturities of which vary from one day to one year and which carry various rates of interest.

In accordance with Norwegian practice, the Bank pays interest on personal cheque accounts into which salaries are paid directly by employers (salary accounts). Interest paid on ordinary term deposits ranges from 5 to 11.5 per cent. per annum depending upon amount and maturity.

## Lending

DnC provides loan finance to private individuals and to entities engaged in a wide spectrum of Norwegian commerce and industry. Being the largest Norwegian commercial bank, DnC counts amongst its clients a high proportion of Norway's leading companies. Norwegian law limits the exposure of a commercial bank to any single customer to an amount equal to one-half of the aggregate of such bank's equity and its subordinated loan capital approved by the Ministry of Finance for the purpose of establishing its legal lending limit. Certain categories of loans (loans to or guaranteed by the Norwegian state and state institutions and loans secured by collateral as specified by law) are exempted from the maximum limitation.

The Bank has established specialised credit departments for its lending to public authorities and to various sectors of the Norwegian economy, such as the manufacturing, shipping, trade and service industries and to entities engaged in the exploration and development of petroleum resources in Norway and abroad. The Bank's exposure to the various sectors is centrally co-ordinated in order to maintain satisfactory diversification and spread of risk.

At 30th April, 1986, the Bank had outstanding loans totalling NOK 43,723 million equivalent and undisbursed commitments of NOK 7,965 million equivalent.

The following table shows the breakdown of the Bank's loan portfolio by sector during the period from 31st December, 1981 to 31st December, 1985:—

	As at 31st December,				
	1981	1982	1983	1984	1985
	<i>(in millions of NOK)</i>				
Agriculture, fishing and forestry .....	319	343	340	380	551
Mining, quarrying and oil extraction .....	77	180	246	1,046	889
Manufacturing:					
Foodstuffs .....	291	206	283	293	557
Pulp and paper mills and wood products .....	342	375	451	512	708
Chemicals, petrochemicals and oil .....	543	446	369	698	590
Metals .....	293	403	350	380	629
Heavy engineering .....	1,347	818	1,090	816	1,151
Other .....	192	165	168	215	256
Construction .....	444	766	858	1,157	1,356
Wholesale and retail trade .....	2,076	2,691	3,152	2,774	3,630
Shipping .....	1,022	1,657	1,917	3,500	2,798
Service industries .....	1,645	2,039	2,494	2,814	4,677
Individuals .....	6,084	7,244	8,447	10,361	14,251
Central government and municipalities .....	218	497	612	559	944
Foreign and other loans (1) .....	1,023	2,074	4,500	7,643	8,833
Less: Provisions for general loan losses .....	(669)	(836)	(1,022)	(1,161)	(1,265)
<b>Total loans .....</b>	<b>15,247</b>	<b>19,068</b>	<b>24,255</b>	<b>31,987</b>	<b>40,555</b>

Note:—

(1) Includes licenced currency loans which primarily consist of loans to the oil, offshore and shipping sectors.

Loans made by the Bank comprise discounted commercial bills, loans under hire-purchase contracts, short-term operating facilities and medium- and long-term credits for the financing of investments in plant and other forms of capital investment. At 31st December, 1985, approximately 34 per cent. of total loans outstanding had been granted to individuals, 74 per cent. of which represented secured loans to finance house purchases.

The great majority of the Bank's loans are for maturities of less than ten years. The Bank charges a commitment commission in respect of short-term operating facilities made available to clients in addition to the interest charged on amounts advanced. The average rate of return on these facilities, which are normally secured, is higher than for medium- and long-term lending. Interest on loans denominated in foreign currency is normally charged on a floating rate basis.

During the period from 31st December, 1981 to 30th April, 1986 the outstanding balances of loans and credits of the Bank, classified by financial instrument, were as follows:—

	As at 31st December,					As at 30th April,
	1981	1982	1983	1984	1985	1986
	<i>(in millions of NOK)</i>				<i>(unaudited)</i>	
Commercial bills.....	377	305	268	307	225	202
Loans under hire-purchase contracts.....	266	273	254	187	113	86
Short-term operating facilities.....	3,793	3,393	3,845	4,958	7,629	7,955
Construction loans (1).....	1,548	1,626	1,423	1,606	2,722	2,570
Loans maturing within one year.....	349	587	945	1,392	1,300	1,217
Special term mortgage loans.....	55	151	250	357	436	458
Subordinated Loan Capital.....	112	121	131	137	134	132
Ordinary promissory notes.....	5,857	7,020	8,146	8,984	13,708	14,987
Mortgages.....	1,264	1,597	1,863	2,759	3,205	3,430
Licensed foreign currency loans.....	2,183	4,701	7,753	12,048	10,949	11,415
Other loans.....	112	130	399	413	1,399	1,271
Less: Provision for general loan losses.....	(669)	(836)	(1,022)	(1,161)	(1,265)	(1,256)
<b>Total loans and credits drawn.....</b>	<b>15,247</b>	<b>19,068</b>	<b>24,255</b>	<b>31,987</b>	<b>40,555</b>	<b>42,467</b>

Note:—

(1) Advanced for maturities of up to two years for building construction and the construction of plant, capital equipment and ships.

#### Guarantees and Unutilised Documentary Credits

The Bank provides financial and performance guarantees required by institutional and other lenders in Norway and abroad. Except for guarantees in respect of bonds issued by financial institutions whose on-lending is given on a secured basis, guarantees are generally secured by charges over assets. The Bank charges a guarantee commission varying from 1/2 per cent. to 2 per cent. per annum, depending upon the standing of the principal obligor and security provided.

Total guarantees and unutilised documentary credits outstanding as at the dates shown were as follows:—

	As at 31st December,					As at 30th April,
	1981	1982	1983	1984	1985	1986
	<i>(in millions of NOK)</i>				<i>(unaudited)</i>	
Total guarantees.....	4,575	5,405	5,920	6,454	10,326	12,131
Unutilised documentary credits.....	189	270	578	1,353	1,465	1,504
<b>Total guarantees and unutilised documentary credits.....</b>	<b>4,764</b>	<b>5,675</b>	<b>6,498</b>	<b>7,807</b>	<b>11,791</b>	<b>13,635</b>

The following table sets out the guarantees of DnC outstanding as at 31st December, 1985:—

	<i>(in millions of NOK)</i>
Payment guarantees.....	1,555
Loan guarantees.....	5,312
Contract guarantees.....	1,681
Guarantees for taxes, customs and stamp duty.....	339
Miscellaneous.....	1,439
<b>Total guarantees.....</b>	<b>10,326</b>

Norwegian law requires that a bank's total guarantee liability should not exceed its equity and approved subordinated loan capital. If, however, guarantees represent insignificant risk or if they are secured according to specific rules, the total guarantee liability can be increased to 250 per cent. of the bank's equity and approved

subordinated loan capital. The Ministry of Finance may consent to a bank's total guarantee liability in respect of certain categories of guarantees exceeding these limits. The Bank is in compliance with these regulations.

### Loan Loss Experience and Reserves

Under current Norwegian regulations, commercial banks may in each year reserve against general losses out of pre-tax income an amount of up to 1 per cent. of the principal amount of loans outstanding at the end of that year, until the total accumulated reserve is equal to 5 per cent. of such principal amount. In addition, specific provision may be made against loans which management believes are unlikely to be repaid. The amounts charged against income, both in respect of credit losses and in respect of the reserve, are set out in the following table:—

	As at 31st December,				
	1981	1982	1983	1984	1985
	<i>(in millions of NOK)</i>				
Total loans and credits (1) .....	15,247	19,068	24,255	31,987	40,555
Losses on loans and credits .....	10	32	67	192	315
Annual reserves for loan losses .....	159	199	253	331	418
Cumulative reserves for general loan losses .....	669	836	1,022	1,161	1,265
	<i>(per cent.)</i>				
Loan losses as percentage of total loans .....	0.06	0.16	0.27	0.58	0.75
Cumulative reserves for general loan losses as percentage of total loans .....	4.20	4.20	4.04	3.50	3.02

Note:—

(1) After deduction of cumulative reserves for general loan losses.

