

BASE PROSPECTUS

KLP Kommunekreditt AS

(incorporated in Norway)

€10,000,000,000

Covered Bond Programme

Under this €10,000,000,000 Covered Bond Programme (the “**Programme**”), KLP Kommunekreditt AS (the “**Issuer**”) may from time to time issue covered bonds issued in accordance with Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-Chapter IV and appurtenant regulations (“**Covered Bonds**” which expression shall include VPS Covered Bonds) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Covered Bonds may be issued in bearer form (“**Bearer Covered Bonds**”), registered form (“**Registered Covered Bonds**”) or uncertificated book-entry form cleared through the Norwegian Central Securities Depository (the “**VPS Covered Bonds**”). Bearer Covered Bonds and Registered Covered Bonds, excluding those issued in Swiss Francs and listed on the Six Swiss Exchange, will be cleared through Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). VPS Covered Bonds will be cleared through the Norwegian Central Securities Depository, the VPS ASA (the “**VPS**”). Each Tranche of Covered Bonds issued in Swiss Francs and listed on the Six Swiss Exchange will be delivered to SIX SIS AG, the Swiss Securities Corporation in Olten, Switzerland (the “**SIS**”, where the expression shall include any other clearing institution recognised by the Six Swiss Exchange).

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described herein). A description of the restrictions applicable at the date of this Base Prospectus relating to the maturity of certain Covered Bonds is set out in “*General Description of the Programme — Maturities*”.

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

Application has been made to the Commission de Surveillance du Secteur Financier (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) (the “**Prospectus Act 2005**”) for the approval of this document as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended) in relation to the Covered Bonds issued under the Programme (other than the VPS Covered Bonds). Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme (other than VPS Covered Bonds) during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. By approving this Base Prospectus the CSSF gives no undertaking as to the economic or financial soundness of the transactions contemplated by this Base 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 Covered Bonds 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. References in this Base Prospectus to Covered Bonds being “**listed**” (and all related references) shall mean that such Covered Bonds are intended to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and are intended to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”). This Base Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and certain other information which is applicable to each Tranche (as defined under “**Terms and Conditions of the Covered Bonds**”) of Covered Bonds will be set forth in a Final Terms document (“**Final Terms**”) which, with respect to Covered Bonds to be listed on the Luxembourg Stock Exchange, will be filed with the CSSF. Copies of Final Terms in relation to Covered Bonds to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Covered Bonds issued under the Programme are expected to be rated by Moody’s Investors Service Limited (“**Moody’s**”) and Fitch Ratings Limited (“**Fitch**”). The Issuer may also issue Covered Bonds which are unrated. Details of the ratings of the Covered Bonds will be specified in the applicable Final Terms. Each of Fitch and Moody’s is established in the European Union and registered under the Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). A list of registered credit rating agencies can be found at www.esma.europa.eu/page/List-registered-and-certified-CRAs. 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 Moody’s or Fitch. Prospective investors should have regard to the factors described under the section “*Risk Factors*” in this Base Prospectus.

The date of this Base Prospectus is 11 December 2014.

Arranger

Morgan Stanley

Dealers

BNP PARIBAS

Crédit Agricole CIB

Landesbank Baden-Württemberg

Société Générale Corporate & Investment Banking

UBS Investment Bank

Commerzbank

Danske Bank

Morgan Stanley

The Royal Bank of Scotland plc

UniCredit Bank

This document constitutes a base prospectus (the “Base Prospectus”) for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent such amendments have been implemented in a relevant Member State of the European Economic Area (the “Prospectus Directive”).

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

Copies of Final Terms relating to Covered Bonds which are admitted to trading on the Luxembourg Stock Exchange’s regulated market will be available on the website of the Luxembourg Stock Exchange at www.bourse.lu and from the registered office of the Issuer and the specified offices of the Paying Agents (as defined below) for the time being in London and Luxembourg.

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

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Arranger as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Covered Bonds or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

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

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

In connection with the issue of any Tranche of Covered Bonds, one or more relevant Dealers (named as the “Stabilisation Manager(s)”) or persons acting on behalf of any Stabilisation Manager may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the 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 Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the

relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

The delivery of this Base Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Arranger expressly do not undertake to review the financial condition or affairs of the Issuer or KLP (as defined below) during the life of the Programme. Investors should review, *inter alia*, the documents deemed incorporated herein by reference when deciding whether or not to purchase any Covered Bonds.

The Covered Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (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 (as defined in Regulation S under the Securities Act (“Regulation S”)), except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

In the case of any Covered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Covered Bonds).

The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. None of the Issuer, the Dealers or the Arranger represents that this document may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Arranger which would permit a public offering of any Covered Bonds outside Luxembourg or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Base Prospectus or any Covered Bonds come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the European Economic Area (including the United Kingdom and Norway) and Japan (see “*Subscription and Sale*” below).

The Bearer Covered Bonds of each Tranche will initially be represented by a temporary global Covered Bond in bearer form (a “Temporary Bearer Global Covered Bond”) which will (i) if the global Covered Bonds are intended to be issued in new global Covered Bond (“NGCB”) form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear, Clearstream, Luxembourg or to SIS, as the case may be; and (ii) if the global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the “Common Depositary”) for Euroclear and Clearstream, Luxembourg or to SIS, as the case may be. The Temporary Bearer Global Covered Bond will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Covered Bond in bearer form (a “Permanent Bearer Global

Covered Bond”) or, in certain limited circumstances, Bearer Covered Bonds in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a Permanent Bearer Global Covered Bond either (i) is exchangeable (in whole but not in part) for definitive Covered Bonds upon not less than 60 days’ notice or (ii) is only exchangeable (in whole but not in part) for definitive Covered Bonds following the occurrence of an Exchange Event (as defined under “*Form of the Covered Bonds*”), all as further described in “*Form of the Covered Bonds*” below. Bearer Covered Bonds 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 United States persons, 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. See “*Subscription and Sale*” below.

Unless otherwise provided with respect to a particular Series (as defined under “*Terms and Conditions of the Covered Bonds (other than the VPS Covered Bonds)*”) of Registered Covered Bonds, the Registered Covered Bonds of each Tranche of such Series sold outside the United States in reliance on Regulation S under the Securities Act will be represented by a permanent global Covered Bond in registered form, without interest coupons (a “Registered Global Covered Bond”), deposited with Euroclear and Clearstream, Luxembourg, for the accounts of their respective participants. Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue (the “Distribution Compliance Period”), beneficial interests in the Registered Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person (as defined in Regulation S) unless the Covered Bonds are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. Registered Covered Bonds in definitive form will, at the request of the holder (save to the extent otherwise indicated in the applicable Final Terms), be issued in exchange for interests in the Registered Global Covered Bonds upon compliance with the procedures for exchange as described in “*Form of the Covered Bonds*”.

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

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such potential investor’s financial activities are principally denominated;
- (iv) understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- (v) be 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.

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

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to 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 (i) Covered Bonds are legal investments for it, (ii) Covered Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Each Tranche of VPS Covered Bonds will be issued in uncertificated book-entry form, as more fully described under "*Form of the Covered Bonds*" below. On or before the issue date of each Tranche of VPS Covered Bonds entries may be made with the VPS to evidence the debt represented by such VPS Covered Bonds to accountholders with the VPS. VPS Covered Bonds will be issued in accordance with the laws and regulations applicable to VPS Covered Bonds from time to time.

All references in this document to "U.S. dollars", "U.S.\$" and "\$" refer to United States dollars, those to "NOK" refer to Norwegian Kroner, those to "Yen" refer to Japanese yen, those to "Sterling" and "£" refer to pounds sterling and those 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.

Use of the Programme

Under the Programme, the Issuer may from time to time issue Covered Bonds denominated in any currency, subject as set out herein. An overview of the terms and conditions of the Programme and the Covered Bonds is set out in "*General Description of the Programme*" below. The applicable terms of any Covered Bonds will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Covered Bonds and will be set out in the Terms and Conditions of the Covered Bonds endorsed on, attached to, or incorporated by reference into, the Covered Bonds, as modified by Part A of the applicable Final Terms attached to, applicable to, or endorsed on, such Covered Bonds, as more fully described under "*Form of the Covered Bonds*" below.

This Base Prospectus and any supplement to this Base Prospectus will be valid for listing Covered Bonds (other than the VPS Covered Bonds) on the Official List of the Luxembourg Stock Exchange, or any other stock exchange in the European Economic Area, in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Covered Bonds previously or simultaneously issued under the Programme, does not exceed €10,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Covered Bonds issued under the Programme from time to time:

- (a) the euro equivalent of Covered Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Covered Bonds, described under “*Form of the Covered Bonds*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Covered Bonds or on the preceding day on which commercial banks and foreign exchange markets are open for general business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation; and
- (b) the euro equivalent of Zero Coupon Covered Bonds (as specified in the applicable Final Terms in relation to the relevant Covered Bonds, described under “*Form of the Covered Bonds*”) and other Covered Bonds issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

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RISK FACTORS

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

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

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

Factors that may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the Programme

Financial markets and economic environment risks

The KLP Group's business and financial performance have been and will continue to be affected by general economic conditions in Europe and elsewhere and the other adverse developments in the European or global financial markets could cause the Issuer's earnings or profitability to decline

The Issuer is directly and indirectly subject to inherent risks arising from general economic conditions in European and other economies and the state of the global financial markets both generally and as it specifically affects financial institutions. For more than five years, the global economy and the global financial system has experienced a period of significant turbulence and uncertainty. The very severe dislocation of the financial markets around the world that began in August 2007 and significantly worsened in 2008, has triggered widespread problems at many commercial banks, investment banks, insurance companies, building societies and other financial and related institutions throughout Europe and around the world. The dislocation severely impacted general levels of liquidity, the availability of credit and the terms on which credit is available. This crisis in the financial markets led certain governments to inject liquidity into the financial system and take other forms of action relating to financial institutions aimed at both supporting the sector and providing confidence to the market.

These market dislocations were also accompanied by recessionary conditions and trends in many economies around the world. The widespread deterioration in economies throughout Europe and around the world adversely affected, among other things, consumer confidence, levels of unemployment, the state of the housing market, the commercial real estate sector, bond markets, equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes, the liquidity of the global financial markets and market interest rates.

Although the impact of the global financial crisis has been less severe in Norway than it has been in many other countries and market conditions have generally improved, there have been periods of significant volatility in financial markets around the world. From April 2010 to date, financial markets have been periodically negatively impacted by ongoing fears surrounding the large sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain) and the possibility of one or more defaults on sovereign debt. This raised concern about the contagion effect such a default would have on other European economies as well as the ongoing viability of the euro currency and the European

Monetary Union. Reflecting these and other concerns, in January 2012 one of the major international credit rating agencies lowered its long-term ratings in respect of nine European sovereigns, further increasing market uncertainty. Norway, however, has remained a AAA country through the period. As a leading producer of oil and gas, and with a significant land based industry supplying the sector, Norway may, in the longer term, be affected by lower energy prices.

The financial turbulence since 2007 and its after-effects on economic conditions in Europe have led to generally more difficult earning conditions for the financial sector and resulted in the failures of a number of financial institutions in the United States, the UK and elsewhere in Europe and unprecedented action by governmental authorities, regulators and central banks around the world. Turbulence in credit or other markets could have a material adverse effect on the KLP Group's ability to access capital and liquidity on financial terms acceptable to it. Any of the foregoing factors could have a material adverse effect on the KLP Group's business, financial condition and results of operations. The exact nature of the risks that the KLP Group faces and how and the extent to which they ultimately will impact the KLP Group is difficult to predict and guard against in light of (i) the inter-related nature of the risks involved, (ii) difficulties in predicting whether recoveries will be sustained and at what rate, and (iii) the fact that the risks are totally or partially outside of the KLP Group's control.

While the global recovery remains fragile, the economic climate in Norway has been resilient in comparison with many world economies. As the world's second largest gas exporter and seventh largest oil exporter, Norway's economic position has been relatively well protected from the turbulence affecting many other economies. Over the last ten years to 2013, Norway's economy grew in volume by more than 1.5 per cent. Excluding a declining production of oil and gas, Mainland GDP grew by 2.8 per cent. per year. In the Euro area, GDP in the same period grew by 0.8 per cent. per year. The OECD has reported that the Norwegian financial sector came through the crisis without serious damage, and the sector is considered relatively strong.

In 2013, the European Union adopted a legislative package to strengthen the regulation of the banking sector and to implement the Basel III agreement in the EU legal framework. The new package has been implemented in the European Economic Area through a regulation (the "**Capital Requirements Regulation**") and an associated directive (the "**Capital Requirements Directive**") and is a major step towards creating a sounder and safer financial system.

The Capital Requirements Regulation contains detailed prudential requirements which will apply directly to credit institutions and investment firms in the European Economic Area while the Capital Requirements Directive contains less prescriptive provisions which will need to be transposed into national law. The new regulations entered into force in the EU on 1 January 2014 and will be phased-in between 2014 and 2019. Under the EEA Agreement, Norway is obligated to implement the Regulation and the Capital Requirements Directive in its internal legislation. Norwegian authorities have provided for early implementation of the capital requirements following from the Capital Requirements Directive and the Capital Requirements Regulation by making the amendments to the Norwegian Financial Institutions Act and regulations passed thereunder. The amendments came into force on 1 July 2013 and require a gradual increase in capital adequacy requirements over the coming years. The new and amended provisions of the Financial Institutions Act require that financial institutions shall have a common equity tier 1 ("**CET1**") capital ratio of at least 4.5 per cent. In addition, the Financial Institutions Act imposes various capital buffer requirements which must be met by Norwegian financial institutions, all consisting of CET1 capital. The capital buffer requirements applicable to the Issuer currently consist of (i) a capital conservation buffer of 2.5 per cent. and (ii) a systemic risk buffer of 3 per cent. The sum of the new minimum CET1 capital ratio and the buffer requirements applicable to the Issuer as of 1 July 2013 is equal to 10 per cent. In addition, a new capital buffer requirement will be introduced in 2015, being a countercyclical buffer currently set to 1 per cent. from 30 June 2015. The basis for Norges Bank's assessment of the countercyclical buffer requirement is that the buffer should be

increased when financial imbalances build up which will strengthen banks' resilience to any impending downturn and may dampen high credit growth. Norges Bank notes that total debt in Norway is high in relation to Norway's GDP. In particular, household debt in Norway is high and has been growing faster than household income for several years. At the same time, households are saving more, including in the form of increased bank deposits. House prices in Norway are also rising faster than household income. There are prospects that house prices and household debt will continue to increase faster than disposable income in the years to come. Due to increased capital requirements, many banks in Norway have in recent years slightly increased their mortgage interest rates.

It is not possible to predict what further structural and/or regulatory changes may result from the financial crisis and sovereign debt crisis in Europe or whether such changes may be materially adverse to the Issuer.

Economic activity in Norway

The Issuer's lending activities are dependent on the level of finance required by municipalities and counties in Norway. In particular, levels of borrowing by the public sector are strongly influenced by the funding needs of the public sector, the state of the economy, market interest rates, and other factors that affect the Norwegian economy. As the Issuer currently conducts its business in Norway, its performance is influenced by the level and cyclical nature of economic activity in Norway, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a weakening in the economy of Norway will not have an adverse effect on the Issuer's future results.

Financial instruments issued by the Kingdom of Norway are rated "AAA" by S&P, "Aaa" by Moody's and "AAA" by Fitch. Norway has relatively strong public finances and macroeconomic fundamentals (for example a competitive export sector, a high level of investment in natural resources such as oil and gas, a low unemployment rate (currently 3.4 per cent.) and a moderate rate of inflation). Interest rates in Norway had been increasing until the middle of 2008 when the effect of the international financial turmoil caused a sharp decrease in interest rates. The creditworthiness of Norway is further supported by financial assets accumulated through investing the revenues arising from oil and gas extraction, a well-educated labour force, a high standard of living and one of the highest GDP per capita in the world.

Risks relating to the Norwegian public sector loan market

The municipal sector is a provider of vital services to the Norwegian public, such as healthcare, education, transport and infrastructure. There is a close relationship between the central government of Norway and the municipal sector that is characterised by strict central government control, regulation and oversight. Norwegian local governments receive a substantial part of their income from the central government of Norway who determine the economic framework for municipal activities and the level of public services. All municipal budgets must be approved by the central government and municipalities are not allowed to budget for an operating deficit. The level of supervision that municipalities in Norway are subject to is set out in the Local Government Act.

The Local Government Act regulates borrowing by the public sector and municipalities must satisfy strict fiscal standards in relation to any borrowing activity, including the submission of annual budgets and financial plans to provide cover for all expenses and any accounting deficits. If a local government fails to comply with the financial standards set out in the Local Government Act they will be listed in a register ("**ROBEK**") established and maintained by the Ministry of Local Government and Regional Development (the "**Ministry**"). If a municipality is listed on the ROBEK register any resolution to raise a new loan or enter into a long-term contract for the renting of buildings, installations and permanent operating equipment that may cause the municipality or county municipality to incur expenses extending beyond the next four budget years will not be valid unless approved by the Ministry.

Article 55 of the Local Government Act provides that no person may institute insolvency or debt settlement procedures against a local municipality or country municipality. In the event that a municipality is unable to discharge its debts that have fallen due there is a duty upon the municipal council to pass a resolution to stop payments. If no resolution is passed the Ministry may order the stoppage of payments by sending a notification for publication in the press, the Norwegian Gazette (in Norwegian: *Norsk Lysningsblad*) and registration on the National Register of Business Enterprises.

When a resolution to stop payments has been passed, the Ministry will immediately appoint a supervisory board consisting of the chairman of the municipal council, the chief executive and three or more members appointed by the Ministry. As long as a stoppage of payments is in force, no payments shall be made without the approval or authorisation of the supervisory board. Certain claims for payment will be treated preferentially at the discretion of the supervisory board, including expenses necessary for the municipality to fulfil any obligations imposed on it by statute, claims for salary, pensions and other remuneration to employees of the local authority, and any expenses which must be covered to avoid the danger of considerable financial loss or significant harmful effects. In the event that a municipality is subject to the control of a supervisory board these claims would rank in priority to the Issuer's claims under a public sector loan.

The close links and extensive oversight by the central government provide a strong foundation for sound financial management by municipalities and county authorities. Theoretically, a municipality could declare a moratorium on payments yet in practice this has never occurred from the time the concept was implemented in 1954. In part this is due to willingness by municipalities to undertake the necessary precautions to prevent such an occurrence and to the intervention of the central government.

Changes in the supervisory regime for European insurance and reinsurance undertakings could adversely affect the KLP Group's business.

The EU Solvency II Directive (2009/138/EC) which was adopted in November 2009 creates a supervisory regime, and particularly a new solvency regime, for insurance and reinsurance undertakings operating in the European Union. Discussions on implementing measures are still ongoing. It is expected that 2014 and 2015 will be used for preparation, but that full implementation will be by 1 January 2016. However, it is presumed that solvency capital requirements for insurance and reinsurance undertakings will overall increase as opposed to the current Solvency I regime and that capital ratios could become more volatile. These regulations will directly affect KLP only, and at this stage, the Issuer is not aware of any indirect impact on the Issuer or its ability to meet its obligations under the covered bonds.

Competition

The Issuer faces high levels of competition in the public loan market in Norway, primarily from government owned and funded financial institutions based in Norway. Certain of the Issuer's competitors may be larger and better capitalised in the public loan market. The Issuer may face pricing pressure in certain areas of its operations in the future as competitors seek to obtain market shares by reducing prices or offering public sector loans at low prices. The demand for the Issuer's products is also dependant on public funding needs, central government supervision, prevailing market rates and other factors that have an influence on the economic situation of municipalities.

Increasingly, municipalities have also gained direct access to securities markets by issuing bonds or certificates.

Financial risk factors

Control of financial risk is one of the most important risk factors for financial institutions. As a result of its business activities, the Issuer is exposed to a variety of financial risks, the most significant of which are credit

risk, market risk, operational risk and liquidity risk. Failure to control these risks could result in adverse effects on the Issuer's financial performance and reputation.

Risks related to changes in mortality rate

The Financial Supervisory Authority of Norway (*Finanstilsynet*) published a new mortality table for collective pension insurance (K2013) on 8 March 2013. K2013 must be applied by all Norwegian pension institutions (both life insurers and pension funds) from 1 January 2014.

K2013 reflects, among other factors, the declining mortality rate in (and therefore higher life expectancy of) the Norwegian population over recent years and the resultant effect this has on collective insurance portfolios. K2013 is based on a dynamic mortality table which assumes improving mortality rates in all calendar years in the forecasting period.

From 1 January 2014 all new pension savings (pension rights) must be financed in accordance with the new K2013 mortality table. In general, this has led to higher insurance premiums for collective pension insurance. Due to the declining mortality rate there is also a need to strengthen technical provisions for the premium reserve for existing contractual liabilities.

KLP has set aside the necessary provisions to bring the reserves required under the K2013 tariff up to date by year-end 2013. The reserving has mainly been made from the interest rate and risk surplus over the preceding 3 years. The financing was formally approved by the Financial Supervisory Authority of Norway (*Finanstilsynet*) on 5 May 2014, on the condition that KLP sets out a plan to pay an equity contribution from the company to the clients' funds (i.e. allocate profits to the supplementary reserves or client premium fund) of an amount equal to 20 per cent. of the total strengthening over a period of 3-7 years.

