



## SPAREBANK 1 SMN

(incorporated with limited liability in Norway)

## SPAREBANK 1 NORD-NORGE

(incorporated with limited liability in Norway)

## SPAREBANK 1 SR-BANK ASA

(incorporated with limited liability in Norway)

**€10,000,000,000**

### **Euro Medium Term Note Programme (the “Programme”)**

*This Prospectus (as defined below) supersedes the Prospectus dated 20 June 2014 relating to the €7,500,000,000 Euro Medium Term Note Programme of SpareBank 1 SMN, SpareBank 1 Nord-Norge and SpareBank 1 SR-Bank ASA (each an “Issuer” and together the “Issuers”). This Prospectus does not affect any Notes already issued. This document constitutes three base prospectuses for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) as amended (which includes the amendments made by Directive 2010/73/EU (the “2010 PD Amending Directive”)), (i) the base prospectus for SpareBank 1 SMN, in respect of non-equity securities within the meaning of Article 22 No. 6(4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 as amended (the “Notes”) to be issued by SpareBank 1 SMN under the Programme, (ii) the base prospectus for SpareBank 1 Nord-Norge in respect of Notes to be issued by SpareBank 1 Nord Norge under the Programme, and (iii) the base prospectus for SpareBank 1 SR-Bank ASA in respect of Notes to be issued by SpareBank 1 SR-Bank ASA under the Programme (together, the “Prospectus”).*

Under the Programme each Issuer may from time to time issue Notes denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). The Notes of each Issuer will be obligations of that Issuer alone.

As more fully described herein, Notes may be (i) issued on an unsubordinated basis (“Unsubordinated Notes”) or (ii) issued on a subordinated basis as provided in “Terms and Conditions of the Notes” herein (“Subordinated Notes”). The Terms and Conditions of Subordinated Notes will not contain any events of default.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

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

Application has been made to the *Commission de Surveillance du Secteur Financier* (the “CSSF”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (“Prospectus Act 2005”) to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market.

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

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Prospectus to Exempt Notes are to Notes for which no prospectus is required to be published under the Prospectus Directive. The CSSF has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the “Final Terms”) which will be filed with the CSSF.

Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the “Pricing Supplement”).

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

Each Issuer has been rated “A1” by Moody’s Investors Service, Inc. (“Moody’s”). SpareBank 1 Nord-Norge has been rated “A” by Fitch Ratings Limited (“Fitch”). SpareBank 1 SMN has been rated “A-” by Fitch. SpareBank 1 SR-Bank has been rated “A-” by Fitch. Each of Moody’s and Fitch is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). As such each of Moody’s and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by Moody’s and Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Arranger**

**BofA Merrill Lynch**

**Dealers**

**Barclays  
Commerzbank  
J.P. Morgan**

**UBS Investment Bank**

**BofA Merrill Lynch  
HSBC  
Landesbank Baden-Württemberg**

## **IMPORTANT INFORMATION**

*This Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area).*

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

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

*Copies of the Final Terms will be available from the registered office of each Issuer and the specified office set out below of each of the Paying Agents (as defined below) and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

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

*No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by any Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by any Issuer in connection with the Programme.*

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

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

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

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

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

*This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the relevant Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the relevant Issuer or any Dealer to publish or supplement a prospectus for such offer.*

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;*
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;*
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;*
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and*
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.*

*Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other*

restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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

All references in this document to "U.S. dollars", "U.S.\$" and "\$" are to United States dollars, all references to "Yen" and "Y" are to Japanese Yen and all references to "NOK" are to Norwegian Kroner. In addition, all references to "Sterling" and "£" refer to pounds sterling and to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

---

## TABLE OF CONTENTS

<p>Overview of the Programme ..... 6</p> <p>Risk Factors ..... 12</p> <p>Documents Incorporated by Reference ..... 22</p> <p>Form of the Notes ..... 24</p> <p>Applicable Final Terms ..... 26</p> <p>Applicable Pricing Supplement ..... 37</p> <p>Terms and Conditions of the Notes ..... 49</p> <p>Use of Proceeds ..... 76</p> <p>The Sparebank 1 Alliance ..... 77</p>	<p>Business Description of Sparebank 1 SMN ..... 79</p> <p>Business Description of Sparebank 1 Nord-Norge ..... 89</p> <p>Business Description of Sparebank 1 SR-Bank ASA ..... 99</p> <p>Taxation ..... 108</p> <p>Subscription and Sale ..... 112</p> <p>General Information ..... 115</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

---

## STABILISATION

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

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).*

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

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

<b>Issuers:</b>	SpareBank 1 SMN SpareBank 1 Nord-Norge SpareBank 1 SR-Bank ASA
<b>Guarantor:</b>	None
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arranger:</b>	Merrill Lynch International
<b>Dealers:</b>	Barclays Bank PLC Commerzbank Aktiengesellschaft HSBC Bank plc J.P. Morgan Securities plc Landesbank Baden-Württemberg Merrill Lynch International  UBS Limited  and any other Dealers appointed in accordance with the Programme Agreement.
<b>Risk Factors:</b>	There are certain factors that may affect the relevant Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” below and include “ <i>Risk Assessment</i> ”, “ <i>Risk Management</i> ”, “ <i>Credit Risk</i> ”, “ <i>Market Risk</i> ”, “ <i>Liquidity Risk</i> ” and “ <i>Operational Risk</i> ”. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Prospectus.

## Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the issue proceeds are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “*Subscription and Sale*”).

Under Part II of the Prospectus Act 2005 on prospectuses for securities which implements the Prospectus Directive, prospectuses for the admission to trading of money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such Act. The approval of the Prospectus by the CSSF does not cover such money market instruments with a maturity of less than twelve months.

<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Paying Agent and Luxembourg Listing Agent:</b>	Banque Internationale à Luxembourg SA
<b>Programme Size:</b>	Up to €10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Notes may be denominated in euro (as defined), Norwegian Kroner, U.S. dollars, Yen, Sterling and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the relevant Issuer and the relevant Dealer.
<b>Maturities:</b>	The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. Unless otherwise permitted by then current laws, regulations and directives, Subordinated Notes will have a minimum maturity of at least five years.
<b>Issue Price:</b>	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer form as described in “ <i>Form of the Notes</i> ”.
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

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

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

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

**Zero Coupon Notes:**

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

**Exempt Notes:**

Each Issuer may issue Exempt Notes which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

***Index Linked Notes:*** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

***Dual Currency Notes:*** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

***Partly Paid Notes:*** The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

***Notes redeemable in instalments:*** The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.



**Redemption:** The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate the scheduled maturity date (which in the case of Subordinated Notes, must be at least five years after the issue date) and will also indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in the case of Exempt Notes in specified instalments, if applicable, or for taxation reasons or (in the case of Unsubordinated Notes) following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer (which, in respect of Subordinated Notes, may not take place prior to the fifth anniversary of the Issue Date) and/or the Noteholders (which, in respect of Subordinated Notes, may not take place prior to the fifth anniversary of the Issue Date) in each case upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

Unless previously redeemed or purchased and cancelled, each Note which is not an Exempt Note will be redeemed by the relevant Issuer at least at 100 per cent. of its nominal value on its scheduled maturity date.

No early redemption of Subordinated Notes may take place without the prior written consent of the Financial Supervisory Authority of Norway (*Finanstilsynet*) ("FSAN").

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

**Denomination of Notes:** Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see "*Certain Restrictions: Notes having a maturity of less than one year*" above), and save that the minimum denomination of each Note (other than an Exempt Note) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Kingdom of Norway as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

**Cross Default:** The terms of the Unsubordinated Notes will contain a cross default provision as further described in Condition 10.

Subordinated Notes will not contain any events of default.

<b>Status of the Unsubordinated Notes:</b>	The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 3(c), unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured obligations (including deposits) (other than subordinated obligations, if any) of the relevant Issuer, present and future, from time to time outstanding.
<b>Status of the Subordinated Notes:</b>	The Subordinated Notes will constitute unsecured subordinated obligations of the relevant Issuer, conditional as described in Condition 3(c), and will rank <i>pari passu</i> without any preference among themselves and at least equally with all other subordinated obligations of the Issuer (whether actual or contingent) having a fixed maturity from time to time outstanding. The Subordinated Notes shall, in the event of a liquidation, dissolution, administration or other winding-up of the relevant Issuer by way of public administration, be subordinated in right of payment only to the claims against that Issuer of all unsubordinated creditors of that Issuer and to claims preferred under Norwegian law generally.
<b>Negative Pledge:</b>	The terms of the Unsubordinated Notes will contain a negative pledge provision as further described in Condition 4.
<b>Admission to trading:</b>	<p>Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer and the relevant Dealer in relation to the Series.</p> <p>Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be admitted to trading and, if so, on which stock exchanges and/or markets.</p>
<b>Ratings:</b>	Each Issuer has been rated “A1” by Moody’s. SpareBank 1 Nord-Norge has been rated “A” by Fitch. SpareBank 1 SMN has been rated “A-” by Fitch. SpareBank 1 SR-Bank has been rated “A-” by Fitch. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating[s] assigned to the Programme or the relevant Issuer. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
<b>Governing Law:</b>	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except Condition 3 which will be governed by, and construed in accordance with, Norwegian law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Norway and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “*Subscription and Sale*”).

**United States Selling Restrictions:**

Regulation S, Category 2. TEFRA C or D, as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

## RISK FACTORS

*In purchasing Notes, investors assume the risk that the Issuers may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the relevant Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuers' control. The Issuers have identified in this Prospectus a number of factors which could materially adversely affect their business and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuers' ability to fulfil their obligations under Notes issued under the Programme**

#### *Risk assessment*

In the course of its business activities, the relevant Issuer is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk and operational risk. Whilst each Issuer believes it has implemented the appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to control these risks adequately could adversely affect the relevant Issuer's financial condition and reputation. A description of these risks and the systems and processes used to control them is detailed below.

#### *Risk management*

Risk is a basic element in a bank's business model. Consequently, the relevant Issuer places heavy emphasis on identifying, measuring, managing and monitoring central risks in such a way that the relevant Issuer achieves its strategic objectives.

Risk management is a key element of the Issuers' management philosophy, organisation, routines and systems, including good management by objectives using the Balanced Scorecard Approach. The Issuers aim to maintain a moderate risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the Issuers' financial position. As part of this effort, the Issuers scrutinise the most critical risk areas and the measures established to manage these risks at least once a year. This scrutiny is an important element in the Issuers' ongoing risk management. Together with the other banks in the SpareBank 1 collaboration, the Issuers continue to adapt existing risk management processes, including the relevant framework, guidelines and organisation, to meet the expected future requirements from the Basel Committee on Banking Supervision and other relevant regulatory bodies.

#### *Credit risk*

Credit risk is the risk of losses if the Issuers' customers or other counterparties fail to meet their commitments to the Issuers.

The Issuers' credit policy derives from their main strategy, and contains guidelines for risk profile, distribution between the retail market and the corporate market, geographical constraints, maximum overall commitment in some sectors and size of individual commitments, as well as separate rules for specific types of commitments.

The Issuers' risk classification systems are designed with a view to managing the Issuers' loan portfolio in line with the Issuers' credit strategy and to securing an appropriate risk-adjusted return.

The classification system of business market customers utilises a scoring model that takes into account the conduct, financial position and the value of any collateral of the customer. All criteria are objective and based on publicly available information such as audited accounts, credit information and data from the Issuers' own registers.

The risk classification system and credit routines make clear-cut demands on the processes and risk assessments involved in dealing with business and retail market commitments.

A staff member is assigned responsibility for each customer. This staff member is responsible for following up on the customer on a daily basis and for checking that the customer maintains its ability to pay. In addition, each Issuer has a credit support division that takes over dealings with customers who are obviously unable, or are highly likely to become unable, to service their commitments unless action is taken beyond ordinary follow-up.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and other counterparties are inherent in a wide range of the Issuers' businesses. Adverse changes in the credit quality of the Issuers' borrowers and counterparties or a general deterioration in Norwegian or the global economic conditions, or arising from systemic risks in the financial system, or a fall in collateral values, or a change in the Issuers' provisions for bad and doubtful debts and other provisions, could have a material impact on the relevant Issuer's financial position.

Actual loan losses vary over the business cycle, and additional loan losses may occur at a rate higher than experienced in the past due to the prevailing market conditions.

#### *Market risk*

Market risk is the risk of a loss on a financial instrument as a result of changes in market variables and/or market conditions within a specified timeframe. Market risk is managed by means of detailed limits for investments in equities, bonds and on positions taken in the fixed-income and currency markets. The limits are reviewed at least once a year and are adopted yearly by the Issuers' respective Board of Directors. Exposures relative to the adopted limits are reported monthly to the respective Board of Directors. The Issuers' limits are well within the maximum limits set by the authorities.

Changes in currency exchange rates, particularly with regard to Norwegian Kroner, affect the value of the Issuers' assets and liabilities denominated in foreign currencies, and may affect their other business areas. The performance of financial markets may cause changes in the value of the Issuers' investment and trading portfolios.

#### *Liquidity risk*

Liquidity risk is the risk that the Issuers will not be able to meet their obligations as they fall due.

The Issuers' most important source of finance is customer deposits. Due to changes in customer savings behaviour and relatively high credit demand, the Issuers' dependence on other sources of capital has increased. The Issuers expect that this situation will persist.

The Issuers reduce their liquidity risk by diversifying funding across a variety of markets, funding sources and instruments, and by employing long-term borrowing. The Issuers' respective Board of Directors have adopted a liquidity strategy and established a framework that promote a long-term perspective and balance in liquidity procurement. The position in relation to the adopted framework is monitored by Risk Management and reported to the Issuers' respective Board of Directors on a monthly basis. A reserve in the form of committed drawing rights is maintained to further reduce liquidity risk. The Issuers have adopted a preparedness plan to handle both bank-specific and sector-related crisis scenarios. However, the inability of

the Issuers to anticipate and provide for unforeseen decreases or changes in funding could have adverse consequences on the Issuers' ability to meet their obligations when they fall due.

### *Operational risk*

Operational risk is the risk of loss inherent in the Issuers' ongoing operations as well as in external events, including the risk of loss as a result of inadequate or faulty internal processes and systems, human error and various forms of attack on the Issuers such as theft, cheque counterfeiting, fraud, embezzlement and computer crime.

Operational risk is often associated with specific, unique events. Several events in the finance industry in recent years have confirmed that losses as a result of operational risk occur regularly. Such losses must be dealt with as they arise and must be continuously monitored. Any mismanagement, fraud or failure to satisfy fiduciary or regulatory responsibilities, or the negative publicity resulting from such activities or allegations of such activities associated with the Issuers or a relevant industry sector generally could have a material adverse effect on the Issuers' business, results of operations and/or financial condition. In particular, reputational damage to the Issuers could adversely affect new business sales. Negative publicity in respect of the Issuers could also potentially result in regulators subjecting the Issuers' businesses to closer scrutiny than would otherwise be the case, which may in turn result in higher costs, sanctions or fines.

### *Regulatory Risk*

The Issuers are subject to financial services laws, regulations, administrative actions and policies in Norway and other jurisdictions where the Issuers carry on business. Changes in supervision and regulation, in particular in Norway, could affect the Issuers' business, the products and services offered or the value of the assets. Although the Issuers work closely with their regulators and continually monitor the situation, future regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuers.

*The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Notes.*

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

The BRRD provides that it will be applied by Member States from 1 January 2015, except for the general bail-in tool (see below) which is to be applied from 1 January 2016. Although no official proposal has been made, it is expected that the BRRD will be included in the European Economic Agreement ("EEA"), and that it will need to be implemented in Norway as a result thereof. The scope and timing of such implementation is currently unknown.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with

a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including Senior Notes and Subordinated Notes to equity (the “general bail-in tool”), which equity could also be subject to any future application of the general bail-in tool.

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

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

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as Subordinated Notes at the point of non-viability and before any other resolution action is taken (“non-viability loss absorption”).

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is implemented, holders of Senior Notes and Subordinated Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool and, in the case of Subordinated Notes, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

### ***Risks applicable to all Notes***

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.*

An optional redemption feature is likely to limit the market value of Notes. During any period when an Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

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

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

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.*

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

### ***Risks applicable to certain types of Exempt Notes***

*There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “Relevant Factor”). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;



- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a relevant Factor and the suitability of such Notes in light of its particular circumstances.

*Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.*

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

*Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.*

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

*Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes.*

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

*The relevant Issuer's obligations under Subordinated Notes are subordinated*

The relevant Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to the claims of all unsubordinated creditors of the relevant Issuer and to claims preferred under Norwegian law (as set out in Condition 3(a)(i)).

Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the relevant Issuer become insolvent.

*In certain circumstances some or all of the principal amount of any Subordinated Notes may be cancelled*

Under Norwegian legislation, if the relevant Issuer's most recent audited accounts reveal that its net assets are less than 25 per cent. of its primary capital certificate capital and savings bank reserve, the

Committee of Representatives of the relevant Issuer can, or the relevant Norwegian authorities can if the Committee of Representatives of the relevant Issuer does not do so: first, cancel primary capital certificate capital and savings bank reserve to compensate for the shortfall and secondly, if any remaining shortfall exceeds a substantial part (as determined by the Committee of Representatives of the relevant Issuer or the relevant Norwegian authorities) of that Issuer's subordinated loan capital, cancel, in whole or in part, such subordinated loan capital (which would include principal in respect of all Subordinated Notes).