In 1985, the Bank also experienced a loss on guarantees which amounted to NOK 55 million, which was accounted for as an extraordinary cost in the 1985 Profit and Loss Statement of the Bank.

### International Business

International banking is an important and expanding part of DnC's business and contributed significantly to profit in each of the last five years. The Bank is engaged in foreign exchange and securities trading, provides short-, medium- and long-term financing and takes and places deposits in foreign currency. In addition, the Bank handles a substantial part of the international payments made through Norwegian banks and provides assistance to clients investing or operating abroad.

The Bank's foreign exchange business contributed importantly to overall operating profit in 1985. By far the largest portion of the Bank's foreign exchange earnings comes from arbitrage dealings with foreign banks. DnC makes markets in 27 currencies. Arbitrage is carried out in direct competition with banks operating in the international markets, and the margins on individual transactions are low. DnC, however, has built up a high turnover in this market, which requires a large, well qualified staff and advanced technical equipment. As a matter of long-standing internal policy, DnC's foreign exchange positions in each currency are, as far as practicable, matched at the end of each day with the exception of small internal limits.

The Bank has a well-established position in the short- and medium-term syndicated loan market. In aggregate, DnC arranged loans for its Norwegian and foreign clients for the equivalent of U.S.\$3,124 million in 1985. Project financing plays an important role in the Bank's overseas lending, and the Bank is a significant provider of loans to the industrial, oil and shipping sectors. From time to time the Bank acts as lead manager in the Eurobond market.

DnC maintains relationships with some 6,500 correspondent banks around the world and is a member of, and participates in, CEDEL S.A. Luxembourg, Euro-clear Clearance System p.l.c. and the Society for Worldwide Interbank Financial Telecommunications (SWIFT), Brussels. Some 1,830 banks maintain account relationships in Norwegian kroner with DnC, while the Bank has approximately 600 accounts with foreign banks in local currencies.

The Bank has, as mentioned above, a branch in Singapore and wholly-owned subsidiaries in London, Luxembourg, Amsterdam, Houston, New York, Gothenburg and Hong Kong. The Bank also has representative offices in Beijing, Cairo, Dubai, Düsseldorf, Hamburg, Hong Kong, Houston, Osaka, Rotterdam, São Paulo, Sydney and Tokyo.



Den norske Creditbank PLC ("DnC PLC") in London specialises in providing financial services for corporate customers, primarily in the U.K. and the Nordic countries. It has particular expertise in the oil and offshore sectors and has specialist departments offering lease financing services, project finance facilities and capital market products. Its dealing room trades a wide range of treasury instruments and offers a comprehensive foreign exchange service in all the major currencies. DnC PLC and its subsidiaries had total assets of £1,532 million (U.S.\$2,206.5 million at the exchange rate then prevailing) as at 31st December, 1985, compared with £1,511 million (U.S.\$2,176.3 million) as at 31st December, 1984.

Den norske Creditbank (Luxembourg) S.A. engages in corporate banking within specialised areas, as well as private customer business in Continental Europe. Its trading activities include foreign exchange and securities. At 31st December, 1985, Den norske Creditbank (Luxembourg) S.A. had total assets of Lux.Frs. 52.7 billion (U.S.\$1,040.0 million at the exchange rate then prevailing), compared with Lux.Frs. 53.8 billion (U.S.\$1,060.2 million) as at 31st December, 1984.

DnC America Banking Corporation in New York ("DnC America") provides a full range of merchant banking services primarily to Nordic companies with interests in North America, including short- and long-term corporate and project finance loans, advisory services on acquisitions, private placements of debt/equity, industrial revenue bond financing, venture capital, and project finance advisory services. Its trading activities include foreign exchange (with emphasis on Nordic currencies), and U.S. Government securities arbitrage trading, conducted through a wholly-owned subsidiary, Norden Capital Markets, Inc. In 1986 DnC America established a subsidiary, DnC Capital Corporation, to advise upon mergers and acquisitions and to conduct financing and investment activities. In 1986 DnC Finance Corporation in Houston will be merged with DnC America. Total assets of DnC America at 1985 year-end were approximately U.S.\$575 million, including more than U.S.\$453 million in loans.

DnC Limited was previously named Nordic Asia Limited. DnC acquired DnC Limited in 1985. DnC Limited has a licensed deposit-taking status. Its activities comprise shipping, trade and manufacturing industries in Hong Kong, China, Korea, Taiwan and the Philippines. DnC Limited has built up considerable expertise in financial and consultancy services in China and an important part of its activities is to provide assistance to companies that wish to trade with China or invest in joint ventures with Chinese partners in China. DnC Limited has also an extensive foreign exchange activity. As of year-end 1985 its total assets amounted to U.S.\$167.1 million compared with U.S.\$147.1 million in 1984.

DnC Ship Mortgage International Bank N.V. in Amsterdam specialises in making loans and guarantees to the shipping and offshore industries. It had total assets of U.S.\$118.3 million at year-end 1985, compared to U.S.\$91.1 million at year-end 1984.

Den norske Creditbank Sverige, DnC's Swedish subsidiary in Gothenburg, was opened on 12th May, 1986. This subsidiary was established after the Swedish authorities gave permission for foreign banks to establish subsidiaries in Sweden. The bank in Gothenburg carries out financing of companies, export finance and project finance. Its main activities also include foreign exchange, capital markets and stockbroking services. This bank has approximately 30 employees. The equity capital is SEK 75 million, and in addition to this DnC has provided subordinated loan capital in the amount of SEK 150 million.

### **Domestic Securities Activities**

DnC is a leading bank in the domestic capital market. It manages new equity, bonds and commercial paper issues and acts as broker in stocks, bonds and short-term paper. Due to austerity measures imposed by the Norwegian Government in respect of Norwegian banks' reserve requirements, an already high interest rate level is expected to continue. This has had the effect of reducing new issue activity in domestic debt markets.

On 1st January, 1985, the domestic market for short-term paper (12 months or less) was opened. New short-term paper issue activity totalled NOK 41,575 million in 1985. Of this amount, short-term paper issued by the Norwegian Government accounted for NOK 32,253 million while banks, finance companies and corporations accounted for the balance. During 1985, DnC arranged three private short-term paper issues totalling NOK 550 million.

New bond issue activity totalled NOK 28,243 million in 1985. Of this amount, bonds issued by the Norwegian Government and State banks accounted for NOK 19,903 million and bonds issued by municipalities totalled NOK 8,340 million. During the year DnC was lead-manager for five public bond issues totalling NOK 1,130 million and arranged two private bond placements totalling NOK 350 million. DnC also arranged private and public stock issues totalling NOK 726 million.

At 31st December, 1985, the Bank's portfolio of bonds had a book value of NOK 7,052 million, of which NOK 3,823 million were Norwegian Government guaranteed bonds. At that date, the market value of DnC's portfolio amounted to NOK 6,846 million.