Risks relating to the Issuer's collateral

The Issuer has restricted loans eligible for inclusion in the Cover Pool to loans where Norwegian local or county municipalities have a direct and unconditional debt obligation to the Issuer or loans that have the benefit of an unconditional and irrevocable guarantee. These debt obligations are documented by *omsetningsgjeldsbrev* (negotiable promissory note) or *enkelt gjeldsbrev* (non-negotiable promissory note) which are standardised debt instruments that exist under Norwegian law. Given that the Issuer's loans will be granted to the borrower without security as collateral, the credit risk is related to the performance of the local municipality or county municipality. However, this credit risk is partly offset by the strict financial requirements imposed by the central government in relation to the budget expenditures of local and county municipalities. The Ministry also has a history of providing support to municipalities with financial problems to enable them to meet essential operating costs, including debt servicing.

There are many circumstances that affect the level of credit loss, early repayments, withdrawals and final payments of interest and principal amounts, such as changes in the economic climate, both nationally and internationally, changes regarding taxation, interest rate developments, inflation and political changes.

Default in respect of the Issuer's assets comprised in the Cover Pool could jeopardise the Issuer's ability to make payments in full or on a timely basis on the Covered Bonds. Risks attaching to the Covered Bonds as a result of default in respect of the assets in the Cover Pool are reduced by a number of features of the Covered Bonds, including the ability of the Issuer to substitute assets to and from the Cover Pool. However, if a material amount of assets in the Cover Pool were to default, there is no guarantee that the required level of assets within the Cover Pool could be maintained or that the Issuer would be in a position to substitute non-defaulting assets for the defaulting assets.

Covered Bonds are obligations of the Issuer only

The Covered Bonds will constitute obligations of the Issuer which have the benefit of a statutory preference under Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-chapter IV and appurtenant regulations (the “**Financial Institutions Act**”) on the pool of assets maintained by the Issuer (the “**Cover Pool**”). An investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer. The Covered Bonds are not guaranteed by KLP or any member of the KLP Group or any other person. In addition, an investment in the Covered Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Covered Bonds.

Non-compliance with matching rules and bankruptcy of the Issuer

The Financial Institutions Act requires the value of the assets in the Cover Pool to at all times exceed the value on the claims on the Cover Pool. See “*Overview of Norwegian Legislation Relating to Covered Bonds*” below for further details.

A breach of the matching requirements prior to the Issuer’s bankruptcy in the circumstances where no additional assets are available to the Issuer or the Issuer lacks the ability to acquire additional assets could result in the Issuer being unable to issue further Covered Bonds.

In the event of bankruptcy of the Issuer, timely payments shall be made on the Covered Bonds provided the Cover Pool is essentially in compliance with the statutory requirement. Bankruptcy or negotiation of debt or public administration of a mortgage credit institution shall not in itself be sufficient cause for termination or similar remedy by holders of Covered Bonds or swap counterparties. The bankruptcy administrator and the creditors’ committee (the “**Creditors’ Committee**”) may take any action considered necessary to ensure that the holders of the Covered Bonds and the swap counterparties receive agreed and timely payments on the Covered Bonds and the swaps, including selling assets in the Cover Pool and issuing new Covered Bonds and entering into new derivative instruments with a right of priority in respect of the assets of the Cover Pool.

The Creditors’ Committee is required to notify Covered Bondholders and swap counterparties of all decisions that are deemed to be of material significance to them.

If it is not possible to make the contractual payments due to Covered Bondholders and swap counterparties up to the agreed redemption or termination date and an imminent change that would ensure such contractual payments is unlikely, then the Creditors’ Committee shall set a date to halt payments. A halt to payments shall be introduced even if the Cover Pool assures timely on-going payments in the short term. Where a halt to payments is introduced, the further administration in respect of the Issuer shall continue in accordance with Norwegian bankruptcy law. The Creditors’ Committee shall inform the Covered Bondholders if applicable, and the swap counterparties of the halt to payments and the date on which such halt to payments will be introduced at the earliest opportunity, and it will consult with them in relation to any material decisions in respect thereof.

The amount of claims with a right of priority over the assets in the Cover Pool will be calculated as at the date on which the halt to payments was introduced. The calculation shall represent the present value of the relevant claim, as duly discounted in accordance with the terms of the Financial Institutions Act and appurtenant regulations. This provides that settlement of interest rate and foreign exchange contracts shall be at a prudent market value based on the pricing of comparable interest rate contracts and foreign exchange contracts (although investors should note that any termination payment under the relevant swap agreement shall be calculated in accordance with the terms of such swap agreement), and settlement of amounts due on the Covered Bonds shall include payment of accrued interest and costs, as well as the agreed future cash flow (principal and interest) to the Maturity Date (excluding, for this purpose, any applicable Extended Maturity Date except where the Extended Maturity Date has already been invoked in respect of those Covered Bonds), discounted by the market rate for comparable covered bonds in the relevant currency.

To the extent that Covered Bondholders are not fully paid from the proceeds of the liquidation of the assets comprising the Cover Pool, they will be able to prove for the balance of their claims as unsecured creditors of the Issuer, and will be entitled to receive payment from the proceeds of the liquidation of the other assets of the Issuer not comprising the Cover Pool. The Covered Bondholders would in such case rank, *pari passu*, with any other Covered Bondholders, swap counterparties and the other unsecured, unsubordinated creditors of the Issuer.

In the event of the Issuer's bankruptcy, if timely payments continue to be made, the Creditors' Committee may dispose of all of the assets in the Cover Pool if this is deemed necessary for the payment of the claims of other creditors of the Issuer, provided that the consideration obtained enables no less than full payment to the Covered Bondholders and the swap counterparties. In this context, the Financial Institutions Act and appurtenant regulations provide that "**full payment**" means settlement of interest rate contracts and foreign exchange contracts at market value based on the pricing of comparable interest rate contracts and foreign exchange contracts (although investors should note that any termination payment under the relevant swap agreement shall be calculated in accordance with the terms of such swap agreement), and settlement of amounts due on the Covered Bonds shall include payment of accrued interest and costs, as well as the agreed future cash flow (principal and interest) to the Maturity Date (excluding, for this purpose, any applicable Extended Maturity Date except where the Extended Maturity Date has already been invoked in respect of those Covered Bonds), discounted by the market rate for comparable covered bonds in the relevant currency.

No due diligence

Neither the Arranger nor the Dealers have undertaken, nor will they undertake, any investigations, searches or other actions in respect of the loans and other assets contained or to be contained in the Issuer's Cover Pool, but will instead rely on the obligations of the Issuer under the Financial Institutions Act.

Limited description of the Cover Pool

Covered Bondholders will not receive detailed statistics or information in relation to the loans or other assets contained or to be contained in the Issuer's Cover Pool, as it is expected that the constitution of the Cover Pool may change from time to time due to, for example, the purchase of further loans by the Issuer from time to time. However, an independent inspector appointed under the Financial Institutions Act shall monitor the Issuer's compliance with the requirements of the Financial Institutions Act.

Overcollateralisation

The Issuer has undertaken in Condition 2(b) of the Terms and Conditions of the Covered Bonds and the Terms and Conditions of the VPS Covered Bonds to ensure that for as long as the Covered Bonds are outstanding, the value of the Cover Pool shall at all times be not less than 116 per cent. of the then outstanding principal amount of the Covered Bonds or such other Alternative Committed Overcollateralisation Percentage as may be selected in accordance with Condition 2(b) of the Terms and Conditions of the Covered Bonds and the Terms and Conditions of the VPS Covered Bonds.

The ratings of the Covered Bonds are based, amongst other things, on an assumption of a certain level of overcollateralisation and the relevant rating agencies may change the level of overcollateralisation that is required for maintaining the rating of the Covered Bonds from time to time. The Terms and Conditions of the Covered Bonds and the Terms and Conditions of the VPS Covered Bonds do not require the Issuer to maintain the overcollateralisation of the Covered Bonds at the original level or the level required by the relevant rating agencies (subject to compliance with Condition 2(b) of the Terms and Conditions of the Covered Bonds and the Terms and Conditions of the VPS Covered Bonds, as the case may be) or to increase the overcollateralisation of the Covered Bonds in the event that the rating agencies require an increase to maintain the rating and the Issuer cannot guarantee that a certain rating of the Covered Bonds will be maintained throughout the term of the Covered Bonds.

The ability of the Issuer to comply with these conditions relating to overcollateralisation is dependent on factors which are beyond the control of the Issuer, for example, the performance of the Norwegian public sector loan market.

Impact of regulatory changes

The Issuer is subject to financial services laws, regulations, administrative actions and policies in Norway and in each other jurisdiction in which the Issuer carries on business. Changes in supervision and regulation, in particular in Norway, could materially affect the Issuer's business, the products and services offered or the value of its assets. Although the Issuer works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer.

Factors relating to KLP and the Keepwell Statement

The Keepwell Statement issued by KLP in connection with the Issuer and the establishment of the Programme is not a guarantee of the Issuer's payment obligations to Covered Bondholders or derivative counterparties, nor is it a guarantee of any other payment obligations of the Issuer. The current Keepwell Statement is valid until September 2015. There can be no assurance that KLP will provide a Keepwell Statement, in the same (or similar) format, once the current Keepwell Statement expires in September 2015. The involvement of KLP in the Programme does not extend beyond the provision of the Keepwell Statement. Nevertheless, the financial performance and wellbeing of KLP may be affected by a number of factors that could influence the continuance of the Keepwell Statement.

KLP is a specialised mutual insurance company that is attuned to the needs and requirements of a defined customer group, which, as a result of the mutual status of KLP, are also its owners. These close relations are generally considered to be one of the most important strategic advantages of KLP. However, this concentration on a single customer base could also potentially be construed as a latent risk factor. KLP is aware of both the strengths and potential weaknesses of its dominant market position in a concentrated market.

KLP's operational risk is associated with the risk of loss as a result of inadequacy or failure in its internal work processes and systems, as well as human error. To identify, monitor and continuously take the steps necessary to reduce the risk of loss is a daily management responsibility at all levels of the organisation. Annual documentation and confirmation is carried out on KLP's internal audit measures. The documentation is put to the Board together with a risk analysis and improvement measures. As part of the implementation of the new Solvency II regime KLP has to submit an annual ORSA (Own Risk and Solvency Assessment) to its Board of Directors. The first such report was submitted in June 2012.

Factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme

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

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

Risks applicable to all Covered Bonds

If the Issuer has the right to redeem any Covered Bonds at its option, this may limit the market value of the Covered Bonds 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 Covered Bonds. During any period when the Issuer may elect to redeem Covered Bonds, the market value of such Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

Covered Bonds 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.

Covered Bonds 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.

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

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

Covered Bonds 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 Covered Bonds, or premium to their nominal 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.

Extendable obligations under the Covered Bonds

The applicable Final Terms may provide that an Extended Maturity Date (as defined below) applies to each Series of Covered Bonds.

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

interest on the principal amount outstanding of the Covered Bonds in accordance with the applicable Final Terms, save in respect of Zero Coupon Covered Bonds.

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

Risks related to Covered Bonds generally

Set out below is a description of certain material risks relating to the Covered Bonds generally:

No events of default

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

Non-compliance with the Financial Institutions Act

Pursuant to the Norwegian Act of 1996 on Guarantee Schemes For Banks and Public Administration etc. of Financial Institutions, the managing director and the board of directors of the Issuer are under an obligation to file a report with the Financial Supervisory Authority of Norway (the “FSAN”) if there is reason to believe that the Issuer may fail to meet its capital adequacy and liquidity obligations under the Financial Institutions Act and appurtenant regulations. The FSAN shall, in collaboration with the Issuer, ascertain the necessary measures to be taken. If such measures are not initiated by the Issuer, the FSAN may also impose conditions and guidelines on the Issuer, for the purpose of ensuring that continued operation is performed satisfactorily.

If the Issuer is unable to meet its payment obligations towards the holders of Covered Bonds (illiquidity) and does not hold sufficient assets to cover its aggregate obligations (insufficiency), the holders of Covered Bonds may file a petition for bankruptcy against the Issuer.

Conflicting interests of other creditors

The rights of the holders of Covered Bonds and counterparties to derivatives agreements included in the Cover Pool rank *pari passu* with the claims of all other creditors of the Issuer (other than those preferred by law) but have a preferential right to the assets in the Cover Pool save for (i) costs incurred in connection with the operation, management, collection and realisation of the Cover Pool which shall be covered before the claims of the holders of Covered Bonds, and (ii) claims relating to the fees and expenses of a bankruptcy estate, which pursuant to the Norwegian Liens Act are secured by a first priority lien over all of the bankruptcy estate’s assets. Such lien will be limited to 700 times the standard Norwegian court fee (which at present is approximately NOK 602,000) in respect of each Cover Pool.

Insolvency of the Issuer

In the event of insolvency of the Issuer, the holders of Covered Bonds and the counterparties to derivatives agreement included in the Cover Pool have a preferential right to the assets in the Cover Pool, subject to the reservation for certain costs and bankruptcy estate fees described above.

Meetings of Covered Bondholders

The Terms and Conditions of the Covered Bonds and the VPS Trustee Agreement in respect of the VPS Covered Bonds contain provisions for calling meetings of Covered Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Covered Bondholders

including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to the majority.

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

The Terms and Conditions of the Covered Bonds are based on English law, other than (in the case of Covered Bonds other than VPS Covered Bonds) Condition 2(a) and (in the case VPS Covered Bonds) VPS Condition 2(a) which are based on Norwegian law, in each case, in effect as at the date of issue of the relevant Covered Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law, Norwegian law or administrative practice after the date of issue of the relevant Covered Bonds.

In June 2014, the Ministry issued its proposal for a new financial institutions act (the “**New Act**”) to the Norwegian Parliament. The Parliament is expected to ratify the proposal and enact the New Act into law in late 2014 or early 2015. The proposal for the New Act contains provisions for Covered Bonds similar to the provisions which are currently in force in Norway and as are described under “*Overview of Norwegian Legislation Relating to Covered Bonds*” below. It cannot be ruled out that the provisions in the New Act, when it is finally approved and enacted by the Norwegian Parliament, will differ from the proposal made by the Ministry. However, the Issuer is currently not aware of any proposal by the Norwegian Parliament to amend the provisions concerning Covered Bonds in the Ministry’s proposal. Further, if and when enacted, it is uncertain how the New Act will be interpreted and whether changes or amendments will be made to it which will affect Covered Bonds issued under the Programme.

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

Under Council Directive 2003/48/EC on the taxation of savings income (the “**EU 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 certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted Council Directive 2014/48/EU amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The amendments to the EU Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. 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.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

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).

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

Foreign Account Tax Compliance Withholding

While the Covered Bonds 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 ICSDs. 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 Covered Bonds are discharged once it has paid the ICSDs, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Prospective investors should refer to the section “*Taxation – Foreign Account Tax Compliance Act.*”

Risks related to the market generally

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

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

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

If an investor holds Covered Bonds 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 Covered Bonds could result in an investor not receiving payments on those Covered Bonds.

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

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

The value of Fixed Rate Covered Bonds may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

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

Fitch and Moody's are each expected to assign a credit rating to the Covered Bonds issued under the Programme although the Issuer may also issue unrated Covered Bonds. 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 Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No.1060/2009 (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).

Failure by the Issuer to meet its commitments under derivative contracts may affect the Issuer's ability to make payments under the terms of the Covered Bonds.

The Issuer may enter into derivative contracts to hedge interest rate risk, foreign exchange risk or liquidity risks. If the Issuer fails to make timely payments of the amounts due or certain other events occur in relation to the Issuer under a derivative contract, and any applicable grace period has expired, then the Issuer will have defaulted on that derivative contract. If the Issuer defaults under a derivative contract due to non-payment or otherwise, the relevant hedge counterparty will not be obliged to make further payments under that derivative contract and may terminate that derivative contract. If a hedge counterparty is not obliged to make payments, or if it exercises any right of termination it may have in relation to the derivative contract, or if it defaults in

its obligation to make payments under the derivative contract, the Issuer will be exposed to changes in currency exchange rates, interest rates or liquidity concerns (as applicable). Unless a replacement derivative contract is entered into, the Issuer may have insufficient funds to make payments due on the Covered Bonds.

SUPPLEMENT TO THE PROSPECTUS

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the Luxembourg Stock Exchange's website at www.bourse.lu and upon request, free of charge, from the registered office of the Issuer and the specified offices of the Paying Agents for the time being in London and Luxembourg.

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

- (a) the audited annual financial statements of the Issuer for the financial year ended 31 December 2012, including the information set out at the following pages of the Issuer's 'Annual Report 2012':

	<u>Page</u>
Income statement	8
Financial position statement	9
Statement of cash flows	11
Statement of owners' equity	10
Accounting policies and explanatory notes	12-28
Independent auditor's report	29-30

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive (the "**Prospectus Regulation**").

- (b) the audited annual financial statements of KLP Group for the financial year ended 31 December 2012, including the information set out at the following pages of the KLP 'Annual Report 2012':

	<u>Page</u>
Income statement	50
Financial position statement	51-52
Schedule of changes in owners' equity	53
Statement of cash flows	54
Notes to the accounts	55-105
Independent auditor's report	186-187

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (c) the audited annual financial statements of the Issuer for the financial year ended 31 December 2013, including the information set out at the following pages of the Issuer's 'Annual Report 2013':

	<u>Page</u>
Income statement	8
Balance sheet	9
Statement of owners' equity	10
Statement of cash flows	11
Accounting policies and explanatory notes	13-31
Independent auditor's report	32-33

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (d) the audited annual financial statements of KLP Group for the financial year ended 31 December 2013, including the information set out at the following pages of the KLP 'Annual Report 2013':

	<u>Page</u>
Income statement	67
Financial position statement	68
Schedule of changes in owners' equity	70
Statement of cash flows	71
Notes to the accounts	72-127
Independent auditor's report	212-213

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (e) the unaudited financial statements of the Issuer as at, and for the period ended, up to 31 March 2014, including the information set out in the following pages of the Issuer's 'Interim report Q1 2014':

	<u>Page</u>
Income statement	4
Balance sheet	5
Statement of owners' equity	6
Statement of cash flows	7
Notes to the accounts	8-16

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (f) the unaudited financial statements of KLP Group as at, and for the period ended, up to 31 March 2014, including the information set out in the following pages of the KLP 'Interim report 1/2014':

	<u>Page</u>
Income statement	8
Balance sheet	9
Statement of cash flows	11
Changes in owners' equity	10
Notes to the accounts	12-38

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (g) the unaudited financial statements of the Issuer as at, and for the period ended, up to 30 June 2014, including the information set out in the following pages of the Issuer's 'Interim report Q2 2014':

	<u>Page</u>
Income statement	5
Balance sheet	6
Statement of owners' equity	7
Statement of cash flows	8
Notes to the accounts	10-19

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (h) the unaudited financial statements of KLP Group as at, and for the period ended, up to 30 June 2014, including the information set out in the following pages of the KLP 'Interim report Q2 2014':

	<u>Page</u>
Income statement	9
Balance sheet	10
Changes in owners' equity	11

Statement of cash flows	12
Notes to the accounts	13-41

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (i) the unaudited financial statements of the Issuer as at, and for the period ended, up to 30 September 2014, including the information set out in the following pages of the Issuer's 'Interim report Q3 2014':

	<u>Page</u>
Income statement	4
Balance sheet	5
Statement of owners' equity	6
Statement of cash flows	7
Notes to the accounts	8-18

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (j) the unaudited financial statements of KLP Group as at, and for the period ended, up to 30 September 2014, including the information set out in the following pages of the KLP 'Interim report 3/2014':

	<u>Page</u>
Income statement	9
Balance sheet	10
Changes in Owner's equity	11
Statement of cash flows	12
Notes to the accounts	13-37

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (k) The Terms and Conditions of the Covered Bonds contained in the Base Prospectus dated 5 August 2010 on pages 50 to 77.
- (l) The Terms and Conditions of the Covered Bonds contained in the Base Prospectus dated 18 December 2013 on pages 47 to 74.

The annual and interim financial statements incorporated by reference herein can be viewed online at www.klp.no and will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

GENERAL DESCRIPTION OF THE PROGRAMME

The following is a brief overview only and should be read in conjunction with the rest of this Base Prospectus and, in relation to any Covered Bond, in conjunction with the applicable Final Terms and, to the extent applicable, the Terms and Conditions of the Covered Bonds set out herein. Any decision to invest in the Covered Bonds should be based on a consideration of the Base Prospectus as a whole, including the documents incorporated by reference.

Information relating to the Issuer

Description

KLP Kommunekreditt AS, a private limited liability company incorporated under the laws of Norway on 25 August 2009 with registration number 99426944. The registered office of the Issuer is Beddingen 8, 7014 Trondheim, Norway. The Financial Supervisory Authority of Norway granted the Issuer a licence to operate as a mortgage credit institution on 23 June 2009.

Business of the Issuer

The Issuer specialises in public sector lending in Norway. The Issuer is incorporated and domiciled in Norway and is part of the KLP group of companies (the “**KLP Group**”).

Information relating to KLP

Description

KLP was established in Norway in February 1949 to administer municipal pension schemes and in 1974 it received its charter as a mutual insurance company from the regulatory authorities. KLP is one of the largest pension and life insurance companies in Norway. KLP's legal name is Kommunal Landspensjonskasse gjensidig forsikringsselskap and it is registered in Oslo under registration number 938 798 606 with its registered office at Dronning Eufemias gate 10, 0109 Oslo, Norway. KLP's telephone number is +47 22 03 35 00.