*Subordinated Notes may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Issuer.*

The BRRD contemplates that Subordinated Notes may be subject to non-viability loss absorption, in addition to the application of the general bail-in tool. See “*The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Notes*”).

### ***Risks related to Notes generally***

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

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors. The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

*The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.*

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

Under Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or to certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the “Amending Directive”) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject

to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive

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

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

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, société anonyme (together the “ICSDs”), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“FATCA”) will affect the amount of any payment received by the clearing systems (see *Taxation - Foreign Account Tax Compliance Act*). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer’s obligations under the Notes are discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an “IGA”) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

*The value of the Notes could be adversely affected by a change in English or Norwegian law or administrative practice.*

The conditions of the Notes (except for Condition 3) are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Condition 3 is based on Norwegian law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Norwegian law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such

Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

### ***Risks related to the market generally***

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

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.*

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

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.*

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

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

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

*Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.*

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

#### *Economic activity in Norway*

The Issuers’ business activities are dependent on the level of financial services required by their customers. Such requirements are heavily dependent on customer confidence, employment, state of the market and also interest rates. The Issuers conduct the majority of their business in Norway, with a focus upon the geographies outlined in the Issuers’ business descriptions set out on pages 77 to 108 of this Prospectus. Performance is impacted by the general level and cyclicity of business in Norway which is in turn affected by both domestic and international political events.

#### *Disruptions in the global credit markets and economy*

Financial markets are subject to periods of historic volatility which may impact the Issuers’ abilities to raise debt in a similar manner and at a similar cost to historic funding. Challenging market conditions have resulted in reduced liquidity, a widening of credit spreads and a lack of price transparency in the credit markets. Changes in investment markets, including in interest rates, exchange rate and returns from equity, property and other investments may affect the financial performance of the Issuers.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the auditor's report and audited consolidated and non-consolidated annual financial statements for the two financial years ended 31 December 2013 and 31 December 2014 of each Issuer;
- (b) the unaudited consolidated financial statements for the quarterly period ended 31 March 2015 of each Issuer;
- (c) the memorandum and articles of association of each of the Issuers ; and
- (d) the Terms and Conditions of the Notes contained in previous Prospectuses dated 28 April 2003, 19 - 42 (inclusive) and 13 April 2004, 19 - 42 (inclusive) and 13 October 2005, 28 - 51 (inclusive) and 29 June 2006, 28 - 51 (inclusive) and 4 July 2007, 30 - 53 (inclusive) and 4 July 2008, 30 - 54 (inclusive) and 19 June 2009, 30 - 54 (inclusive) and 11 June 2010, 31 - 53 (inclusive) and 10 June 2011, 38 - 66 (inclusive) and 12 June 2012, 41 - 69 (inclusive) and 20 June 2013, 52 - 81 (inclusive) and 20 June 2014, 50 - 77 (inclusive) prepared by the Issuer in connection with the Programme.

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

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuers and from the specified office of the Paying Agents for the time being in London and Luxembourg and will also be published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

Any non-incorporated parts of the Prospectuses referred to in (d) above are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

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

The information incorporated by reference that is not included in the cross-reference list below, is considered to be additional information to be disclosed to investors and is not required by the relevant Annexes of the Prospectus Regulation.

<b>Cross Reference List</b>	<b>Annual Report 2013</b>	<b>Annual Report 2014</b>	<b>Quarterly Financial Statements 31 March 2015</b>
SpareBank 1 SMN			
<i>Financial Statements</i>			
Balance Sheet			
– unconsolidated.....	page 89	page 88	page 18
– consolidated.....	page 89	page 88	page 18

<b>Cross Reference List</b>	<b>Annual Report 2013</b>	<b>Annual Report 2014</b>	<b>Quarterly Financial Statements 31 March 2015</b>
<b>Income Statement</b>			
– unconsolidated.....	page 88	page 86	page 16
– consolidated.....	page 88	page 86	page 16
<b>Accounting Policies and Explanatory Notes</b>			
– unconsolidated.....	pages 95-178	pages 94-178	page 26-46
– consolidated.....	pages 95-178	pages 94-178	pages 26-46
Auditors' reports	pages 191-192	pages 191-192	page 48
<b>SpareBank 1 Nord-Norge</b>			
<i>Financial Statements</i>			
<b>Balance Sheet</b>			
– unconsolidated.....	page 43	page 45	page 13
– consolidated.....	page 43	page 45	page 13
<b>Income Statement</b>			
– unconsolidated.....	page 42	page 44	page 12
– consolidated.....	page 42	page 44	page 12
<b>Accounting Policies and Explanatory Notes</b>			
– unconsolidated.....	pages 47-123	pages 49-127	pages 17-32
– consolidated.....	pages 47-123	pages 49-127	pages 17-32
Auditors' reports	pages 126-127	pages 130-131	N/A
<b>SpareBank 1SR-Bank ASA</b>			
<i>Financial Statements</i>			
<b>Balance Sheet .....</b>			
– unconsolidated.....	page 47	page 49	page 14
– consolidated.....	page 47	page 49	page 14
<b>Income Statement .....</b>			
– unconsolidated.....	page 46	page 48	page 13
– consolidated.....	page 46	page 48	page 13
<b>Accounting Policies and Explanatory Notes .....</b>			
•..... t	pages 50-115	pages 52-116	pages 17-26
nconsolidated.....			
•..... c	pages 50-115	pages 52-116	pages 17-26
onsolidated .....			
Auditors' reports.....	page 116	page 117	N/A

## FORM OF THE NOTES

*Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.*

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a "Temporary Global Note") which will (i) if the Global Notes are intended to be issued in new global note ("NGN") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"); and (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the "Common Depository") of Euroclear and Clearstream Luxembourg.

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

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

On and after the date (the "Exchange Date") which is 40 days after the Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 10) has occurred and is



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

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms or Pricing Supplement, as the case may be:

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

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

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

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

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

Any Unsubordinated Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “Deed of Covenant”) dated 18 June 2015, executed by each Issuer.

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

## APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.*

[Date]

**[SpareBank 1 SMN/SpareBank 1 Nord-Norge/SpareBank 1 SR-Bank ASA]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the €10,000,000,000**

**Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 18 June 2015 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Prospectus”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at, and copies may be obtained from, the specified office of each of the Paying Agents. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange) the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [28 April 2003]/[13 April 2004]/[13 October 2005]/[29 June 2006]/[4 July 2007]/[4 July 2008]/[19 June 2009]/[11 June 2010]/[10 June 2011]/[12 June 2012]/[20 June 2013]/[20 June 2014] which are incorporated by reference in the Prospectus dated 18 June 2015. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) as amended (which includes the amendments made by Directive 2010/73/EU (the “2010 PD Amending Directive”) to the extent that such amendments have been implemented in a relevant Member State) and must be read in conjunction with the Prospectus dated 18 June 2015 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [28 April 2003]/[13 April 2004]/[13 October 2005]/[29 June 2006]/[4 July 2007]/[4 July 2008]/[19 June 2009]/[11 June 2010]/[10 June 2011]/[12 June 2012]/[20 June 2013]/[20 June 2014] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange) the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

*[Include whichever of the following apply or specify as “Not Applicable”). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [insert issue amount//maturity date/issue date of earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]][Not Applicable]
2. Specified Currency or Currencies: [ ]
3. Aggregate Nominal Amount
- (i) Series: [ ]
- (ii) Tranche: [ ]
4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] (if applicable)
5. (a) Specified Denominations: [ ]
- (N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent))*
- (Note – where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:*
- “€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.”)*
- (b) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

7. Maturity Date: *[Specify date/ or for Floating rate notes – Interest Payment Date falling in or nearest to [specify month and year]]*
8. Interest Basis:  per cent. Fixed Rate]  
 month [LIBOR/EURIBOR]/[CMS Reference Rate] +/-  per cent. Floating Rate]  
 Zero coupon]  
 see paragraph [13]/[14]/[15] below)
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes may be redeemed on the Maturity Date at [100] per cent. of their nominal amount
10. Change of Interest Basis: *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there]*[Not Applicable]
11. Put/Call Options: [Not Applicable]  
 Investor Put]  
 Issuer Call]  
 Not Applicable]  
 [(see paragraph [17]/[18] below)]
12. (i) Status of the Notes: [Unsubordinated/Subordinated]
- (ii) [Date [Board] approval for issuance of Notes obtained: [ ] [and [ ], respectively]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

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

13. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date

*(Amend appropriately in the case of in the case of irregular coupons)*

- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes in definitive form)
- (iv) Broken Amount(s): (Applicable to Notes in definitive form) [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] ][Not Applicable]
- (v) Day Count Fraction: [30/360][Actual/Actual (ICMA)]
- (vi) [Determination Date(s): [ ] in each year] [Not Applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)]*

**14. Floating Rate Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Specified Period(s)/Specified Interest Payment Dates: [ ][, subject to adjustment in accordance with the Business Day Convention set out in (iii) below/not subject to adjustment, as the Business Day Convention in (iii) below is specified to be Not Applicable]
- (ii) First Interest Payment Date: [ ]
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (iv) Additional Business Centre(s): [ ]
- (v) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/CMS Rate Determination]
- (vi) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vii) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [ ] month [LIBOR/EURIBOR]
- Interest Determination Date(s): [ ]

*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*

- Relevant Screen Page: [ ]
  
- (In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
  
- (viii) ISDA Determination: [Applicable/Not Applicable]
  - Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
  
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
  
- (ix) CMS Rate Determination: [Applicable/Not Applicable]
  - CMS Screen Page: [Condition 5(b)(ii)(C) applies/[ ]]
  - Interest Determination Date: [Condition 5(b)(ii)(C) applies/[ ]]
  - Multiplier: [ ] per cent.
  - Reference Currency: [Euro/Sterling/United States dollar/Yen]
  - Designated Maturity: [[ ]/Not Applicable]
  - Calculation Agent: [Agent/named Manager/other]
  
- (x) Linear Interpolation: [Not Applicable/Applicable – the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
  
- (xi) Margin(s): [+/-] [ ] per cent. per annum
  
- (xii) Minimum Rate of Interest: [ ] per cent. per annum
  
- (xiii) Maximum Rate of Interest: [ ] per cent. per annum
  
- (xiv) Day Count Fraction: [Actual/Actual (ISDA) [Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)]

Actual/360

[30/360][360/360][Bond Basis]

[30E/360][Eurobond Basis]

30E/360 (ISDA)]

15. **Zero Coupon Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Accrual Yield: [ ] per cent. per annum

(ii) Reference Price: [ ]

(iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]

[Actual/360]

[Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

16. Notice periods for Condition 7(b) (Redemption and Purchase – *Redemption for tax reasons*): Minimum period: [ ] days  
Maximum period: [ ] days

17. Issuer Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Optional Redemption Date(s): [ ]

(ii) Optional Redemption Amount of each Note: [[ ] per Calculation Amount]

(iii) If redeemable in part:

(a) Minimum Redemption Amount: [ ]

(b) Maximum Redemption Amount: [ ]

(iv) Notice periods (for Condition 7(c) (Redemption and Purchase – Redemption at the option of the Issuer (Issuer Call))): Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example,*

*clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

18. Investor Put: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Optional Redemption Date(s): [ ]

(ii) Optional Redemption Amount: [[ ] per Calculation Amount]

(iii) Notice periods (for Condition 7(d) (Redemption and Purchase – Redemption at the option of the Noteholders (Investor Put))):  
Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

19. Final Redemption Amount: [[ ] per Calculation Amount]

20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount/]

*(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

## **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

21. Form of Notes:

(a) Form: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive



Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Notes shall not be physically delivered in Belgium except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005<sup>1</sup>]

*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]”. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)*

(b) New Global Note: [Yes][No]

22. Additional Financial Centre(s): [Not Applicable/give details]

*(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 14(iv) relates)*

23. Talons for future Coupons to be attached to Definitive: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No.]

*(Consider including a term providing for tax certification if requested to enable interest to be paid gross by issuers.)*

### THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [*name of Issuer*]:

By: .....

Duly authorised

<sup>1</sup> Include for Notes that are to be offered in Belgium.

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Bourse de Luxembourg and listing on the official list of the Luxembourg Stock Exchange] [specify relevant regulated market and, if relevant, to admission to an official list if not Luxembourg Stock Exchange] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Bourse de Luxembourg and listing on the official list of the Luxembourg Stock Exchange] [specify relevant regulated market and, if relevant, to admission to an official list if not Luxembourg Stock Exchange] with effect from [ ].]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:
- [insert details]] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].
- Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”).]

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

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

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

### 4. YIELD (Fixed Rate Notes only)

Indication of yield: [ ]

## 5. HISTORIC INTEREST RATES (FLOATING RATE NOTES ONLY)

Details of historic [LIBOR/EURIBOR/CMS Reference Rate] rates can be obtained from [Reuters].]

## 6. OPERATIONAL INFORMATION

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s): [ ]
- (vi) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes.

Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No.

Whilst the designation is specified as "no" at the date of the Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of [Subscription] Agreement: [ ]
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]

## APPLICABLE PRICING SUPPLEMENT

### EXEMPT NOTES OF ANY DENOMINATION

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.*

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.**

[Date]

[SpareBank 1SMN/SpareBank 1 Nord-Norge/SpareBank 1 SR-Bank ASA]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €10,000,000,000  
Euro Medium Term Note Programme

#### PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 18 June 2015 [as supplemented by the supplement[s] dated [date[s]]] (the **Offering Circular**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. Copies of the Offering Circular may be obtained from [address].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [original date] [and the supplement dated [date]]] which are incorporated by reference in the Offering Circular].

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. Issuer: [ ]
2. (a) Series Number: [ ]
- (b) Tranche Number: [ ]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about [date]][Not Applicable]

3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount: [ ]
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [ ]
- (b) Calculation Amount: [ ]  
*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[specify Reference Rate] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [specify other]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis][Not Applicable]
12. Put/Call Options: [Not Applicable]  
 [Investor Put]  
 [Change of Control Put]

[Issuer Call]  
[(further particulars specified below)]  
[Not Applicable]

13. (a) Status of the Notes: [Unsubordinated/Subordinated]

(b) [Date [Board] approval for issuance of Notes obtained: [ ] [and [ ], respectively]]

*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

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

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date

(b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date

*(Amend appropriately in the case of irregular coupons)*

(c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*

(d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]  
*(Applicable to Notes in definitive form)*

(e) Day Count Fraction: [30/360/Actual/Actual (ICMA)/specify other]

(f) [Determination Date(s): [[ ] in each year][Not Applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*

(g) [Ratings Step-up/Step-down: [Applicable/Not Applicable]

*(If applicable, delete the remaining subparagraphs of this paragraph)]*

(h) Other terms relating to the method of calculating interest for Fixed Rate [None/Give details]

Notes which are Exempt Notes:

15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [  ], subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]/Not Applicable]
- (c) Additional Business Centre(s): [  ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/CMS Rate Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [  ]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: Reference Rate: [[  ] month [LIBOR/EURIBOR]]/specify other Reference Rate].  
*(Either LIBOR, EURIBOR, CMS Reference Rate or other, although additional information is required if other, including fallback provisions in the Agency Agreement)*
  - Interest Determination Date(s): [  ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [  ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination: [Applicable/Not Applicable]



- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (h) CMS Rate Determination: [Applicable/Not Applicable]
- CMS Screen Page: [Condition 5(b)(ii)(C) applies/[ ]]
  - Interest Determination Date: [Condition 5(b)(ii)(C) applies/[ ]]
  - Multiplier: [ ] per cent.
  - Reference Currency: [Euro/Sterling/United States dollar/Yen]
  - Designated Maturity: [[ ]/Not Applicable]
  - Calculation Agent: [Agent/named Manager/other]
- (i) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (j) Margin(s): [+/-] [ ] per cent. per annum
- (k) Minimum Rate of Interest: [ ] per cent. per annum
- (l) Maximum Rate of Interest: [ ] per cent. per annum
- (m) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
30E/360 (ISDA)  
Other]
- (n) [Ratings Step-up/Step-down: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (o) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [ ]

16. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
- [Actual/360]
- [Actual/365]
17. **Index Linked Interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent [give name]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (e) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]  
[Not Applicable]
- (g) Additional Business Centre(s): [ ]
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) Day Count Fraction: [ ]

18. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (d) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

19. Notice periods for Condition 7(b) (Redemption and Purchase – *Redemption for tax reasons*): Minimum period: [ ] days  
Maximum period: [ ] days
20. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/[Spens Amount/Make whole Amount/] *specify other/see Appendix*]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer*

and the Agent [or Trustee])

21. Investor Put:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]

(c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee])*

22. [Change of Control Put:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Optional Redemption Amount: [ ] per Calculation Amount

(b) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee])*

23. Final Redemption Amount:

[[ ] per Calculation Amount/specify other/see Appendix]

24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):

[[ ] per Calculation Amount/specify other/see Appendix]

*(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption*

*Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:

(a) Form:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]”. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)*

(b) New Global Note:

[Yes][No]

26. Additional Financial Centre(s):

[Not Applicable/give details]

*(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub paragraphs 15(c) and 17(g) relate)*

27. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be

[Not Applicable/give details. *N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]*

made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment.