## Unaudited Interim Accounts

The following are the published unaudited consolidated interim accounts of DnC for the four months ended 30th April, 1985 and 1986:—

### UNAUDITED SUMMARY CONSOLIDATED BALANCE SHEETS AS AT 30TH APRIL,

	1986	1985	Change
<i>Figures in NOK millions</i>			
<b>Assets</b>			
Cash and deposits with banks.....	15,707.6	8,187.5	7,520.1
Short-term securities portfolio.....	20,896.9	17,496.6	3,400.3
Loans.....	58,671.4	47,840.0	10,831.4
Other assets.....	4,163.4	2,875.7	1,287.7
Fixed assets.....	3,124.4	2,489.6	634.8
Total assets.....	<u>102,563.8</u>	<u>78,889.4</u>	<u>23,674.4</u>
<b>Liabilities and equity</b>			
Deposits from banks.....	39,951.2	26,836.5	13,114.7
Deposits from customers.....	37,313.7	35,666.1	1,647.6
Other liabilities.....	18,291.4	11,909.5	6,381.9
	<u>95,556.3</u>	<u>74,412.1</u>	<u>21,144.2</u>
Ordinary subordinated loan capital.....	1,512.0	1,774.6	(262.6)
Primary perpetual capital.....	1,946.0	—	1,946.0
Conditionally tax-free reserves.....	971.3	726.9	244.4
Minority interest.....	—	12.5	(12.5)
Equity capital.....	<u>2,578.1</u>	<u>1,963.3</u>	<u>614.8</u>
Total capital base.....	<u>7,007.4</u>	<u>4,477.3</u>	<u>2,530.1</u>
Total liabilities and equity.....	<u>102,563.8</u>	<u>78,889.4</u>	<u>23,674.4</u>

### UNAUDITED SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE FOUR MONTHS ENDED 30TH APRIL,

	1986	1985	Change
<i>Figures in NOK millions</i>			
Interest income, credit commissions and dividends.....	3,283.9	3,100.1	183.8
Interest expenses.....	<u>2,587.4</u>	<u>2,435.2</u>	<u>152.2</u>
Net interest and credit commission income.....	696.5	664.9	31.6
+ Other operating income.....	650.5	398.3	252.2
— Personnel expenses.....	381.1	302.4	78.7
— Other operating expenses.....	378.0	293.2	84.8
— Ordinary depreciation (assessed).....	<u>50.9</u>	<u>42.7</u>	<u>8.2</u>
Operating profit before allocation for losses.....	537.0	424.9	112.1
Allocation for possible lending losses.....	224.5	169.6	54.9
Taxes (assessed).....	<u>52.8</u>	<u>34.4</u>	<u>18.4</u>
Ordinary net profit.....	<u>259.7</u>	<u>220.9</u>	<u>38.8</u>

The following are the published unaudited accounts for DnC for the four months ended 30th April, 1985 and 1986:—

#### UNAUDITED SUMMARY BALANCE SHEETS AS AT 30TH APRIL,

	1986	1985	Change
<i>Figures in NOK millions</i>			
<b>Assets</b>			
Cash and ordinary deposits with banks .....	5,091.6	1,836.4	3,255.2
Short-term portfolio of securities .....	16,213.6	13,202.7	3,010.9
Loans .....	43,722.6	36,143.2	7,579.4
Allocations for possible loan losses .....	(1,255.7)	(1,161.4)	(94.3)
Other assets .....	2,284.9	1,538.8	746.1
Bank premises, fittings, machinery etc. ....	3,949.0	3,100.5	848.5
<b>Total assets .....</b>	<b>70,006.0</b>	<b>54,660.2</b>	<b>15,345.8</b>
<b>Liabilities and equity</b>			
Deposits from banks .....	19,135.0	11,155.9	7,979.1
Deposits from customers .....	31,850.8	30,066.8	1,784.0
Other liabilities .....	12,656.7	9,933.8	2,722.9
	63,642.5	51,156.5	12,486.0
Ordinary subordinated loan capital .....	1,053.9	1,027.0	26.9
Primary perpetual capital .....	1,946.0	—	1,946.0
Provisionally tax free reserves .....	941.9	692.0	249.9
Equity capital .....	2,421.7	1,784.7	637.0
<b>Total capital base .....</b>	<b>6,363.5</b>	<b>3,503.7</b>	<b>2,859.8</b>
<b>Total liabilities and equity .....</b>	<b>70,006.0</b>	<b>54,660.2</b>	<b>15,345.8</b>

#### UNAUDITED SUMMARY PROFIT AND LOSS ACCOUNTS FOR THE FOUR MONTHS ENDED 30TH APRIL,

	1986	1985	Change
<i>Figures in NOK millions</i>			
Interest income, credit commissions and dividends .....	2,168.8	1,978.5	190.3
Interest expenses .....	1,612.6	1,467.5	145.1
<b>Net interest and credit commissions income .....</b>	<b>556.2</b>	<b>511.0</b>	<b>45.2</b>
Other operating income .....	472.4	345.8	126.6
Personnel expenses .....	299.3	250.8	48.5
Other operating expenses .....	309.2	247.3	61.9
Ordinary depreciation (assessed) .....	41.6	35.0	6.6
<b>Operating profit before allocation for losses .....</b>	<b>378.6</b>	<b>323.7</b>	<b>54.9</b>
Allocation for possible lending losses .....	146.7	109.2	37.5
Taxes (assessed) .....	35.0	14.1	20.9
<b>Ordinary net profit .....</b>	<b>196.9</b>	<b>200.4</b>	<b>(3.5)</b>
<b>Average total assets .....</b>	<b>61,728.0</b>	<b>54,066.6</b>	<b>7,661.4</b>

#### Key figures on a yearly basis

##### Operating profit before allocations for losses as a percentage

of average total assets ( <i>per cent.</i> ) .....	1.84	1.80	—
Ordinary net profit per share ( <i>in NOK</i> ) (1) .....	35.80	53.70	—

Note:—

(1) The profit for 1985 is measured against share capital prior to the rights issue in May 1985 and the bonus issue in June 1985.

## Subsidiaries and Associated Companies

The following table sets out the principal subsidiaries and major shareholdings of the Bank at 30th April, 1986:—

		DnC's ownership		
Name of company	Business	Total share capital	Nomimal value (1)	Percentage
<i>(in thousands of NOK)</i>				
<b>Subsidiaries (4)(5)</b>				
Den norske Creditbank PLC, London	commercial and investment banking .....	477,040	477,040	100
DnC Limited, Hong Kong .....	commercial banking .....	107,795	107,795	100
Den norske Creditbank (Luxembourg) S.A. ....	commercial banking .....	116,775	116,775	100
DnC Ship Mortgage International Bank N.V., Amsterdam (2) .....	ship financing .....	43,438	43,438	100
DnC America Banking Corporation, New York .....	commercial and investment banking activities .....	111,200	111,200	100
Den norske Creditbank Finance Corporation, Houston .....	finance company .....	69,500	69,500	100
A/S Kirkegaten 24 (3) .....	investment company .....	22,500	22,500	100
A/S Factoring Finans .....	factoring and leasing .....	25,000	25,000	100
Jøtun & Co. A/S .....	securities and loan brokerage .....	1,000	1,000	100
Oslo Varedistribusjon A/S .....	distribution and storage company .....	600	600	100
Vera Empreendimentos S.A. ....	holding company .....	1,807	1,807	100
Vigilius A/S .....	property company .....	83	83	100
DnC Dagsland Eiendom A/S .....	property company .....	100	100	100
<b>Norwegian financial institutions in which DnC has shareholdings</b>				
Norsk Skibs Hypotekbank A/S	granting first priority mortgage loans on ships .....	90,000	30,000	33
Norges Skibshypotek A/S .....	granting first priority mortgage loans on ships .....	120,000	5,706	5
A/S Låneinstituttet for skipsbyggeriene .....	granting loans to shipbuilders .....	90,000	19,978	22
A/S Eksportfinans .....	long- and medium-term lending to trade and industry for export .....	82,500	19,920	24
A/S Næringskreditt .....	financing of commercial activity .....	131,470	9,438	7
Næringslivets Investeringselskap A/S Nærings-Invest .....	equity financing for industry .....	15,000	1,275	9
Nord og Syd Kredittforsikring A/S (6) .....	credit insurance .....	22,800	11,400	50
Den Norske Industribank .....	long-term industrial financing .....	120,000	9,849	8
Norfond .....	unit-trust management .....	1,200	600	50
Bokreditt Kjøpekort A/S .....	financing of credit card activity ....	30,000	600	2
<b>Foreign bank in which DnC has a shareholding</b>				
Manufacturers Hanover Banque Nordique, Paris .....	commercial banking .....	65,455	6,546	10

Notes:—

(1) Amounts of share capital denominated in foreign currencies has been translated into kroner at the middle rate quoted by the Oslo Stock Exchange on 30th April, 1986.

(2) Two-thirds of the share capital in DnC Ship Mortgage International Bank N.V. is owned by DnC Luxembourg and the balance by DnC.

(3) With effect from 10th June, 1986 called DnC Invest A/S.