Business of KLP

KLP is a mutual insurance company, and operates under the Act on Insurance Activity and the Financial Institutions Act and is under the supervision of the Financial Supervisory Authority of Norway.

Information relating to the Programme

Description

Covered Bond Programme

Arranger

Morgan Stanley & Co. International plc

Dealers

BNP Paribas

Commerzbank Aktiengesellschaft

Crédit Agricole Corporate and Investment Bank

Danske Bank A/S

Landesbank Baden-Württemberg

Morgan Stanley & Co. International plc

	Société Générale
	The Royal Bank of Scotland plc
	UBS Limited
	UniCredit Bank AG
Fiscal Agent	BNP Paribas Securities Services, Luxembourg Branch
Luxembourg Paying Agent	BNP Paribas Securities Services, Luxembourg Branch
VPS Trustee	Nordic Trustee ASA
VPS Agent	DnB Bank ASA
Registrar	BNP Paribas Securities Services, Luxembourg Branch
Transfer Agent	BNP Paribas Securities Services, Luxembourg Branch
Size	Up to €10,000,000,000 (or its equivalent in other currencies calculated as described in “ <i>General Description of the Programme</i> ”) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Euro, Sterling, U.S. dollars, Yen, Norwegian Kroner, Swedish Kroner, Swiss Franc and, subject to any applicable legal or regulatory restrictions and any applicable reporting requirements, any other currency agreed between the Issuer and the relevant Dealer (each a “ Specified Currency ”).
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as agreed between the Issuer and the relevant Dealer(s).
Issue Price	Covered Bonds may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of the Covered Bonds	The Covered Bonds will be issued in bearer form, registered form or, in the case of VPS Covered Bonds, uncertificated book-entry form, as described in “ <i>Form of the Covered Bonds</i> ” below. VPS Covered Bonds will not be evidenced by any physical covered bond or document of title. Entitlements to VPS Covered Bonds will be evidenced by the crediting of VPS Covered Bonds to accounts with the VPS.
Status of the Covered Bonds	The Covered Bonds are unsubordinated obligations issued in accordance with Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-chapter IV and appurtenant regulations (the “ Financial Institutions Act ”) and rank <i>pari passu</i> among themselves and with all other obligations of the Issuer that have been provided the same priority as debt

instruments issued pursuant to the Financial Institutions Act. To the extent that claims in relation to the Covered Bonds and related derivative agreements are not met out of the assets of the Issuer that are covered in accordance with the Financial Institutions Act, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer. In the event of the Issuer's bankruptcy, the costs of such bankruptcy will rank ahead of a claim for payment of the Covered Bonds. See also "*Overview of Norwegian Legislation Relating to Covered Bonds*".

Fixed Rate Covered Bonds

Covered Bonds may provide for interest based on a fixed rate ("**Fixed Rate Covered Bonds**"). Interest will be payable on Fixed Rate Covered Bonds on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).

Floating Rate Covered Bonds

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

- (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 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 Covered Bonds of the relevant Series); or
- (ii) on the basis of the reference rate set out in the applicable Final Terms.

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

Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms).

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

Zero Coupon Covered Bonds

Covered Bonds may provide that no interest is payable

Redemption

(“**Zero Coupon Covered Bonds**”). Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

The applicable Final Terms will indicate the scheduled maturity date of such Covered Bonds (the “**Maturity Date**”) and will also indicate whether such Covered Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or that such Covered Bonds will be redeemable at the option of the Issuer (“**Issuer Call**”) and/or at the option of the Covered Bondholders (“**Investor Put**”)), in each case upon giving not less than the minimum period nor more than the maximum period of irrevocable notice (as set out in the applicable Final Terms) to the Covered Bondholders or the Issuer, as the case may be, on a date or dates specified in the applicable Final Terms, at the maturity and at a price or prices and on such terms as are indicated in the Terms and Conditions of the Covered Bonds.

Unless previously redeemed or purchased and cancelled, each Covered Bond will be redeemed by the Issuer at at least 100 per cent. of its nominal value on its scheduled maturity date.

Extended Maturity Date

The applicable Final Terms may provide that an Extended Maturity Date applies to each Series of Covered Bonds.

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

As regards interest on Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter), the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds from the Maturity Date to the earlier of the Interest Payment Date

after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date and will be payable in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms on each Interest Payment Date after the Maturity Date at the rate provided for in the applicable Final Terms.

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

- (i) Fixed Interest Covered Bonds, Floating Rate Covered Bonds or Zero Coupon Covered Bonds, in respect of the period from the Issue Date to the Maturity Date; and
- (ii) Fixed Interest Covered Bonds or Floating Rate Covered Bonds in respect of the period from the Maturity Date to the Extended Maturity Date,

as set out in the applicable Final Terms.

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

Denomination of Covered Bonds

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency at the time of issue) or such other amount as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency.

Taxation

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

Payments will be subject in all cases to any fiscal and

	other laws and regulations as provided in Condition 4(b) (Payments subject to fiscal and other laws).
Over-collateralisation	Pursuant to the Financial Institutions Act, the Issuer is required to ensure that the prudent market value (determined in accordance with the Financial Institutions Act) of the Cover Pool does not at any time fall below the aggregate outstanding principal amount of all Covered Bonds issued under the Programme and any other mortgage covered bonds of the Issuer in issue at such time.
Negative Pledge	The Covered Bonds will not contain a negative pledge provision.
Cross Default and other Events of Default	The Covered Bonds will not contain a cross-default provision or any other events of default entitling holders of Covered Bonds to demand immediate redemption.
Approval, Listing and Admission to Trading	<p>Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme (other than VPS Covered Bonds) during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official list of the Luxembourg Stock Exchange.</p> <p>Applications may be made to list VPS Covered Bonds on the Oslo Stock Exchange or on the Alternative Bond Market operated by Oslo Børs. Any such applications will be in accordance with applicable laws and regulations governing the listing of VPS Covered Bonds on the Oslo Stock Exchange or on the Alternative Bond Market from time to time.</p> <p>Covered Bonds issued under the Programme may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Governing Law	The Covered Bonds and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law, except that the provisions of the Covered Bonds

Selling Restrictions

under (in the case of Covered Bonds other than VPS Covered Bonds) Condition 2(a) and (in the case of VPS Covered Bonds) VPS Condition 2(a) will be governed by, and construed in accordance with, Norwegian law.

VPS Covered Bonds must comply with the Norwegian Securities Register Act of 5 July 2002 no. 64, as amended from time to time and the holders of VPS Covered Bonds will be entitled to the rights and are subject to the obligations and liabilities which arise under this Act and any related regulations and legislation.

There are selling restrictions on the offer, sale and transfer of the Covered Bonds in the United States, the European Economic Area (including the United Kingdom and Norway) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds.

See “*Subscription and Sale*” below.

U.S. Selling Restrictions

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

Risk Factors

There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Covered Bonds issued under the Programme. These are set out under “*Risk Factors*” on page 9.

Liquidity Requirements

The Issuer has established systems for prudent liquidity management for the purpose of meeting its payment obligations in respect of interest and principal due and payable on the Covered Bonds issued by it from time to time in accordance with the requirements of the Act and Regulations.

See also “*Overview of Norwegian Legislation Relating to Covered Bonds*” below.

Representation of holders of Covered Bonds (other than VPS Covered Bonds):

There will not be a trustee.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in bearer form, registered form or, in the case of VPS Covered Bonds, uncertificated book-entry form.

Each Tranche of Bearer Covered Bonds will initially be represented by a Temporary Bearer Global Covered Bond without Coupons or Talons (each as defined in “*Terms and Conditions of the Covered Bonds*”) which will (i) if the global Covered Bonds are intended to be issued in NGCB form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the original issue date of the Tranche to a Common Depositary for, Euroclear and Clearstream, Luxembourg. Interests in the Temporary Bearer Global Covered Bond will be exchanged either for interests in a Permanent Bearer Global Covered Bond or, where specified in the applicable Final Terms (subject to such notice period as is specified in the Final Terms), for definitive Bearer Covered Bonds on or after the date (the “**Exchange Date**”) which is the later of (i) 40 days after the Temporary Bearer Global Covered Bond is issued and (ii) 40 days after completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue). Such exchange will be made only upon delivery of written certification to Euroclear and/or Clearstream, Luxembourg to the effect that the beneficial owner of such Covered Bonds is not a U.S. person or other person who has purchased such Covered Bonds for resale to, or on behalf of, U.S. persons and Euroclear and/or Clearstream, Luxembourg has given a like certification (based on the certification it has received) to the Fiscal Agent.

If an interest or principal payment date for any Covered Bonds occurs whilst such Covered Bonds are represented by a Temporary Bearer Global Covered Bond, the related interest or principal payment will be made only to the extent that certification of non-U.S. beneficial ownership has been received as described in the last sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Bearer Global Covered Bond will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Covered Bond is improperly withheld or refused. Payments of principal or interest (if any) on a Permanent Bearer Global Covered Bond will be made through Euroclear or Clearstream, Luxembourg (against presentation or surrender, as the case may be, of the Permanent Bearer Global Covered Bond if the Permanent Bearer Global Covered Bond is not intended to be issued in NGCB form) without any further requirement for certification. Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Covered Bonds*” below) the Fiscal Agent shall arrange that, where a further Tranche of Covered Bonds is issued, which is intended to form a single Series with an existing Tranche of Covered Bonds at a point after the Issue Date of the further Tranche, the Covered Bonds of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Covered Bonds 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 applicable to the Covered Bonds of such Tranche.

The applicable Final Terms will specify that either (i) a Permanent Bearer Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Covered Bonds with, where applicable, Coupons and Talons attached upon not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Covered Bond) to the Fiscal Agent as described therein or (ii) a Permanent Bearer Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Covered Bonds with, where applicable, Coupons and Talons attached only upon the occurrence of an Exchange Event as

described therein. “**Exchange Event**” means (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Issuer, the Fiscal Agent, the other Paying Agents and the Covered Bondholders is available or, unless otherwise specified in the applicable Final Terms, (ii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 6 (Taxation) which would not be required were the Covered Bonds represented by the Permanent Bearer Global Covered Bond in definitive bearer form and a certificate to such effect signed by two directors of the Issuer has been given to the Fiscal Agent. The Issuer will promptly give notice to Covered Bondholders in accordance with Condition 12 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Covered Bond) or the Covered Bondholders may give notice to the Fiscal Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Fiscal Agent and the Covered Bondholders requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Fiscal Agent.

As long as the Covered Bonds are represented by a Temporary Bearer Global Covered Bond, a Permanent Bearer Global Covered Bond or a Registered Global Covered Bond and Euroclear and/or Clearstream, Luxembourg so permit, the Covered Bonds will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000 notwithstanding that no definitive Covered Bonds will be issued with a denomination above €199,000.

The following legend will appear on all Bearer Covered Bonds (other than Temporary Bearer Global Covered Bonds), Coupons and Talons where TEFRA D is specified in the applicable Final Terms:

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

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

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

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

Payments of principal on the Registered Covered Bonds will be made on the relevant payment date to the persons shown on the Register at the close of business on the business day (being for this purpose a day on

which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date. Payments of interest on the Registered Covered Bonds will be made on the relevant payment date to the person in whose name such Covered Bonds are registered on the Record Date (as defined in Condition 4(c) (Presentation of Covered Bonds and Coupons)) immediately preceding such payment date.

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

For so long as any of the Covered Bonds are represented by a global Covered Bond held on behalf of Euroclear and/or Clearstream, Luxembourg or so long as the Covered Bond is a VPS Covered Bond, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg or the VPS, as the case may be, as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or its nominee or the VPS as to the nominal amount of such Covered Bonds 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, the Fiscal Agent and any other Paying Agent as the holder of such nominal amount of such Covered Bonds for all purposes other than (in the case only of Covered Bonds not being VPS Covered Bonds) with respect to the payment of principal or interest on the Covered Bonds, for which purpose, in the case of Covered Bonds represented by a Bearer Global Covered Bond, the bearer of the relevant Global Bearer Covered Bond shall be treated by the Issuer, the Fiscal Agent and any other Paying Agent as the holder of such Covered Bonds in accordance with and subject to the terms of the relevant global Covered Bond (and the expressions “**Covered Bondholder**” and “**holder of Covered Bonds**” and related expressions shall be construed accordingly).

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

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

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

Each Tranche of VPS Covered Bonds will be issued in uncertificated and dematerialised book-entry form. Legal title to the VPS Covered Bonds will be evidenced by book entries in the records of the VPS. Issues of VPS Covered Bonds will be issued with the benefit of the VPS Agency Agreement. On the issue of such VPS Covered Bonds, the Issuer will send a letter to the Fiscal Agent, with copies sent to the other Paying Agents and the VPS Trustee (the “**VPS Letter**”), which letter will set out the terms of the relevant issue of VPS Covered Bonds in the form of Final Terms attached thereto. On delivery of a copy of such VPS Letter including the applicable Final Terms to the VPS and notification to the VPS of the subscribers and their VPS account details by the relevant Dealer, the account operator acting on behalf of the Issuer will credit each subscribing account holder with the VPS with a nominal amount of VPS Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

Settlement of sale and purchase transactions in respect of VPS Covered Bonds in the VPS will take place three Oslo business days after the date of the relevant transaction. Transfers of interests in the relevant VPS Covered Bonds will take place in accordance with the rules and procedures for the time being of the VPS.

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

FORM OF FINAL TERMS

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

[Date]

KLP Kommunekreditt AS
Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]
under the €10,000,000,000 Covered Bond Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 11 December 2014 [and the supplement[s] to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State (the “**Prospectus Directive**”)) (the “**Base Prospectus**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement(s) thereto] [has/have] been published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Copies of Final Terms in relation to Covered Bonds to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[The following alternative language applies if the first Tranche of a Series which is being increased was issued under a Base Prospectus with an earlier date. N.B. when using a post – 1 July 2012 approved Base Prospectus to tap a previous issue under a pre – 1 July 2012 approved Base Prospectus, the final terms in the post – 1 July 2012 Base Prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [[5 August 2010] [18 December 2013]] which are incorporated by reference in the Base Prospectus dated 11 December 2014. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 11 December 2014 [and the supplement[s] to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

- | | | |
|---|--|--|
| 1 | (i) Series Number: | [●] |
| | (ii) Tranche Number: | [●] |
| | (iii) Date on which the Covered Bonds will be consolidated and form a single Series: | The Covered Bonds will be consolidated and form a single Series with <i>[provide issue amount/ISIN/maturity date/issue date of earlier Tranches]</i> on [the Issue Date/exchange of the Temporary Bearer Global Covered Bonds for interests in the Permanent Bearer Global Covered Bonds, as referred to in paragraph 21 below, which is expected to occur on or about <i>[date]</i>][Not Applicable] |
| 2 | Specified Currency or Currencies: | [●] |
| 3 | Aggregate Nominal Amount of Covered Bonds admitted to trading: | [●] |
| | [Series: | [●] |
| | [Tranche: | [●] |
| 4 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (if applicable)] |
| 5 | (i) Specified Denominations: | <p>[●]</p> <p><i>(N.B. Where multiple denominations above [€100,000] or equivalent are being used, the following sample wording should be followed:</i></p> <p><i>“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above €199,000”)</i></p> |
| | (ii) Calculation Amount: | [●] |
| 6 | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date: | [●] |
| | (a) Period to Maturity Date: | [●] |
| | (b) Period from Maturity Date up to Extended Maturity Date: | [Not Applicable] [Maturity Date] |

7	(i) Maturity Date:	[Specify date or for Floating rate Covered Bonds – Interest Payment Date falling in or nearest to [specify month and year]]
	(ii) Extended Maturity Date:	[Applicable/Not Applicable] [insert date] ¹ <i>[Extended Maturity Date may be applicable to all issues of Covered Bonds.]</i> [The Extended Maturity Date is [●]]
		In accordance with the Conditions and these Final Terms, if the Issuer fails to redeem the Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the principal amount outstanding of the Covered Bonds will automatically be extended up to one year to the Extended Maturity Date without constituting an event of default or giving holders of the Covered Bonds any right to accelerate payments on the Covered Bonds. In that event, the interest rate payable on and the interest periods and Interest Payment Dates, in respect of, the Covered Bonds, will change from those that applied up to the Maturity Date and the Issuer may redeem all or part of the principal amount outstanding of those Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date, all in accordance with the Conditions and these Final Terms. See Conditions 3(d) and 5(i).]
8	Interest Basis:	
	(i) Period to Maturity Date:	[[●] per cent. Fixed Rate] [[LIBOR/EURIBOR/STIBOR/NIBOR] +/- [●] per cent. Floating Rate] [Zero Coupon] (see paragraph [11/12/13] below)
	(ii) Period from Maturity Date up to Extended Maturity Date:	[Not Applicable] [[●] per cent. Fixed Rate] [[LIBOR/EURIBOR/STIBOR/NIBOR] +/- [●] per cent. Floating Rate]

¹ If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert “Not Applicable”.

9	Change of Interest Basis:	(see paragraph [14/15] below) [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [11/12] applies and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [11/12] applies][Not Applicable]
10	Put/Call Options:	[Investor Put] [Issuer Call] [(see paragraph [17/18] below)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE (TO MATURITY DATE)

11	Fixed Rate Covered Bond Provisions:	[Applicable/Not Applicable]
	(i) Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	[●] in each year up to and including the Maturity Date
	(iii) Fixed Coupon Amount(s):	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
	(v) Day Count Fraction:	[Actual/Actual (ICMA)] [30/360]
	(vi) Determination Date(s):	[[●] in each year] [Not Applicable]
12	Floating Rate Covered Bond Provisions:	[Applicable/Not Applicable]
	(i) Specified Period(s)/Specified Interest Payment Dates:	[●][, subject to adjustment in accordance with the Business Day Convention set out in (ii) below /, not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
	(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention [Not Applicable]]
	(iii) Additional Business Centre(s):	[●]
	(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):	[●]
	(vi) Screen Rate Determination:	

	– Reference Rate:	[] month [LIBOR/EURIBOR/STIBOR/NIBOR]
	– Interest Determination Date(s):	[Second London Business Day prior to the start of each Interest Period ² / First day of each Interest Period ³ / Second day on which the TARGET2 System is open prior to the start of each Interest Period ⁴ / <i>[insert other]</i>]
	– Relevant Screen Page:	[●]
	(vii) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
		<i>(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)</i>
	(viii) Linear Interpolation:	[Not Applicable/Applicable – the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]
	(ix) Margin(s):	[+/-][●] per cent. per annum
	(x) Minimum Rate of Interest:	[●] per cent. per annum
	(xi) Maximum Rate of Interest:	[●] per cent. per annum
	(xii) Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA)
13	Zero Coupon Covered Bond Provisions:	[Applicable/Not Applicable]
	(i) Accrual Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
	(iii) Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360]

² Use for LIBOR, except if euro or sterling LIBOR.

³ Use for sterling LIBOR.

⁴ Use for euro LIBOR or EURIBOR.

[Actual/365]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE (FROM MATURITY DATE UP TO EXTENDED MATURITY DATE)

14	Fixed Rate Covered Bond Provisions:	[Applicable/Not Applicable]
	(i) Rate(s) of Interest:	[Not Applicable] [●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	[Not Applicable] [●] in each month up to and including the Extended Maturity Date
	(iii) Fixed Coupon Amount(s):	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
	(v) Day Count Fraction:	[Not Applicable] [Actual/Actual (ICMA)] [30/360]
	(vi) Determination Date(s):	[Not Applicable] [●] in each year
15	Floating Rate Covered Bond Provisions:	[Applicable/Not Applicable]
	(i) Specified Period(s)/Specified Interest Payment Dates:	[Not Applicable] [[●]], subject to adjustment in accordance with the Business Day Convention set out in (ii) below /, not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]]
	(ii) Business Day Convention:	[Not Applicable] [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention[Not Applicable]]
	(iii) Additional Business Centre(s):	[Not Applicable] [●]
	(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Not Applicable] [Screen Rate Determination/ISDA Determination]
	(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):	[Not Applicable] [●]
	(vi) Screen Rate Determination:	[Not Applicable]
	– Reference Rate:	[] month [LIBOR/EURIBOR/STIBOR/NIBOR]

– Interest Determination Date(s):	[Second London Business Day prior to the start of each Interest Period ⁵ / First day of each Interest Period ⁶ / Second day on which the TARGET2 System is open prior to the start of each Interest Period ⁷ / <i>[insert other]</i>]
– Relevant Screen Page:	[●]
(vii) ISDA Determination:	[Not Applicable]
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(viii) Linear Interpolation:	[Not Applicable/Applicable – the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]
(ix) Margin(s):	[Not Applicable] [+/-][●] per cent. per annum
(x) Minimum Rate of Interest:	[Not Applicable] [●] per cent. per annum
(xi) Maximum Rate of Interest:	[Not Applicable] [●] per cent. per annum
(xii) Day Count Fraction:	[Not Applicable] [Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360]

PROVISIONS RELATING TO REDEMPTION

16	Notice Periods for Condition 5(b):	Minimum period: [30] days Maximum period: [60] days
17	Issuer Call:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) :	[●] per Calculation Amount

⁵ Use for LIBOR, except if euro or sterling LIBOR.

⁶ Use for sterling LIBOR.

⁷ Use for euro LIBOR or EURIBOR.