29. Details relating to Instalment Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Instalment Amount(s): [give details]
- (b) Instalment Date(s): [give details]
30. Other terms or special conditions: [Not Applicable/give details]

### **RESPONSIBILITY**

The Issuer accept[s] responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of [*name of the Issuer*]:

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING

[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [specify market - note this must not be a regulated market] with effect from [ ].] [Not Applicable]

### 2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].

*(The above disclosure is only required if the ratings of the Notes are different to those stated in the Offering Circular)*

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

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

### 4. [USE OF PROCEEDS

Use of Proceeds:

[ ]

*(Only required if the use of proceeds is different to that stated in the Offering Circular)*

### 5. OPERATIONAL INFORMATION

(i) ISIN:

[ ]

(ii) Common Code:

[ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream, Luxembourg and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

(iv) Delivery:

Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any):

[ ]

[(vi) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for

Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 6. DISTRIBUTION

- |       |                                             |                                                                                                                                                                                |
|-------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i)   | Method of distribution:                     | [Syndicated/Non-syndicated]                                                                                                                                                    |
| (ii)  | If syndicated, names of Managers:           | [Not Applicable/ <i>give names</i> ]                                                                                                                                           |
| (iii) | Stabilising Manager(s) (if any):            | [Not Applicable/ <i>give name</i> ]                                                                                                                                            |
| (iv)  | If non-syndicated, name of relevant Dealer: | [Not Applicable/ <i>give name</i> ]                                                                                                                                            |
| (v)   | U.S. Selling Restrictions:                  | Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]                                                                                                     |
| (vi)  | Additional selling restrictions:            | [Not Applicable/ <i>give details</i> ]<br><i>(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)</i> |



## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each Definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Applicable Final Terms” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued pursuant to the Agency Agreement (as amended and restated) (as defined below). References to the “Issuer” shall be references to the party specified as such in the applicable Final Terms (as defined below).

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

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of each Specified Denomination in the Specified Currency;
- (ii) any Global Note; and
- (iii) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (as amended and restated) (such Agency Agreement, as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 18 June 2015, and made between, *inter alia*, SpareBank 1 SMN, SpareBank 1 Nord-Norge, SpareBank 1 SR-Bank ASA, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the “Agent”, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the “Conditions”) or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an “Exempt Note”), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the applicable Final Terms are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. References to the “applicable Final Terms” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to “applicable Final Terms” shall be deemed to include a reference to “applicable Pricing Supplement” where relevant. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing definitive Notes have interest coupons (“Coupons”) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant, as amended and/or supplemented and/or restated from time to time, the “Deed of Covenant”) dated 18 June 2015 and made by SpareBank 1 SMN, SpareBank 1 Nord-Norge and SpareBank 1 SR-Bank ASA. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more such Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

In the Conditions, “euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be an Unsubordinated Note or a Subordinated Note, as indicated in the applicable Final Terms.

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

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

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

## **2. STATUS OF THE UNSUBORDINATED NOTES**

This Condition applies only to Unsubordinated Notes and references to “Notes” in this Condition shall be construed accordingly.

The Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured obligations (including deposits) (other than subordinated obligations, if any) of the Issuer, present and future, from time to time outstanding. So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer undertakes to ensure that, subject to Condition 4, the obligations of the Issuer under the Notes rank and will rank *pari passu* with all other unsecured and unsubordinated obligations (including deposits) of the Issuer and with all its

unsecured and unsubordinated obligations under guarantees of obligations of third parties, in each case except for any obligations preferred by mandatory provisions of applicable law.

### 3. STATUS OF THE SUBORDINATED NOTES

(a) This Condition applies only to Subordinated Notes and references to “Notes”, “Coupons”, “Noteholders” and “Couponholders” in this Condition shall be construed accordingly.

(i) The Notes and the relative Receipts and Coupons constitute unsecured subordinated obligations of the Issuer, conditional as described in Condition 3(c), and rank *pari passu* without any preference among themselves and at least equally with all other subordinated obligations of the Issuer (whether actual or contingent) having a fixed maturity from time to time outstanding. The Notes and the Coupons shall, in the event of a liquidation, dissolution, administration or other winding-up of the Issuer by way of public administration, be subordinated in right of payment only to the claims against the Issuer of all unsubordinated creditors of the Issuer and to claims preferred under Norwegian law generally.

(ii) The Issuer shall not, without the prior approval of an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders, incur, create, assume, grant or permit to be outstanding any subordinated indebtedness (whether actual or contingent) having a fixed maturity unless such indebtedness is subordinated, subject to applicable law, in the event of liquidation, dissolution, administration or other winding-up of the Issuer by way of public administration in right of payment so as to rank *pari passu* with or junior to the claims of the Noteholders and the Couponholders.

(b) *Definitions*

In these Terms and Conditions, “FSAN” means the Financial Supervisory Authority of Norway (*Finanstilsynet*) or such other agency of the Kingdom of Norway as assumes or performs the functions as at the Issue Date performed by the FSAN.

(c) *Loss Absorption*

Under Norwegian legislation, if the Issuer’s most recent audited accounts reveal that its net assets are less than 25 per cent. of its primary capital certificate capital and savings bank reserve, the Committee of Representatives of the Issuer can or the relevant authorities can if the Committee of Representatives of the Issuer does not do so: first, cancel primary capital certificate capital and savings bank reserve to compensate for the shortfall and secondly, if any remaining shortfall exceeds a substantial part (as determined by the Committee of Representatives of the Issuer or by the relevant Norwegian authorities) of the Issuer’s subordinated loan capital, cancel, in whole or in part, such subordinated loan capital (which would include principal in respect of all Subordinated Notes).

The Issuer shall give not more than 30 nor less than five Business Days’ (as defined in Condition 5(b)(i)) prior notice to the Agent and/or the Registrar, as the case may be, and to the Noteholders in accordance with Condition 14 of any cancellation of principal in respect of any Subordinated Notes pursuant to this Condition 3(c).

To the extent that part only of the outstanding principal amount of any Subordinated Notes has been cancelled as provided above, interest will continue to accrue in accordance with the terms hereof on the then outstanding principal amount of such Subordinated Notes.

**Whilst Norwegian legislation does not specifically grant the right to cancel interest relating to subordinated loan capital, there is a possibility that the Norwegian courts would permit Norwegian authorities, or the Committee of Representatives of the Issuer, to cancel accrued but unpaid interest in respect of subordinated loan capital (which would include interest in respect of Subordinated Notes.**

#### 4. NEGATIVE PLEDGE

This Condition 4 is applicable only in relation to Unsubordinated Notes.

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

“Guarantee” means, in relation to any indebtedness for money borrowed or raised of any Person, any obligation of another Person to pay such indebtedness for money borrowed or raised;

“Indebtedness” means any indebtedness of any Person for money borrowed or raised;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Relevant Indebtedness” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market); and

“Security Interest” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

#### 5. INTEREST

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

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

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

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

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

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

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

In these Terms and Conditions:

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

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

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

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

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

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

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in

the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is open.

(ii) *Rate of Interest*

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

(A) *ISDA Determination for Floating Rate Notes*

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

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

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

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

(B) *Screen Rate Determination for Floating Rate Notes*

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

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

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



If the Relevant Screen Page is not available or if, in the case of (1), no offered quotation appears or, in the case of (2), fewer than three offered quotations appear, in each case as at the Specified Time, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

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

For the purposes of this sub-paragraph (C):

**Reference Banks** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Agent.

**Specified Time** means 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR).

(C) *CMS Rate Determination for Floating Rate Notes*

Where CMS Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be determined by the Calculation Agent (as specified in the applicable Final Terms) by reference to the following formula:

(CMS Rate x Multiplier) plus Margin

If the CMS Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest

Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice.

For the purposes of this sub-paragraph (C):

“CMS Rate” shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the CMS Screen Page as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

“CMS Reference Banks” means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the Eurozone inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) where the Reference Currency is Yen, the principal Tokyo office of five leading swap dealers in the Tokyo inter-bank market, in each case selected by the Calculation Agent.

“CMS Screen Page” means (i) where the Reference Currency is Euro, Reuters Screen ISDAFIX2 Page under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT" or its successor display page; (ii) where the Reference Currency is Sterling, Reuters Screen ISDAFIX4 Page or its successor display page; (iii) where the Reference Currency is United States dollar, Reuters Screen ISDAFIX1 Page or its successor display page; and (iv) where the Reference Currency is Japanese Yen, Reuters Screen JPYSFIXA= Page as of or its successor display page, in each case unless otherwise specified in the applicable Final Terms.

“Designated Maturity” shall have the meaning given to this term in the applicable Final Terms.

“Interest Determination Date” means (i) where the Reference Currency is Euro, the second day on which the TARGET2 System is open prior to the start of each Interest Period; (ii) where the Reference Currency is Sterling, the first day of each Interest Period; (iii) where the Reference Currency is United States dollar, the day that is two U.S. Government Securities Business Days preceding the first day of each Interest Period; and (iv) where the Reference Currency is Japanese Yen, two Tokyo Business Days prior to the start of each Interest Period, in each case unless otherwise specified in the applicable Final Terms.

“Margin” shall have the meaning given to this term in the applicable Final Terms.

“Multiplier” shall have the meaning given to this term in the applicable Final Terms.

“Reference Currency” means either Euro, Sterling, United States dollars or Japanese Yen, as specified in the applicable Final Terms.

“Relevant Swap Rate” means:

- (i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions, as

published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions")) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;

- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months;
- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Reference Currency is Japanese Yen, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/Actual day count basis, of a fixed-for-floating Japanese Yen interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to JPY-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months.

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time.

“Specified Time” means (i) where the Reference Currency is Euro, 11.00 a.m., Frankfurt time; (ii) where the Reference Currency is Sterling, 11.00 a.m. London time; (iii) where the Reference Currency is United States dollar, 11.00 a.m., New York City time; and (iv) where the Reference Currency is Japanese Yen, 3:00 p.m., Tokyo time.

“Tokyo Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Tokyo.

“U.S. Government Securities Business Day” means any day except for Saturday, Sunday or a day on which The Bond Market Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

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

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

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the

provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

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

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

where:

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

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

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

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

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

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(v) *Linear Interpolation*

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

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

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

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Exempt Notes*

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination or CMS Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR or CMS Reference Rate, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 5(b) shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(d) *Accrual of interest*

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

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## **6. PAYMENTS**

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

*(b) Presentation of definitive Notes, Receipts and Coupons*

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

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) and save as provided in Condition 6(e) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

*(c) Payments in respect of Global Notes*

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

*(d) Specific provisions in relation to payments in respect of certain types of Exempt Notes*

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the



relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6(d) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

(e) *General provisions applicable to payments*

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

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

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation;
  - (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for

general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(g) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

## **7. REDEMPTION AND PURCHASE**

(a) *Redemption at maturity*

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

(b) *Redemption for tax reasons*

Subject, in the case of Subordinated Notes, as provided in Condition 7(j), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Norway or any authority therein having power to tax or any political subdivision thereof, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

*(c) Redemption at the option of the Issuer (Issuer Call)*

Subject in the case of Subordinated Notes, to obtaining the prior written consent of the FSAN as provided in Condition 7(j), if Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

*(d) Redemption at the option of the Noteholders (Investor Put)*

Subject, in the case of Subordinated Notes, to obtaining the prior written consent of the FSAN, as provided in Condition 7(j), if Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which

the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 10.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10:

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

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

where:

“RP” means the Reference Price;

“AY” means the Accrual Yield expressed as a decimal; and

“y” is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365,

(f) *Specific redemption provisions applicable to certain types of Exempt Notes*

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be

specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 7(b), Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(g) *Purchases*

Subject, in the case of Subordinated Notes, as provided in Condition 7(j) the Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(h) *Cancellation*

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

(i) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

(j) *Consent*

In the case of Subordinated Notes, no early redemption in any circumstances or purchase under Condition 7(g) shall take place without the prior written consent of the FSAN. For the avoidance of doubt, redemption of Subordinated Notes under Condition 7(a) shall not require the consent of the FSAN.

## **8. TAXATION**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal

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

- (a) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Kingdom of Norway other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment by more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

## **9. PRESCRIPTION**

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) thereof.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## **10. EVENTS OF DEFAULT**

### *(a) Events of Default relating to Unsubordinated Notes*

This Condition 10(a) only applies to Unsubordinated Notes. If any one or more of the following events (each an “Event of Default”) shall occur and be continuing with respect to any Unsubordinated Note:

- (i) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and in the case of interest that default continues for a period of seven days; or
- (ii) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

- (iii) any payment obligation under any indebtedness (including deposits) of the Issuer or any of its Principal Subsidiaries becomes due and repayable prematurely by reason of an event of default (howsoever described) or the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any indebtedness (including deposits) within 30 days of the due date for payment (or within the applicable grace period, if such period is longer than 30 days) or any security given by the Issuer or any of its Principal Subsidiaries for any indebtedness (including deposits) becomes enforceable or if default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any obligation of any other person for 30 days (or within the applicable grace period, if such period is longer than 30 days), PROVIDED that no such event shall constitute an Event of Default unless the indebtedness (including deposits) or other relative liability either alone or when aggregated with other indebtedness (including deposits) and/or liabilities relating to all (if any) other events which shall have occurred and be outstanding shall amount to at least €10,000,000 (or its equivalent in any other currency) and PROVIDED further that, for the purposes of this Condition 10(iii), neither the Issuer nor any of its Principal Subsidiaries shall not be deemed to be in default with respect to any such indebtedness (including deposits), guarantee or indemnity if it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or
- (iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of the Noteholders; or
- (v) if the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of the Noteholders, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) if (A) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (vii) if the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors),

then any holder of an Unsubordinated Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Unsubordinated Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due

and payable at the Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purpose of this Condition:

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

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

all as more particularly defined in the Agency Agreement.

A report by the Directors of the Issuer that in their opinion a Subsidiary of the Issuer is/was or is/was not at any particular time or throughout any specified period, a Principal Subsidiary, accompanied, if requested, by a report by the Auditors addressed to the Directors of the Issuer as to proper extraction of the figures used by the Directors of the Issuer in determining the Principal Subsidiaries of the Issuer and mathematical accuracy of the calculations, shall, in the absence of manifest error, be conclusive and binding on all parties.

(b) *There are no events of default in relation to Subordinated Notes.*

## **11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

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

## **12. PAYING AGENTS**

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

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

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



- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, other than the jurisdiction in which the Issuer is incorporated; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Furthermore, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency or such Paying Agent is a “foreign financial institution” as such term is defined pursuant to Sections 1471 through 1474 of the Code and any regulations thereunder or official interpretations thereof (an “FFI”) and does not become, or ceases to be, an FFI that, as from the effective date of any rules requiring withholding on “passthru payments” (as such term is defined pursuant to Sections 1471 through 1474 of the Code and any regulations thereunder or official interpretations thereof), meets the requirements of Section 1471(b) of the Code and any regulations or other official guidance issued thereunder and that has not elected to be withheld upon pursuant to Section 1471(b)(3) of the Code, when it shall be of immediate effect) after not less than 30 nor more than 45 days’ prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

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

### **13. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

### **14. NOTICES**

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

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

Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

## **15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

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

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **16. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon

and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

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

### *(a) Governing law*

The Agency Agreement, the Deed of Covenant, the Notes (except for Condition 3), the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes (except for Condition 3), the Receipts and the Coupons are governed by, and construed in accordance with, English law. Condition 3 is governed by, and shall be construed in accordance with, Norwegian law.

### *(b) Submission to jurisdiction*

- (i) Subject to Condition 18(b)(iii) below, the English courts have jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons a “Dispute”) and accordingly each of the Issuer and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (ii) For the purposes of this Condition 18(b)(ii), the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (iii) To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### *(c) Appointment of Process Agent*

The Issuer irrevocably appoints DNB Bank ASA, London Branch at its registered office at 8th Floor, The Walbrook Building, 25 Walbrook, London EC4N 8AF, England as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of DNB Bank ASA, London Branch being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

### *(d) Waiver of trial by jury*

**WITHOUT PREJUDICE TO CONDITION 18(b), THE ISSUER WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN CONNECTION WITH THE NOTES, THE RECEIPTS AND THE COUPONS. THESE CONDITIONS MAY BE FILED AS A WRITTEN CONSENT TO A BENCH TRIAL.**

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes. If, in respect of an issue of Exempt Notes, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## **THE SPAREBANK 1 ALLIANCE**

### **THE SPAREBANK 1 ALLIANCE**

The SpareBank 1 banks listed below operate an alliance (the “SpareBank 1 Alliance”) and develop product companies through the jointly owned holding company SpareBank 1 Gruppen AS.

The paramount objective of the SpareBank 1 Alliance is to assure the independence and regional identity of the individual banks that make up the SpareBank 1 Alliance through strong competitiveness, profitability and financial soundness. The parties to the SpareBank 1 Alliance agreement are SpareBank 1 SMN, SpareBank 1 Nord Norge, SpareBank 1 SR-Bank ASA, Sparebanken Hedmark and Samarbeidende Sparebanker AS. The current set of contract terms pertaining to the SpareBank 1 Alliance and the SpareBank 1 banks’ rights and obligations have been approved by the Financial Supervisory Authority of Norway (“FSA”).