(4) On 12th May, 1986 Den norske Creditbank Sverige in Gothenburg was established as a wholly-owned subsidiary of DnC. Its business consists of commercial and investment banking activities. Total share capital is NOK 49.3 million.

(5) In July, 1986 the Bank acquired 100 per cent. of the shares in Bømark & Rygh A/S, a property broking company. Total share capital of the company is NOK 100,000.

(6) In July, 1986 the Bank sold its shareholding in this company.

## **SUPERVISORY BOARD, BOARD OF DIRECTORS, MANAGEMENT AND CONTROL COMMITTEE**

The following are the members of the Supervisory Board and their deputies, the members of the Board of Directors, the Management and members of the Control Committee of the Bank:—

### **Supervisory Board**

Frithjof A. Lind, *Chairman*

Harriet Andreassen, *Vice-Chairman*

Elected by Parliament:—

#### *Members*

Tore Lindholt  
Sissel Halvorsen  
Per Svardal  
Marit Fløtten  
Francis Sejersted  
Ole Dramdal  
Aslaug Fadum  
Ivar Belck-Olsen

#### *Deputies*

Steinar Sivertsen  
Annar H. Lille-Mæhlum  
Anne Marie Wallin  
Jan Aaboen  
Berthon Rott  
Ada Hærum  
Ida Fossum Tønnessen  
Thor Solberg  
Gunvor Heiene

Elected by the shareholders:—

#### *Members*

Frithjof A. Lind  
Harriet Andreassen  
Egil Abrahamsen  
Svein Erik Amundsen  
Gerd Kjellaug Berge  
Thorleif Borge  
Frederik M. Bugge  
Thor Falkanger  
Hans Jørgen Frank  
Kaspar K. Kielland  
Knut A. Knudsen  
Odd Langmoen  
Jannik Lindbæk  
Matias Moldestad  
Aksel Olsen  
Leif Onarheim  
Anne Cathrine Høeg Rasmussen  
Christian K. Rytter  
Knut S. Selmer  
Grete Thrane  
G. A. Treschow  
Anne Vik  
Wilhelm Wilhelmsen  
Torvild Aakvaag

#### *Deputies*

Sigurd Astrup  
Hilde Bretvin  
Ove Collett  
Karin Eline Egeberg  
Kristine Foss  
Bjarne Gravdal  
Nanne Kindt Grut  
Helge S. Hjelseth  
Søren Laland  
Haakon Langballe  
Tore Lærdal  
Haaken S. Mathiesen  
Gro Mollnes  
Ragnhild Nordby  
Anders Ringnes  
Sven A. Solberg  
Trygve Tamburstuen  
Aud Trætteberg

Elected by the employees:—

#### *Members*

Jens Cock  
Asbjørn Bråten\*  
Bjørn Davidsen  
Ellen Solem  
Tale Svalheim  
Bjørn Westersø  
Hanne Haaland  
Ragnhild Fremstad  
Rolf Siljedal\*  
Tor Fredriksen  
Elsa Hvitsand Pedersen  
Modgun Fisketjønn

#### *Deputies*

Tore Lund Larsen\*\*\*  
Evelyn Raknerud\*\*  
Ivar Johansen  
Turid Ødegaard  
Kjell Hansen  
Elin Ottem  
Svenn Jensen  
Paul Berg\*\*\*\*  
Per Martin Johansen  
Petter Stensbak  
Knut Larsen  
Lorentz A. Roksvaag

\*Not a member of the Supervisory Board as long as he is a deputy member of the Board of Directors.

\*\*Not a member of the Supervisory Board as long as she is a member of the Board of Directors.

\*\*\*Always summoned to attend as long as A. Bråten/E. Raknerud are members/deputy members of the Board.

\*\*\*\*Always summoned to attend as long as R. Siljedal is always summoned to attend as deputy member to the Board.

### **Board of Directors**

Ragnar Halvorsen, *Chairman*; Managing Director of A/S Dyno Industrier Oslo  
Christian Steen, *Vice Chairman*; Managing Director of Steen & Strøm A/S Oslo

#### *Other Members*

Odd Højdahl; Chief Executive of the Norwegian Labour Supervisory Agency Oslo  
Gerhard Heiberg; Managing Director of A/S Norcem Oslo  
Idar Ulstein; Managing Director of Ulstein Hatlø A/S Ulsteinvik  
Sjur Galtung; Executive Vice President of Wilh. Wilhelmsen Ltd. A/S Oslo  
Wenche Frogn Sellæg; Hospital Administrator Overhalla  
Evelyn Raknerud; Advisor on customers' accounts Tosebygda  
Leif Terje Løddesøl, President and Chief Executive Officer Oslo

#### *Deputies for the President and Chief Executive Officer*

Borger A. Lenth Oslo  
Axel Dammann Oslo  
Harald Arnkværn Oslo  
Lars U. Thulin Oslo  
Harald Moen Oslo

### **Management**

Leif Terje Løddesøl, President and Chief Executive Officer  
Borger A. Lenth, Senior Executive Vice President  
Axel Dammann, Executive Vice President  
Harald Arnkværn, Executive Vice President  
Lars U. Thulin, Executive Vice President  
Harald Moen, Executive Vice President  
Ivar Saunes, Executive Vice President  
Lars E. Brustad, Executive Vice President

### **Control Committee**

Thor Falkanger, *Chairman*

#### *Members*

Anders Ringnes  
Aslaug Fadum  
Ove Collett

#### *Deputy*

Tore Lindholt

### **EMPLOYEES**

As of 1st May, 1986, the Bank had a total of about 4,765 employees. Approximately 95 per cent. of its employees are members of the Norwegian Bank Employees' Union. The management of the Bank is of the opinion that its employee relations are good. Agreements are periodically made between the Norwegian Bank Employees' Union and the Employers' Association of the Norwegian Commercial Banks, of which the Bank is a member. The current agreement is due to expire on 30th April, 1988.

## **AUDITORS' REPORT**

To: The Supervisory Board,  
Den norske Creditbank.

We are and have been since 13th March, 1979 auditors to Den norske Creditbank (the "Bank"). We have accordingly examined the Balance Sheets of the Bank at 31st December, 1984 and 1985 and the Profit and Loss Accounts for the five years ended on 31st December, 1985 as set out in this offering circular dated 13th August, 1986 (the "Offering Circular").

In our opinion, the said Balance Sheets of the Bank at 31st December, 1984 and 1985, the Profit and Loss Accounts for the five years ended on 31st December, 1985 and the Explanatory Notes thereto contained in this Offering Circular present a true and fair view of the financial position and the results of the operations of the Bank at those dates and for the periods referred to, and are extracted from the published accounts of the Bank which were prepared in conformity with principles of accounting generally accepted for banks in Norway applied on a consistent basis.

KMG Norsk Revisjon a.s

Leiv Lageraaen            Steinar Jarlsbo  
Chartered Accountants (Norway)  
13th August, 1986



**DEN NORSKE CREDITBANK**  
**PROFIT AND LOSS ACCOUNTS**

	Years ended 31st December,				
	1981	1982	1983	1984	1985
	<i>(in millions of NOK)</i>				
<b>Income</b>					
Interest and dividends received (2) .....	2,712.3	3,498.7	3,876.7	4,719.0	5,797.0
Interest paid (3) .....	2,014.1	2,661.6	2,737.6	3,509.2	4,568.3
Net interest .....	698.2	837.1	1,139.1	1,209.8	1,228.7
Commissions and fees (4) .....	403.9	483.7	543.6	690.2	948.5
Profit on foreign exchange operations .....	109.6	92.3	74.4	146.5	308.4
Other ordinary income (5) .....	49.7	71.7	171.0	255.1	379.9
Net interest income and other income	1,261.4	1,484.8	1,928.1	2,301.6	2,865.5
<b>Operating costs and depreciation</b>					
Personnel costs .....	500.2	585.9	662.4	744.9	878.8
Other operating expenditures .....	343.6	410.6	549.0	651.4	823.4
Ordinary depreciation (6) .....	58.8	112.2	98.8	93.4	124.6
Cost of operations .....	902.6	1,108.7	1,310.2	1,489.7	1,826.8
Operating profit after ordinary depreciation	358.8	376.1	617.9	811.9	1,038.7
Extraordinary income (7) .....	3.5	3.5	2.5	6.1	65.5
Extraordinary costs (8) .....	5.2	17.2	8.7	7.1	88.2
Net result before reserve for loan losses and taxes .....	357.1	362.4	611.7	810.9	1,016.0
Reserve for loan losses (9) .....	159.1	199.0	252.7	331.5	418.2
Taxes .....	45.6	18.1	36.5	55.8	42.4
<b>Net profit</b> .....	152.4	145.3	322.5	423.6	555.4