	(iii) If redeemable in part:	
	Minimum Redemption Amount:	[●] per Calculation Amount
	Higher Redemption Amount:	[●] per Calculation Amount
	(iv) Notice periods:	Minimum period: [15] days Maximum period: [30] days
18	Investor Put:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Covered Bond:	[●] per Calculation Amount
	(iii) Notice periods:	Minimum period: [15] days Maximum period: [30] days
19	Final Redemption Amount of each Covered Bond:	[●] per Calculation Amount
20	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default:	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21	Form of Covered Bonds:	
	(i) Form:	<p>[Bearer Covered Bonds:</p> <p>Temporary Bearer Global Covered Bond exchangeable for a Permanent Bearer Global Covered Bond which is exchangeable for Definitive Bearer Covered Bonds [on not less than 60 days' notice given at any time/only upon an Exchange Event]]</p> <p>[Temporary Bearer Global Covered Bond exchangeable for Definitive Covered Bonds on and after the Exchange Date on [●] days' notice given at any time]</p> <p>[Permanent Global Covered Bond exchangeable for Definitive Covered Bonds [on not less than 60 days' notice given at any time/only upon an Exchange Event]]</p> <p>[Registered Covered Bonds: [●] nominal amount/ Definitive Registered Covered Bonds (<i>specify nominal amounts</i>)]</p> <p>[VPS Covered Bonds issued in uncertificated book-entry form]</p>

- | | | |
|----|---|--|
| 22 | (ii) New Global Covered Bond:
Additional Financial Centre(s): | [Yes] [No]
[Not Applicable/give details]
<i>(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 12(iii) and 15(iii) relate)</i> |
| 23 | Talons for future Coupons to be attached to Covered Bonds in definitive form: | [Yes, as the Covered Bonds 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] |

Signed on behalf of the Issuer:

.....

By: [●]
 Duly authorised

PART B — OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING:

- (i) Application for admission to [Luxembourg Stock Exchange's regulated market]/[•]
trading has been made to:
- (ii) Date from which admission is/will [•]
be effective:
- (iii) Estimate of total expenses related [•]
to admission to trading:
- (iv) Listing: [Official List of the Luxembourg Stock Exchange]/[•]

2 RATINGS:

[The Covered Bonds [have been]/[are expected to be]
assigned the following ratings by:

[Fitch: [•]]

[Moody's: [•]]

[[Other]: [•]]

[Not Applicable]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer.] The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *[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 Base Prospectus under Article 16 of the Prospectus Directive.)]

4 [YIELD: (Fixed Rate Covered Bonds only)

Indication of yield: [•]

5 OPERATIONAL INFORMATION:

- (i) ISIN: [•]
- (ii) Common Code: [•]
- (iii) Any clearing system(s) other than [Not Applicable/(give name(s) and number(s))/
Euroclear, Clearstream, Verdipapirsentralen, Norway. VPS identification
Luxembourg or Swiss Securities number: [•]. The Issuer shall be entitled to obtain
Services Corporation (together with certain information from the register maintained by the
the address of each such clearing VPS for the purposes of performing its obligations
system) and the relevant under the issue of VPS Covered Bonds.]
identification number(s):

- | | |
|--|---|
| (iv) Names and addresses of additional Paying Agent(s) (including any Swiss Paying Agents or Principal Swiss Paying Agent) (if any): | [●] |
| (v) Intended to be held in a manner which would allow Eurosystem eligibility: | <p>[Yes. Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Covered Bonds will be recognized 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.]</p> <p>[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]. Note that this does not necessarily mean that the Covered Bonds 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.]</p> |
| (vi) Calculation Agent: | [●] |
- 6 **U.S. SELLING RESTRICTIONS**
- | | |
|--------------------------|---|
| (i) TEFRA applicability: | [TEFRA D/TEFRA not applicable/TEFRA D (Swiss Practice)] |
|--------------------------|---|

TERMS AND CONDITIONS OF THE COVERED BONDS (OTHER THAN THE VPS COVERED BONDS)

The following are the Terms and Conditions of the Covered Bonds (other than VPS Covered Bonds) (the “Conditions”) which will be incorporated by reference into each global Covered Bond and each definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such definitive Covered Bond will have endorsed thereon or attached thereto such Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each global Covered Bond and definitive Covered Bond. Reference should be made to “Form of the Covered Bonds” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by KLP Kommunekreditt AS (the “**Issuer**”) pursuant to an Agency Agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated 5 August 2010 between the Issuer and the Fiscal Agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented from time to time, the “**Deed of Covenant**”) dated 18 December 2013 executed by the Issuer in relation to the Covered Bonds.

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

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

and shall exclude Covered Bonds cleared through the Norwegian Central Securities Depository, the *Verdipapirsentralen* (“**VPS Covered Bonds**” and the “**VPS**”, respectively).

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

The final terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms which are attached to or endorsed on this Covered Bond. Part A of the Final Terms (or such relevant provisions thereof) must be read in conjunction with these Conditions. References to the “**applicable Final Terms**” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) which are attached to or endorsed on this Covered Bond. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in the relevant Member State of the European Economic Area and includes any relevant implementing measure in the relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Interest-bearing definitive Bearer Covered Bonds have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to

Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Registered Covered Bonds, in definitive or global form, do not have Coupons attached on issue.

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

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

Copies of the Agency Agreement and the Deed of Covenant are obtainable during normal business hours at the specified office of each of the Paying Agents, the Registrar and the Transfer Agents. If this Covered Bond is admitted to trading on the Luxembourg Stock Exchange’s regulated market, the applicable Final Terms will also be available for viewing on the website of the Luxembourg Stock Exchange at www.bourse.lu. The Covered Bondholders and the Couponholders are deemed to have notice of all the provisions of the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these 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 Conditions unless the context otherwise requires or unless otherwise stated and provided that in the event of any inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1 Form, Denomination and Title

The Covered Bonds are in bearer form (“**Bearer Covered Bonds**”) or registered form (“**Registered Covered Bonds**”) as specified in the applicable Final Terms and, in the case of definitive Covered Bonds, serially numbered, in the currency (the “**Specified Currency**”) and the denomination (the “**Specified Denomination(s)**”) specified in the applicable Final Terms, provided that in the case of any Covered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Covered Bonds). Save as provided in Condition 9 (*Transfer and Exchange of Registered Covered Bonds*), Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

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

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

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

Fixed Rate Covered Bonds, Floating Rate Covered Bonds or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms in respect of the period from the Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

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

Subject as set out below, title to the Bearer Covered Bonds and Coupons will pass by delivery and title to the Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and the Replacement Agent (as defined in the Agency Agreement), the Registrar, any Transfer Agent and any Paying Agent may deem and treat the bearer of any Bearer Covered Bond or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph, and the expressions “**Covered Bondholder**” and “**holder of Covered Bonds**” and related expressions shall be construed accordingly.

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

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

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

2 Status of the Covered Bonds and Overcollateralisation

(a) Status of the Covered Bonds

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

(b) Overcollateralisation

For so long as Covered Bonds are outstanding, the value of the Cover Pool entered into the Register shall at all times be no lower than 116 per cent. of the then outstanding principal amount of the Covered Bonds or the Issuer may select an alternative percentage figure from time to time and notify it to the Fiscal Agent, Moody’s and Fitch (the “**Alternative Committed Overcollateralisation Percentage**”), provided that:

- (i) the Alternative Committed Overcollateralisation Percentage shall not, for as long as the Covered Bonds are outstanding, be less than 100 per cent. of the then outstanding principal amount of the Covered Bonds; and
- (ii) the credit rating assigned to the Covered Bonds is no less than Aaa (in the case of Moody’s) or AAA (in the case of Fitch); and
- (iii) each of Moody’s and Fitch has confirmed in writing to the Issuer that the selection of an Alternative Committed Overcollateralisation Percentage would not affect the then current rating of the Covered Bonds by such rating being reduced, removed, suspended or placed on creditwatch.

3 Interest

(a) Interest on Fixed Rate Covered Bonds

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

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

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

If interest is required to be calculated for a period other than a Fixed Interest Period or if no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day

Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

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

In these Conditions:

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

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

(b) *Interest on Floating Rate Covered Bonds*

(i) Interest Payment Dates

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

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(B) over, 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 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 each Additional Business Centre specified in the applicable Final Terms; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to interest payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (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 Covered Bonds will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent under an interest rate swap transaction if the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent were acting as Calculation Agent (as such term is defined in the ISDA Definitions) for that swap transaction under the terms of an agreement incorporating the 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 Covered Bonds (the “**ISDA Definitions**”) and under which:

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

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

(B) Screen Rate Determination for Floating Rate Covered Bonds

- (1) 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:

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at either 11.00 a.m.

London time in the case of LIBOR, 11.00 a.m. Brussels time in the case of EURIBOR, 11.00 a.m. Stockholm time in the case of STIBOR or 12:00 noon Oslo time in the case of NIBOR on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

- (2) If the Relevant Screen Page is not available or if, in the case of (i) no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at either 11.00 a.m. London time in the case of LIBOR, 11.00 a.m. Brussels time in the case of EURIBOR, 11.00 a.m. Stockholm time in the case of STIBOR or 12:00 noon Oslo time in the case of NIBOR, the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is STIBOR, the principal Stockholm office of each of the Reference Banks or, if the Reference Rate is NIBOR, the principal Oslo office of each of the Reference Banks, to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is STIBOR, at approximately 11.00 a.m. (Stockholm time), or if the Reference Rate is NIBOR, at approximately 12:00 noon. (Oslo time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent.
- (3) If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph (2), the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent, determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is STIBOR, at approximately 11.00 a.m. (Stockholm time), or if the Reference Rate is NIBOR, at approximately

12:00 noon (Oslo time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is STIBOR, at approximately 11.00 a.m. (Stockholm time), or if the Reference Rate is NIBOR, at approximately 12:00 noon (Oslo time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) 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 Condition, 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).

In these Conditions:

“**EURIBOR**” means the Euro-zone inter-bank offered rate;

“**LIBOR**” means the London inter-bank offered rate;

“**NIBOR**” means the Norwegian inter-bank offered rate; and

“**STIBOR**” means the Stockholm inter-bank offered rate.

(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 Condition 3(b)(ii) over 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 Condition 3(b)(ii) over is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest Rate.

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

The Fiscal Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Fiscal Agent will calculate the amount of interest (the “**Interest Amount**”) payable per Calculation Amount in respect of the Floating Rate Covered Bonds for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

- (i) if “Actual/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 (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iv) 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;
- (v) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (vi) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left[360 \times (Y_2 - Y_1) \right] + \left[30 \times (M_2 - M_1) \right] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” 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

“D2” 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;

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

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

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” 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

“D2” 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; and

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

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

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” 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 D1 will be 30; and

“D2” 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 D2 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

Fiscal 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 Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Fiscal Agent, each of the other Paying Agents, the Covered Bondholders and any stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 12 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and to the Covered Bondholders in accordance with Condition 12 (*Notices*). For the purposes of this paragraph, the expression **“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 and Luxembourg.

(vii) Certificates to be Final

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

(c) *Accrual of Interest*

Subject as provided in Condition 3(d) (Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date), each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue in accordance with these Conditions.

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

- (i) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 5(i) (*Extension of Maturity up to Extended Maturity Date*), the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date, subject to Condition 3(c) (Accrual of Interest). In that event, interest shall be payable on those Covered Bonds at the rate determined in accordance with Condition 3(d)(ii) on the principal amount outstanding of the Covered Bonds in arrear on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date, subject as otherwise provided in the applicable Final Terms. The final Interest Payment Date shall fall no later than the Extended Maturity Date.
- (ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 5(i) (*Extension of Maturity up to Extended Maturity Date*), the rate of interest payable from time to time in respect of the principal amount outstanding of the Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Fiscal Agent so specified, two Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.
- (iii) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 3(d) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
- (iv) This Condition 3(d) shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds (in full) on the Maturity Date (or within two Business Days thereafter) and the maturity of those Covered Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 5(i) (*Extension of Maturity up to Extended Maturity Date*).

4 Payments

(a) *Method of Payment*

Subject as provided below:

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

(b) *Payment subject to fiscal and other laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 6 (*Taxation*)) any law implementing an intergovernmental approach thereto. References to “**Specified Currency**” will include any successor currency under applicable law.

(c) *Presentation of Covered Bonds and Coupons*

Payments of principal in respect of definitive Bearer Covered Bonds will (subject as provided below) be made in the manner provided in Condition 4(a) over only against presentation and surrender of definitive Bearer Covered Bonds, and payments of interest in respect of definitive Bearer Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

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

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

If the due date for redemption of any definitive Bearer Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such definitive Bearer Covered Bond from (and including) the

preceding Interest Payment Date or Interest Commencement Date, as the case may be, shall be payable only against surrender of the relevant definitive Bearer Covered Bond.

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

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

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

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

Payments of principal in respect of Registered Covered Bonds (whether in definitive or global form) will be made in the manner provided in Condition 4(a) over to the persons in whose name such Covered Bonds are registered (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date against presentation and surrender of such Covered Bonds at the specified office of the Registrar or a Transfer Agent in Luxembourg.

Payments of interest due on a Registered Covered Bond (whether in definitive or global form), other than the final instalment, will be made in the manner specified in Condition 4(a) to the person in whose name such Covered Bond is registered (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form at the close of business on the 15th day (whether or not such 15th day is a business day (being for this purpose a day on which banks are open

for business in the city where the specified office of the Registrar is located) (the “**Record Date**”)) prior to such due date.

If payment in respect of any Registered Covered Bonds is required by credit or transfer as referred to in Condition 4(a) over, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

(d) *Payment Day*

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which is (subject to Condition 7 (*Prescription*)):

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the case of Covered Bonds in definitive form, 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 dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(e) *Interpretation of Principal and Interest*

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

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

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

(f) *Transfer Restriction**

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

(g) *Discharge of the Issuer**

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

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

5 Redemption and Purchase

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date, subject as provided below if an Extended Maturity Date is specified in the applicable Final Terms.

(b) *Redemption for Tax Reasons*

Subject to Condition 5(e) under, the Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Fiscal Agent and, in accordance with Condition 12 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Covered Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Norway or any political subdivision or any authority thereof or any authority or agency therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Covered Bonds; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent 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 an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer shall, having given:

- (i) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders in accordance with Condition 12 (*Notices*); and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Fiscal Agent and (in the case of a redemption of Registered Covered Bonds) the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, 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 Higher Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, the Covered Bonds (or, as the case may be, parts of Registered Covered Bonds) to be redeemed (“**Redeemed Covered Bonds**”) will, (i) in the case of Redeemed Covered Bonds represented by definitive Covered Bonds, be selected individually by lot without involving any part only of a Bearer Covered Bond, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Covered Bonds represented by a global Covered Bond, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg or the SIS (to be reflected in the records of Euroclear, Clearstream, Luxembourg or the SIS, as the case may be, as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Covered Bonds represented by definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 12 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Calculation Amount, and the aggregate nominal amount of Redeemed Covered Bonds represented by a global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds.

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 12 (*Notices*) not less than the

minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem in whole (but not in part), such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

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

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

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

(e) *Early Redemption Amounts*

For the purpose of Condition 5(b) over:

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

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

where:

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

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

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

(and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable and the denominator will be 365).

(f) *Purchases*

The Issuer, KLP or any of their respective subsidiaries may at any time purchase beneficially or procure others to purchase beneficially for its account Covered Bonds (provided that, in the case of definitive Bearer Covered Bonds, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

(g) *Cancellation*

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of definitive Bearer Covered Bonds and Coupons attached thereto or surrendered therewith at the time of redemption). The details of all Covered Bonds so cancelled (together, in the case of definitive Bearer Covered Bonds and Coupons cancelled therewith) shall be forwarded to the Fiscal Agent.

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

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Condition 5(a), 5(b), 5(c) or 5(d) over is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 5(e)(ii) over as though the references therein to the date fixed for the redemption were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Fiscal Agent or the Registrar and notice to that effect has been given to the Covered Bondholders in accordance with Condition 12 (*Notices*).

(i) *Extension of Maturity up to Extended Maturity Date*

- (i) An Extended Maturity Date may be specified in the applicable Final Terms as applying to each Series of Covered Bonds.
- (ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Conditions will be automatically extended up to but no later than the Extended Maturity Date. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date. The Issuer shall give to the Covered Bondholders (in accordance with Condition 12 (*Notices*)) and the Paying Agents, notice of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date.
- (iii) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final

Terms, for the purposes of this Condition 5(i) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

- (iv) Any extension of the maturity of Covered Bonds under this Condition 5(i) shall be irrevocable. Where this Condition 5(i) applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 5(i) shall not constitute an event of default for any purpose or give any Covered Bondholder any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Conditions.
- (v) In the event of the extension of the maturity of Covered Bonds under this Condition 5(i), interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 3(d) (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date*).
- (vi) If the maturity of any Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 5(i), subject as otherwise provided for in the applicable Final Terms, for so long as any of those Covered Bonds remains in issue, the Issuer shall not issue any further covered bonds, unless the proceeds of issue of such further covered bonds are applied by the Issuer on issue in redeeming in whole or in part the relevant Covered Bonds in accordance with the terms hereof.
- (vii) This Condition 5(i) shall only apply to Covered Bonds to which an Extended Maturity Date is specified in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds in full on the Maturity Date (or within two Business Days thereafter).
- (viii) For the avoidance of doubt, Clause 14 of the Agency Agreement (“**Clause 14**”) imposes an obligation on:
 - (1) the Issuer to notify the Fiscal Agent of the Issuer’s intention with respect to redemption of the Covered Bonds on, or extension of, the Maturity Date no later than five Business Days (as defined in Clause 14) prior to the Maturity Date of the Covered Bonds;
 - (2) the Fiscal Agent to notify Euroclear and Clearstream, Luxembourg or the SIS, as the case may be, of the Issuer’s instructions under (1) above promptly upon receipt thereof (and in any event by no later than three Business Days (as defined in Clause 14) prior to the Maturity Date of the Covered Bonds; and
 - (3) the Fiscal Agent to notify Euroclear and Clearstream, Luxembourg or the SIS, as the case may be, of the Issuer’s intention to redeem the Covered Bonds on any Interest Payment Date falling in any month after the Maturity Date up to (and including) the Extended Maturity Date promptly upon receipt of the Issuer’s notification as required under this Condition 5(i).

6 Taxation

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

such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Covered Bonds or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond or Coupon:

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

As used herein, the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 12 (*Notices*).

7 Prescription

The Covered Bonds (whether in bearer, registered or uncertificated book-entry form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6 (*Taxation*)) therefor.

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

8 Replacement of Covered Bonds, Coupons and Talons

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

9 Transfer and Exchange of Registered Covered Bonds

(a) *Form of Registered Covered Bonds*

Registered Covered Bonds of each Tranche sold outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended (the “**Securities Act**”), will initially be represented by a permanent global Covered Bond in registered form, without interest coupons (the “**Registered Global Covered Bond**”), deposited with a Common Depositary for the accounts of Euroclear and Clearstream, Luxembourg. Covered Bonds in definitive form issued in exchange for Registered Global Covered Bonds or otherwise sold or transferred in reliance on Regulation S under the Securities Act, together with the Registered Global Covered Bonds, are referred to herein as “**Registered Covered Bonds**”. Beneficial interests in a Registered Global Covered Bond may be held only through Euroclear, or Clearstream, Luxembourg.

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

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

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

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

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

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

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will be transferable and exchangeable for Covered Bonds in definitive form or for a beneficial interest in another Registered

Global Covered Bond only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be (the “**Applicable Procedures**”).

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms) by the holder or holders surrendering the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Fiscal Agent and the Registrar, or as the case may be, the relevant Transfer Agent prescribe, including any restrictions imposed by the Issuer on transfers of Registered Covered Bonds originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three Business Days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Registered Covered Bond in definitive form of a like aggregate nominal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

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

(d) Registration of transfer upon partial redemption

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

(e) Closed Periods

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

(f) Costs of exchange or registration

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

10 Fiscal Agent, Paying Agents, Transfer Agents and Registrar

The names of the initial Fiscal Agent, the initial Registrar and the other initial Paying Agents and the initial Transfer 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 or the Registrar or any Transfer Agent or any Calculation Agent and/or appoint additional or other Paying Agents or additional or other Registrars, Transfer Agents or Calculation Agents and/or approve any change in the specified office through which any Paying Agent, Registrar, Transfer Agent or Calculation Agent acts, provided that:

- (i) so long as the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a Paying Agent (which may be the Fiscal Agent), in the case of Bearer Covered Bonds, and a Transfer Agent (which may be the Registrar), in the case of Registered Covered Bonds, with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority;
- (ii) in the case of Bearer Covered Bonds there will at all times be a Paying Agent (which may be the Fiscal Agent) with a specified office in a city in continental Europe outside Norway;
- (iii) there will at all times be a Fiscal Agent;
- (iv) in the case of Registered Covered Bonds there will at all times be a Transfer Agent having a specified office in a place approved by the Fiscal Agent; and
- (v) in the case of Registered Covered Bonds, there will at all times be a Registrar with a specified office outside the United Kingdom and, so long as the Covered Bonds are listed on any Stock Exchange, in such place as may be required by the rules and regulations of the relevant Stock Exchange; and
- (vi) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the eleventh paragraph of Condition 4(c) (*Presentation of Covered Bonds and Coupons*).

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

Notice of any variation, termination, appointment or change in Paying Agents will be given to the Covered Bondholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

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

11 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 7 (*Prescription*).