### **The SpareBank 1 Alliance Structure**

SpareBank 1 Gruppen AS is owned by SpareBank 1 SMN (19.5 per cent.), SpareBank 1 Nord-Norge (19.5 per cent.), SpareBank 1 SR-Bank ASA (19.5 per cent.), Sparebanken Hedmark (11 per cent), Samarbeidende Sparebanker AS (19.5 per cent.), Bank 1 Oslo Akershus (1.4 per cent.), and the Norwegian Confederation of Trade Unions (“LO”) and affiliated trade unions (9.6 per cent.).

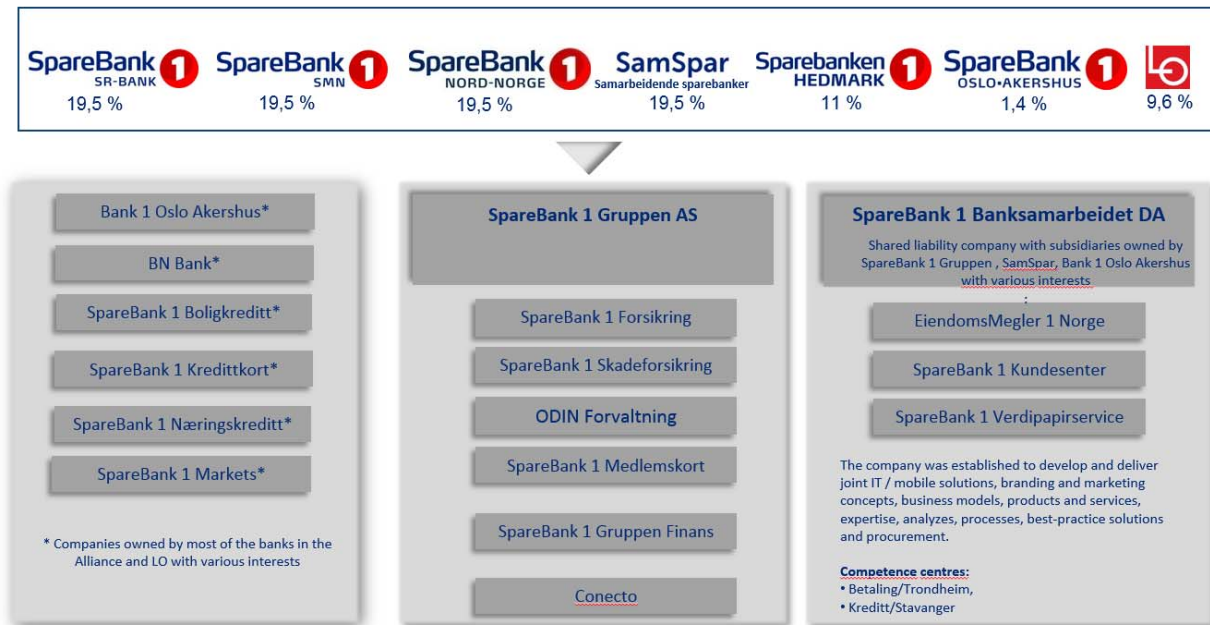
SpareBank 1 Gruppen AS owns 100 per cent. of SpareBank 1 Forsikring, ODIN Forvalning, SpareBank 1 Medlemskort, SpareBank 1 Gruppen Finans and Conecto.

SpareBank 1 Gruppen AS provides the administrative superstructure for the SpareBank 1 Alliance through SpareBank 1 Banksamarbeidet DA (owned by the regional banks, Samarbeidende Sparebanker, Bank 1 Oslo Akershus and SpareBank 1 Gruppen AS).

The SpareBank 1 Alliance comprises approximately 300 offices and branches all over Norway. In total, the SpareBank 1 Alliance has approximately 6,800 employees. 1,200 of these are employed by SpareBank 1 Gruppen AS and its subsidiaries.

The SpareBank 1 Alliance was established to develop and deliver joint IT / mobile solutions, branding and marketing concepts, business models, products and services, expertise, analysis, processes, best-practice solutions and procurement. The SpareBank 1 Alliance has also developed two competence centres for payment transmission services (Trondheim) and credit management (Stavanger).

The figure below illustrates the owners and alliance partners:



## **BUSINESS DESCRIPTION OF SPAREBANK 1 SMN**

### **OVERVIEW**

SpareBank 1 SMN (formerly Sparebanken Midt-Norge) was founded in Norway on 26 May 1823 and is duly incorporated under the laws of Norway pursuant to Act No.1 of 24 May 1961 on Savings Banks and registered in the Norwegian Registry of Business Enterprises with organisation number 937 901 003. The address of its registered office is Søndre gate 4, P.O. Box 4796 Sluppen, N-7467 Trondheim, Norway (tel +47 915 07300).

SpareBank 1 SMN has around 1,200 employees and total assets of NOK 126 billion at 31 December 2014. SpareBank 1 SMN is a member of the SpareBank 1 Alliance.

SpareBank 1 SMN offers a wide range of financial products and services to retail customers, small and medium-sized companies and the agricultural and public sectors. SpareBank 1 SMN is a regional independent savings bank with a local footing. Closeness and competence characterise SpareBank 1 SMN's relationship to the market.

An important part of the strategy of SpareBank 1 SMN and its consolidated subsidiaries (the "SMN Group") is to maintain a variety of branch solutions in the municipalities and administrative centres in its core market. SpareBank 1 SMN is located at 48 offices in 42 municipalities. The offices are in Sogn og Fjordane, Møre og Romsdal and in both Trøndelag counties.

### **BUSINESS OPERATIONS**

SpareBank 1 SMN operates in Trøndelag and Møre and Romsdal with total assets of NOK 126bn at the end of 2014. The head office is in Trondheim and the SMN Group employs 1,200 staff. SpareBank 1 SMN is one of six members of the SpareBank 1 Alliance.

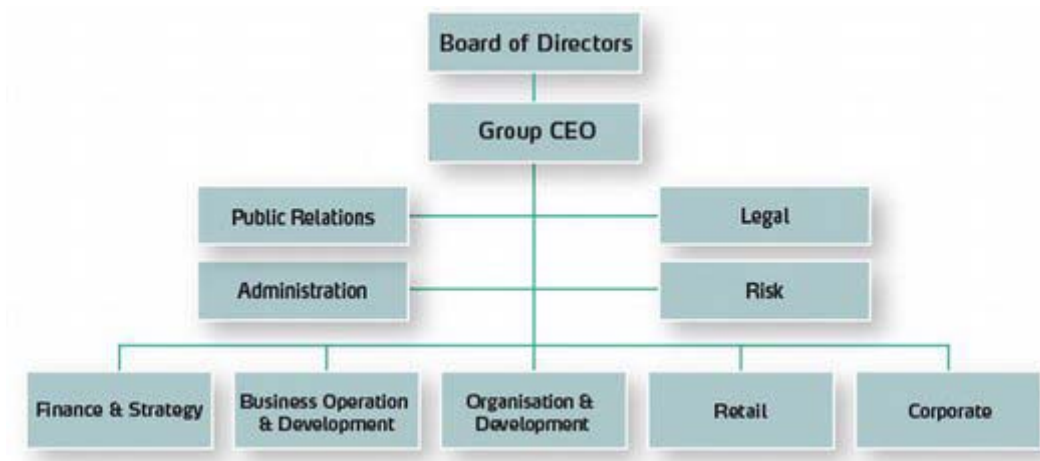
Through the SpareBank 1 Alliance and its own subsidiaries, SpareBank 1 SMN has secured access to competitive products in the fields of financing, savings and investment, insurance and payment services.

A key aspect of SpareBank 1 SMN's strategy is to maintain a presence via a variety of office solutions in municipal and administrative centres in SpareBank 1 SMN's natural catchment area. This, combined with round-the-clock access via the internet bank and mobile solutions along with the direct bank, gives SpareBank 1 SMN a unique competitive edge.

SpareBank 1 SMN is present in 48 localities in 42 municipalities. Its presence extends from Øvre Årdal in Sogn og Fjordane in the south to Vikna in Nord-Trøndelag in the north. SpareBank 1 SMN's offices service the various customer categories via a variety of office solutions.

SpareBank 1 SMN has 203,000 retail customers and 16,000 corporate customers.

SpareBank 1 SMN structure:



## BUSINESS STRATEGY

SpareBank 1 SMN provides financial products and advice to private individuals, businesses and the public sector in Møre and Romsdal, South and North Trøndelag, as well as Sogn and Fjordane.

In addition, SpareBank 1 SMN will provide estate agency, asset management, and accounting services in the same geographical areas and to the same customer groups.

The SpareBank 1 Alliance is SpareBank 1 SMN's strategic foundation and the basis for SpareBank 1 SMN's regional business strategies and independence. SpareBank 1 SMN will play an active role in the development of the SpareBank 1 Alliance as an expanding financial services grouping. A key aspect of SpareBank 1 SMN's strategy is to maintain a presence via a variety of office solutions in municipal and administrative centres in its natural catchment area. This, combined with round-the-clock access via the internet bank and telephone bank and its customer centre, gives SpareBank 1 SMN a unique competitive edge.

Within the retail market segment, SpareBank 1 SMN aims to professionalise its operations and constitute an effective sales organisation. Within the corporate market segment, SpareBank 1 SMN aims to maintain its position as a regional market leader. Growth should take place on the basis of risk exposure at all times being in accordance with SMN Group's credit strategy, ensuring a moderate level of losses over time.

SpareBank 1 SMN aims to have a clear, leading position in the savings and pensions market segments in Mid-Norway, and is currently adapting its distribution strategy to the "digital world".

SpareBank 1 SMN is committed to systematically developing its employees' expertise in accordance with regulatory requirements and customer demands, and aims to be the employer of choice, attracting and maintaining skilled employees who are proud of working for SpareBank 1 SMN.

SpareBank 1 SMN shall secure top-line growth by maintaining and strengthening its position in Mid-Norway. Further, SpareBank 1 SMN shall develop its multi-channel strategy and adapt customer contact to meet customer requirements as well as cost-efficient operations. SpareBank 1 SMN recognises the need to continue to develop its organisation through good management, maintenance of a high level of expertise and focus on continuous improvement and organisational flexibility in achieving its goals.



The SMN Group will continue to maintain a strong focus on risk management, and shall be a profitable, cost-efficient, solid and low-risk bank, with a market share of at least 40 per cent. within its focus areas in Mid-Norway.

## **OPERATING AND FINANCIAL OVERVIEW**

*The following is a discussion of the SMN Group's financial condition and results of operations as of and for the year ended 31 December 2014.*

- *Percentages in tables have been rounded and accordingly may not add up to 100 per cent. In addition, certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Figures in parentheses represent last year's figures.*
- Profit before tax and assets held for sale: NOK 2,143m (1,758m)
- Net profit: NOK 1,782m (1,400m)
- Return on equity: 15.1 per cent. (13.3 per cent.)
- CET1 ratio: 11.2 per cent. (11.1 per cent.)
- Growth in lending 7.3 per cent. (6.8 per cent.) and deposits 8.5 per cent. (7.3 per cent.)
- Loan losses: NOK 89m (101m)
- Earnings per equity certificate (EC): NOK 8.82 (6.92)
- Book value per EC: NOK 62.04 (55.69), including recommended dividend for 2014
- Recommended dividend: NOK 2.25 per EC. Allocation to non-profit causes: NOK 160m

### **Highlights**

- Profit improvement of NOK 382m compared with 2013
- Strengthened core business with increased net interest income and limited cost growth
- Low loan losses and low default rate
- Good return on financial investments, mainly from a gain on the disposal of SpareBank 1 SMN's stake in Nets Holding AS
- Excellent results at affiliates, largely thanks to run-off gains in insurance
- CET1 ratio of 11.2 per cent.
- Relatively high growth in lending and deposits both to businesses and retail customers

In 2014 SpareBank 1 SMN achieved a post-tax profit of NOK 1,782m (1,400m) and a return on equity of 15.1 per cent. (13.3 per cent.). Profit before tax and assets held for sale was NOK 2,143m (1,758m).

In 2014 operating income increased by 12 per cent. to reach NOK 4,021m (3,580m). Income rose both at SpareBank 1 SMN and its subsidiaries.

Return on financial assets was NOK 720m (502m), of which the profit share on owner interests in affiliates was NOK 527m (355m) and the gain on the disposal of SpareBank 1 SMN's stake in Nets Holding AS was NOK 165m.

Operating expenses came to NOK 1,789m (1,721m) in 2014, or 3.9 per cent. higher than in 2013. Costs for 2014 included NOK 30m which was set aside for a reorganisation scheduled for 2015 and 2016.

Net losses on loans and guarantees were NOK 89m (101m).

Lending growth was 7.3 per cent. (6.8 per cent.) and deposit growth was 8.5 per cent. (7.3 per cent.).

Capital adequacy is measured under the new Capital Requirements Directive ( "CRD IV"), described more fully in note 5 on capital adequacy and capital management. CET1 capital adequacy at 31 December 2014 was 11.2 per cent. (11.1 per cent.).

SpareBank 1 SMN is planning for a CET1 ratio of 13.5 per cent. by 30 June 2016. SpareBank 1 SMN's capital plan is further described in the section on financial strength.

At year-end SpareBank 1 SMN's EC was priced at NOK58.50 (55.00). A cash dividend of NOK 1.75 per EC was paid in 2014 for the year 2013.

Earnings per EC were NOK 8.82 (6.92). Book value was NOK 62.04 (55.69) per EC including a recommended dividend of NOK 2.25.

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 2.25 per EC for 2014, and to allocate NOK 160m as gifts to non-profit causes. The level of dividend payout and allocation to non-profit causes is enshrined in SpareBank 1 SMN's capital plan.

## **RISK AND CAPITAL MANAGEMENT**

SpareBank 1 SMN aims to maintain a moderate risk profile and to employ risk monitoring of such high quality that no single event will seriously impair SpareBank 1 SMN's financial position. SpareBank 1 SMN's risk profile is quantified through targets for rating, risk-adjusted return, expected loss, necessary economic capital and regulatory capital adequacy.

The principles underlying SpareBank 1 SMN's risk management are laid down in SpareBank 1 SMN's risk management policy. SpareBank 1 SMN gives much emphasis to identifying, measuring, managing and following up central risks to ensure that the SMN Group progresses in line with its adopted risk profile and strategies.

Risk management within the group is intended to support the group's strategic development and target attainment. The risk management regime is also designed to ensure financial stability and prudent asset management. This will be achieved through:

- a strong organisation culture featuring a high level of risk-management awareness
- a sound understanding of the risks that drive earnings and risk costs, thereby creating an improved basis for decision-making
- striving for an optimal use of capital within the adopted business strategy
- avoiding unexpected negative events which could be detrimental to the group's operations and reputation in the market

Return on risk-adjusted capital is a key strategic target of internal management at SpareBank 1 SMN. It entails allocating capital to business areas based on the estimated risk attending the business concerned, and

continuous monitoring of return on capital. Calculation of risk-adjusted capital makes it possible to compare risk across risk groups and business areas. Risk is also gauged and monitored by measuring positions relative to quantitative risk limits and key portfolio risk limits.

SpareBank 1 SMN applies a focused capital management process designed to assure:

- effective capital procurement and capital application in relation to the group's strategic objectives and adopted business strategy
- satisfactory capital adequacy in relation to the chosen risk profile
- competitive returns
- competitive terms and good long-term access to capital market funding
- the group's ability to maintain at minimum its present international ratings
- utilisation of growth potentials in the group's defined market area
- that no individual events can seriously impair the group's financial position

A long-term objective of the adopted business strategy is to ensure that the risk-adjusted capital is as far as possible allocated to those areas that yield the highest risk-adjusted return.

- The capital management process must: be risk-driven and include all significant types of risk within the group
- be an integral part of the business strategy, management process and decision-making structure
- be forward-looking and include stress testing
- be based on recognised and appropriate risk measurement methods and procedures
- be regularly reviewed, at least annually, by the Board of Directors

The group's overall risk exposure and risk trend are monitored through periodic risk reports to the Administration and the Board of Directors. Overall risk monitoring and reporting are carried out by the Risk Management Division which is independent of the group's business areas.

## MAJOR SUBSIDIARIES

The following section provides a description of SpareBank 1 SMN's principal subsidiaries. All of SpareBank 1 SMN's subsidiaries are incorporated in Norway.

The subsidiaries posted an aggregate pre-tax profit of NOK 124.6m (157.3m) in 2014.

<b>Pre-tax profit (NOKm)</b>	<b>2014</b>	<b>2013</b>	<b>Change</b>
EiendomsMegler 1 Midt-Norge	50.9	60.7	9.8
SpareBank 1 Finans Midt-Norge	67.9	50.7	17.3
SpareBank 1 Regnskapshuset SMN	40.5	14.4	26.1
Allegro Kapitalforvaltning	2.6	9.3	-6.7
SpareBank 1 SMN Invest	1.7	46.6	-45.0
Other companies	-39.0	-24.4	-14.6
<b>Total</b>	<b>124.6</b>	<b>157.3</b>	<b>-32.7</b>

**Eiendomsmegler 1 Midt-Norge** leads the field in its catchment area with a market share of about 40 per cent. The company recorded a sound profit in 2014, but a slower market at the start of the year and increased price competition contributed to a weaker pre-tax profit than in 2013. The profit was NOK 50.9m (60.7m). The company arranged the sale of 6,383 dwellings in 2014 compared with 6,229 the previous year.