*These statements should be read in conjunction with the Explanatory Notes on pages 40 to 43.*

	As at 31st December,	
	1984	1985
	<i>(in thousands of NOK)</i>	
<b>Assets</b>		
Cash on hand, balances with Norges Bank and on Post Office Giro account (11) .....	287,515	253,440
Balances with domestic banks.....	682,094	396,004
Balances with foreign banks.....	2,437,478	2,381,693
Treasury bills.....	4,355,000	4,050,000
Bearer bonds (12) .....	7,880,060	7,143,331
Shares (13) .....	2,108,926	2,681,010
Loans and credits (14).....	31,986,728	40,554,863
Office equipment, machinery, etc.....	330,308	428,625
Bank premises and other real estate (15).....	1,198,381	1,553,059
Letters of credit, accrued interest receivable and other assets (16).....	1,554,734	1,327,655
<b>Total assets</b> .....	<u>52,821,224</u>	<u>60,769,680</u>

*These statements should be read in conjun*

	As at 31st December,	
	1984	1985
<b>Liabilities and Equity Capital</b>	<i>(in thousands of NOK)</i>	
Deposits, other than from banks (17) .....	30,852,132	35,823,402
Due to domestic banks .....	318,403	581,102
Due to foreign banks .....	10,733,462	7,248,846
Loans from Norges Bank (18) .....	84,829	1,046,113
Interest accrued not yet due, bills accepted, assessed unpaid taxes, dividend for the year, certificates and other liabilities (19) .....	7,310,259	9,554,203
Ordinary subordinated loan capital .....	1,045,350	1,137,000
Primary perpetual capital .....	—	2,122,400
Share capital (20) .....	1,120,000	1,650,000
Legal reserve .....	438,200	624,200
Other reserves (21) .....	918,589	982,414
<b>Total liabilities and equity capital .....</b>	<b><u>52,821,224</u></b>	<b><u>60,769,680</u></b>

the Explanatory Notes on pages 40 to 43.

# DEN NORSKE CREDITBANK

## EXPLANATORY NOTES TO THE ACCOUNTS

### 1. Principles of accounting

#### (a) General

The accounts of the Bank are prepared in accordance with principles generally accepted for the preparation of accounts for banks in Norway and comply with rules prescribed by the Finance, Insurance and Securities Commission. Audited consolidated accounts are not required and therefore not prepared. Partnerships of which the Bank is a member are shown under "Other assets".

#### (b) Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Norwegian kroner at the relevant balance sheet dates at the rates of exchange ruling on those dates.

### 2. Interest and dividends received

	Years ended 31st December,				
	1981	1982	1983	1984	1985
	<i>(in millions of NOK)</i>				
Interest received from Norwegian banks	8.1	11.9	17.3	31.7	33.6
Interest received from foreign banks.....	74.4	254.5	191.0	118.0	132.7
Interest on Treasury bills and bearer bonds (Note 7).....	768.7	883.8	922.8	1,143.7	1,339.0
Dividends on shares .....	28.9	40.9	41.1	49.8	55.5
Interest on loans .....	1,829.9	2,298.6	2,696.7	3,372.0	4,216.6
Other interest earned .....	2.3	9.0	7.8	3.8	19.6
	<u>2,712.3</u>	<u>3,498.7</u>	<u>3,876.7</u>	<u>4,719.0</u>	<u>5,797.0</u>

### 3. Interest paid

	Years ended 31st December,				
	1981	1982	1983	1984	1985
	<i>(in millions of NOK)</i>				
Interest paid to other than banks.....	1,527.6	1,748.9	1,931.4	2,303.9	2,825.1
Interest paid to Norwegian banks.....	26.3	31.2	24.9	52.1	29.1
Interest paid to foreign banks .....	372.3	701.7	512.6	665.8	887.4
Other interest paid.....	64.5	118.6	219.1	376.5	704.3
Interest paid on subordinated loan capital	23.4	61.2	49.6	110.9	122.4
	<u>2,014.1</u>	<u>2,661.6</u>	<u>2,737.6</u>	<u>3,509.2</u>	<u>4,568.3</u>

### 4. Commissions and fees

	Years ended 31st December,				
	1981	1982	1983	1984	1985
	<i>(in millions of NOK)</i>				
Commissions earned.....	262.0	317.0	325.4	379.4	582.2
Fees.....	141.9	166.7	218.2	310.8	366.3
	<u>403.9</u>	<u>483.7</u>	<u>543.6</u>	<u>690.2</u>	<u>948.5</u>

### 5. Other ordinary income

	Years ended 31st December,				
	1981	1982	1983	1984	1985
	<i>(in millions of NOK)</i>				
Income from bank premises and other real estate .....	24.0	27.7	35.4	40.1	55.3
Profit (Loss) on holding and trading of shares and bearer bonds .....	2.2	18.0	42.9	168.6	250.8
Other income.....	23.5	26.0	92.7	46.4	73.8
	<u>49.7</u>	<u>71.7</u>	<u>171.0</u>	<u>255.1</u>	<u>379.9</u>

### 6. Ordinary depreciation

The Bank applied declining depreciation principles in 1983, 1984 and 1985 as opposed to straight line depreciation used up to and including 1982.

## 7. Extraordinary income

	Years ended 31st December,				
	1981	1982	1983	1984	1985
	(in millions of NOK)				
Amounts recovered on claims previously written off.....	1.7	2.4	1.7	4.6	—
Profit on sale of real estate and other fixed assets .....	1.8	1.1	0.8	1.5	65.5
	<u>3.5</u>	<u>3.5</u>	<u>2.5</u>	<u>6.1</u>	<u>65.5</u>

## 8. Extraordinary costs

Amounts paid on guarantees called and other losses but not including losses on loans.

## 9. Reserve for loan losses

	Years ended 31st December,				
	1981	1982	1983	1984	1985
	(in millions of NOK)				
Balance of reserve for loan losses at beginning of year.....	520	669	836	1,022	1,161
Realised losses charged during year.....	10	32	67	192	314
Allocation made to reserve for loan losses at end of year.....	159	199	253	331	418
Balance of reserve for loan losses at end of year .....	<u>669</u>	<u>836</u>	<u>1,022</u>	<u>1,161</u>	<u>1,265</u>

## 10. Statement of appropriation to reserves and equity

	Years ended 31st December,				
	1981	1982	1983	1984	1985
	(in millions of NOK)				
1st January – Legal reserve.....	331.8	348.6	362.7	400.0	438.2
1st January – Other reserves (Note 21) ...	231.9	299.3	293.0	504.2	918.6
1st January – Total retained earnings(1) .	563.7	647.9	655.7	904.2	1,356.8
Net profit for the year .....	152.4	145.3	322.5	423.6	555.4
Revaluation of bank premises .....	—	—	96.0	—	—
Extraordinary depreciation for tax purposes (2) .....	(12.2)	(19.7)	(16.0)	(25.4)	(26.7)
Tax conditional depreciation(3) .....	—	—	—	(89.7)	(115.7)
Tax conditional fixed assets reserves(3) ...	—	—	—	305.4	172.9
Allocation to future pension cost.....	(15.0)	(35.0)	(39.0)	(20.0)	(20.0)
Dividend declared.....	(78.4)	(87.4)	(116.5)	(145.6)	(214.5)
Release of provision made but no longer required for taxes.....	9.1	4.6	—	—	9.5
Write down on shares in subsidiary .....	—	—	—	—	(53.2)
Paid-in reserve fund (the premium on stock issue).....	—	—	—	—	95.0
Other items .....	—	—	1.5	4.3	(2.9)
Transfer from revaluation fund.....	—	—	—	—	(150.0)
31st December – Retained earnings.....	<u>619.6</u>	<u>655.7</u>	<u>904.2</u>	<u>1,356.8</u>	<u>1,606.6</u>

Retained earnings include conditional tax free reserves of NOK 941.9 million for 1985 (NOK 692.0 million for 1984). The management is of the opinion that tax liabilities on these reserves will not crystallise in the foreseeable future.