12 Notices

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

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

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

Notwithstanding the provisions of this Condition 12, so long as the Covered Bonds are listed on the SIX Swiss Exchange and so long as the rules of the SIX Swiss Exchange so require (and provided that the Covered Bonds are not listed on another stock exchange or admitted to trading by another relevant authority (in which case the notice will also be published in accordance with the rules of such stock exchange or authority)), notices in respect of such Covered Bonds will be validly given through the Principal Swiss Paying Agent by means of publication in the internet website of the SIX Swiss Exchange (www.six.com). In addition, the Principal Swiss Paying Agent may also publish any such notices by other means in accordance with the rules of the SIX Swiss Exchange. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

13 Meetings of Covered Bondholders

The Agency Agreement contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Covered Bonds, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer or the Covered Bondholders if required in writing by Covered Bondholders holding not less than 5 per cent. in nominal amount of the Covered Bonds for the time being remaining outstanding (as defined in the Agency Agreement). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Covered Bonds for the time being outstanding (as defined in the Agency Agreement), or at any adjourned meeting one or more persons being or representing Covered Bondholders whatever the nominal amount of the Covered Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Covered Bonds or Coupons or the Agency Agreement (including modifying the date of maturity of the Covered Bonds or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Covered Bonds or altering the currency of payment of the Covered Bonds or Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Covered Bonds for the time being outstanding (as defined in the Agency Agreement), or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the Covered Bonds for the time being outstanding (as defined in the Agency Agreement). An Extraordinary Resolution passed at any meeting of the Covered Bondholders shall be binding on all the Covered Bondholders, whether or not they are present at the meeting, and on all Couponholders.

14 Further Issues

Save where to do so would adversely affect the credit rating of the then outstanding Covered Bonds, the Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or Couponholders to create and issue further covered bonds (“**Further Covered Bonds**”) having terms and conditions the same as the Covered Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds.

15 Contracts (Rights of Third Parties) Act 1999

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

16 Governing law and submission to jurisdiction

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

Proceedings relating to any non-contractual obligations arising out of or in connection with the Covered Bonds and the Coupons.

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

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

The Issuer appoints Law Debenture Corporate Services Limited at 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Fiscal Agent as its agent for service of process in England in respect of any Proceedings.

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

TERMS AND CONDITIONS OF THE VPS COVERED BONDS

The following are the Terms and Conditions of the VPS Covered Bonds (the “VPS Conditions”). VPS Covered Bonds will not be evidenced by any physical covered bond or document of title other than statements of account made by the VPS. Ownership of VPS Covered Bonds will be recorded and transfer effected only through the book-entry system and register maintained by the VPS. Reference should be made to “Form of the Covered Bonds” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant VPS Covered Bonds.

This VPS Covered Bond is one of a Series (as defined below) of VPS Covered Bonds issued by KLP Kommunekreditt AS (the “**Issuer**”) pursuant to the trustee agreement (such trustee agreement as modified and/or supplemented and/or restated from time to time, the “**VPS Trustee Agreement**”) dated 5 August 2010 made between the Issuer and Nordic Trustee ASA (the “**VPS Trustee**”, which expression shall include any successor as VPS Trustee).

References herein to the “**VPS Covered Bonds**” shall be references to the VPS Covered Bonds of this Series and shall mean Covered Bonds cleared through the Norwegian Central Securities Depository, the Verdicapirsentralen (“**VPS Covered Bonds**” and the “**VPS**”, respectively).

The VPS Covered Bonds have the benefit of a VPS Agency Agreement (as amended or supplemented from time to time, the “**VPS Agency Agreement**”) dated 28 May 2010 between the Issuer and DnB Bank ASA (the “**VPS Agent**”, which expression shall include any successor as VPS Agent).

The VPS Trustee, the VPS Agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**VPS Trustee**”, the “**VPS Agent**” and the “**Calculation Agent**”. Each Tranche of VPS Covered Bonds will be created and held in uncertificated book-entry form in accounts with the VPS. The VPS Agent will act as agent of the Issuer in respect of all dealings with the VPS in respect of VPS Covered Bonds.

The final terms for this VPS Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms which supplement these VPS Conditions. Part A of the Final Terms (or such relevant provisions thereof) must be read in conjunction with these VPS Conditions. References to the “**applicable Final Terms**” are to Part A of the Final Terms (or the relevant provisions thereof) which supplement these VPS Conditions. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in the relevant Member State of the European Economic Area and includes any relevant implementing measure in the relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

The VPS Trustee acts for the benefit of the VPS Covered Bondholders in accordance with the provisions of the VPS Trustee Agreement and these VPS Conditions.

In these VPS Conditions, “**VPS Covered Bondholders**” means the holders for the time being of the VPS Covered Bonds; the “**Terms and Conditions of the Covered Bonds**” means the terms and conditions of Covered Bonds (other than VPS Covered Bonds) issued by the Issuer pursuant to the agency agreement dated 5 August 2010 entered into between the Issuer and the fiscal agent and the other agents named therein (such agency agreement as amended or supplemented from time to time, the “**Agency Agreement**”); “**Covered Bonds**” means (i) Bearer Covered Bonds (as defined in the Terms and Conditions of the Covered Bonds) and Registered Covered Bonds (as defined in the Terms and Conditions of the Covered Bonds) issued by the Issuer pursuant to the Agency Agreement, and (ii) VPS Covered Bonds; and “**Covered Bondholders**” shall have the meaning ascribed to it under the Terms and Conditions of the Covered Bonds.

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

of VPS Covered Bonds 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.

Copies of the VPS Trustee Agreement and the VPS Agency Agreement are obtainable during normal business hours at the specified office of the VPS Agent and at the registered office for the time being of the VPS Trustee at Haakon VII's Gate 1, 0161, Oslo, Norway. Copies of the applicable Final Terms may be obtained, upon request, free of charge, from the registered office of the Issuer, the specified office of the VPS Agent and at the registered office for the time being of the VPS Trustee save that, if this VPS Covered Bond 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, the applicable Final Terms will only be obtainable by a VPS Covered Bondholder holding one or more VPS Covered Bonds and such VPS Covered Bondholder must produce evidence satisfactory to the Issuer, the VPS Agent and/or the VPS Trustee as to its holding of such VPS Covered Bonds and identity. The VPS Covered Bondholders are deemed to have notice of all the provisions of the VPS Trustee Agreement, the VPS Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these VPS Conditions include summaries of, and are subject to, the detailed provisions of the VPS Trustee Agreement and the VPS Agency Agreement.

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

1 Form, Denomination and Title

The VPS Covered Bonds are in uncertificated book-entry form in the currency (the “**Specified Currency**”) and the denomination (the “**Specified Denomination(s)**”) specified in the applicable Final Terms, provided that in the case of any VPS Covered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant VPS Covered Bonds). VPS Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds, VPS or otherwise, of another Specified Denomination. VPS Covered Bonds will be registered with a separate securities identification code in the VPS.

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

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

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

Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

The holder of a VPS Covered Bond will be the person evidenced as such by a book entry in the records of the VPS. Title to the VPS Covered Bonds will pass by registration in the registers between the direct or indirect accountholders at the VPS in accordance with the rules and procedures of the VPS. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant VPS Covered Bond.

For so long as the Covered Bond is a VPS Covered Bond, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of the VPS as the holder of a particular nominal amount of such VPS Covered Bonds (in which regard any certificate or other document issued by such clearing system as to the nominal amount of such VPS Covered Bonds standing to the account of any person shall, save in the case of manifest error, be conclusive and binding for all purposes, including any form of statement or print out of electronic records provided by such clearing system in accordance with its usual procedures and in which the holder of a particular nominal amount of such VPS Covered Bonds is clearly identified together with the amount of such holding) shall be treated by the Issuer, the VPS Trustee and the VPS Agent as the holder of such nominal amount of such VPS Covered Bonds for all purposes.

VPS Covered Bonds will be transferable only in accordance with the rules and procedures for the time being of the VPS.

2 Status of the VPS Covered Bonds and Overcollateralisation

(a) Status of the VPS Covered Bonds

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

(b) Overcollateralisation

For so long as VPS Covered Bonds are outstanding, the value of the Cover Pool entered into the Register shall at all times be no lower than 116 per cent. of the outstanding principal amount of the VPS Covered Bonds or the Issuer may select an alternative percentage figure from time to time and notify it to the Fiscal Agent, Moody's and Fitch (the “**Alternative Committed Overcollateralisation Percentage**”), provided that:

- (i) the Alternative Committed Overcollateralisation Percentage shall not, for as long as the VPS Covered Bonds are outstanding, be less than 100 per cent. of the outstanding principal amount of the VPS Covered Bonds; and
- (ii) the credit rating assigned to the VPS Covered Bonds is no less than Aaa (in the case of Moody's) or AAA (in the case of Fitch); and
- (iii) each of Moody's and Fitch has confirmed to the Issuer that the selection of an Alternative Committed Overcollateralisation Percentage would not affect the then current rating of the VPS Covered Bonds being reduced, removed, suspended or placed on creditwatch.

3 Interest

(a) *Interest on Fixed Rate Covered Bonds*

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

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

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

If interest is required to be calculated for a period other than a Fixed Interest Period or if no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest subunit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this VPS Condition 3(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of VPS Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of VPS Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these VPS Conditions:

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

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

(b) *Interest on Floating Rate Covered Bonds*

(i) Interest Payment Dates

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

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

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

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month 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 VPS Condition 3(b)(i)(B) over, 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 VPS Conditions, “**Business Day**” means a day which is both:

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

(A) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent under an interest rate swap transaction if the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent were acting as Calculation Agent (as such term is defined in the ISDA Definitions) for that swap transaction under the terms of an agreement incorporating the 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 VPS Covered Bonds (the “**ISDA Definitions**”) and under which:

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

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

(B) Screen Rate Determination for Floating Rate Covered Bonds

- (1) 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:

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at either 11.00 a.m. London time in the case of LIBOR, 11.00 a.m. Brussels time in the case of EURIBOR, 11.00 a.m. Stockholm time in the case of STIBOR or 12:00 noon Oslo time in the case of NIBOR 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 VPS 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 VPS Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

- (2) In the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at either 11.00 a.m. London time in the case of LIBOR, 11.00 a.m. Brussels time in the case of EURIBOR, 11.00 a.m. Stockholm time in the case of STIBOR or 12:00 noon Oslo time in the case of NIBOR, the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is STIBOR, the principal Stockholm office of each of the Reference Banks or, if the Reference Rate is NIBOR, the principal Oslo office of each of the Reference Banks, to provide the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent, with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is STIBOR, at approximately 11.00 a.m. (Stockholm time), or if the Reference Rate is NIBOR, at approximately 12:00 noon. (Oslo time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent with offered quotations, the Rate of Interest for the

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

- (3) If on any Interest Determination Date one only or none of the Reference Banks provides the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation 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 VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent, determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent, by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is STIBOR, at approximately 11.00 a.m. (Stockholm time), or if the Reference Rate is NIBOR, at approximately 12:00 noon (Oslo time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is STIBOR, at approximately 11.00 a.m. (Stockholm time), or if the Reference Rate is NIBOR, at approximately 12:00 noon (Oslo time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the VPS Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Oslo inter-bank market (if the Reference Rate is NIBOR) 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).

In these Conditions:

“**EURIBOR**” means the Euro-zone inter-bank offered rate;

“**LIBOR**” means the London inter-bank offered rate;

“**NIBOR**” means the Norwegian inter-bank offered rate; and

“**STIBOR**” means the Stockholm inter-bank offered rate.

(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 Condition 3(b)(ii) over 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 Condition 3(b)(ii) over is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest Rate.

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

The VPS 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 VPS Agent will calculate the amount of interest (the “**Interest Amount**”) payable per Calculation Amount in respect of the Floating Rate Covered Bonds for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this VPS Condition 3(b):

- (A) if “Actual/365” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) 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;
- (D) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) 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 Fiscal 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 VPS Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the VPS Trustee, the VPS Agent, the VPS Covered Bondholders and any stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and the VPS (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with VPS Condition 10 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and

Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and to the VPS Covered Bondholders in accordance with VPS Condition 10 (*Notices*). For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London. The notification of any rate or amount, if applicable, shall be made to the VPS in accordance with and subject to the VPS rules and regulations for the time being in effect.

(vii) **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 VPS Condition 3(b), by the VPS Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the VPS Trustee, the VPS Agent and all VPS Covered Bondholders and (in the absence as aforesaid) no liability to the Issuer or the VPS Covered Bondholders, shall attach to the VPS Agent or the VPS Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of Interest*

Subject as provided in VPS Condition 3(d) (Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date), each VPS Covered Bond (or in the case of the redemption of part only of a VPS Covered Bond, that part only of such VPS Covered Bond) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue in accordance with these VPS Conditions.

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

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

will be as specified in the applicable Final Terms and, where applicable, determined by the VPS Agent so specified, two Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.

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

4 Payments

(a) *Method of Payment*

Subject as provided below:

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

(b) *Payment subject to fiscal or other laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of VPS Condition 5 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to Condition 5 (*Taxation*)) any law implementing an intergovernmental approach thereto. References to “**Specified Currency**” will include any successor currency under applicable law.

(c) *Payments in respect of VPS Covered Bonds*

Payments of principal and interest in respect of VPS Covered Bonds and notification thereof to VPS Covered Bondholders will be made to the VPS Covered Bondholders shown in the records of the VPS and will be effected through and in accordance with and subject to the rules and regulations from time to time governing the VPS. The VPS Agent and any Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any VPS Covered Bondholder. The Issuer reserves the right at any time with the approval of the VPS Trustee to vary or

terminate the appointment of the VPS Agent or any Calculation Agent and to appoint additional or other agents provided that the Issuer shall at all times maintain (i) a VPS Agent authorised to act as an account operating institution with the VPS, and (ii) such other agents as may be required by any other stock exchange on which the VPS Covered Bonds may be listed in each case.

Notice of any such change or of any change of any specified office shall promptly be given to the VPS Covered Bondholders in accordance with VPS Condition 10 (*Notices*).

(d) *Payment Day*

If the date for payment of any amount in respect of any VPS Covered Bond is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which is (subject to VPS Condition 7 (*Prescription*)):

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) 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 dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(e) *Interpretation of Principal and Interest*

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

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

Any reference in these VPS Conditions to interest in respect of the VPS Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under VPS Condition 5 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the VPS Agency Agreement.

5 Taxation

All payments of principal and interest in respect of the VPS Covered Bonds by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Norway or any political subdivision or any authority or agency thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the VPS Covered Bonds after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the VPS Covered Bonds in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any VPS Covered Bond:

- (i) presented for payment in Norway; or
- (ii) presented for payment by or on behalf of a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such VPS Covered Bond by reason of his having some connection with the Kingdom of Norway other than the mere holding of such VPS Covered Bond; or
- (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in VPS Condition 4(d) (*Payment Day*)); or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used herein, the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the holders of the VPS Covered Bonds on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the VPS Covered Bondholders in accordance with VPS Condition 10 (*Notices*).

6 Redemption and Purchase

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each VPS Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date, subject as provided below if an Extended Maturity Date is specified in the applicable Final Terms.

(b) *Redemption for Tax Reasons*

Subject to Condition 5(e) under, the VPS Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this VPS Covered Bond is not a Floating Rate Covered) or on any Interest Payment Date (if this VPS Covered Bond is a Floating Rate Covered Bond, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final terms to the VPS Trustee and the VPS Agent and, in accordance with VPS Condition 10 (*Notices*), the VPS Covered Bondholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the VPS Covered Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in VPS Condition 5 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the

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

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this VPS Condition, the Issuer shall deliver to the VPS, the VPS Trustee and the VPS Agent 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 an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer shall, having given:

- (i) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the VPS Covered Bondholders in accordance with VPS Condition 10 (*Notices*); and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the VPS Trustee and the VPS Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the VPS Covered Bonds 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 Higher Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of VPS Covered Bonds, the VPS Covered Bonds to be redeemed (“**Redeemed Covered Bonds**”) will be selected in accordance with the rules and procedures of the VPS in relation to such VPS Covered Bonds, such not more than 30 days prior to the date fixed for redemption.

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any VPS Covered Bond giving to the Issuer in accordance with VPS Condition 10 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, in whole (but not in part), such VPS Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of the VPS Covered Bonds, the holder of the VPS Covered Bonds must, within the notice period, give notice to the VPS Agent and the VPS Trustee of such exercise in accordance with the standard procedures of the VPS from time to time.

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

(e) *Early Redemption Amounts*

For the purpose of Condition 5(b) over:

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

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

where:

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

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

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

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) *Purchases*

The Issuer, KLP or any of their respective subsidiaries may at any time purchase beneficially or procure others to purchase beneficially for its account VPS Covered Bonds at any price in the open market or otherwise. Such VPS Covered Bonds purchased by or on behalf of the Issuer, KLP or any of their respective subsidiaries may be cancelled by causing such VPS Covered Bonds to be deleted from the records of the VPS.

(g) *Cancellation*

All VPS Covered Bonds which are redeemed will forthwith be cancelled. The details of all VPS Covered Bonds so cancelled shall be deleted from the records of the VPS and cannot be reissued or resold.

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

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Condition 5(a), (b), (c) or (d) over is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 5(e)(ii) over as though the references therein to the date fixed for the redemption were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the VPS Trustee or the VPS Agent and notice to that effect has been given to the VPS Covered Bondholders in accordance with VPS Condition 10 (*Notices*).

(i) *Extension of Maturity up to Extended Maturity Date*

- (i) An Extended Maturity Date may be specified in the applicable Final Terms as applying to each Series of VPS Covered Bonds.
- (ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of VPS Covered Bonds and the Issuer fails to redeem all of those VPS Covered Bonds in full on the Maturity Date or within two Business Days thereafter, the maturity of the VPS Covered Bonds and the date on which such VPS Covered Bonds will be due and repayable for the purposes of these VPS Conditions will be automatically extended up to but no later than the Extended Maturity Date. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the VPS Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date. The Issuer shall give to the VPS Covered Bondholders (in accordance with VPS Condition 10 (*Notices*)), the VPS Trustee and the VPS Agent, notice of its intention to redeem all or any of the principal amount outstanding of the VPS Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or as applicable, the Extended Maturity Date or give rise to rights in any such person.
- (iii) In the case of VPS Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this VPS Condition 5(i) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these VPS Conditions.
- (iv) Any extension of the maturity of VPS Covered Bonds under this VPS Condition 5(i) shall be irrevocable. Where this VPS Condition 5(i) applies, any failure to redeem the VPS Covered Bonds on the Maturity Date or any extension of the maturity of VPS Covered Bonds under this VPS Condition 5(i) shall not constitute an event of default for any purpose or give any VPS Covered Bondholder any right to receive any payment of interest, principal or otherwise on the relevant VPS Covered Bonds other than as expressly set out in these VPS Conditions.
- (v) In the event of the extension of the maturity of VPS Covered Bonds under this VPS Condition 5(i), interest rates, interest periods and interest payment dates on the VPS Covered

Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and VPS Condition 3(d) (*Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the VPS Covered Bonds up to the Extended Maturity Date*).

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

7 Prescription

The VPS Covered Bonds will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in VPS Condition 5 (*Taxation*)) therefor.

8 Transfer and Exchange of VPS Covered Bonds

(a) Transfers of Interests in VPS Covered Bonds

Settlement of sale and purchase transactions in respect of VPS Covered Bonds will take place three Business Days after the date of the relevant transaction. VPS Covered Bonds may be transferred between accountholders at the VPS in accordance with the procedures and regulations, for the time being, of the VPS. A transfer of VPS Covered Bonds which is held in the VPS through Euroclear or Clearstream, Luxembourg is only possible by using an account operator linked to the VPS.

(b) Costs of registration and administration of the VPS Register

VPS Covered Bondholders will not be required to bear the costs and expenses of effecting any registration, transfer or administration in relation to the VPS Register, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

9 VPS Agent and VPS Trustee

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

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

- (i) there will at all times be a VPS Agent authorised to act as an account operating institution with the VPS and one or more Calculation Agent(s) where the VPS Conditions of the relevant VPS Covered Bonds so require and a VPS Trustee; and

- (ii) so long as the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a VPS Agent with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Covered Bondholders in accordance with VPS Condition 10 (*Notices*).

In acting under the VPS Agency Agreement, the VPS Agent acts solely as agent of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any VPS Covered Bondholders.

10 Notices

Notices to the VPS Covered Bondholders shall be valid if the relevant notice is given to the VPS for communication by it to the VPS Covered Bondholders and, so long as the VPS Covered Bonds are listed on a stock exchange, the Issuer shall ensure that notices are duly published in a manner which complies with the rules of such exchange. Any such notice shall be deemed to have been given on the date two days after delivery to the VPS.

11 Meetings of VPS Covered Bondholders

(a) Holders of VPS Covered Bonds

The VPS Trustee Agreement contains provisions for convening meetings of the VPS Covered Bondholders to consider any matter affecting their interests, including the sanctioning by a majority of votes (as more fully set out in the VPS Trustee Agreement) of a modification of the VPS Covered Bonds or any of the provisions of the VPS Trustee Agreement (or, in certain cases, sanctioning by a majority of two-thirds of votes). Such a meeting may be convened by the VPS Trustee or at the request of the Issuer, Oslo Børs (in the case of VPS Covered Bonds listed on the Oslo Børs) or the VPS Covered Bondholders holding not less than 10 per cent. in nominal amount of the VPS Covered Bonds for the time being outstanding. The quorum at any such meeting for passing a resolution is one or more persons holding not less than 50 per cent. in nominal amount of the VPS Covered Bonds for the time being outstanding or at any adjourned meeting one or more persons being or representing VPS Covered Bondholders whatever the nominal amount of the VPS Covered Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the VPS Covered Bonds, the VPS Trustee Agreement (including modifying the date of maturity of the VPS Covered Bonds or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the VPS Covered Bonds or altering the currency of payment of the VPS Covered Bonds), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the VPS Covered Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the VPS Covered Bonds for the time being outstanding. A Resolution passed at any meeting of the VPS Covered Bondholders shall be binding on all the VPS Covered Bondholders, whether or not they are present at the meeting.