**SpareBank 1 Finans Midt-Norge** posted a profit of NOK67.9m (50.7m) in 2014. The profit growth is ascribable to increased income from car loans and reduced losses in the leasing business. At year-end 2014 the company managed leases and car loan agreements worth a total of NOK 3.6bn of which leases accounted for NOK 1.9bn and car loans for NOK 1.7bn.

**SpareBank 1 Regnskapshuset SMN** posted a pre-tax profit of NOK 40.5m (14.4m) excluding income of NOK 0.5m from affiliates. Of this, NOK 7m comprises a gain on the sale of a 40 per cent. stake in SpareBank 1 Regnskapshuset Østlandet.

SpareBank 1 SMN Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. This represents a consolidation of a fragmented accounting industry. A further four accounting firms were acquired in 2014.

**SpareBank 1 SMN Invest's** mission is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 1.7m in 2014 (46.6m).

## MANAGEMENT AND THE BOARD OF DIRECTORS

SpareBank 1 SMN various management and control bodies have all been established with respect to Norwegian legislation. The figure below shows an overview of SpareBank 1 SMN's management and control bodies:



A savings bank is basically a 'self-owned' institution, and its governance structure and the composition of its governing bodies differ from those of limited liability companies; see Section 7 of the Savings Banks Act which sets out the bodies which a savings bank must have – a supervisory board (also termed 'committee of representatives' or 'board of trustees'), a control committee and a board of directors. SpareBank 1 SMN's

paramount body is the supervisory board comprising EC holders, depositors, employees and representatives of the public authorities.

The supervisory board sees to it that SpareBank 1 SMN operates in line with its mission and in conformity with law, its articles of association and decisions of the supervisory board.

The supervisory board has 43 members and 32 alternates with the following representation:

- EC holders: 17 members and 10 alternates
- county councils of South Trøndelag, North Trøndelag and Møre and Romsdal: 8 members with 8 alternates
- depositors: 8 members with 8 alternates
- employees: 10 members with 6 alternates

According to the legislation, elected members must in aggregate reflect the savings bank's customer structure and other stakeholder groups and its role in society. At savings banks that have issued transferable ECs, at least one-fifth and not more than two-fifths of the members of the supervisory board must be elected by the EC holders. The supervisory board approves the group's accounts, authorises the board of directors to raise subordinated capital and to undertake any increase of capital, and appoints the members of SpareBank 1 SMN's board of directors, control committee and election committee. The supervisory board also fixes the remuneration for the above bodies. The members of the board of directors, the group CEO, the control committee and the auditor are summoned to meetings of SpareBank 1 SMN's supervisory board. They may participate in the proceedings but are not entitled to vote. The supervisory board chair presides over the meeting, or in the latter's absence, the deputy chair.

### Supervisory Board

Members elected by the ECC holders	Address	Domicilie	No of ECCs	Activities performed outside SpareBank 1 SMN
Berit Tiller	Kyvannsv 44	7025 Trondheim	1039	CFO Trøndelag Teater
Stig Jacobsen		6636 Angvik	21,991	Local investor
Lars Bjarne Tvete (deputy chair)	Frydenbergvn 6	7050 Trondheim	1,600	Local investor
Thor Christian Haugland	SpareBank 1 SR-bank	PB250 4066 Stavanger	153,970	SR Bank ASA
Asbjorn Tronsgard	Tors gt 6	6600 SUNNDALSORA	37,222	Investor, Yngle AS
Thor Arnie Falkanger	Th. Falkanger AS	Fjordgt 42 7486 Trondheim	209,255	Local investor
Torgeir Svae	Vind AS, pb 2416, Solli	0201 Oslo	2,736,435	Investor
Marit Collin	Nedre Ila 9	7018 Trondheim	3,555	CEO Kantega

<b>Members elected by the ECC holders</b>	<b>Address</b>	<b>Domicilie</b>	<b>No of ECCs</b>	<b>Activities performed outside SpareBank 1 SMN</b>
Anne-Brit Skjetne	Sorkleiva 16	7600 Levanger	3,972,032	Head of Sparebankstiftelsen SMN
Kjell Hagan	Vegmesterstien 27G	7022 Trondheim	150	Consultant /Investor
Ragnhild Tokstad Bergsmyr	Lundåsen 35	7089 Heimdal	200	Public relations advisor /Investor
Therese Bjørstad Karlsen	Roosevelts veg 17A	7058 Jakobsli	170	Commercial review manager
Knut Vartdal	Vorsethsbakken 4B	6007 Ålesund	62,400	Siviløkonom/Investor
Egil Stenshagen	NilsCollet Vogts vei 23	0766 Oslo	721,384	Investor
Trond Brekke	Schirmers gate 7	7012 Trondheim	136,667	CEOBrekke Industrier /Investor
Knut Solberg	Lokes vei 43	7033 Trondheim	373,887	CEO Studentsamskipnaden
Ragnar Lyng	Langnesvegen 37	7125 Vanvikan	33,122	Executive chairman Lyng Gruppen
Oddbjorn Kulseth	SpareBank SMN 1	Kjopmannsgt 22 7500 Sjordal	7,293	Employee SpareBank 1 SMN
Alvhild S. Jensen	SpareBank SMN 1	Sivert Thornaes vei 7 7800 Namsos	2,000	Employee SpareBank 1 SMN
Anders Skrove	SpareBank SMN 1	Fjordgløttvegen 25, 7713 Steinkjer	458	Employee SpareBank 1 SMN
Bjørn Larsen	SpareBank SMN 1	Reppeveien 6B, 7054 Ranheim	2,426	Employee SpareBank 1 SMN
Linda Leer	SpareBank SMN 1	Stadsing. Dahlsgt. 55A,7043 Trondheim	2,357	Employee SpareBank 1 SMN
Ellinor Finseras	SpareBank SMN 1	7467 Trondheim	601	Employee SpareBank 1 SMN
Rolf Bratlie	SpareBank SMN 1	Postboks 194 7223 Melhus	1,963	Employee SpareBank 1 SMN

<b>Members elected by the ECC holders</b>	<b>Address</b>	<b>Domicilie</b>	<b>No of ECCs</b>	<b>Activities performed outside SpareBank 1 SMN</b>
Ann Kristin Sletnes	SpareBank SMN 1	Storgt 42 6413 Molde	3	Employee SpareBank 1 SMN
Randi Selnes Herskedal	SpareBank SMN 1	Postboks 94 6447 Elnesva Fraena	8,343	Employee SpareBank 1 SMN
Hege Karina Boe	SpareBank SMN 1	Lyngvn. 19D 6429 Molde	1,560	Employee SpareBank 1 SMN
Aage Rostad	Tronesvn 21	7650 Verdal	2,494	CEO Trones AS
Marit Dille	Naeroysteine	7950 Abelvaer	700	CEO Prosesskompaniet AS
Ingunn Kjeldstad	Bjorklund V	7600 Levanger	7,713	Lawyer Advokathuset Levanger
Anne Lise Aunaas	Vegmestersti	7022 Trondheim	0	CFO Sintef
Jan Yngvar Kiel	Kleftadhauge	7070 Bosberg	0	Agricultural director Fylkesmannen i Sør Trøndelag
Randi Bakken	Wessels gate	7043 Trondheim	0	CEO RAND InvestAS
Leif Helge Kongshaug	Karvag	6530 Averoy	0	Politician
Randi Dymes (chair)	Ravnebakke	6425 Modle	0	CEO Nord more & Romsdal Felleskjøpet
Trine Hallem	Brannanvegen	7650 Verdal	0	Nord Trøndelag Fylkeskommune
Frode Revhaug	Vågen	7633 Frosta	0	Nord Trøndelag Fylkeskommune
Hans Martin Storo		7818 Lund	9,728	Nord Trøndelag Fylkeskommune
Anne Sophie Hunstad	Trondheim K Munkegt 1	7004 Trondheim	0	Sør Trøndelag Fylkeskommune
Gunn Iversen Stokke	Trondheim K Munkegt 1	7004 Trondheim	0	Sør Trøndelag Fylkeskommune
Torhild Aarbergsbotte n	Trondheim K Munkegt 1	7004 Trondheim	0	Sør Trøndelag Fylkeskommune
Jonny Meland	Hasenvegen	6600 Sundalsøra	0	Møre & Romsdal Fylkeskommune
Torgeir Dahl	Parkveien 65	6412 Molde	0	Møre & Romsdal Fylkeskommune

## Board of Directors

SpareBank 1 SMN's Articles of Association provide for a Board of Directors of up to ten members, with up to six alternates, to be elected by the Supervisory Board. One of the members of the Board of Directors, and one alternate, is to be elected by and among the employees in the SMN Group. The current Board of Directors is comprised of ten members, including one alternate Director. Two of the Directors are representatives of the employees of the SMN Group. Members are elected for terms of up to two years.

The Board of Directors, among other functions, shall supervise the day-to-day management of SpareBank 1 SMN's activity in general and ensure a sound organisation of the business activities. The Board of Directors has a duty to keep itself informed about SpareBank 1 SMN's financial position and to ensure that its activities, accounts and asset management are subject to adequate control.

Board of Directors	Address	Domicilie	No of ECCs	Activities performed outside SpareBank 1 SMN
Kjell Bjordal (chair)	P: Marg.Dahlsgt 9	6413 Molde	100,000	Professional Board Member: Chairman of Brodrene Dyroy, Norsk Landbrukskjemi, EWOD Norway and EWOS Innovation. Board member of entra Eiendom and Axess
Bard Benum (deputy chair)	Klaebuveien 194	7037 Trondheim	0	CEO Powel
Arnhild Holstad	Adelsten Elnans v. 3	7800 Namsos	0	Communication manager at Statskog
Aud Skrudland	Bremsnes	6530 Averoy	2,765	Special inspector with the Norwegian Food Safety Authority
Paul E. Hjelm-Hansen	Ronningsbakke n 36	7045 Trondheim	49,219	Private investor
Venche Johnsen	Bergheimsvege n 28	7049 Trondheim	24,716	Employee SpareBank 1 SMN
Morten Loktu	Nina Griegs vei 14	7046 Trondheim	5,000	Director Statoil
Janne Thyø Thomsen	Skodsborgparke n 56, 4tv	2942 Skodsborg, DANMARK	0	konsulent
Erik Gunnes (fast møtende vara)	Kystadveien 36	7024 Trondheim	230	Employee, SpareBank 1 SMN

As far as is known to Sparebank 1 SMN, no potential conflicts of interest exist between any duties to Sparebank 1 SMN of the board of directors and supervisory board and their private interests or other duties in respect of their management roles



## **BUSINESS DESCRIPTION OF SPAREBANK 1 NORD-NORGE**

### **OVERVIEW**

SpareBank 1 Nord-Norge is the result of the merger of around 40 savings banks in Nordland, Troms and Finnmark. SpareBank 1 Nord-Norge has a comprehensive network of 67 branches from Helgeland in the south to Svalbard in the north.

SpareBank 1 Nord-Norge's history started with the establishment of Tromsø Sparebank in 1836. Many of the region's small savings banks merged in the 1960s and 1970s. The wave of mergers culminated in the establishment of Sparebanken Nord-Norge on 1 July 1989. In the early 1990s, Nordkapp Sparebank and Sparebanken Nordland also became part of SpareBank 1 Nord Norge.

In 1996 SpareBank 1 Nord-Norge became part of the SpareBank 1 Alliance - a group of four regional banks and 16 smaller savings banks. These banks collectively own SpareBank 1 Gruppen AS, which is a supplier of various financial products and services.

The SpareBank 1 Alliance and SpareBank 1 Gruppen AS have played a very important role in SpareBank 1 Nord-Norge growing into a solid, strong bank 'For Northern Norway', which is SpareBank 1 Nord Norge's vision.

SpareBank 1 Nord-Norge is a savings bank duly incorporated under the laws of Norway pursuant to Act No.1 of 24 May 1961 on Savings Banks and is registered with the Norwegian Company Registry with organisation number 952706365. The address of the registered office is Storgata 65, 9008 Tromsø (tel +47 77 6 22000).

### **BUSINESS GOALS AND STRATEGY**

SpareBank 1 Nord-Norge holds a unique position in the region, enjoying customer relationships with almost half of the population and a powerful distribution system thanks to branches in 67 locations. The customer service centre is open until midnight, while the online bank, mobile and digital solutions ensure customers have access to SpareBank 1 Nord-Norge 24 hours a day.

Our corporate vision is "For Northern Norway". This means that SpareBank 1 Nord-Norge wants to be known as being:

- The region's local bank
- A group that creates value in, and invests it back into, northern Norway
- Close and competent, with decisions taken on a local level
- Financially sound, generous and people-oriented - rich in tradition, yet modern
- A driving force behind the development of northern Norway

SpareBank 1 Nord-Norge provides comprehensive, modern financial solutions to customers based in the northern Norwegian market. SpareBank 1 Nord-Norge aims to use its corporate social responsibility as a competitive advantage through its presence and local knowledge. SpareBank 1 Nord-Norge contributes to local development and value creation through its ownership.

SpareBank 1 Nord-Norge is an independent financial services group within the SpareBank 1 Alliance. Being part of a national alliance ensures effective technological development and competitive terms and conditions.

SpareBank 1 Nord-Norge aims to be a bank that renews itself for the benefit of the people and businesses in northern Norway. SpareBank 1 Nord-Norge's strategy is to be aggressive in the market and be thought of as a clear alternative to national and international competitors.

SpareBank 1 Nord-Norge is an attractive workplace with a corporate culture characterised by dynamic training, a will to win, and a willingness to work together towards a common goal. Its operations are based on strict requirements concerning integrity and business ethics.

#### Strategic goals and target attainment

<u>Strategic Goals</u>	<u>Targets</u>	<u>Group 2014</u>	<u>Parent Bank 2014</u>
<b>Profitability</b>			
Return on equity	Top international class banking operations. This currently entails a return on equity of at least 12 per cent.	12.2 per cent	9.8 per cent
<b>Efficiency</b>			
Cost growth	Maximum annual average growth in costs of 2 per cent. excluding restructuring costs (changed to a maximum of 1 per cent. at the end of 2014).	9.8 per cent	6.2 per cent
<b>Financial strength</b>			
Common equity tier 1 capital ratio	Minimum one percentage point above the statutory requirement. Long-term goal for common equity tier 1 capital ratio: currently 14.5 per cent.	12.6 per cent	15.2 per cent

(Source: Annual Report 2014)

## BUSINESS OPERATIONS

Northern Norway has been enjoying a period of strong growth since 2010. This is noticeable in all sectors of society. The business sector is undergoing a wide-ranging process of renewal driven by strong export industries. The labour market is tight, and households have healthy finances and are optimistic about the future. Prices in the housing market in the north are growing strongly and house building is increasing, although growth and value creation in the region are still being hampered by a lack of skilled labour and inefficient infrastructure.

The strong growth is due to the greater economic importance of the region's access to natural resources due to healthy fish stocks, access to marine areas for farming, greater interest in northern Norway as a travel destination, and significant oil and gas finds in the Norwegian Sea and Barents Sea. The growth in seafood exports is being driven by a strong salmon industry, while the value of exports in the cod sector has increased strongly. The tourism industry is undergoing renewal and change with the winter season becoming increasingly more important. The oil sector is boosting the supplier industry thanks to large finds of oil, the opening of new areas for exploration, and the level of activity in fields that are already in operation. House building and public investments have resulted in a persistent high level of activity in the building and construction sector.

SpareBank 1 Nord-Norge publishes analysis of economic trends in the region twice a year in the Business Barometer for northern Norway. Forecasts at the start of 2015 point to a continued good outlook for growth. However, the level of uncertainty has increased due to continued instability in the international economy and

less oil-related activity slowing growth in Norway. It is also likely that households will be more restrained when it comes to spending and investments.

In many ways, the consolidated financial statements for 2014 reflect the region's economic development. Nonetheless they have been affected by a write-down of NOK 299 million relating to Spare Bank 1 Nord-Norge's venture in Russia.

Loans to the retail sector (including intermediary loans) increased by 6.2 per cent. in 2014, and deposits rose by 9.0 per cent. Lending growth in the corporate sector was 3.8 per cent. and the growth in deposits was 7.1 per cent.

Spare Bank 1 Nord-Norge's lending and deposit growth rates are above the national average. This also reflects the generally higher economic growth in northern Norway.

New regulatory requirements for equity in financial institutions also entail a requirement to increase the common equity tier 1 capital in SpareBank 1 Nord-Norge. Spare Bank 1 Nord-Norge group's goal is to have an internal capital buffer that is at least 1 percentage point higher than the statutory minimum requirement. The group's financial strength is good.

SpareBank 1 Nord-Norge has increased the group's net interest income (including commissions from transferred portfolios) by 9.4 per cent. from NOK 1,617 million in 2013 to NOK 1,769 million in 2014. Besides the growth in volume, the increase in net interest income is primarily attributable to lower funding costs in the money market. The reduced lending margins were largely compensated for by increased deposit margins.

The group's net commissions and other operating income (excluding commissions from transferred portfolios) totalled NOK 623 million in 2014, NOK 24 million more than the year before. The group will continue to work on increasing commissions and other operating income.