Notes:—

- (1) The difference between retained earnings at 31st December, 1981 and total retained earnings at 1st January, 1982 is due to a tax reassessment for 1981. The reassessment, due to a clarification of an interpretation following a change in Norwegian tax laws, resulted in increased allocation to reserves. The figures at 1st January, 1982 take this into account.
- (2) The Bank is permitted to transfer to equity an amount from certain reserve funds, a statutorily specified proportion of which must be used for extraordinary depreciation of the Bank's fixed assets.
- (3) In compliance with changed regulations of the Finance, Insurance and Securities Commission in 1984, the Bank has altered the method of booking tax conditional depreciation and write-downs. Fixed assets are shown at the book value after ordinary depreciation. The difference in relation to the depreciated values for tax purposes is booked under tax conditional fixed assets reserves. Tax conditional write-downs and depreciation previously effected have been corrected directly in the Balance Sheet, without going via the Profit and Loss Account. The book values of the assets are within the market values.

The tax conditional reserves are as follows:—

	in 1985	Accumulated total
	<i>(in thousands of NOK)</i>	
Machinery, fittings and vehicles*	66,080	170,560
Bank buildings and other real estate	106,863	307,795
Total	172,943	478,355
*Of which capital assets leased out	31,337	53,486

#### 11. Cash balances

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
Cash	187.9	223.3
On account with Norges Bank	91.4	7.9
Balances on Post Office Giro account	8.2	22.2
	287.5	253.4

#### 12. Bearer bonds

Bonds are stated at cost. The aggregate book value at 31st December, 1985 was approximately NOK 206 million in excess of market value (1984—NOK 209 million).

In 1985 the Bank sold bonds to its subsidiary, A/S Kirkegaten 24. These bonds were sold under a repurchase agreement. As at 31st December, 1985, the bonds sold had a value which was NOK 125.2 million below book value. The difference in the value of the Bank's bond portfolio would have increased with a corresponding amount had the repurchase agreement been called as at 31st December, 1985.

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
Norwegian Government and Government guaranteed bonds	3,897.0	3,823.4
Other bearer bonds and certificates	3,983.1	3,319.9
	7,880.1	7,143.3

#### 13. Shares

Shares are stated at book value. Of the book value at 31st December, 1985 of NOK 2,681 million, NOK 1,411 million represents shares in subsidiaries in Norway and abroad (1984—NOK 2,109 million and NOK 1,023 million).

The Bank's shares in foreign currency, which are intended to be retained, are booked at purchase price in the nominal currency of the shares. Since the shares have nominal values in foreign currencies, these are included in the Bank's total foreign exchange position and are balanced by a corresponding liabilities item or covered on the forward market. The shares are thus covered for the currency risk. This forward cover results in the book value of the shares expressed in Norwegian kroner varying from day to day dependent on the foreign exchange rates.

#### 14. Loans and Credits

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
Commercial bills	306.9	224.5
Loans under hire-purchase contracts	186.6	113.5
Short-term operating facilities (usually secured)	4,958.5	7,628.7
Credits to finance construction	1,605.6	2,721.9
Other loans	26,090.5	31,130.9
Cumulative reserves for general loan losses	(1,161.4)	(1,264.7)
	31,986.7	40,554.8

#### 15. Bank premises and other real estate

Bank premises and shares in property companies still remaining in the Bank's ownership were revalued in 1976, 1977 and 1983 by a total of NOK 196.3 million (see Note (2) to Note (10)). This amount will be taxable in case of sale at book value. Buildings and shares were, however, only revalued by half of assessed value above and beyond their book value in the years of revaluation.

# 16. Letters of credit, accrued interest receivable and other assets

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
Fixed deposits with Norges Bank .....	61.4	95.8
Letters of credit .....	87.1	70.3
Interest earned but not yet due .....	603.4	749.5
Sundry assets (including cheques in transit) .....	802.8	412.1
	<u>1,554.7</u>	<u>1,327.7</u>

# 17. Deposits, other than from banks

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
Demand deposits .....	7,978.4	9,539.8
Time and fixed deposits .....	22,873.7	25,694.9
Certificates .....	—	588.7
	<u>30,852.1</u>	<u>35,823.4</u>

Deposits from subsidiaries of the Bank amounted to NOK 225.2 million at 31st December, 1985 (1984—NOK 1,442.3 million).

# 18. Loans from Norges Bank

Borrowing from Norges Bank fluctuates considerably according principally to Norwegian monetary and credit policy.

# 19. Interest accrued not yet due, bills accepted, assessed unpaid taxes, dividend for the year, certificates and other liabilities

Includes sundry liabilities of NOK 4,185.8 million (1984—NOK 2,521.1 million) comprising cheques in transit, trade creditors and amounts held on behalf of customers for tax payments.

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
20. Share capital		
Authorised and issued shares of NOK 100 at par value .....	<u>1,120</u>	<u>1,650</u>

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
21. Other reserves		
Tax-conditional fixed assets reserves .....	305.4	478.3
Negative balances fixed assets and replacement fund .....	1.4	11.5
Regional development fund .....	224.7	211.7
Revaluation fund .....	160.0	10.0
Consolidation fund .....	160.5	240.4
Unappropriated retained earnings .....	66.6	30.5
	<u>918.6</u>	<u>982.4</u>

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
22. Forward transactions in foreign currencies		
Bought .....	87,035.7	229,244.0
Sold .....	84,116.0	225,512.0

	As at 31st December,	
	1984	1985
	<i>(in millions of NOK)</i>	
23. Contingent liabilities		
Guarantees for clients .....	<u>6,454.2</u>	<u>10,326.4</u>

# 24. Pension liabilities

All employees of the Bank are covered by State retirement pensions. The Bank also normally makes annual payment of an actuarially calculated amount to an independent foundation, which are charged against income. In 1985, the Bank covered its payments of NOK 32.4 million to the independent foundation by using previously excess payments made by the Bank.

In both 1984 and 1985, the Bank made payments of NOK 20 million to the Bank's own Pension Fund.

**CONSOLIDATED REVIEW**  
**Unaudited**

**SUMMARY CONSOLIDATED BALANCE SHEETS**

	As at 31st December,		
	1984	1985	Change
	<i>(in millions of NOK)</i>		
<b>Assets</b>			
Cash and ordinary deposits with banks .....	9,259.2	9,169.3	— 89.9
Short-term investments in securities .....	16,127.0	18,188.2	2,061.2
Loans .....	44,476.1	56,905.6	12,429.5
Other assets .....	2,652.7	4,218.8	1,566.1
Fixed assets .....	2,437.7	2,799.5	361.8
<b>Total assets</b> .....	<u>74,952.7</u>	<u>91,281.4</u>	<u>16,328.7</u>
<b>Liabilities and Equity</b>			
Deposits from banks .....	25,520.0	28,474.2	2,954.2
Deposits from customers .....	35,360.2	41,857.7	6,497.5
Other liabilities .....	9,715.4	13,520.4	3,805.0
Ordinary subordinated loan capital .....	1,805.3	1,815.0	9.7
Primary perpetual capital .....	0	2,122.4	2,122.4
Provisionally tax-free allocations .....	721.0	981.1	260.1
Reserves, net after tax .....	698.2	848.1	149.9
Minority interests .....	12.6	12.5	— 0.1
Share capital .....	1,120.0	1,650.0	530.0
<b>Total capital base</b> .....	<u>4,357.1</u>	<u>7,429.1</u>	<u>3,072.0</u>
<b>Total liabilities and equity</b> .....	<u>74,952.7</u>	<u>91,281.4</u>	<u>16,328.7</u>

**SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNTS**

	Years ended 31st December,		
	1984	1985	Change
	<i>(in millions of NOK)</i>		
Interest and credit commissions .....	8,191.8	9,322.1	1,130.3
Interest expenses .....	6,361.8	7,155.1	793.3
Net interest and credit commissions .....	1,830.0	2,167.0	337.0
Other operating income .....	1,013.9	1,449.7	435.8
Personnel expenses .....	872.4	1,097.2	224.8
Other operating expenses .....	779.2	1,014.2	235.0
Ordinary depreciation .....	108.3	148.7	40.4
Profit before loan loss allocations .....	1,084.0	1,356.6	272.6
Allocated to possible loan losses .....	553.6	725.2	171.6
Extraordinary income .....	68.1	89.0	20.9
Extraordinary expenses .....	4.4	64.0	59.6
Profit before end-year adjustments .....	594.1	656.4	62.3
Taxes .....	93.3	74.7	— 18.6
Net profit after taxes .....	500.8	581.7	80.9
Minority interests .....	3.4	3.5	0.1
Dividend .....	146.2	214.5	68.3



## THE NORWEGIAN BANKING SYSTEM

### The banking system

The Norwegian banking system comprises three categories of banks—commercial banks, savings banks and State banks (including the Post Office Giro). Banking in Norway is subject to close government inspection and control. Supervision of the banks is based primarily on regulations specified in the Bank Acts of 1961—one for commercial banks and one for savings banks. Each State bank is established and operates under separate Acts.

### Commercial banks

Each commercial bank has to receive the consent of the King to commence operations and must operate within parameters established by the Commercial Bank Act of 1961 as amended (the "Bank Act"). At 31st December, 1985, there were 27 commercial banks registered in Norway, with total assets of approximately NOK 225 billion. The commercial banks are organised as limited companies. Their operations are subject to the supervision of the Finance, Insurance and Securities Commission (the "Commission"). Appointed under the Finance, Insurance and Securities Commission Act of 1956 (the "Commission Act"), as amended in 1986, the Commission prescribes accounting principles to be followed by the banks, requires them to submit monthly statements of financial condition and conducts periodic inspections to ensure that their business is operated in accordance with the practices and within the spheres of activity set forth by the Bank Act and their Articles of Association.

The Bank Act provides that, if the audited balance sheet shows that a commercial bank has lost 25 per cent. of its share capital, the Board of Directors shall immediately inform the Supervisory Board and the Commission to such effect. The Supervisory Board may in such case decide either (i) to continue the activities of the bank or (ii) to transfer all of the capital and assets of the bank to another bank or (iii) to dissolve the bank. A decision to continue the bank requires approval from the Commission. The Bank Act further provides that insolvency proceedings cannot be commenced in respect of commercial banks. Where, after taking into account any support which may be forthcoming from the Guarantee Fund referred to below or otherwise, the solvency of a commercial bank remains in question, the management of the bank would, upon government decision, be assumed by a board appointed by the appropriate governmental authorities. Such authorities have a discretion to provide the continued trading of the bank in question. If that discretion is not exercised, the board appointed by such authorities must provide for the winding up of the bank, and resulting distributions, if any, to depositors and creditors will be made in accordance with the Norwegian Bankruptcy Act.

Norwegian commercial banks are required to have a Supervisory Board consisting of 15, 30 or 45 members. Under current legislation, 8/15ths of the members of the Supervisory Board are elected by the shareholders, 4/15ths by the employees and 3/15ths by Parliament or, in the case of local banks, the County Assembly.

The functions of the Supervisory Board are, *inter alia*, to elect the Board of Directors, to stipulate policy guidelines for the activities of the bank, to decide upon increases or decreases of share capital and subordinated loan capital, to perform certain other supervisory roles and, jointly with the Board of Directors, to determine the level of dividends paid for the year. The Supervisory Board is responsible for electing a Control Committee to monitor compliance with its policy guidelines, the Articles of Association and statutory enactments affecting the bank. The Supervisory Board also engages the auditors of the bank. In addition, commercial banks are required to have a Board of Directors and a Managing Director (i.e. President and Chief Executive Officer). The Managing Director is appointed by a joint decision of the Supervisory Board and the Board of Directors and becomes a member of the Board of Directors. The Board of Directors is responsible for the conduct of banking operations including making decisions concerning credit transactions. Responsibility for the everyday conduct of a bank's business is vested in its Managing Director.

The Bank Act imposes certain financial ratio requirements and restrictions upon commercial banks which include (i) the requirement to allocate to legal reserves amounts determined by reference to the annual profits earned and dividends paid by the bank until the level of the legal reserve fund reaches one-half of share capital and approved subordinated debt, (ii) the maintenance of certain equity ratios and (iii) a restriction, which may be relaxed under certain circumstances, on investment in real property and shares to a maximum of 4 per cent. and 2 per cent., respectively, of total assets.

Under the Bank Act, each commercial bank must, until a prescribed limit is reached, contribute to the Guarantee Fund annually an amount equal to 0.15 per cent. of its total assets. The Guarantee Fund, which is an independent legal entity, may at its discretion support the activities of member banks and ensure fulfilment of their obligations.

### *Savings banks*

There are currently 198 savings banks in Norway. Like the commercial banks, the savings banks provide all types of banking services for both the business community and private customers and similarly operate under the Commission Act. The commercial and savings banks together operate a giro system which permits inter-bank clearing of transactions. Savings banks, however, are organised as self-owned foundations.

### *State banks*

Norges Bank is the central bank of Norway. Its responsibilities include issuing bank notes, acting as depositary and fiscal agent for the State and other usual central bank duties.

Other than the Post Office and Post Office Savings Bank, the State banks are not permitted to accept deposits from the public and do not engage in ordinary commercial banking business. They were established primarily to ensure the supply of credit to specific sectors of the economy on the basis of social, economic and regional criteria, and their activities are largely financed through bond issues or directly by the State budget.

### **Monetary and credit regulations**

The Ministry of Finance and Norges Bank are responsible for implementing Norway's monetary and credit policies. Implementation of monetary policy to attain specific economic goals is effected by liquidity reserve requirements, statutory placement requirements, the imposition of ceilings on lending and changes in the official discount rate. Borrowers from certain sectors of the economy are permitted unregulated access to the domestic bond market provided that the issue is for at least NOK 25 million. Measures taken by the authorities can significantly influence the extent and direction of the commercial banks' borrowing and lending activities by affecting the sources and cost of funds to the banks and the net interest differential realised on loans and other assets. A characteristic feature of Norwegian monetary and credit policy is co-operation between monetary authorities and Norwegian financial institutions, both in the formulation of policy and its implementation. This co-operation is formalised through regular meetings of The Credit Policy Advisory Council, a consultative body made up of members of the monetary authorities and representatives of the financial institutions in Norway.

### **Regulation**

Pursuant to powers granted under the Monetary and Credit Policy Act of 1965, as amended, commercial banks in southern Norway are from 30th May, 1986 required to maintain primary liquid reserves amounting to 10 per cent. of total loans to private customers. In addition, Norges Bank imposed a supplementary reserve requirement which obliges Norwegian banks to deposit in a non interest bearing account with Norges Bank an amount equal to 15 per cent. of any increase (compared to year-end 1985 levels) in lending to private customers in Norway. If such increase exceeds 8 per cent., this supplementary reserve requirement is increased to 25 per cent. in respect of such excess.

All transactions in foreign currencies are controlled by the Ministry of Finance, other than those concerned with shipping which are controlled by the Ministry of Commerce and Shipping. The granting of certain permissions in this regard has been delegated to Norges Bank. Norwegian commercial banks active in the foreign exchange markets, transact such business under a general licence granted under the Currency Control Act of 1950 regulating payments to and from foreign countries.