(b) Modification

The VPS Trustee Agreement provides that:

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

- (A) modification of the Maturity Date of the VPS Covered Bonds specified in the applicable Final Terms, or reduction or cancellation of the nominal amount payable upon maturity;
 - (B) reduction or calculation of the amount payable, or modification of the payment date in respect of any interest in relation to the VPS Covered Bonds or variation of the method of calculating the rate of interest in respect of the VPS Covered Bonds;
 - (C) reduction of any Minimum Interest Rate and/or Minimum Interest Rate specified in the applicable Final Terms;
 - (D) modification of the currency in which payments under the VPS Covered Bonds are to be made;
 - (E) modification of the majority requirement to pass a resolution in respect of the matters listed in this paragraph (i);
 - (F) an alteration of Clause 10.17 of the VPS Trustee Agreement (which sets out the matters for which a majority vote is required);
 - (G) the transfer of rights and obligations under the VPS Conditions and the VPS Trustee Agreement to another Issuer; and/or
 - (H) a change of VPS Trustee;
- (ii) save as set out in Condition 11(b)(i) over, the VPS Trustee, without providing prior written notice to, or consultation with, the VPS Covered Bondholders may make decisions binding on all VPS Covered Bondholders relating to the VPS Conditions, the VPS Agency Agreement and the VPS Trustee Agreement including amendments which in the opinion of the VPS Trustee are not materially prejudicial to the interests of the VPS Covered Bondholders; and
 - (iii) save as set out in Conditions 11(b)(i) and 11(b)(ii) over, the VPS Trustee may reach decisions binding for all VPS Covered Bondholders provided that prior notification is given to the VPS Covered Bondholders containing (A) a proposal of the amendment; (B) the VPS Trustee's evaluation of the proposed amendment, and (C) a statement that the VPS Trustee may not reach a decision that is binding for all VPS Covered Bondholders in the event that any VPS Covered Bondholder submits a written protest against the proposal within a deadline set by the VPS Trustee (such deadline may not be less than five Business Days after the date of such notification).

12 VPS Trustee

Save where to do so would adversely affect the credit rating of the then outstanding Covered Bonds, the VPS Trustee Agreement contains provisions for the indemnification of the VPS Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction. VPS Covered Bondholders are deemed to have accepted and will be bound by the VPS Conditions and the terms of the VPS Trustee Agreement.

13 Further Issues

The Issuer shall be at liberty from time to time without the consent of the VPS Covered Bondholders to create and issue further covered bonds ("**Further Covered Bonds**") having terms and conditions the same as the VPS Covered Bonds 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 so that the same shall be consolidated and form a single Series with the outstanding VPS Covered Bonds.

14 Contracts (Rights of Third Parties) Act 1999

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

15 Governing law and submission to jurisdiction

- (a) The VPS Covered Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law except that the provisions of the VPS Covered Bonds under VPS Condition 2(a) are governed by, and shall be construed in accordance with, Norwegian law. VPS Covered Bonds must comply with the Norwegian Securities Register Act of 5 July 2002 no. 64, as amended from time to time and the holders of VPS Covered Bonds will be entitled to the rights and are subject to the obligations and liabilities which arise under this Act and any related regulations and legislation. The VPS Trustee Agreement and the VPS Agency Agreement are governed by, and shall be construed in accordance with, Norwegian law.
- (b) The Issuer agrees, for the exclusive benefit of the VPS Trustee and the VPS Covered Bondholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the VPS Covered Bonds including a dispute relating to any non-contractual obligations in connection with them and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the VPS Covered Bonds may be brought in such courts.

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

To the extent allowed by law, nothing contained in this VPS Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer appoints Law Debenture Corporate Services Limited at 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings.

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

OVERVIEW OF NORWEGIAN LEGISLATION RELATING TO COVERED BONDS

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

As of the date of this Base Prospectus, the main legislation which governs covered bonds comprises an amendment to Chapter 2, Subsection IV of the Norwegian Financial Institutions Act of 1988 (the “**Financial Institutions Act**”) which came into legal effect on 1 June 2007, and regulation of 25 May 2007 issued by the Ministry of Finance (the “**Ministry**”) under the authority conferred on it by the Financial Institutions Act (the “**Regulation**”) which came into legal effect on 1 June 2007 (together the “**Legislation**”).

Legislation

Under the Legislation, certain Norwegian credit institutions which meet the general definitions of a “**Financial Institution**” (*finansinstitusjon*) and “**Credit Institution**” (*kredittforetak*) contained in the Financial Institutions Act, and whose articles of association comply with prescribed mandatory requirements may issue covered bonds (*obligasjoner med fortrinnsrett*). The Financial Institutions Act defines Credit Institutions as credit businesses which are not banks (and whose activity is the receiving of funds or other assets to be repaid and the granting of credit and loans in its own name). Credit Institutions must hold licenses issued by the King of Norway in order to conduct business as a Credit Institution. However, they are not required to obtain any specific governmental licence or approval in order to issue covered bonds, but must notify the Financial Supervisory Authority of Norway (*Finanstilsynet*) no less than 30 days in advance before the Credit Institution’s first issuance of covered bonds. The Issuer is a “**kredittforetak**”, as defined by the Financial Institutions Act, has received the required Credit Institution licence, and has adapted its articles of association to meet the mandatory requirements, and consequently may issue covered bonds.

The Legislation provides that holders of covered bonds (and also counterparties under derivatives contracts entered into for hedging purposes in relation to the covered bonds) have an exclusive and prioritised right of claim, on a *pari passu* basis between themselves and the counterparties under derivatives agreements relating to the covered bonds, over a pool of certain security assets (the “**Cover Pool**”). Under Norwegian law, an issuer of bonds, such as an issuer of covered bonds, must register the bonds in paperless book-entry form by registration in the Norwegian Central Securities Depository (“**Verdipapirsentralen**” or “**VPS**”) if the bonds are issued in Norway. The Covered Bonds shall be registered with the VPS unless (i) the Covered Bonds are denominated in NOK and offered or sold outside of Norway to non-Norwegian tax residents only, or (ii) the Covered Bonds are denominated in a currency other than NOK and offered and sold outside Norway.

The Register

The Credit Institution must maintain a register (the “**Register**”) of the issued covered bonds, the related derivatives agreements, and the Cover Pool pertaining to such covered bonds and derivatives agreements. In accordance with the Financial Institutions Act, a Credit Institution may establish a separate Register for the issue of covered bonds relating to a different Cover Pool. If there is more than one Cover Pool, the Credit Institution must identify which Cover Pool a covered bondholder will hold a preferential claim over. Where a Credit Institution has issued two or more covered bonds not conferring a preferential claim over the same Cover Pool, derivative agreements and substitute assets shall be held in a separate bank account for each Cover Pool.

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

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

Benefit of a prioritised claim

Pursuant to the Financial Institutions Act, if a Credit Institution which has issued covered bonds is declared bankrupt (*konkurs*), enters into debt negotiations pursuant to the Norwegian Bankruptcy Act, is liquidated, or is placed under public administration, the holders of covered bonds issued by the relevant Credit Institution and the counterparties to the relevant derivatives agreements will have an exclusive, equal and *pro rata* prioritised claim over the Cover Pool. The prioritised claims will rank ahead of all other claims, save for claims relating to the fees and expenses of a bankruptcy estate. According to the provisions of section 6-4 of the Norwegian Liens Act and section 2-35 of the Financial Institutions Act, a future bankruptcy estate of the Credit Institution will have a first priority lien over all of the assets included in the Cover Pool, as security for fees and expenses incurred by the bankruptcy administrator and creditors' committee in connection with the administration of the bankruptcy estate, ranking ahead of the claims of holders of covered bonds and of the counterparties to the relevant derivatives agreements. Such liens will, however, be limited to 700 times the standard Norwegian court fee (approximately NOK 602,000) in respect of each Cover Pool.

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

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

Cover Pool — composition of assets

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

Government Loans must be either guaranteed or issued by central authorities (states), central banks and regional or local authorities within the European Economic Area (the "**EEA**") or OECD area.

The Regulation stipulates certain additional requirements with respect to Government Loans to parties outside the EEA area but within the OECD area.

Supplemental assets may only consist of receivables of certain liquidity and certainty, and are as a main rule subject to a limit of 20 per cent. of the total value of the Cover Pool, see below. However, under certain circumstances, and for a limited period of time only, Finanstilsynet may approve an increase in the mentioned limit to 30 per cent. of the total value of the Cover Pool. The supplemental assets must also meet certain risk

category requirements under the Regulation in order to be included among the assets which form the basis for the value calculation of the Cover Pool.

According to the Regulation, the proportion of the Cover Pool represented by Government Loans and receivables in the form of derivatives agreements may vary, depending on the risk category pertaining to the relevant assets.

Additional provisions regarding quantitative and qualitative requirements placed on the assets forming part of the Cover Pool are set out in the Regulation. In order to qualify for inclusion in the Cover Pool all legislative requirements must be met. However, if the Cover Pool assets at a later stage cease to meet the requirements of the Financial Institutions Act and/or the Regulation in relation to ratios, risk categories or proportion limits, such assets may nevertheless form part of the Cover Pool, but will be excluded from the calculation (which is required by the Financial Institutions Act and described below) of the value of the Cover Pool.

Balance requirements

The Financial Institutions Act requires that the value of the Cover Pool at all times must exceed the aggregate value of the covered bonds which confer a right on the holders and the counterparties to derivatives agreements to a prioritised claim over that Cover Pool.

Liquidity requirements

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

Inspector

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

The Credit Institution is required to give the Inspector all relevant information pertaining to its business. The Inspector must be granted access to the Register, and may also request additional information. The Inspector may perform inspections of the Credit Institution, and shall at least every three months determine if the requirements of sections 2-31 and 2-33 of the Financial Institutions Act are complied with. Furthermore, the Inspector shall submit annual reports of observations and assessments to the Finanstilsynet.

Cover Pool administration in the event of bankruptcy

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

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

If a Credit Institution which has issued covered bonds is declared bankrupt or enters into debt negotiations pursuant to the Bankruptcy Act, and the Cover Pool meets the requirements of the Financial Institutions Act and the Regulation, the Bankruptcy Administrator must ensure that, to the extent possible, the holders of

covered bonds and counterparties to related derivatives agreements receive timely payment of their respective claims, such payments being made from the Cover Pool for the duration of the administration of the bankruptcy estate.

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

VALUATION OF ASSETS IN COVER POOL

The Financial Institutions Act prescribes that the prudent market value (as determined in accordance with the Financial Institutions Act) of the Cover Pool may not at any time be less than the total aggregate outstanding principal amount of all Covered Bonds issued under the Programme and any other mortgage covered bonds of the Issuer in issue at such time having a preferential right to the Cover Pool. However, the Issuer covenants under the Terms and Conditions of the Covered Bonds that at any time, the nominal par value (the “**Value**”) of the Cover Pool (but excluding the nominal par value of each loan within the Cover Pool which is in arrears for 90 days or longer at the relevant time) will not at the relevant time be less than the total aggregate outstanding principal amount of all Covered Bonds issued under the Programme and any other mortgage covered bonds of the Issuer in issue at the relevant time. All references to the prudent market value under the Financial Institutions Act shall be construed as the Value with respect to the Issuer, the Programme, the Covered Bonds and any matters relating to the Issuer, the Programme and the Covered Bonds.

USE OF PROCEEDS

The net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes. If in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

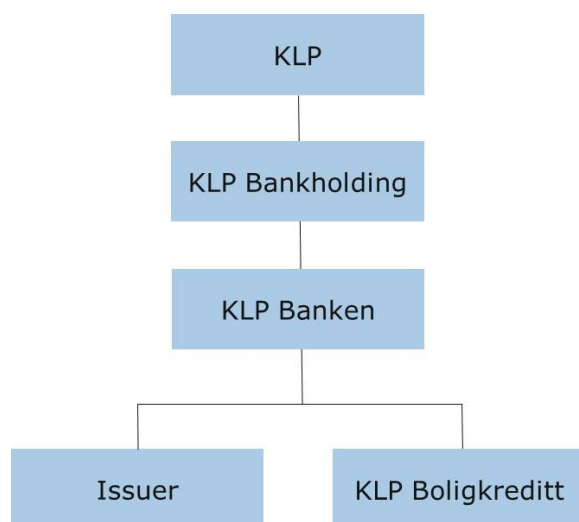
The Issuer of Covered Bonds under the Programme is KLP Kommunekreditt AS.

The Issuer is an indirect wholly-owned subsidiary of Kommunal Landspensjonskasse gjensidig forsikringsselskap (Kommunal Lanspensjonskasse Mutual Insurance Company) (“**KLP**”). The Issuer is a private limited liability company incorporated under the laws of Norway in Oslo on 25 August 2009 with Norwegian registration number 99426944, in the Brønnøysund Register Centre (the Norwegian national register of enterprises, situated in Brønnøysund). The Issuer’s registered address is Beddingen 8, 7014 Trondheim Norway and the Issuer’s telephone number is +47 22 03 35 00. The Financial Supervisory Authority of Norway granted the Issuer licence to become a Mortgage Credit Institution on 23 June 2009 with permission to issue Covered Bonds.

Ownership of the Issuer

The Issuer is a wholly owned subsidiary of KLP Banken AS (“**KLP Banken**”) who in turn, is a wholly owned subsidiary of KLP Bankholding AS (“**KLP Bankholding**”) who in turn, is a wholly-owned subsidiary of KLP. As KLP is a mutual insurance company it is not permitted to directly own a banking operation and KLP Bankholding is the parent company of KLP Banken. KLP Banken is the parent company of the Issuer and KLP Boligkreditt AS (“**KLP Boligkreditt**”). KLP Boligkreditt was established in 2014, and funds mortgage housing loans by issuing Covered Bonds in the Norwegian market.

The following chart provides an overview of the organisational structure of the Issuer.



Principal Activities

The Issuer’s objective is to originate, acquire or purchase public sector loans from time to time out of funds which are primarily raised by issuing Covered Bonds. The Issuer originates new loans or arranges the purchase and transfer of public sector loans from KLP and markets the Covered Bonds to prospective investors.

Public sector loans are purchased from KLP as well as being originated by the Issuer. The Cover Pool will only include public sector loans originated by the Issuer and KLP that are direct and unconditional loan obligations and are made by a Norwegian municipality or county. The loans will be subject either to a direct loan to a county or municipality or a loan that is unconditionally and irrevocably guaranteed by one or more

Norwegian county or municipality. The loans will be acquired by the Issuer pursuant to the Transfer and Servicing Agreement (as defined below).

The borrowers under the loans include Norwegian municipalities and counties, municipality and county enterprises, state health enterprises and regional health authorities. To obtain a loan, a borrower will typically either apply directly to KLP Group for a loan or will send an application for a loan to a number of financial institutions (including KLP) who then engage in a tender process to quote a price for the loan to the potential borrower.

In order to establish a credit limit for a borrower, KLP utilises financial data on municipalities and county municipalities that is available from the KOSTRA database, which all Norwegian municipalities and county municipalities are required to report to. KLP's credit analysis focuses on a number of factors including the potential borrower's operating results, its long-term debt, working capital, its net operating expenses and available funds. The financial data is then compared to (A) the average figures in Norway, (B) the average figures in the potential borrower's peer group, and (C) the average of the municipalities in the borrower's county, in order to establish a credit limit for the borrower.

A Norwegian municipality which does not comply with the strictest financial standards is registered with the Ministry of Local Government and on ROBEK. When KLP receives a loan application it checks if the applicant is registered on ROBEK and whether the requested loan is within the applicable credit limit. If a potential borrower is registered on ROBEK this will significantly reduce the borrower's available credit limit. Depending on the outcome of its credit checks, KLP may provide a quote to the applicant (and proceed to documentation if it is accepted) or conduct further analysis to decide whether the credit limit should be increased or the application should be rejected. Loans made to municipalities that are registered on ROBEK will be subject to supervision by a state representative who will control the budgets and approval of any loan.

The guidelines adopted by the Issuer's board of directors with respect to the eligibility of loans for transfer and the transfer procedure are set out in the Issuer's credit policy (the "**Credit Policy**"). Eligible loans are assets which are eligible for inclusion in the Cover Pool, as determined by the Financial Institutions Act and Regulations (as amended, varied or supplemented from time to time) and the Credit Policy ("**Eligible Loans**"). The Credit Policy may put limits on Eligible Loans depending on: type of loan products; concentration of exposures to particular borrowers; concentration of exposures to particular loan maturities and any other criteria the Issuer's board of directors may, from time to time, think necessary.

The Issuer has entered into a transfer and servicing agreement with KLP and KLP Banken to purchase and transfer Eligible Loans from KLP to the Issuer (the "**Transfer and Servicing Agreement**"). Pursuant to the Transfer and Servicing Agreement, KLP Banken is appointed by the Issuer as the servicer of all Eligible Loans that are transferred to the Issuer. KLP retains the responsibility for any demands made by a borrower in respect of its transferred Eligible Loan and for any losses incurred by a borrower due to operational errors by KLP.

Derivatives arrangement

The Issuer will enter into derivatives arrangements with international banks and other parties, comprising interest rate and currency derivatives, for the purpose of controlling interest rate and currency risk relating to the Issuer's funding and lending operations.

Financial Information

The Issuer was established as a Mortgage Credit Institution in Oslo under the name KLP Kommunekreditt AS with a share capital of NOK 50,000,000. At 30 September 2014, the Issuer share capital amounted to NOK 362,500,000.

The Issuer has established a senior unsecured revolving credit facility with KLP Banken in order to ensure the Issuer has access to liquidity to meet its payment obligations in respect of all Covered Bonds then outstanding, including any principal, interest and any connected derivative agreements. It is a condition to the issuance of new Covered Bonds under the Programme Agreement (regardless of whether such new Covered Bonds are rated or unrated) that the Issuer procures that on the issue date of such new Covered Bonds, the credit facility is amended or supplemented so that the commitment of KLP Banken (as lender) covers the Issuer's payment obligations in respect of such new Covered Bonds to be issued, including any principal, interest and any payments under connected derivative agreements. KLP Banken may or may not agree to any request from the Issuer to so amend or supplement the credit facility in its absolute discretion. The unsecured nature of the credit facility means that claims of secured creditors and holders of the Issuer's Covered Bonds rank in priority to those of KLP Banken under the credit facility. Any claim by KLP Banken under the credit facility will not have the benefit of a preferential right to the Cover Pool. For so long as any Covered Bonds are outstanding, there are no events of default under the credit facility and the maturity of any loan under the facility will be structured to fall after the final maturity of any Covered Bonds issued by the Issuer.

Board of Directors

The Issuer's board of directors consists of 4 members elected by the supervisory board of the Issuer who, in turn, are elected mainly by the general meeting of the Issuer, with some members elected by the employees of KLP Banken and subsidiaries. The current directors are as follows:

Sverre Thornes	Chairman (Other roles: CEO of KLP)
Aage Elmenhorst Schaanning	Non-executive Director (Other roles: CFO of KLP)
Toril Lahnstein	Non-executive Director (Other roles: Division Manager, Norwegian Directorate of Health)
Eva Salvesen	Non-executive Director (Other roles: CEO Evsa AS)

The business address of the 4 members of the Issuer's board of directors is the registered address of the Issuer.

Management

Arnulf Arnøy is the CEO of the Issuer.

Christopher Steen is the Treasurer of the Issuer.

Auditors

PricewaterhouseCoopers AS ("**PwC**") are the auditors of the Issuer. PwC is a member of the Norwegian Institute of Public Accountants.

PwC has also been appointed by the Financial Supervisory Authority of Norway as the independent examiner pursuant to section 2-34, sub-section 1, of the Financial Institutions Act.

Accounting Standards

The annual audited financial statements of the Issuer are prepared in accordance with IFRS as adopted by the EU.

Conflict of interest within administration, management and supervisory bodies

Two of the Issuer's directors (Sverre Thornes and Aage Elmenhorst Schaanning) are also members of the management bodies of KLP, appointed in accordance with the relevant regulations under Norwegian law. It is therefore possible that potential conflicts of interest may arise for these directors between their duties to the

Issuer and their duties to KLP in relation to intra-group matters (for example, the allocation of costs, or any intra group transactions between KLP and the Issuer). However, since the Issuer's primary business is to issue Covered Bonds under the Programme on behalf of the KLP Group, the Issuer does not believe that any conflicts of interest will arise. No actual conflicts of interest have arisen between these two directors' duties to the Issuer or KLP and their private interests or other duties. Neither Eva Salvesen nor Toril Lahnstein have any conflict between their duties to the Issuer and their private interests or other duties as listed above.

Jurisdiction

The Issuer is organised under the laws of the Kingdom of Norway.

DESCRIPTION OF KLP

KLP

KLP was established in Norway in February 1949 to administer municipal pension schemes and in 1974 it received its charter as a mutual insurance company from the regulatory authorities. KLP is one of the largest pension and life insurance companies in Norway.