The importance of the group's strategic cooperation with the SpareBank 1 Alliance has grown in recent years. The collaboration has several dimensions to it, and the importance of the direct contribution to the result from the joint ventures in the SpareBank 1 Alliance has increased for SpareBank 1 Nord-Norge.

The contribution to the result from the joint ventures amounted to NOK 453 million in 2014. The corresponding figure for 2013 was NOK 303 million. The total profit after tax from financial investments was NOK 602 million for 2014, compared with NOK 346 million for 2013. The result for financial investments was heavily affected by an especially good year for SpareBank 1 Gruppen AS and SpareBank 1 Nord-Norge's sale of its stake in Nets Holding AS.

The cost/income ratio in the 2014 consolidated financial statements is 44.4 per cent, a reduction from 47.2 per cent. in 2013. The nominal costs show an increase of 9.8 per cent. for the group, while the corresponding figure for SpareBank 1 Nord-Norge is 6.2 per cent.

A total of NOK 321 million was recognised as loan losses in group in 2014. NOK 192 million of this was from the loss associated with the venture in Russia due to the crisis in the Russian economy. The value of the group's assets in the Russian banking venture was also written down by NOK 107 million. The loss provisions for the venture in Russia therefore total NOK 299 million.

The group's risk classification system indicates that the overall credit risk in the loan portfolio remains low. Good work is currently being done on non-performing and doubtful commitments in the group, and this work will remain a high priority. The general level of losses will be expected to be moderate for the immediate future. Despite the significant write-down in Russia, the group's return on equity amounted to 12.2 per cent. for 2014, compared with 13.0 per cent. the year before.

## CAPITAL ADEQUACY

On 1 January 2007, SpareBank 1 Nord-Norge received permission from the Financial Supervisory Authority of Norway to use internal calculation methods (IRB - Internal Rating Based Approach) for credit risk.

Capital adequacy as at 31 December 2014	SNN Group		Nord-Norge Parent Bank	
	<i>31 Dec 2014</i>	<i>31 Dec 2013</i>	<i>31 Dec 2014</i>	<i>31 Dec 2013</i>
Common equity tier 1 capital ratio	12,6 per cent	12,3 per cent	15,2 per cent	16,2 per cent
Core capital adequacy ratio	13,7 per cent	13,4 per cent	16,2 per cent	17,5 per cent
Tier 2 capital	2,0 per cent	0,5 per cent	1,7 per cent	1,0 per cent
Total capital adequacy ratio	15,7 per cent	13,9 per cent	17,9 per cent	18,5 per cent

(Source: Annual Report 2014)

The group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, BN Bank, and SpareBank 1 Markets.

Please refer to the section on capital management and new regulatory requirements.

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the defined minimum equity requirements at all times. The group also aims to maintain an internal capital buffer of at least 1 percentage point above the statutory minimum requirement. The group's long-term goal for common equity tier 1 capital ratio is currently 14.5 per cent.

SpareBank 1 Nord-Norge's financial strength is considered good based on the regulatory minimum requirements.

## RISK AND CHANGE IN OVERALL RISK PROFILE LENDING

Total commitments broken down by different risk groups show the following development:

<i>Loans broken down by different risk groups (Parent Bank – Group)</i>								
<i>Amounts in NOK million</i>	31 December 2014		31 December 2013		31 December 2012		31 December 2011	
<b>Total contracts</b>								
Very low risk .....	23 314	24 710	24 872	26 153	22 626	23 981	21 880	22 904
Low risk.....	12 205	12 798	10 995	11 526	11 705	12 334	10 455	11 157
Medium risk .....	20 958	22 269	17 108	18 392	18 271	19 092	17 569	18 038
High risk.....	2 930	3 308	2 526	2 871	1 977	2 205	2 335	2 617
Very high risk.....	3 535	3 813	3 501	3 842	1 870	2 216	2 258	2 647
Commitments in default .....	723	752	816	859	943	976	774	800
<b>Total .....</b>	<b>63 665</b>	<b>67 650</b>	<b>59 818</b>	<b>63 643</b>	<b>57 392</b>	<b>60 804</b>	<b>55 271</b>	<b>58 163</b>

(Source: Annual Report 2014)

SpareBank 1 Nord-Norge applies its own risk classification system for the monitoring of credit risk in the portfolio. The classification of risk classes is done on the basis of the probability of default for each individual commitment. In addition to the probability of default, SpareBank 1 Nord-Norge applies estimated value of collateralised assets pledged as security as an element when putting customers into different groups according to risk. The allocation is done by linking the collateral assets to the individual loans in question. Each customer is then put into risk groups according to probability of default and security class, as shown above. The classification matrix comprises 77 risk classes in relation to probability of default and security coverage.

The entire portfolio is scored on a monthly basis using automatic data acquisition based on objective data. Monitoring takes place based on the size of the commitment, risk class and migration. The scoring models for the corporate market and the retail market are validated and adjusted annually. This resulted in no material changes in the distribution between risk groups or in the calculation of expected annual losses in 2014.

Individual write-downs are made on retail and corporate market commitments that are identified as doubtful in accordance with the regulations of the Financial Supervisory Authority of Norway. The classification into risk groups (very low, etc.) is determined by how likely the customer is to default, and collateral coverage.

The share of the exposure that was high risk as at 31 December 2014 was 11 per cent. Non-performing and doubtful commitments accounted for 1 per cent. of SpareBank 1 Nord-Norge's overall exposure at the same point in time. The expected average annual net losses over an economic cycle are set as equal to the expected losses for one year, as estimated by means of SpareBank 1 Nord-Norge's classification system. In a period of economic expansion the actual annual losses will be less than in a future period of economic recession. In a period of economic recession the losses for an individual year are also expected to exceed the expected average losses. Expected losses are one of the parameters in SpareBank 1 Nord-Norge's pricing model for calculating recommended price.

## RISK MANAGEMENT

For SpareBank 1 Nord-Norge it is important that external and internal reporting maintains a high level of quality. The group is dependent on a good reputation and trust among its customers, owners, the authorities and other business associates in order to be an attractive partner and a natural first choice. In order to achieve this, the group must have a clear and efficient structure for the division of responsibility and management.

SpareBank 1 Nord-Norge shall, at any given time, operate in accordance with the relevant laws, regulations and internal guidelines, including the group's core values and ethical guidelines (SNN Code of Conduct).

The group's goal is for good risk management to ensure financial stability and sound asset management through risk management. This is to be achieved through:

- A strong organizational structure characterized by sound risk management principles and high professional quality.
- A good understanding of how risk drivers affect earnings.
- Striving towards an optimal application of capital within the business strategy.
- Preventing unexpected occurrences from causing serious damage to the group's financial position.
- Exploitation of synergy and diversification effects.

The group aims to maintain a moderate risk profile and at least keep its present international rating. This will ensure a stable, long-term supply of funding from the capital markets.

## **SUBSIDIARIES**

### **SpareBank 1 Finans Nord-Norge AS**

The company has commercial responsibility for the product areas leasing and secured loan financing, with northern Norway as its primary market area. The company also offers consumer financing. SpareBank 1 Nord-Norge and capital goods suppliers are important distribution channels for the company.

### **EiendomsMegler 1 Nord-Norge AS**

The company is wholly owned by Spare-Bank 1 Nord-Norge and is engaged in real estate brokerage in northern Norway. The company is a member of a nationwide alliance with other real estate companies owned by SpareBank 1 banks. EiendomsMegler 1 Nord-Norge AS owned 60 per cent. of the company EiendomsMegler 1 Lofoten AS at 31 December 2014.

### **SpareBank 1 Nord-Norge Portefølje AS (formerly SpareBank 1 Nord-Norge Invest)**

The company changed its name from Spare-Bank 1 Nord-Norge Invest AS to Spare-Bank 1 Nord-Norge Portefølje AS 29 January 2014. As part of the group's greater focus on core activities, the company's former activities are being restructured/wound up. SpareBank 1 Nord-Norge Portefølje AS was continued as a legal entity for legal and practical reasons. The object of the company is to "manage stakes owned by the SpareBank 1 Nord-Norge group and business naturally associated with this".

SpareBank 1 Nord-Norge Portefølje AS owns 100 per cent. of the company Bodøgruppen AS. It also owns the company Nord-Norge Eiendom IV AS, which in turn owns 100 per cent. of the company Alsgården AS. All of these companies were consolidated into the group's consolidated financial statements as at 31 December 2014.

### **North-West 1 Alliance Bank**

In September 2010, SpareBank 1 Nord-Norge established banking operations in Russia through North-West 1 Alliance Bank. SpareBank 1 Nord-Norge holds a 75 per cent. stake in the bank, while 25 per cent. of the shares are owned by SpareBank 1 Nord-Norge's Russian partner Bank Tavrichesky in St. Petersburg. The head office is located in St. Petersburg and it has a branch in Murmansk.

North-West 1 Alliance Bank employed 76 full-time equivalents as at 31 December 2014. On the same date, the bank's total balance sheet was equivalent to NOK 400 million.

Please refer to the section above on the loss provisions for the group's operations in Russia.

### **SpareBank 1 Nord-Norge Forvaltning ASA**

The company is a northern Norwegian knowledge-based management company, 100 per cent. owned by SpareBank 1 Nord-Norge. Its core activities are discretionary asset management for customer portfolios consisting of securities within the areas of listed equities and index funds, equity certificates and bonds.

### **SpareBank 1 Regnskapshuset Nord-Norge AS**

SpareBank 1 Nord-Norge started operations within finance management and accounting in 2011. The SpareBank 1 Regnskapshuset Nord-Norge AS venture is motivated by a desire to exploit synergy effects with the group's other activities, such as through extra sales, improved customer satisfaction and payment services.

A number of companies in the sector have been bought and merged with Spare-Bank 1 Regnskapshuset Nord-Norge AS since it formed in 2013. As at 31 December 2014, the company had a total of 118 employees and branches in Hammerfest, Alta, Tromsø, Balsfjord, Finnsnes, Harstad, Mo i Rana, Sandnessjøen and Mosjøen/Trofors. The focus on this sector is part of a collaboration with a number of the banks in the SpareBank 1 Alliance with similar activities, including in areas such as brands, IT, expertise, quality and work processes.

## **MANAGEMENT AND THE BOARD OF DIRECTORS**

In accordance with the Norwegian Companies Act, SpareBank 1 Nord-Norge has a two-tier board structure consisting of a Supervisory Board and Board of Directors.

The business address for each of the persons listed under the Supervisory Board and Board of Directors is the registered office of SpareBank 1 Nord-Norge.

The following sets out the members / deputy members of the Supervisory Board of SpareBank 1 Nord-Norge:

<i>Name</i>	<i>Number of Equity Certificates</i>
Trond Mohn.....	2,124,024
Odd Erik Hansen .....	271,902
Bente Evensen .....	92,060
Marie M. Fangel .....	77,862
Berit Berg .....	46,363
Sissel Ditlefsen .....	35,926
Einar Frafjord .....	21,766
Ann-Kirsten Larsen .....	18,509
Roar Dons.....	12,852
Ulf Mathisen.....	12,631
Tom Rømer Svendsen .....	12,058
Kjell Kolbeinsen.....	11,046
Åshild Strømmesen .....	10,795
Asbjørg Jensvoll Strøm .....	8,404
May Britt Nilsen .....	6,525
Øyvind Pallesen.....	5,606
Daniel Nyhagen.....	4,710
Tone Marie Myklevoll.....	3,678
Frode Helgerud.....	3,050

<i>Name</i>	<u><i>Number of Equity Certificates</i></u>
Hans Olav Gjøvik.....	1,984
Therese Isaksen .....	321
Øyvind Rafto .....	0
Erling Dalberg .....	0
Ole-Henrik Hjartøy.....	0
Line Mikkelsen .....	0
Trygve Myrvang.....	0
Rita Myrvang .....	0
Aina Willumsen .....	0
Hilde Sivertsen .....	0
Trine Stenvold .....	0
Kari Ann Olsen Lind .....	0
Charlotte Ringkjøb .....	0
Britt Dahlberg .....	0
Tor Asgeir Johansen .....	0
Cecilie Terese Myrseth .....	0
Line Miriam Sandberg .....	0
Kari Lene Olsen .....	0
Erik Sture Larre .....	0
Line Mikkelsen.....	0
Terje Marius Nilsen.....	0
Arne Hammari.....	0

<b>Name/position in SpareBank 1 Nord-Norge</b>	<b>Position in other financial institutions</b>
<b>Tom Rømer Svendsen</b> <i>Member of Supervisory Board</i>	* Member Board Sparebanken Øst * Member Board Helgeland Sparebank
<b>Trond Mohn</b> <i>Member of Supervisory Board</i>	* Member Supervisory Board SpareBank 1 SMN * Member Supervisory Board Sparebanken Vest
<b>Kjell Olav Pettersen</b> <i>Chairman Main Board of Directors</i>	* Chairman Supervisory Board Bank 1 Oslo * Chairman Supervisory Board SpareBank 1 Gruppen AS
<b>Vivi Ann Pedersen</b> <i>Member Main Board of Directors</i>	* Deputy member of the Boardret SpareBank 1 Gruppen AS * Observer of the Board in the Allianse Samarbeidet (SAS)
<b>Rigmor Abel</b> <i>Member control committee</i>	* Member control committee Bank 1 Oslo Akershus AS * Member control committee BN Bank ASA
<b>Kjetil Kristensen</b> <i>Responsible auditor</i>	* <i>Responsible auditor</i> SpareBank 1 SR-Bank (group) * <i>Responsible auditor</i> SpareBank 1 SMN (group) * <i>Responsible auditor</i> SpareBank 1 Gruppen AS
<b>Jan-Frode Janson</b> <i>CEO</i>	* Board Chairman SpareBank 1 Nord-Norge Finans AS * Deputy Chairman SpareBank 1 Gruppen AS



	<ul style="list-style-type: none"> <li>* Deputy Chairman SpareBank 1 Banksamarbeidet DA</li> <li>* Deputy member BN Bank ASA</li> <li>* Deputy Chairman Bankenes Sikringsfond</li> </ul>
<b>Petter Høiseth</b> <i>Senior Group General Manager</i>	<ul style="list-style-type: none"> <li>* Board Chairman North West 1 Alliance Bank</li> <li>* Deputy member SpareBank 1 Gruppen</li> </ul>
<b>Rolf Eigil Bygdnes</b> <i>Senior Group General Manager</i>	<ul style="list-style-type: none"> <li>* Board member SpareBank 1 Næringskreditt</li> </ul>
<b>Hanne Nordgaard</b> <i>Senior Group General Manager</i>	<ul style="list-style-type: none"> <li>* Member board of Directors SpareBank 1 Boligkreditt</li> <li>* Member board of Directors SpareBank 1 Næringskreditt</li> </ul>

The following sets out the members / deputy members of the Main Board of Directors of SpareBank 1 Nord-Norge:

<i>Name</i>	<u><i>Number of Equity Certificates</i></u>
Kjell Olav Pettersen (Chairman) .....	52,632
Sonja Djønnne .....	5,000
Ingvild Myhre (from March 2014) .....	0
Gunnar Kristiansen (resigned March 2014) .....	44,276
Hans-Tore Bjerkaas .....	4,761
Greger Mannsverk .....	14,464
Ann-Christine Nybacka (resigned March 2014) .....	22,196
Pål Andreas Pedersen (Deputy Chairman) .....	0
Vivi Ann Pedersen.....	13 123
Vivi Ann Movik .....	6,192
Anita Persen .....	3,081
Total .....	165,725

As far as is known to SpareBank 1 Nord-Norge, no potential conflicts of interest exist between any duties to SpareBank 1 Nord-Norge of the Board of Directors and Supervisory Board and their private interests or other duties in respect of their management roles.

SpareBank 1 Nord-Norge's senior management is as follows:

- Jan-Frode Janson, Chief Executive Officer
- Rolf Eigil Bygdnes, Senior Group General Manager – CFO
- Stig Arne Engen, Senior Group General Manager
- Geir Andreassen, Senior Group General Manager
- Liv Bortne Ulriksen, Senior Group General Manager
- Petter Høiseth, Senior Group General Manager
- Per Trygve Holmgren, Senior Group General Manager
- Christian Overvaag, Senior Group General Manager

- Lasse Hagerupsen, Senior Group General Manager
- Trude Glad, Senior Group General Manager
- Hanne J. Nordgaard, Senior Group General Manager
- Hermod Bakkejord, CEO SpareBank 1 Finans
- Kristin Amundsen, CEO EiendomsMegler 1
- Stig-Arne Pettersen, CEO SNN Forvaltning

## **BUSINESS DESCRIPTION OF SPAREBANK 1 SR-BANK ASA**

### **OVERVIEW**

On 1 October 1976, 22 savings banks in Rogaland merged to form Norway's first regional savings bank, Sparebanken Rogaland. At that time, this was the most comprehensive merger that had been carried out among Norwegian savings banks. The regional savings bank grew through its active participation in Rogaland's social and business development, and this has been its guiding concept ever since 1839, when the first of the merged savings banks was founded in Egersund. The intention of the founders of the savings banks in the rural districts was to contribute to positive community development by channelling locally created value back into local communities.