## SUBSCRIPTION AND SALE

Morgan Stanley International, Bank of Tokyo International Limited, Bankers Trust International Limited, Daiwa Europe Limited, Goldman Sachs International Corp., IBJ International Limited, Yamaichi International (Europe) Limited, Bache Securities (UK) Inc., Banque Bruxelles Lambert S.A., Crédit Lyonnais, DSL Bank - Deutsche Siedlungs- und Landesrentenbank, Den norske Creditbank PLC, First Chicago Limited, Genossenschaftliche Zentralbank Aktiengesellschaft, E. F. Hutton and Company (London) Limited, Kansallis-Osake-Pankki, Kyowa Bank Nederland N.V., Mitsui Trust International Limited, Nippon Credit International Limited, Sanwa International Limited, Security Pacific Hoare Govett Limited, Sumitomo Finance International, Sumitomo Trust International Limited, Svenska International Limited, Takugin International Bank (Europe) S.A., Tokai International Limited, Union Bank of Finland Ltd and Westdeutsche Landesbank Girozentrale (the "Managers") have pursuant to a Subscription Agreement dated 13th August, 1986 jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to subscribe the Notes at the issue price of 100 per cent. less a selling concession of 0.10 per cent. of the principal amount of the Notes. For their services as Managers and underwriters the Bank has agreed to pay to the Managers a management and underwriting commission of 0.15 per cent. of the principal amount of the Notes. In addition, the Bank has agreed to pay to the Managers the sum of up to U.S.\$75,000 in respect of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to cancel the issue of the Notes in certain exceptional circumstances prior to payment to the Bank.

The Notes have not been and will not be registered under the United States Securities Act of 1933. Accordingly, each Manager has represented that it has not offered or sold, and has agreed not to offer, sell or deliver at any time, directly or indirectly, in the United States (which term includes its territories and possessions) or to or for the account of any U.S. Person (as defined below) any Notes acquired in connection with the distribution contemplated hereby (except for sales outside the United States to United States Managers). Each Manager has also agreed that, prior to the date (the "Exchange Date") which is 90 days after the completion of the distribution of the Notes as determined by Morgan Stanley International, it will not offer, sell or deliver, directly or indirectly, in the United States or to or for the account of any U.S. Person any Notes no matter how acquired. Notwithstanding the foregoing, with the prior written approval of Morgan Stanley International, Registered Notes in a minimum principal amount of U.S.\$500,000 may be offered to (i) branches of United States Banks located outside the United States or (ii) to certain sophisticated institutional investors in the United States or who are U.S. Persons, provided that each such person which purchases any such Registered Notes represents and agrees, in a certificate addressed to the Bank and Morgan Stanley International and delivered to Morgan Stanley International prior to such purchase, that, *inter alia*, it is purchasing such Registered Notes for its own account for investment and without a view to any distribution or other disposition thereof and that, in the event of any disposition of any such Registered Notes (such disposition not being foreseen or contemplated at the time of delivering such certificate), it will not offer, sell or deliver any of such Registered Notes directly or indirectly except in compliance with the United States Securities Act of 1933. Each Manager has further agreed to send (at or prior to the confirmation of sale thereof) to any dealer who purchases from it any of the Notes acquired by it in connection with the distribution contemplated hereby a notice (including the definitions of "United States" and "U.S. Persons" set forth herein) stating in substance that the Notes have not been registered under the United States Securities Act of 1933 and that by purchasing such Notes such dealer represents and agrees (i) that it has not offered or sold and will not offer, sell or deliver at any time, any of such Notes directly or indirectly in the United States or to or for the account of any U.S. Person, and that prior to the Exchange Date it will not offer, sell or deliver, directly or indirectly, in the United States or to or for the account of any U.S. Person any Notes no matter how acquired, and (ii) that it will send (at or prior to the confirmation of sale thereof) to any other dealer to whom it sells any of such Notes a notice (including the definitions of "United States" and "U.S. Persons" set forth herein) containing substantially the same statement as contained in this sentence.

As used herein, "U.S. Person" means any national or resident of the United States, including the estate of any such person, and any corporation or other entity organised under the laws thereof or any political subdivision thereof.

Each Manager has agreed that it will not, directly or indirectly, offer or sell the Notes in Great Britain other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or as agent (except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act, 1985 of Great Britain) and that, unless it is a person permitted to do so under the securities laws of Great Britain, it will not distribute or cause to be distributed copies of this Offering Circular or any other offering material relating to the Notes in or from Great Britain, other than to persons whose business involves the acquisition and disposal, or the holding, of securities (whether as principal or agent).

## GENERAL INFORMATION

1. The Notes and the Perpetual Notes have been accepted for clearance through CEDEL S.A. (reference nos. 136794 and 136799 respectively) and Euro-clear (reference nos. 17858 and 17859 respectively).
2. Application has been made to list the Notes and the Perpetual Notes separately on the Luxembourg Stock Exchange. In connection with the listing application, the legal notice relating to the issue of the Notes and the Perpetual Notes and copies of the Certificate of Registration and Articles of Association of the Bank will be deposited with the Registrar of the District Court in Luxembourg ("*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*") where such documents may be examined and copies obtained.
3. Depending on the countries to whose tax jurisdiction holders are subject, a substitution of principal debtor as described herein may be regarded as a disposal for the purposes of taxation, and a liability to tax may be incurred.
4. The Bank has obtained all necessary consents, approvals and authorisations in Norway in connection with the issue of the Notes and the Perpetual Notes upon exercise of the Warrants. The issue of the Notes has been duly authorised by the Management of the Bank which is empowered so to act. The conversion of the Notes into the Perpetual Notes will require the authorisation of the Supervisory Board of the Bank and consent from the Norwegian Ministry of Finance.
5. Save as disclosed herein, there has been no material adverse change in the financial position of the Bank since 31st December, 1985.
6. The Bank is not involved in any litigation or arbitration proceedings of material importance in the context of the issue of the Notes nor, so far as the Bank is aware, are any such litigation or arbitration proceedings pending or threatened.
7. Copies of the Trust Deed and the Agency Agreement will be available for inspection at the specified offices of each of the Paying Agents during usual business hours, so long as any of the Notes or the Perpetual Notes is outstanding.
8. Copies of the latest Annual Report and Accounts and the latest Tertial Report may be obtained, and the Articles of Association and Certificate of Registration of the Bank in English translation will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes or the Perpetual Notes is outstanding and listed on the Luxembourg Stock Exchange.
9. Payments of interest and principal made outside the United States on the Floating Rate Capital Notes Due 1996 are exempt from United States information reporting requirements and backup withholding taxes (currently at the rate of 20 per cent.). With respect to payments made within the United States, holders who are not United States persons (as defined in the United States Internal Revenue Code) are exempt from such reporting and backup withholding, provided that such holders certify that they are not United States persons (as so defined) and, in the case of payments of principal, as to certain other factual matters. For the purposes of the foregoing, payment will be deemed to be made within the United States (i) in the case of such Notes in bearer form, if made upon presentation or surrender of such Notes or interest coupons, as the case may be, in the United States, or, notwithstanding presentation of such Notes or interest coupons outside the United States, if payment is made to an account maintained by the payee with an office of the payor within the United States or (ii) in the case of such Notes in registered form, if a cheque is mailed or a wire transfer is made by a paying agent from within the United States. The United States Treasury Department has announced that it is considering whether information reporting and backup withholding requirements should apply to payments of principal outside the United States. In that event and assuming no other change in the relevant regulations, the exemption described above would continue to be available to holders who are not United States persons (as so defined) upon delivery of an appropriate certificate. Information reporting and backup withholding may also apply to proceeds of sale of such Notes where such Notes are sold through a United States branch of a United States broker unless the holder certifies that he is not a United States person. No backup withholding will apply to sales proceeds paid outside the United States but information reporting may apply to sales proceeds paid by a non-United States branch of a broker which is (1) a United States broker, (2) a controlled foreign corporation for United States tax purposes or (3) a foreign broker deriving 50 per cent. or more of its income from United States sources.

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***DnC***