KLP's legal name is Kommunal Landspensjonskasse gjensidig forsikringsselskap and it is registered in Oslo under registration number 938 798 606 with its registered office at Dronning Eufemias gate 10, 0109 Oslo, Norway. KLP's telephone number is +47 22 03 35 00.

KLP operates under the Act on Insurance Activity and the Financial Institutions Act and is under the supervision of the Financial Supervisory Authority of Norway. KLP carries an A+ stable outlook rating from Fitch Ratings, an A2 negative outlook rating from Moody's and an A- negative outlook rating from Standard & Poor's. A list of registered credit rating agencies can be found at www.esma.europa.eu/page/List-registered-and-certified-CRAs

Ownership of KLP

KLP is a mutual insurance company that is owned by its clients that qualify as an owner by holding a public sector pension plan with KLP. As a result of its mutuality and client structure, KLP has three clearly defined ownership groups. Each of the ownership groups elects delegates to the general meeting of KLP (the "**General Meeting**"). The General Meeting is the highest authority within KLP and the elected delegates to the General Meeting hold the responsibility of electing representatives to the governing bodies of KLP.

The three ownership groups of KLP are:

(i) *Municipalities and Counties*

This group is comprised of Norwegian municipalities and counties with an aggregate ownership stake in KLP of approximately 62 per cent. and elects 103 representatives to the General Meeting. Each municipality or county is answerable to a democratically elected body, the municipal council, and is under economic supervision by the state of Norway.

(ii) *State Health Enterprises*

This group is comprised of state health enterprises and regional health authorities and has an aggregate ownership stake in KLP of approximately 28 per cent. and elects 46 representatives to the General Meeting. Each health enterprise is answerable to a board of directors and has a regional management structure. However, this structure represents an indirect state ownership through semi-autonomous state enterprises.

(iii) *Public Sector Enterprises*

This group is mostly comprised of enterprises that provide essential municipal services and has an aggregate ownership stake in KLP of approximately 11 per cent. and elects 18 representatives to the General Meeting. The majority of public sector enterprises are owned by municipalities.

Principal activities

KLP's primary objective is to provide safe and competitive financial and insurance services to the public sector and enterprises associated with the public sector and their employees. KLP's investment strategy emphasises achieving competitive returns in which stability and the long term returns are prioritised.

KLP is a mutual insurance company founded by the initiative of the municipal sector and has played a central role in the development of funded pension plans for its clients. KLP holds a strong market position in its core area, the public sector and public sector pension schemes constitute KLP's dominant product. For the time being, KLP is the only insurance company offering insured public sector pensions generally in the market. KLP's total assets are, on a consolidated basis, NOK 470.3 billion as at 30 September 2014.

KLP's main business areas are:

- group pension insurance and pension fund services for customers in both the public and the non-public sector;
- loans to the public sector and to individuals;
- mutual fund management for the public sector institutional investors and individuals;
- fixed income and equity portfolio management;
- non-life insurance for the public and non-public sectors; and
- property investment and real estate.

Market Position

KLP is a market leader in the public sector pension market in Norway. At the end of June 2014, 409 out of 447 municipalities and county administrations held their entire pension schemes with KLP. The same applies to 25 out of 26 state health enterprises and close to 2,500 companies. (*Source for figures in this paragraph: KLP internal client register*).

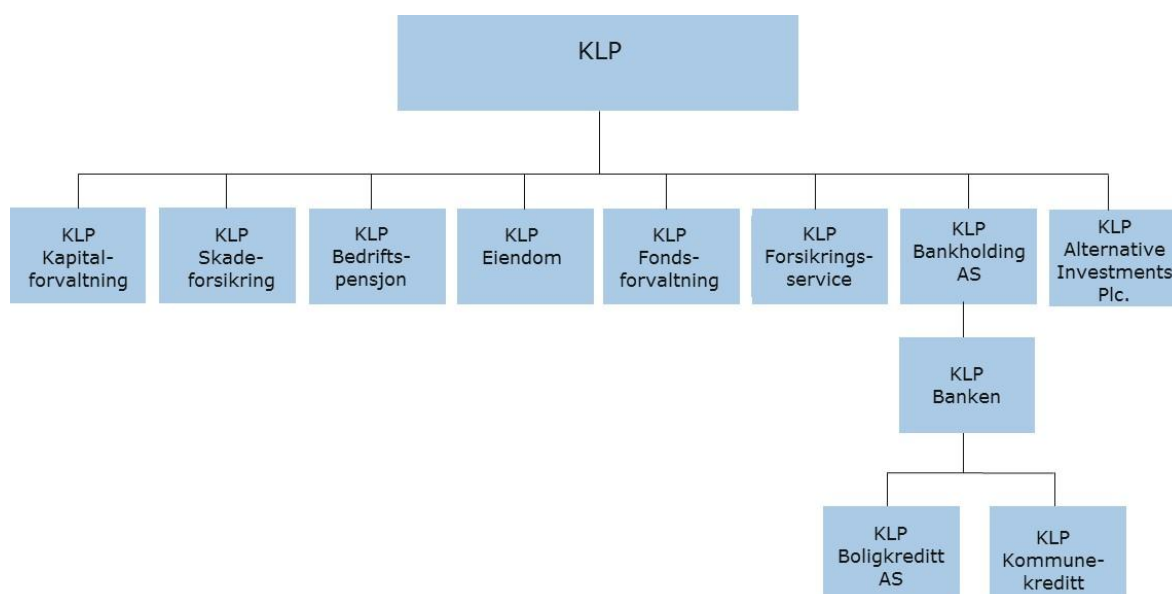
KLP's pension schemes cover more than 400,000 occupationally active individuals and 200,000 pensioners. In addition more than 200,000 members have a pension entitlement from previous employment.

The two largest competitors of KLP in the market of public pension schemes have decided to terminate this business over the coming years. The municipalities will, as a result, have the choice of moving the pension scheme to KLP or establishing a municipal pension fund. KLP has taken over 58 new pension schemes during 2014, as a result of the termination of its competitors' businesses.

The KLP Group

KLP and its wholly owned subsidiaries (the "**KLP Group**") has more than 800 employees and provides secure and competitive products and services across life and non-life insurance, pension fund services, loans, funds and investment management and property and real estate.

The following chart provides an overview of the legal structure of KLP and its wholly owned subsidiaries.



Each of the following companies form part of the KLP Group:

- KLP Skadeforsikring AS (“**KLP Skadeforsikring**”) is a leading provider of accident, workmen’s compensation (occupational injury) and property insurance to Norwegian local authorities. In Spring 2008 KLP Skadeforsikring also commenced selling personal insurance products that are primarily directed at public sector employees. At the end of 2013 KLP Skadeforsikring had a customer relationship with 301 municipalities and county administrations and 4 health enterprises and 2,680 enterprises. The company also has approximately 21,779 individual clients.
- KLP Kapitalforvaltning AS (“**KLP Kapitalforvaltning**”) is one of Norway’s largest asset management operations and offers a broad spectrum of investment and management services. In its investment process, KLP Kapitalforvaltning applies and promotes ethical considerations based on such factors as human rights, employee rights and environmental sustainability. The management operation is organised into two sections with different approaches to investment activity: index-tracking management and active management. Index-tracking management aims to provide exposure to the equity and bonds market as cost effectively as possible. Active management manages specialised securities portfolios in which the aim is to select individual securities or industries with a risk adjusted return greater than the benchmark securities.
- KLP Fondsforvaltning AS (“**KLP Fondsforvaltning**”) offers a broad range of UCITS and non-UCITS funds with different investment mandates and varying levels of risk. The company manages both active and index tracking funds suitable for investments by institutions, companies and private clients. It is the leading provider of index-tracking funds in Norway. KLP Fondsforvaltning is the external fund manager of the funds and responsible for all activities of the funds. The portfolio management is, however, carried out by KLP Kapitalforvaltning acting as the investment manager of the funds on behalf of KLP Fondsforvaltning. Both KLP Fondsforvaltning and KLP Kapitalforvaltning adhere to a Socially Responsible Investment strategy and are regulated by Finanstilsynet (the Norwegian Financial Services Authority).
- KLP Eiendom AS (“**KLP Eiendom**”) is one of Norway’s largest property managers, managing over 1,837,000 square metres of property. KLP Eiendom manages all of the KLP Group’s property interests. KLP Eiendom has six subsidiaries including, amongst others, KLP Eiendom Oslo AS, KLP Eiendom Trondheim AS, KLP Fastigheter AB (Sweden) and KLP Ejendomme A/S (Denmark).

- KLP Bedriftspensjon AS (“**KLP Bedriftspensjon**”) offers defined contribution and other corporate pensions, in combination with varying degrees of risk coverage at the customer’s choice, to companies in both the public and private sectors.
- KLP Forsikringsservice AS (“**KLP Forsikringsservice**”) is a market leading service provider of technical insurance services to independent municipal and county authority pension schemes.
- KLP Bankholding AS (“**KLP Bankholding**”) was incorporated on 5 February 2009. On 29 January 2009, KLP received a licence from the Financial Services Authority in Norway to establish a banking activity and incorporated KLP Bankholding for the purpose of being the holding company for KLP Banken. KLP Banken was launched onto the market in February 2010 offering current accounts, online banking, debit cards and mortgage products. KLP Banken has approximately 26,215 individual clients. In 2014, KLP Boligkreditt was established as a subsidiary of KLP Banken, issuing Covered Bonds on the basis of mortgage housing loans.
- The Issuer is a wholly owned subsidiary of KLP Banken, which in turn is a wholly owned subsidiary of KLP Bankholding.
- KLP Alternative Investments PLC (“**KLP AI**”) is an Irish incorporated regulated collective investment scheme (the “**Fund**”). The market positions of the Fund are closed, as similar funds under Norwegian Law have been established, and the company is currently winding up.

Corporate Governance

KLP is a mutual company and does not have owners in the traditional sense but instead has corporate members. The members of KLP are all customers with public sector occupational pension schemes with the company. KLP’s corporate governance systems are to ensure that the overarching aim of creating value for KLP’s customers is achieved in an economically effective and socially responsible way.

KLP’s Articles of Association and applicable legislation provide the framework for appropriate corporate governance and clear division of roles between the governing bodies and executive management. KLP is not listed on the Oslo Stock Exchange, but complies with the Norwegian recommendations for good corporate governance as far as this is compatible with the mutual corporate status. The Board of Directors undertakes an annual review of corporate governance in KLP. It is also a goal to contribute to good corporate governance in the companies in which KLP has holdings (including KLP Banken and the Issuer).

Team Management

The Group senior management in the parent company KLP consists of ten individuals with diverse backgrounds and broad experience from the Norwegian business environment. The Group senior management comprises KLP’s chief executive officer and executive vice presidents of, as well as the managing directors of, the main operating subsidiaries. The Group senior management meets weekly to discuss operative and strategic matters. Formally they act as advisors to the CEO who has been delegated the operational responsibility for KLP’s operations from the Board of Directors.

Sverre Thornes

Group Chief Executive Officer of KLP.

Mr Thornes has a BA in Business Administration from the American College in Paris. Mr Thornes has broad experience in insurance and asset management and he was previously a Group Director at KLP with responsibility for Life Insurance. Mr Thornes came to KLP in 1995 as a fixed income manager and led KLP Kapitalforvaltning from 2001 to 2006.

Marianne Sevaldsen	<p>Executive Vice President Liv (the Life Division at KLP).</p> <p>Ms Sevaldsen is a lawyer; her specialist fields are insurance law and corporate law. She has previously worked as a senior vice president in the Business Department at Sandnes Sparebank, a savings bank. She held this position from 2008 until she joined KLP in 2013. Before this she held various managerial positions at DnB NOR ASA, the largest Norwegian commercial bank, between 1999 and 2008. She has also been a legal adviser and a customer adviser in the corporate customer area of Sparebanken NOR.</p>
Aage E. Schaanning	<p>Executive Vice President/Chief Financial Officer.</p> <p>Mr Schaanning has an MBA from University of Colorado and is an Authorised Financial Analyst who has previously worked at BNbank and Kreditkassen before starting at KLP in 2001 as Investment Director at KLP Kapitalforvaltning. In 2006 Mr Schaanning was appointed Managing Director of KLP Kapitalforvaltning and has been the CFO of KLP since July 2008.</p>
Ole Jacob Frich	<p>Executive Vice President, Communication.</p> <p>Mr Frich graduated from Sagene Lærerhøgskole (teachers training college). Prior to joining KLP he worked at Geelmuyden. Kiese and at the Norwegian Financial Services Authority. Mr Frich has broad political experience including as Kommunalråd (a full-time municipal politician with executive powers) in Oslo municipality (1986 – 92) and as State Secretary within the then Ministry of Health and Social Affairs (1992 – 96).</p>
Håvard Gulbrandsen	<p>Managing Director, KLP Asset Management.</p> <p>Mr Gulbrandsen is an authorised financial analyst who has previously worked at Storebrand Kapitalforvaltning, at DnB Investor AS and joined KLP in 2009 from the position of Head of Asset Strategies Equities/Head of Core Corporate Governance at Norges Bank Investment Management.</p>
Tore Tenold	<p>Managing Director, KLP Skadeforsikring AS.</p> <p>Mr Tenold graduated from the Police Academy, the University of Oslo and the Insurance Academy (forsikringsakademiet). Before joining KLP Skadeforsikring, Mr Tenold was the Managing Director of Sparebank 1 Skadeforsikring, and has also experience with several other non-life insurance companies. Mr Tenold is Managing Director of KLP Skadeforsikring since 1 October 2012.</p>
Gunnar Gjørtz	<p>Managing Director, KLP Eiendom AS.</p> <p>Mr Gjørtz has a business degree from Handelsakademiet in Oslo (now BI). His background includes experience as CFO in NetCom, Løvenskiold Vækerø and Hafslund. Gjørtz also spent four years in the UK and France with Suez-Lyonnaise des Eaux. He was CFO of the then listed Nora Eiendom when it was acquired by KLP in 1995 to form KLP Eiendom. Gjørtz rejoined KLP Eiendom as deputy managing director on 1 August 2010, and assumed the position of managing director on 1 January 2011.</p>
Rune Mæland	<p>Executive Vice President, IT.</p> <p>Mr Mæland graduated as an IT/EDP engineer at Bergen Ingeniørhøgskole (Bergen University college of engineering) and he has worked for KLP since</p>

1981 and since 1993 headed the IT section. Mr Mæland has been KLP's Executive Vice President IT since 3 July 2008.

Mette-Jorunn Meisland

Executive Vice President, Marketing.

Mrs Meisland's background is from the Norwegian School of Marketing (Norges Markedshøyskole - NMH) specialising in information and social contact/public relations, a Masters programme from the Norwegian School of Economics and Business Administration (Norges Handelshøyskole - NHH) in brand management, and a Masters in Management from BI Norwegian Business School. She came to KLP from SpareBank1, where she worked on brand building right from the formation of Sparebank1 Alliansen and up to 2006. She has previous experience from customer service and travel (SAS Leisure, Saga Solreiser). Meisland was appointed Marketing Director of KLP for the Group on 1 October 2006.

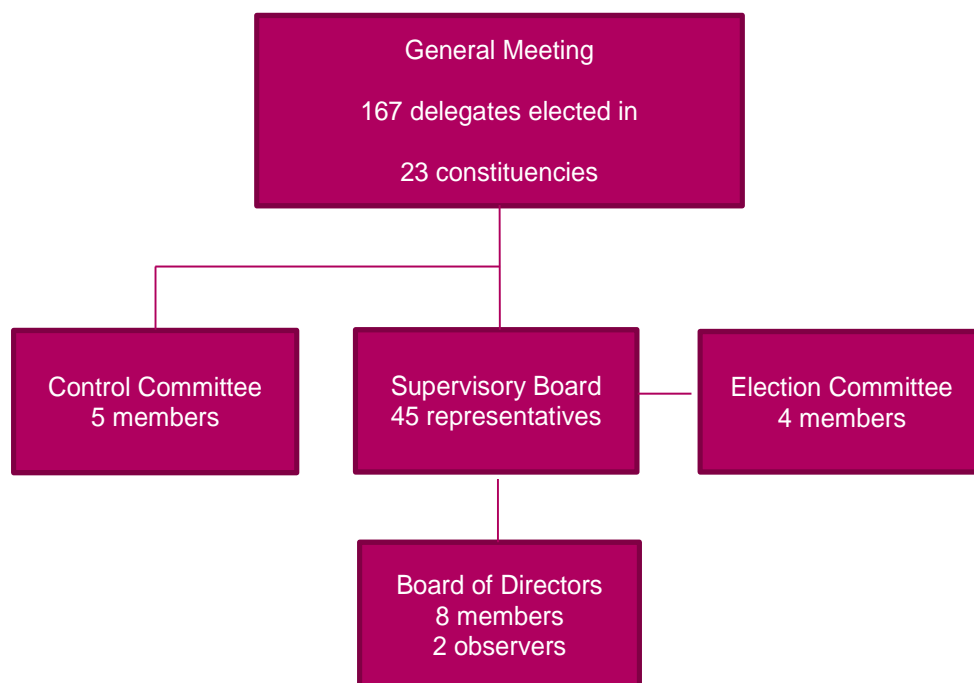
Managing Director, KLP Banken AS

Leif Magne Andersen

Mr Andersen is educated Master of Business Administration from Norges Handelshøyskole (NHH), and has additional education from MHS Managementinstitutet (Sweden) and the Norwegian Defence College. Before joining KLP Banken, Mr Andersen had several leading positions in Postbanken and DnB. Mr Andersen is Managing Director of KLP Banken since 1 December 2011.

Governing Bodies

The following diagram outlines the governing bodies of KLP.



The General Meeting

The General Meeting is KLP's highest authority and comprises elected representatives of KLP's owners. 167 representatives were elected to the General Meeting for 2014 from a total of 23 constituencies, of which 18 are made up of municipalities and county authorities. The regional health enterprises and their subsidiaries each comprise a constituency and the public sector enterprises also form a constituency.

One of the tasks of the General Meeting is to elect the control committee and 24 of the 45 members of the supervisory board (the "**Supervisory Board**"), as well as set the remuneration for the Supervisory Board, the control committee and the auditor.

The Supervisory Board

The Supervisory Board comprises 45 members with deputies. In addition to 24 members elected by the General Meeting, 6 representatives are nominated by staff organisations in the local government sector and 15 representatives are elected from and by staff in the KLP Group.

The Supervisory Board has the same responsibilities as a Corporate Assembly in accordance with the provisions of the Norwegian Limited Liability Companies Act.

The Supervisory Board members elected by the General Meeting elect five members with deputies to the Board of Directors, whereas the full Supervisory Board elects the Chairman and Deputy Chairman of the Board of Directors.

The Supervisory Board also elects an election committee with four members and a deputy member.

Board of Directors

The Board of Directors of KLP is a collective body responsible for safeguarding KLP's and the owner's interest. The Board of Directors consist of external members as well as two employee representatives. By virtue of general company law as well as insurance law the Board of Directors is vested with both strategic and operational responsibility for the company. While operational responsibility is delegated to the CEO, the Board remains responsible for setting guidelines and supervising operations as well as laying down business, operational and investment strategies. The Board is to monitor KLP's compliance with the applicable regulations and concession requirements.

The Board is to ensure appropriate organisation of the business, determine plans and budgets, keep updated on KLP's financial position and liabilities and ensure that the business, accounts and asset management are subject to satisfactory control. The Board supervises KLP's management and overall business.

The Board comprises eight members who are elected for a term of two years so that two Directors will be up for election each year. Five members and deputies are elected by those members of the Supervisory Board who, in turn, are elected by the General Meeting. Two members are elected from and by KLP staff. One member is nominated by the employee organisation or negotiating alliance with most members in the pension schemes. In addition two observers are appointed from those organisations that hold the next highest number of members in the pension schemes.

The Group Chief Executive Officer of KLP is not a member of the Board of Directors.

The current board members are as follows:

Liv Kari Eskeland

Chair of the Board

Ms Eskeland was elected a member of the KLP Board in May 2012. She is the mayor of the municipality of Stord. Ms Eskeland is an architect and has extensive

	work experience as such.
Egil Johansen	<p>Deputy Chair</p> <p>Mr Johansen was elected a member of the KLP Board in May 2014. He is County Chief Executive of Vestfold County Administration and has previous experience as Chief Executive in both Porsgrunn and Re municipalities. Johansen has a Master of Science degree in business from Norges Handelshøyskole.</p>
Marit Torgersen	<p>Board Member</p> <p>Ms Torgersen was elected as a member of the KLP Board in May 2011. She is deputy Chairman of the Eidsiva Anlegg AS Board, and Executive Vice President, Group Services for Eidsiva Energi AS (a power utility).</p>
Jan Helge Gulbrandsen	<p>Board Member</p> <p>Mr Gulbrandsen was elected a member of the KLP Board in March 2010. He is a member of the Executive Committee of Fagforbundet (the Norwegian Union of Municipal and General Employees) and he represents the employee organisations with the most members in KLP.</p>
Anita Krohn Traaseth	<p>Board Member</p> <p>Ms Krohn Traaseth was elected a member of the KLP Board in April 2013. She was, from 2012 to 2014, Managing Director in Hewlett-Packard Norge AS. She is now Managing Director in Innovation Norway. Ms Krohn Traaseth is also Board Member of IKT Norge and Næringslivets Internasjonaliseringsstiftelse.</p>
Freddy Larsen	<p>Employee Representative</p> <p>Mr Larsen was re-elected as an employee representative on the KLP Board in April 2013. He has been employed at KLP since 1986 and works as a special consultant in IT-Liv at the Bergen office.</p>
Susanne Torp-Hansen	<p>Employee Representative</p> <p>Ms Torp-Hansen was elected employee representative to the Board of Directors in April 2013. She works as special consultant in the in-company training section of the Life Insurance division of KLP and has been employed at KLP since 1999. Ms Torp-Hansen is also elected leader of the KLP local branch of The Finance Sector Union of Norway.</p>

The business address of the 7 members of the board of directors of KLP is the registered address of KLP.