In 1996, the bank was a co-founder of SpareBank 1 Alliance, which is a banking and product alliance. The SpareBank 1 SR-Bank ASA group's participation in the SpareBank 1 Alliance links it to independent banks with local roots. This allows it to combine efficient operations and economies of scale with the benefits of being close to its customers and the market. In March 2007, the bank formally changed its name from Sparebanken Rogaland to SpareBank 1 SR-Bank ASA. On 21 June 2011, the Ministry of Finance granted SpareBank 1 SR-Bank ASA permission to convert from a savings bank to a limited liability company (limited liability savings bank) and to establish a savings bank foundation on specific terms and conditions. The conversion and establishment of Sparebankstiftelsen SR-Bank was completed with effect from 1 January 2012. The company's legal name was simultaneously changed to SpareBank 1 SR-Bank ASA. SpareBank 1 SR-Bank ASA is registered with the Norwegian Company Registry with organisation number 937895321. The address of the registered office is P.O. Box 250, 4066 Stavanger (tel +47 915 02002).

The SpareBank 1 SR-Bank ASA group had 1,220 employees as of 31 December 2014. The group comprises the parent bank, SpareBank 1 SR-Bank ASA, and the subsidiaries SpareBank 1 SR-Finans AS, EiendomsMegler 1 SR-Eiendom AS, SR-Investering AS, SR Forvaltning AS and SR-Boligkreditt AS.

### **BUSINESS OPERATIONS**

The group's market areas are Rogaland, the Agder counties and Hordaland. SpareBank 1 SR-Bank ASA currently has 50 branches and total assets of NOK 174,9 billion as of 31 December 2014. SpareBank 1 SR-Bank ASA has also sold approximately NOK 32,9 billion in mortgages to its part-owned mortgage companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. Its registered head office is in Stavanger. Customer-orientated activities are organised into three divisions: the retail market, corporate market and capital market, respectively. SpareBank 1 SR-Bank ASA provides products and services in the fields of financing, investments, payment services, pensions and life and P&C insurance.

SpareBank 1 SR-Bank ASA is the leader in the retail market in southern and western Norway with 268,000 retail customers older than 13. SpareBank 1 SR-Bank ASA had a customer relationship with 25 per cent. of retail customers older than 13 and a market share of 20 per cent. at year-end 2014. In addition to retail customers, the division also serves 5,600 small business and agricultural customers.

In 2014, the corporate market division was responsible for serving 12,892 corporate customers via a good, broad distribution network. The division has five regional business units and two specialist units: one for the energy and maritime sector and one for the public sector.

SpareBank 1 SR-Bank Markets is the region's leading securities firm. Its activities include own account and customer trading in interest rate instruments, foreign exchange and equities, providing advice and facilitating debt and equity funding, as well as administrative securities services.

## **BUSINESS STRATEGY**

SpareBank 1 SR-Bank ASA aims to be the most attractive supplier of financial services in the west and south of Norway. The strategy is based on good customer experiences, professionalism, local roots and decision making, financial strength, profitability and market trust.

## **GROUP'S PERFORMANCE**

SpareBank 1 SR-Bank ASA recorded good progress in all of the group's business areas in 2014. The group further strengthened its position as the market leader in the retail and corporate markets in Rogaland. The capital market division has established itself as the region's leading expert environment in its field. The group's position in the estate agency market has helped EiendomsMegler 1 become the largest chain of estate agents in Norway. EiendomsMegler 1 SR-Eiendom AS is the market leader in Rogaland, and further strengthened its position in Hordaland and the Agder counties in 2014.

The group's subsidiaries and its strategic stakes in the SpareBank 1 Alliance's product companies make a significant contribution to SpareBank 1 SR-Bank ASA's earnings. Among the subsidiaries, the level of activity remained high in the estate agency company and the financing company SpareBank 1 SR-Finans. Collaboration between the group's various business areas was further strengthened and clarified in 2014 by operationalising and refining the group's strategic 'One door in' concept. This is helping to ensure the group delivers a complete and competitive range of products and services to a steadily larger customer base.

The banking market was again highly competitive in 2014. The competition to finance home mortgages is more intense than that to finance corporate loans due to steadily clearer signals that significantly stricter requirements will be introduced vis-à-vis the industry's financial strength. The moderate growth in lending was due to a combination of greater competition in the market for home mortgages, slightly lower growth in the Norwegian economy, and weak price growth for homes in the group's main market, Rogaland. Lending to corporate customers increased somewhat towards the end of the year, largely due to the weaker NOK exchange rate. Deposit margins were tight, although they expanded slightly in the retail market during the year due to a heavy focus within the organisation on strengthening income from deposits. Deposits grew by 13.7 per cent. in 2014. Overall, earnings were better in 2014 than in 2013.

Net commissions and other operating income decreased from 2013 to 2014. The reduction was primarily attributable to lower commissions from SpareBank 1 Boligkreditt AS due to the buy-back of mortgages in 2014. Income from sales of insurance products, savings and investment products, and income from arrangement/customer fees were slightly higher than in 2013.

The equity and interest rate markets were again volatile in 2014, especially in the second half of the year. This was in part a consequence of falling oil prices. Capital gains from securities totalled NOK 140 million for the full year. This includes the profit from the sale of the shares in Nets Holding AS, which amounted to NOK 202 million.

Impairment losses on loans totalled NOK 257 million in 2014, compared with NOK 132 million in 2013. Impairments on groups of loans increased by NOK 75 million in 2014. The group increased group write-downs due to external market conditions and greater uncertainty because of lower oil prices. Impairments as a percentage of gross loans amounted to 0.20 per cent.

## **FINANCIAL OVERVIEW**

The SpareBank 1 SR-Bank ASA group achieved a pre-tax profit of NOK 2,601 million in 2014. The net profit for the year amounted to NOK 2,095 million, compared with NOK 1,860 million in 2013. The return on equity after tax was 14.2 per cent, compared with 14.0 per cent. in 2013.

The Board of Directors is very satisfied with the result for 2014. The staunch efforts of the staff, good credit quality of the loan portfolio, and close customer relationships were important drivers behind a

strong result. The group's market position as southern and western Norway's leading financial group was further strengthened by 5,900 new retail customers aged 13 and above and 700 new corporate customers.

Lending, including loans sold to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, grew by 4.7 per cent. in 2014. The growth in deposits increased from 6.0 per cent. in 2013 to 13.7 per cent. in 2014. The deposit coverage ratio, measured in terms of deposits as a percentage of gross loans, fell from 59.6 per cent. to 57.5 per cent. during 2014.

Net interest income totalled NOK 2,404 million in 2014, compared with NOK 2,119 million in 2013. Net interest income as a percentage of average total assets amounted to 1.45 per cent. in 2014, up from 1.42 per cent. in 2013. The improvement was primarily due to lower funding costs.

Net commissions and other operating income totalled NOK 1,732 million in 2014, down from NOK 1,824 million in 2013. The reduction was largely due to the buy-back of mortgages that had previously been sold to SpareBank 1 Boligkreditt AS. Income from sales of savings and insurance products, as well as arrangement/customer fees, increased moderately during the same period. The net return on financial investments amounted to NOK 778 million in 2014, compared with NOK 555 million in 2013. This includes the group's share of the profit from SpareBank 1 Gruppen AS, BN Bank ASA, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The profit from the sale of the shares in Nets Holding AS amounted to NOK 202 million.

The group's operating costs amounted to NOK 2,056 million for the year, compared with NOK 2,019 million in 2013. This represents an increase of NOK 37 million (1.8 per cent) compared with 2013. Personnel costs rose by NOK 6 million (0.5 per cent) to NOK 1,202 million in 2014, while other costs increased by NOK 31 million (3.8 per cent) to NOK 854 million. The cost/income ratio, measured as operating costs in relation to income, was improved from 44.9 per cent. in 2013 to 41.8 per cent. in 2014.

Impairment losses on loans totalled NOK 257 million in 2014, compared with NOK 132 million in 2013. Impairments on groups of loans increased by NOK 75 million in 2014. The group increased group write-downs due to external market conditions and greater uncertainty because of lower oil prices.

The allocation of the year's profit is based on the parent bank's distributable profit of NOK 1,909 million for 2014. The board proposes that NOK 512 million be paid in dividends, corresponding to NOK 2.00 per share, while NOK 1,396 million be allocated to other equity and enhancing the group's financial strength.

The common equity tier 1 capital ratio increased in 2014, from 11.1 per cent. at year-end 2013 to 11.5 per cent. at year-end 2014. The tier 1 capital ratio (including hybrid tier 1 capital) was reduced in the same period to 12.3 per cent. from 12.8 per cent. This was due to one tier 1 capital instrument maturing in the fourth quarter of 2014 and not being replaced. At year-end 2014, SpareBank 1 SR-Bank ASA was in a solid financial position and well-equipped to meet the stricter regulatory requirements for financial strength while developing its leading position in Norway's strongest growing region in the last 10 years. Its financial strength well exceeds the minimum target set by the Board of Directors for 2014 of a common equity tier 1 capital ratio of 11 per cent.

## **RISK AND CAPITAL MANAGEMENT**

Risk and capital management in SpareBank 1 SR-Bank ASA underpins the SR-Bank Group's strategic development and achievement of its goals. Risk management ensures financial stability and prudent asset management. This is achieved through a strong organisational culture that is characterised by:

- a high awareness of risk management;
- good understanding of which risks drive earnings;
- striving for optimal capital utilisation within the adopted business strategy;

- avoiding unexpected single events that can seriously damage the SR-Bank Group's financial situation; and
- exploiting synergies and diversification effects.

The group's risk is quantified, inter alia, by computing expected losses and risk-adjusted capital so it can cover any unexpected losses. Expected losses describe the amount one statistically expects to lose during a 12-month period, while risk-adjusted capital describes how much capital the group believes it needs to cover the actual risk (expected and unexpected) to which the group is exposed.

The most important risks the group is exposed to are credit risk, market risk, liquidity risk, operational risk and ownership risk.

## **MAJOR SUBSIDIARIES**

### **Eiendomsmegler 1 SR-Eiendom AS**

EiendomsMegler 1 SR-Eiendom AS is the market leader in the group's market area and the largest company in the nationwide EiendomsMegler 1 chain. Its activities cover commercial real estate, as well as brokerage, holiday homes, new builds and existing homes. In 2014, the company sold 7,540 properties via its 35 estate agent branches in Rogaland, the Agder counties and Hordaland.

### **Sparebank 1 SR-Finans AS**

SpareBank 1 SR-Finans AS is a financing company that offers lease financing to the business sector, as well as car, boat and personal loans to retail customers. The company is the market leader in Rogaland and is planning to become a significantly stronger market player in Hordaland and the Agder counties as well. Its products are distributed via SpareBank 1 SR-Bank ASA's distribution network, its own advisers, self-service solutions, and external distributor channels. About half of its new leasing business involves customers who have a business relationship with both SpareBank 1 SR-Finans and SpareBank 1 SR-Bank ASA. The total assets of SpareBank 1 SR-Finans were in 2014 NOK 7,0 billion (NOK 6,4 billion).

### **SR-Forvaltning AS**

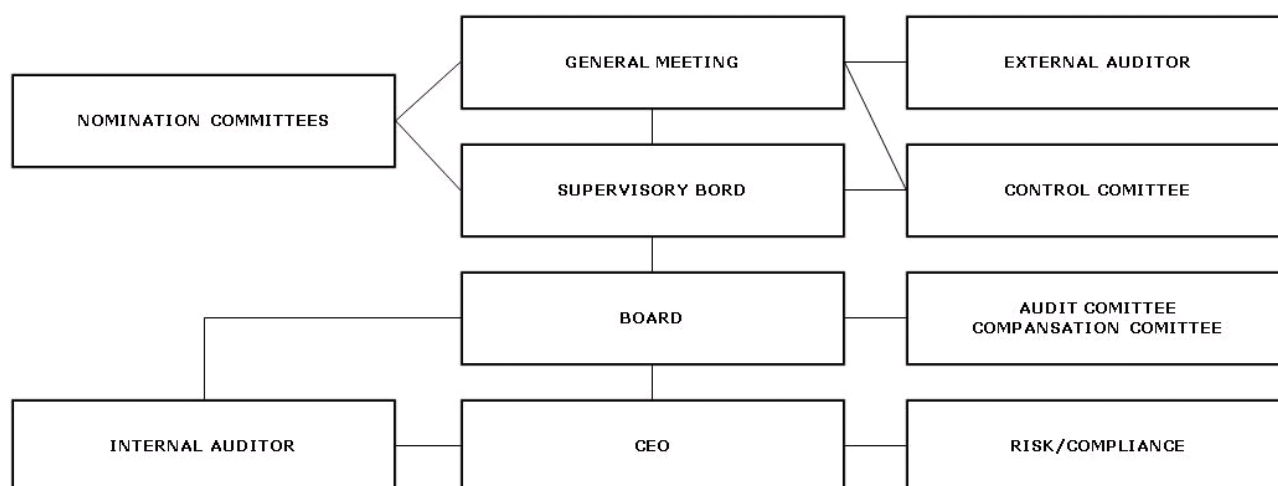
SR-Forvaltning is licensed to provide active management and securities management services. The latter were launched in May 2013 and consist of three funds: SR-Utbytte, SR- Kombinasjon and SR-Rente. The company manages portfolios for SpareBank 1 SR-Bank ASA's pension fund and for around 2,000 external customers on the basis of discretionary mandates. The external customer base comprises pension funds, public and private enterprises and affluent individuals. The total assets under management were in 2014 NOK 9,3 billion (NOK 7,7 billion).

### **SR-Investering AS**

SR-Investering AS's object is to contribute to the long-term creation of value through investments in the business sector in the group's market area. The company primarily invests in private equity funds and companies in the SMB segment that need capital to develop and grow further. Its pre-tax profit amounted to NOK 0.5 million in 2014, which is a reduction from NOK 11.8 million in 2013. At year-end 2014, the company had investments of NOK 155.6 million (NOK 164.7 million) and residual commitments linked to these of NOK 80.4 million (NOK 82.7 million).

## **MANAGEMENT AND THE BOARD OF DIRECTORS**

SpareBank 1 SR-Bank ASA's various management and control bodies have all been established with respect to Norwegian legislation. The figure below shows an overview of SpareBank 1 SR-Bank ASA's management and control bodies:



Through the General Meeting, the shareholders exercise the highest level of authority at SpareBank 1 SR-Bank ASA. The Ordinary General Meeting elects the members of the Supervisory Board, the Control Committee and the Nomination Committee, as well as approving the annual financial statements, including the allocation of a surplus or coverage of a deficit for a year.

The Supervisory Board consists of 30 members and 15 deputy members. A total of 22 members and 11 deputy members are elected from among SpareBank 1 SR-Bank ASA's shareholders and eight members and four deputy members are elected by and from among the employees of SpareBank 1 SR-Bank ASA.

The Supervisory Board conducts supervision of the administration by the Board of Directors and the CEO of SpareBank 1 SR-Bank ASA, elects the members of the Board of Directors, elects the auditor or auditing company, receives information on SpareBank 1 SR-Bank ASA's operation and reviews extracts of SpareBank 1 SR-Bank ASA's accounts and reports from the Control Committee, reviews SpareBank 1 SR-Bank ASA's annual financial statements, annual report and auditor's report, and makes a statement to the General Meeting concerning the Board's proposal for the annual financial statements, and the Board's proposal for allocation of a surplus or coverage of a deficit as well as adopting decisions on remuneration for SpareBank 1 SR-Bank ASA's officers and auditors as well as compensation/wages for the CEO.

The Supervisory Board is comprised as specified below:

SpareBank 1 SR-Bank ASA' Supervisory Board			
Name	Title	Business location	Business address
Terje Nysted	Councillor	Forsand Kommune	4110 Forsand
Per Sekse, Sandes	Lawyer	Sekse & co. AS	4085 Sandnes
Terje Vareberg	Consultant	Bergli Rådgivning AS	4020 Stavanger
Svein Kjetil Søyland	Farmer		4330 Ålgård
Hanne Eik	Advisor	Stavanger Kommune	4005 Stavanger
Leif Inge Slethei	Managing Director	Leif Inge Slethei AS	4059 Røyneberg
Bente Thurmann Nielsen	Managing Director	Tiramisu Reiser	4233 Erfjord
Kirsti Tønnesen	Managing Director	Westco AS	4016 Stavanger
Tone Haddeland	Project Manager	Næringsforeningen I Stavanger	4005 Stavanger
Janne Stangeland Rege	Politician/Student		4050 Sola
Arvid Langeland	General Manager	Langeland Modell AS	4100 Jørpeland
Leif Sigurd Fisketjøn	Regional Director	Norgesgruppen Rogaland	4330 Ålgård
Egil Fjogstad	Finance Manager	Solvang ASA	4005 Stavanger
Helge Leiro Baastad	CEO	Gjensdige Forsikring	1326 Lysaker

		ASA	
Ove Iversen	Main Representative	Rosenberg WorleyParsons	4085 Hundvåg
Liv Gøril Johannessen	Consultant	Nav Forvaltning Rogaland	5500 Haugesund
Jan Atle Toft	Main Representative	Alcoa Lista	4580 Lyngdal
Hilde Lekven	Regional Director	Adecco Management, Bergen	5020 Bergen
Jørgen Ringdal	Executive Director	Gjensidige Forsikring ASA	1236 Lysaker
Jorunn Kjellfrid Nordtveit	Managing Director	HMR Group AS	5460 HUSNES
Tore Heggheim	Investor	Svithun Finans AS	4002 Stavanger
Steinar Haugli	General Manager	SpareBank 1 Ringerike Hadeland	3504 Hønefoss
Anne Nystrøm Kvale	Employee representative	SpareBank 1 SR-Bank ASA	4009 Stavanger
Astrid Surdal	Employee representative	SpareBank 1 SR-Bank ASA	4009 Stavanger
Jan Inge Buer	Employee representative	SpareBank 1 SR-Bank ASA	4009 Stavanger
Eli Lunde Wells	Employee representative	SpareBank 1 SR-Bank ASA	4009 Stavanger
Smiljana Divjak	Employee representative	SpareBank 1 SR-Bank ASA	4009 Stavanger
Silje Eriksen Bølla	Employee representative	SpareBank 1 SR-Bank ASA	4009 Stavanger
Thomas Fjelldal Gaarder	Employee representative	SpareBank 1 SR-Bank ASA	4009 Stavanger
Ole Kristian Aarre	Employee representative	SpareBank 1 SR-Bank ASA	4009 Stavanger

## The Board of Directors

The Board of SpareBank 1 SR-Bank ASA consists of nine members and one deputy members, who are elected by the employees.

The Board of Directors is responsible for the administration of SpareBank 1 SR-Bank ASA's business. This includes making decisions on individual credit cases. The Board of Directors must ensure a satisfactory organisation of SpareBank 1 SR-Bank ASA's operations, including ensuring that accounting and asset management are subjected to proper scrutiny.

### Board of SpareBank 1 SR-Bank ASA:

<b>Name:</b>	<b>Board position:</b>	<b>Business address:</b>
Ingvald Løyning	Board Chairman	DSD Shipping AS, Nedre Holmegate 30, 4006 Stavanger
Birthe C. Lepsøe	Board Member	Stavanger Aftenblad, Nykirkebakken 2, Postboks 229 4001 Stavanger
Siv Juvik Tveitnes	Board Member	
Erling Øverland	Board Member	Trifolium AS, Tarjodd Bondesvei 48, N- 4032 Stavanger
Tor Dahle	Board Member	Sparebankstiftelsen SR-Bank, Domkirkeklassen 2, N-4000 Stavanger



Odd Torland	Board Member	Peder Smedvig AS, N-4007 Stavanger
Kate Henriksen	Board Member	Miles AS, O. J. Brochs gate 16a 5006 Bergen
Sally Lund-Andersen	Employee Representative.	SpareBank 1 SR-Bank ASA, Bjergsted Terrasse 1, N-4009 Stavanger
Oddvar Rettedal	Employee Representative.	SpareBank 1 SR-Bank ASA, Bjergsted Terrasse 1, N-4009 Stavanger
Kristian Kristensen	Deputy (Employee Representative)	SpareBank 1 SR-Bank ASA, Bjergsted Terrasse 1, N-4009 Stavanger

## **Board member SpareBank 1 SR-Bank ASA information**

### **Ingvald Løyning, Chairman of the Board**

Ingvald Løyning (1956) is CEO of DSD Shipping AS, Stavanger. Former he was CEO of the Kverneland Group. He has also worked in the Nutreco system as Managing Director of Skretting, group CEO of Marine Harvest and had global responsibility at Nutreco for fish feed. Previously, he was at IBM for 11 years, most recently as manager with responsibility for sales and systems in the counties of Agder and Rogaland. Løyning graduated in trade and economics from the Oslo School of Business Administration/BI.

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf he has been chosen): 41,052

Chairman of the Board of SpareBank 1 SR-Bank ASA since 5 June 2014.

Board appointments:

Chairman of the Board: DSD Ships 2 AS, Herfo AS, Norled AS, Herfo AS, Kverneland Group Operatons Norway, Metaroi AS, Norled AS, Stavanger Blossom KS, Eagle Sydney KS, Norled Holding AS, Informasjon Rogland KS, DSD Ships 1 AS, Det Stavangerske Dampskibsselskap, Smartcity Stavanger AS, Mosaiqu AS, International Research Institute of Stavanger, Eagle Stavanger KS.

Board Member: Profilbase AS, The Elephant Finds Truffles AS, Lice Invest AS, Flekkefjord Dampskibsselskap AS, Sfd AS, Norled Drift AS.

Deputy Board Member: Itil AS

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf she has been chosen): 41,052

### **Kate Henriksen, Board Member**

Board member since 4 June 2015

Kate Henriksen (1960) is Director Customer Relation in Miles AS, Bergen. Her previous experience includes being executive vice president retail market in Sparebanken Vest, Bergen for the period from 2003 until 2013. She has a degree in economics from Norges Handelshøyskole (NHH). Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf she has been chosen): 0

### **Tor Dahle, Board Member**

Board member since 6 June 2013

Tor Dahle (1952) is General Manager in Sparebankstiftelsen SR-Bank. Dahle holds a master's degree in economics. His previous experience includes management positions in SpareBank 1 SR-Bank ASA as CFO and latest as Managing Director in SR-Investering AS from 2006 until 2011.

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf he has been chosen): 72,462,175.

Board appointments:

Chairman: EM Software Partners and EMT Eiendom AS.

### **Birthe Cecilie Lepsøe, Board Member**

Board member since 1 January 2012

Birthe Cecilie Lepsøe (1971) was Finance Manager at Grieg Shipping Group in 2012. Lepsøe has a degree in Business Administration from BI Norwegian Business School, has participated in the Norwegian School of Economics authorised financial analyst studies and has experience from DNB as analyst and deputy head of the shipping division.

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf she has been chosen): 0

### **Erling Øverland, Board Member**

Board member since 1 January 2012

Erling Øverland (1952) is General Manager of Trifolium AS, Stavanger. Øverland has a degree in Business Administration from the Norwegian School of Economics in Bergen. His previous experience includes several management positions at Statoil ASA between 1984 and 2008, including CEO of Statoil Norge AS, group CFO and head of the Processing and Marketing business area. Øverland was president and chairman of the Confederation of Norwegian Enterprise (NHO) from 2004 to 2008. In 2009 he was contracted as CFO of SpareBank 1 SR-Bank ASA.

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf he has been chosen): 18,935.

Board appointments:

Chairman of the Board: PCI Biotech Holding ASA, Næringslivets NOx-Fond, Pulpit Rock Energy AS

Board Member: Sparebankstiftelsen SR-Bank, University of Stavanger

### **Odd Torland, Board Member**

Board member since 1 January 2012

Odd Torland (1964) is CEO of Peder Smedvig AS in Stavanger, as well as general manager of several companies owned by the Smedvig family, including Smedvig Eiendom AS and Smedvig Capital AS. He is a former group CEO of Scana Industrier ASA and is a state authorised public accountant from the Norwegian School of Economics.

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf he has been chosen): 0

Board appointments:

Chairman of the Board: Smedvig QIF Plc, Green Mountain Data Centre AS, Navtor AS, Odar Invest AS, Stiftelsen Rogaland Kunnskapspark, Smedvig Asset Allocation AS, as well as several subsidiaries of Smedvig Eiendom AS and Smedvig Capital AS.

Board Member: Smedvig AS, D/S Isbjørn AS, Smedvigs Rederi AS, Ipark AS, Avocet AS, Filia AS, Pecan AS, Palia AS, Jam Invest AS, Soteira Limited, Kleronomia Ltd., Temelios Ltd., Smedvig & Co. Ltd., Smedvig Partnership LP, NordEnergieRenewables AS.

### **Siv Juvik Tveitnes, Board Member**

Siv Juvik Tveitnes (1974) has been Managing Director of Stavanger Aftenblad since 2013. She was previously Director of Finance and Staff at Bergens Tidende. She has managed projects covering all parts of the media house, including a major focus on local television. Tveitnes has also been Project Director and headed several merger projects at Media Norge ASA, and also has experience from various positions with Bekk Consulting and Accenture. Juvik Tveitnes graduated in media sciences, psychology and business administration at the University of Bergen and also holds a Master of Science in Management from the University of Bath, England.

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf she has been chosen): 0

Member of the Board of SpareBank 1 SR-Bank ASA since 5 June 2014.

Board appointments:

Chairman of the Board: Nykirkebakken 1. Board Member: Schibsted Norge Trykk and Schibsted Norge Distribusjon.

### **Oddvar Rettedal, employee-elected Board Member**

Board member since 1 January 2012

Oddvar Rettedal (1953) is Product Manager for financing at SpareBank 1 SR-Bank ASA.

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf he has been chosen): 8,313.

### **Sally Lund-Andersen, employee-elected Board Member**

Board member since 1 January 2012

Sally Lund-Andersen (1961) is a group employee representative at SpareBank 1 SR-Bank ASA.

Number of shares in SpareBank 1 SR-Bank ASA (including any shares owned by closely related parties and/or companies on whose behalf she has been chosen): 2,641.

Board appointments:

Chair: Finance Sector Union of Norway, Rogaland division

Board Member: SpareBank 1 Gruppen AS

As far as is known to SpareBank 1 SR-Bank ASA, no potential conflicts of interest exist between any duties to SpareBank 1 SR-Bank ASA of the Board of Directors and Supervisory Board and their private interests or other duties in respect of their management roles.

## TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country in which they are resident for tax purposes and the tax laws of Norway and Luxembourg in respect of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

### **Norwegian Taxation**

#### *Taxation on Interest*

Interest paid to a non-resident holder of Notes will not be subject to Norwegian income or withholding tax. Such holder of Notes may, however, be subject to taxation if the holding of Notes is effectively connected with a business carried on by the holder of Notes in Norway.

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

#### *Taxation of Capital Gains*

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

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

#### *Wealth Tax*

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

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

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

#### *Transfer Tax*

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

### **Luxembourg Taxation**

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

(i) *Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Luxembourg has abolished the withholding system with effect from 1 January 2015, in favour of automatic information exchange under Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income.

(ii) *Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the “Relibi Law”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is resident in Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “Territories”)) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 10 per cent.

### **EU Savings Directive**

Under Council Directive 2003/48/EC on the taxation of savings income (the “Saving Directive”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or to certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the “Amending Directive”) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

### **The proposed financial transactions tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

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

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“FATCA”) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a “foreign financial institution”, or “FFI” (as defined by FATCA)) that does not become a “Participating FFI” by entering into an agreement with the U.S. Internal Revenue Service (“IRS”) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of the Issuer (a “Recalcitrant Holder”). Each Issuer is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to “foreign passthru payments” (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the “grandfathering date”, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes

may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an “IGA”). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “Reporting FI” not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being “FATCA Withholding”) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Norway have entered into an agreement (the “U.S.-Norway IGA”) based largely on the Model 1 IGA.

If the Issuers are treated as Reporting FIs pursuant to the U.S.-Norway IGA they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuers will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuers and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuers, any paying agent and the Common Depositary or the Common Safekeeper, given that each of the entities in the payment chain between the Issuers and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

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

## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such agreement, as amended and/or supplemented and/or restated from time to time, the “Programme Agreement”) dated 18 June 2015, agreed with each Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, each Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### *United States*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

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

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

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

### *Public Offer Selling Restriction under the Prospectus Directive*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:



- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive (and, in the case of investors in Norway capable of classification as qualified investors pursuant to the Prospectus Directive art. 2(e)(iii), who pursuant to the Securities Trading Regulation section 7-1(2) has opted to be classified as a qualified investor by registering as a “professional investor” (in Norwegian, a *profesjonell investor*) with the Financial Supervisory Authority of Norway);
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

#### *United Kingdom*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### *Japan*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not

offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations and ministerial guidelines of Japan.

#### *Norway*

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that unless the Issuer has confirmed in writing to each Dealer that the Base Prospectus has been filed with the Financial Supervisory Authority of Norway, it will not, directly or indirectly, offer or sell any Notes in Norway or to residents of Norway except:

- (i) in respect of an offer of Notes addressed to investors subject to a minimum purchase of Notes for a total consideration of not less than €100,000 per investor;
- (ii) to “professional investors” as defined in Section 7-1 in the Norwegian Securities Regulation of 29 June 2007 no. 876;
- (iii) to fewer than 150 natural or legal persons (other than “professional investors”) as defined in Section 7-1 in the Norwegian Securities Regulation of 29 June 2007 no. 876), subject to obtaining the prior consent of the relevant Dealer or Dealers for any such offer; or
- (iv) in any other circumstances provided that no such offer of Notes shall result in a requirement for the registration or the publication by the Issuer of the Dealer or Dealers of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

The Notes shall be registered with the Norwegian Central Securities Depository unless (i) the Notes are denominated in NOK and offered and sold outside of Norway to non-Norwegian tax residents only, or (ii) the Notes are denominated in a currency other than NOK and offered or sold outside of Norway.

#### *General*

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither any of the Issuers nor any of the other Dealers shall have any responsibility therefor.

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

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Subscription Agreement.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Sparebanken Midt-Norge dated 17 December 2003, Sparebanken Nord-Norge dated 19 March 2001 and Sparebanken Rogaland dated 18 December 2003.

The update of the Programme has been duly authorised by a resolution of the Board of Directors of SpareBank 1 SMN dated 4 February 2015, the Board of Directors of SpareBank 1 Nord-Norge dated 24 March 2015 and SpareBank 1 SR-Bank ASA dated 18 December 2014.

### Approval, Admission to Trading and Listing of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Documents Available

As long as Notes issued under the programme are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, copies of the following documents will, when published, be available from the registered office of each Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (a) the constitutional documents (with an English translation thereof) of each Issuer;
- (b) the audited consolidated and non-consolidated financial statements of each Issuer in respect of the financial years ended 31 December 2013 and 2014 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (c) the most recently published audited consolidated and non-consolidated annual financial statements of each Issuer, in each case together with the audit reports prepared in connection therewith and the most recently published unaudited consolidated financial statements for the quarterly period ended 31 March 2015 of each Issuer (with an English translation thereof);
- (d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Prospectus;
- (f) any future prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Each of the Issuers currently prepares audited consolidated and non-consolidated accounts on an annual basis.

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for Determining Price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Yield**

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

### **Significant or Material Change**

There has been no significant change in the financial or trading position of any of the Issuers since 31 March 2015 and there has been no material adverse change in the financial position or prospects of any of the Issuers since 31 December 2014.

### **Litigation**

None of the Issuers are or have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the Issuers are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of any of the Issuers.

### **Auditors**

The auditors of SpareBank 1 SMN are Deloitte & Touche, which are members of the Norwegian Institute of Public Accountants (*Den norske Revisorforening*), who have audited both SpareBank 1 SMN's consolidated and non-consolidated accounts, without qualification, in accordance with generally accepted auditing standards in the Kingdom of Norway for each of the two financial years ended on 31 December 2013 and 31 December 2014 respectively. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the non-consolidated accounts. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the consolidated accounts.

The auditors of SpareBank 1 Nord-Norge are KPMG AS, whose partners are members of the Norwegian Institute of Public Accountants (*Den norske Revisorforening*), who have audited both SpareBank 1 Nord-Norge's consolidated and non-consolidated accounts, without qualification, in accordance with generally accepted auditing standards in the Kingdom of Norway for each of the two financial years ended on 31 December 2013 and 31 December 2014 respectively. The regulations of the Norwegian accounting act

and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the non-consolidated accounts. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the consolidated accounts.

The auditors of SpareBank 1 SR-Bank ASA are PricewaterhouseCoopers AS, whose audit partners are members of the Norwegian Institute of Public Accountants (*Den norske Revisorforening*), who have audited both SpareBank 1 SR-Bank ASA's consolidated and non-consolidated accounts in accordance with generally accepted auditing standards in the Kingdom of Norway for each of the two financial years ended on 31 December 2013 and 31 December 2014 respectively. The regulations of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the non-consolidated accounts. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the consolidated accounts.

### **Dealers Transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuers and their affiliates in, the ordinary course of business.

## THE ISSUERS

**SpareBank 1 SMN**  
Søndre gt 4  
N-7467 Trondheim  
Norway

**SpareBank 1 Nord-Norge**  
Storg 65  
N-9008 Tromsø  
Norway

**SpareBank 1 SR-Bank ASA**  
Bjergsted Terrasse 1  
N-4001 Stavanger  
Norway

## DEALERS

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**Commerzbank Aktiengesellschaft**  
Kaiserstrasse 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Landesbank Baden-Württemberg**  
Am Hauptbahnhof 2  
70173 Stuttgart  
Federal Republic of Germany

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

## ISSUING AND PRINCIPAL PAYING AGENT

Citibank, N.A., London Branch  
Citigroup Centre, Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

## PAYING AGENT AND LUXEMBOURG LISTING AGENT

Banque Internationale à Luxembourg SA  
69, route d'Esch  
L - 2953 Luxembourg

## LEGAL ADVISERS

*To the Issuers as to Norwegian law*  
**Advokatfirmaet BA-HR DA**  
PO Box 1524 Vika  
N-0117 Oslo  
Norway

*To the Dealers as to English law*  
**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

## AUDITORS

To SpareBank 1 SMN  
**Deloitte & Touche**

To SpareBank 1 Nord-Norge  
**KPMG AS**

Karenslyst alle 20  
N-0278 Oslo  
Norway

To SpareBank 1 SR-Bank ASA  
**PricewaterhouseCoopers AS**  
Forus Atrium  
Postbox 8017  
N-4068 Stavanger  
Norway

PO 6262  
N-9292 Tromsø  
Norway