Conflict of interest within administration, management and supervisory bodies

Two of the Issuer's directors (Sverre Thornes and Aage Elmenhorst Schaanning) are also members of the management bodies of KLP, appointed in accordance with the relevant regulations under Norwegian law. It is therefore possible that potential conflicts of interest may arise for Sverre Thornes and Aage Elmenhorst Schaanning between their duties to the Issuer and their duties to KLP in relation to intra-group matters (for example, the allocation of costs, or any intra group transactions between KLP and the Issuer). However, since the Issuer's primary business is to issue Covered Bonds under the Programme on behalf of the KLP Group, KLP does not believe that any conflicts of interest will arise. No actual conflicts of interest have arisen between these 2 directors' duties to the Issuer or KLP and their private interests or other duties. None of the directors of KLP have any conflict between their duties to KLP and their private interests or other duties as listed above.

Auditors

PwC are the auditors of KLP. PwC is a member of the Norwegian Institute of Public Accountants.

Regulatory Framework

The new Norwegian Insurance Act came into force on 1 January 2008. Amongst other things the new law involves a fundamental revision of the principles for the appropriation of surpluses between insurance customers and their owners. In a mutual insurance company, the customers share identity with the owners so in effect, surpluses appropriated to owners in reality benefits the customers.

The new law also involves a clearer division between customers' savings and the insurance company's (i.e. its owners') assets. These are presented in the reports as, respectively, the common portfolio and the corporate portfolio.

For KLP's group schemes the new Norwegian Insurance Act means that the surplus from managing the pension assets must go in its entirety to the customer.

The new Norwegian Insurance Act has the objective of providing greater predictability and better insight into the pricing of insurance products, an initiative welcomed by KLP.

The various parts of the pension provision are priced separately in advance, and this is reflected in the premium calculations. Safety and profit margins can be applied to each element.

Accounting Standards

The annual audited financial statements of the KLP Group are prepared in accordance with IFRS as adopted by the EU.

Capital Adequacy Regulations

At present, KLP is subject to the Basel I capital adequacy regulations, in addition to elements of the Basel II regulations, including the Basel II risk weighting criteria. The Norwegian regulatory authorities' position is that Basel II will not be implemented for Norwegian insurance companies. EU Solvency II Directive (2009/138/EC) will, according to the present schedule, come into force by 1 of January 2016 and will replace the capital adequacy regulations. In Norway, the white paper for a new financial institutions' act, including Solvency II regulations, will according to the present schedule, be put before the Odelsting in autumn 2014.

Jurisdiction

KLP is organised under the laws of the Kingdom of Norway.

KEEPWELL STATEMENT

At a meeting held on 21 September 2012 the board of directors of KLP approved the issuance of a keepwell statement (the **Keepwell Statement**) in connection with the Issuer and the establishment of the Programme. The Keepwell Statement is not a guarantee of the Issuer's payment obligations to Covered Bondholders or derivative counterparties, nor is it a guarantee of any other payment obligations of the Issuer.

Keepwell Statement

1. KLP Kommunekreditt AS (the "Issuer") is a wholly owned subsidiary of KLP Banken AS ("KLP Banken") who in turn, is a wholly owned subsidiary of KLP Bankholding AS, who in turn is a wholly owned subsidiary of Kommunal Landspensjonskasse ("KLP").
2. The Issuer and KLP Banken are fully integrated subsidiaries within the KLP group of companies (the "KLP Group"). The Board of Directors of both the Issuer and KLP Banken comprise at least two executives from the KLP Group, and essential support and service functions for the Issuer and KLP Banken are provided by central entities within the KLP Group. The profiling and branding of the Issuer and KLP Banken reflect the KLP Group's common identity.
3. The Issuer is an important company within the KLP Group as it is instrumental in providing public sector loans to new and existing customers of KLP on a competitive basis within the strategically important public sector loan market. KLP is fully committed to its 100% ownership of the Issuer.
4. KLP recognises the necessity for the Issuer, to demonstrate strong capitalisation and group support until such time as it has delivered a strong track record and developed with counterparties a franchise in its own right. To meet this need, KLP confirms its intention to ensure that the Issuer maintains a core capital ratio of at least 10% for a period of no less than 3 years. Beyond that period, KLP's intention is that the Issuer will receive from KLP, as necessary, support commensurate with the Issuer's position as an integral part of the KLP Group.
5. KLP will monitor the liquidity of the Issuer and its intention is, through various mechanisms, to enable the Issuer to have sufficient liquidity to meet its obligations on a current basis.
6. KLP authorises the Issuer to disclose this Keepwell Statement in any capital markets transaction undertaken by it in respect of debt instruments that shall benefit from the preferential right to the Issuer's cover pool (including, for the avoidance of doubt, any covered bond programme).
7. KLP will ensure that the rating agencies and the holders of any debt securities, in respect of any capital markets transaction (including, for the avoidance of doubt, any covered bond programme) established by the Issuer with the benefit of this Keepwell Statement, will be duly notified if there is any change to this Keepwell Statement.

TAXATION

Prospective purchasers of Covered Bonds are advised to consult their tax advisers as to the tax consequences under the tax laws of the country of which they are residents of a purchase of Covered Bonds, including, but not limited to, the consequences of receipts of interest and sale or redemption of Covered Bonds.

NORWEGIAN TAXATION

Payments of principal and interest on the Covered Bonds issued under the Programme to persons who have no connection with Norway other than the holding of such Covered Bonds issued by the Issuer are, under present Norwegian law, not subject to Norwegian tax, and may hence be made without any withholding tax or deduction for any Norwegian taxes, duties, assessments or governmental charges.

Capital gains or profits realised on the sale, disposal or redemption of such Covered Bonds by persons who have no connection with Norway other than the holding of the Covered Bonds are not, under present Norwegian law, subject to Norwegian taxes or duties.

No Norwegian issue tax or stamp duty is payable in connection with the issues of the Covered Bonds.

Persons considered resident in Norway for tax purposes will be subject to Norwegian tax on interest received in respect of the Covered Bonds. Likewise, capital gains or profits realised by such persons on the sale, disposal or redemption of the Covered Bonds will be subject to Norwegian taxation.

FATCA DISCLOSURE

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

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Covered Bonds characterised as debt (or which are not otherwise characterized 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 on or after the grandfathering date and (ii) any Covered Bonds characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Covered Bonds are issued before the grandfathering date, and additional Covered Bonds of the same series are issued on or after that date, the additional Covered Bonds may not be treated as grandfathered, which may have negative consequences for the existing Covered Bonds, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to

FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in 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 "**US-Norway IGA**") based largely on the Model 1 IGA.

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

Whilst the Covered Bonds are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuer, any paying agent and the Common Depositary or Common Safekeeper, as applicable, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs 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 Covered Bonds. The documentation expressly contemplates the possibility that the Covered Bonds may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Covered Bonds 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 Covered Bonds.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

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 Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

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.

Withholding Tax

(i) Non-resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 as amended (the “**Laws**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident holders of Covered Bonds.

Under the Laws implementing 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**”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity (within the meaning of the Laws) resident in, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent Luxembourg fiscal authority in order for such information to be communicated to the competent tax authorities of the beneficiary's country of residence or establishment or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Covered Bonds coming within the scope of the Laws will be subject to a withholding tax at a rate of 35 per cent.

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

(ii) Resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the “**Law**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident holders of Covered Bonds.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the Laws) 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 Covered Bonds coming within the scope of the Law will be subject to a withholding tax at a rate of 10 per cent.

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 Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of the Covered Bonds should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Covered Bonds 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.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Covered Bonds.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

EU SAVINGS DIRECTIVE

Under the EU 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 certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted Council Directive 2014/48/EU amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The amendments to the EU Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. 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.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

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).

If a payment were to be made or collected through a Member State or dependent or associated territory which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, any Paying Agent nor any other person would be obliged to pay additional

amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any other law implementing or complying with, or introduced in order to conform to, such EU Savings Directive.

SUBSCRIPTION AND SALE

The Dealers have in an Amended and Restated Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the “**Programme Agreement**”) dated 18 December 2013 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated under “*Form of the Covered Bonds*” and “*Terms and Conditions of the Covered Bonds*” above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme.

United States

The Covered Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered and sold any Covered Bonds, and will not offer and sell any Covered Bonds (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Covered Bonds of the Tranche of which such Covered Bonds are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer who has purchased Covered Bonds of a Tranche hereunder (or in the case of a sale of a Tranche of Covered Bonds issued to or through more than one Dealer, each of such Dealers as to the Covered Bonds of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Agent the completion of the distribution of the Covered Bonds of such Tranche. On the basis of such notification or notifications, the Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed and each further Dealer appointed under the Programme will be required to agree that, at or prior to confirmation of sale of Covered Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Covered Bonds from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Covered Bonds covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Covered Bonds as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in the above two paragraphs have the meanings given to them by Regulation S.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Covered Bond, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

The Bearer Covered Bonds 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 United States persons, except in certain transactions permitted

by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder.

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 Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (a) the expression an “**offer of Covered Bonds to the public**” in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- (b) the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State; and
- (c) the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Norway

Neither the Base Prospectus, or the Covered Bonds nor any other offering or marketing material relating to the Issuer or the Covered Bonds have been approved by, or registered with, any Norwegian securities regulator pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, neither the Base Prospectus or the Covered Bonds nor any other offering or marketing material relating to the Issuer or the Covered Bonds constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The Covered Bonds may not be offered or sold, directly or indirectly, in Norway except:

- (a) in respect of an offer of Covered Bonds addressed to investors subject to a minimum purchase of Covered Bonds for a total consideration of not less than €100,000 per investor;

- (b) to professional investors as defined in section 7-1 of the Norwegian Securities Regulation of 29 June 2007 no. 876;
- (c) to fewer than 150 natural or legal persons (other than “professional investors” as defined in section 7-1 of the Norwegian Securities Regulation of 29 June 2007 no. 876), subject to obtaining the prior consent of the Manager for any such offer; or
- (d) in any other circumstances provided that no such offer of Covered Bonds shall result in a requirement for the registration, or the publication by the Issuer or of the Manager of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

The Covered Bonds shall be registered with the VPS unless (i) the Covered Bonds are denominated in NOK and offered or sold outside of Norway to non-Norwegian tax residents only, or (ii) the Covered Bonds are denominated in a currency other than NOK and offered and sold outside Norway.

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 Covered Bonds which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds 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 Covered Bonds would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948; as amended, the “FIEA”). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949), as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

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 Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, KLP the Fiscal Agent, the Arranger nor any other Dealer shall have any responsibility therefor.

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

GENERAL INFORMATION

Authorisation

The establishment and subsequent update of the Programme and the issue of Covered Bonds have been duly authorised by a resolution of the meeting of the Board of Directors of the Issuer dated 4 February 2010 and a written resolution of the meeting of the Board of Directors of the Issuer dated 27 November 2014.

Approval, Listing and Admission to Trading on the Luxembourg Stock Exchange

Application has been made to the CSSF for the approval of this document as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme (other than VPS Covered Bonds) during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

Documents Available

For as long as the Programme remains valid with the Luxembourg Stock Exchange, copies of the following documents will be available, upon request, free of charge, from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg (where applicable, with an English translation thereof):

- (i) the constitutional documents (with an English translation thereof) of the Issuer and KLP;
- (ii) the Programme Agreement, the Agency Agreement, the Deed of Covenant, the forms of the Temporary Bearer Global Covered Bonds, the Permanent Bearer Global Covered Bonds, the Registered Global Covered Bond, the definitive Bearer and Registered Covered Bonds, the Coupons and the Talons;
- (iii) the Keepwell Statement and all financial information of KLP Group and the Issuer incorporated herein by reference; and
- (iv) in the case of each issue of Covered Bonds admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

For as long as the Programme remains valid with the Luxembourg Stock Exchange, copies of the following documents will be available on the website of the Luxembourg Stock Exchange at www.bourse.lu and, upon request, free of charge, from the registered office of the Issuer and the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (i) a copy of this Base Prospectus and any Final Terms relating to Covered Bonds which are admitted to trading on the Luxembourg Stock Exchange's regulated market; and
- (ii) any future prospectuses, information memoranda and supplements to the Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg or, in the case of Covered Bonds denominated in Swiss francs, offered to the public in Switzerland, through the SIS. The appropriate common code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. The relevant ISIN and common code will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system (including the SIS or the VPS), the appropriate information will be specified in the applicable Final Terms. Euroclear, Clearstream, Luxembourg, the SIS and the VPS are the entities in charge of keeping the records.

The address of Euroclear is 3 Boulevard du Roi Albert II, B.1210 Brussels, Belgium; the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg; the address of the SIS is Brandschenkestrasse 47, P.O. Box, CH-8022 Zurich and the address of the VPS is Biskop Gunnerusgate, 14A, 0185 Oslo.

Yield in respect of Fixed Rate Covered Bonds

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

No Material or Significant Change

Since 31 December 2013 there has been no material adverse change in the prospects of the Issuer and since 30 September 2014, there has been no significant change in the financial and trading position of the Issuer.

Since 31 December 2013 there has been no material adverse change in the prospects of KLP and, since 30 September 2014 there has been no significant change in the financial and trading position of KLP.

Litigation

Neither the Issuer or KLP is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer or KLP.

Auditors

The auditors of the Issuer are PwC, who have audited, in accordance with International Standards of Auditing, the Issuer's financial statements for each of the two financial years ended on 31 December 2012 and 31 December 2013.

The auditors of KLP are PwC, who have audited, in accordance with International Standards of Auditing, KLP's financial statements for each of the two financial years ended on 31 December 2012 and 31 December 2013. PwC is a member of the Norwegian Institute of Public Accountants.

APPENDIX GLOSSARY

In this Base Prospectus, the following defined terms have the meanings set out below:

Accrual Period	shall mean the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date.
Agency Agreement	shall mean the agency agreement (as amended or supplemented from time to time) between the Issuer, Fiscal Agent and the other agents dated 5 August 2010.
Amortised Face Amount	shall have the meaning given to it in the Terms and Conditions of the Covered Bonds.
Applicable Procedures	shall mean, in relation to the transfer and/or exchange of a beneficial interest in the Registered Global Covered Bond, the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.
Bankruptcy Administrator	shall mean the bankruptcy administrator of the bankruptcy estate appointed by the bankruptcy court in the case where a Credit Institution is declared bankrupt.
Bearer Covered Bonds	shall mean Covered Bonds issued in bearer form.
Business Day	shall have the meaning given to it in Condition 3 (Interest) of the Terms and Conditions of the Covered Bonds.
Calculation Agent	shall mean the calculation agent appointed under the related Calculation Agency Agreement.
Calculation Agency Agreement	shall mean any calculation agency agreement entered into from time to time between the Issuer and a calculation agent in respect of a Series and/or Tranche of Covered Bonds.
Clearstream, Luxembourg	shall mean Clearstream Banking, <i>société anonyme</i> .
Code	shall mean the Internal Revenue Code of 1986.
Common Depositary	shall mean the common depositary who receives the Temporary Bearer Global Covered Bonds (which are not intended to be issued in NGCB form) on or prior to the original issue date of the Tranche.
Common Safekeeper	shall mean the common safekeeper who receives the Temporary Bearer Global Covered Bonds (which are intended to be issued in NGCB form) on or prior to the original issue date of the Tranche.
Conditions	shall mean the terms and conditions of the Covered Bonds (other than VPS Covered Bonds).
Couponholders	shall mean the holders of the Coupons, and unless the context requires otherwise, the holders of Talons.
Coupons	shall mean the interest coupons on interest-bearing definitive Bearer Covered Bonds.

Covered Bondholder	shall mean the holder of Covered Bonds.
Covered Bonds	shall mean those covered bonds (including VPS Covered Bonds) issued by the Issuer under the Programme in accordance with the Financial Institutions Act.
Cover Pool	shall mean the cover pool maintained by the Issuer in accordance with the Financial Institutions Act.
Day Count Fraction	shall have the meaning given to it in Condition 3 (Interest) of the Terms and Conditions of the Covered Bonds.
Deed of Covenant	shall mean the deed of covenant (as amended or supplemented from time to time) executed by the Issuer in relation to the Covered Bonds on 18 December 2013.
Dealer	shall mean each entity specified as such in the Programme.
Determination Period	shall mean the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after such date).
Distribution Compliance Period	shall mean the period that ends 40 days after completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer or, as the case may be, the Lead Manager.
EEA	shall mean European Economic Area.
EURIBOR	shall mean the Euro-zone inter-bank offered rate.
Euroclear	shall mean Euroclear Bank SA/NV.
Exchange Date	shall mean the date on which interests in the Temporary Bearer Global Covered Bond are exchanged either for interests in a Permanent Bearer Global Covered Bond or for definitive Bearer Covered Bonds as the case may be.
Exchange Event	shall mean (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Issuer, the Fiscal Agent, the other Paying Agents and the Covered Bondholder is available or, unless otherwise specified in the applicable Final Terms, (ii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 6 (Taxation) which would not be required were the Covered Bonds represented by the Permanent Bearer Global Covered Bond in definitive bearer form and a certificate to such effect signed by two Directors of the Issuer has been given to the Fiscal Agent.
Extended Maturity Date	shall mean the automatic monthly extension to the Maturity Date up to but not later than 12 months from the Maturity Date, subject as

	otherwise provided for in the applicable Final Terms, where the Issuer has failed to redeem the relevant Covered Bonds in full on the Maturity Date (or within two Business Days thereafter).
Financial Institutions	shall mean the Norwegian financial institutions as defined in the Financial Institutions Act which may issue covered bonds.
Financial Institutions Act	shall mean Act No. 40 of 10 June 1988 on Financing Activity and Financial Institutions, Chapter 2, Sub-chapter IV and appurtenant regulations.
Fiscal Agent	shall mean BNP Paribas Securities Services, Luxembourg Branch or any successor agent appointed in accordance with the Agency Agreement.
Fitch	shall mean Fitch Ratings Limited.
Fixed Interest Period	shall mean the period from (and including) as Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
Fixed Rate Covered Bond	shall mean Covered Bonds which provide for interest based on a fixed rate.
Floating Rate Covered Bond	shall mean Covered Bonds which provide for interest based on a floating rate.
Further Covered Bonds	shall mean further covered bonds created and issued by the Issuer from time to time having terms and conditions the same as the Covered Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds.
ICSDs	shall mean Euroclear and Clearstream, Luxembourg.
Inspector	shall mean the independent inspector appointed under the Financial Institutions Act.
Interest Amount	shall mean the amount of interest payable per Calculation Amount on the Floating Rate Covered for the relevant Interest Period as calculated by the Fiscal Agent.
Interest Payment Date	shall have the meaning given to it in Condition 3 (Interest) of the Terms and Conditions of the Covered Bonds.
Investor's Currency	shall mean the currency or currency unit in which an investor's financial activities are denominated principally, other than a Specified Currency.
Investor Put	shall mean the option of the Covered Bondholders to redeem certain Covered Bonds.
ISDA Rate	shall have the meaning given to it in Condition 3 (Interest) of the Terms and Conditions of the Covered Bonds.
ISDA Definitions	shall have the meaning given to it in Condition 3 (Interest) of the Terms and Conditions of the Covered Bonds.

Issuer	shall mean KLP Kommunekreditt AS.
Issuer Call	shall mean the option of the Issuer to redeem certain Covered Bonds.
Legislation	shall mean the Financial Institutions Act and the Regulation.
LIBOR	shall mean the London inter-bank offered rate.
Long Maturity Covered Bond	shall mean a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Covered Bond.
Markets in Financial Instruments Directive	shall mean Directive 2004/39/EC.
Maturity Date	shall mean the scheduled maturity date of such Covered Bonds as set out in the applicable Final Terms.
Ministry	shall mean the Norwegian Ministry of Finance.
Moody's	shall mean Moody's Investors Service Limited.
NGCB	shall mean those global Covered Bonds which are issued in new global Covered Bond form.
NIBOR	shall mean the Norwegian inter-bank offered rate.
OECD	shall mean the Organisation for Economic Co-operation and Development.
Paying Agent	shall mean the Fiscal Agent and any additional or successor paying agent(s) appointed in accordance with the terms of the Agency Agreement.
Paying Agents	shall mean the Paying Agent and the Fiscal Agent.
Payment Day	shall have the meaning given to it in Condition 4 (Payments) of the Terms and Conditions of the Covered Bonds.
Permanent Bearer Global Covered Bond	shall mean a permanent global Covered Bond.
Principal Swiss Paying Agent	shall mean the Principal Swiss Paying Agent as specified in the applicable Final Terms.
Proceedings	shall mean any suit, action or proceedings arising out of or in connection with the Covered Bonds and/or the Coupons.
Programme	shall mean the €10,000,000,000 Covered Bond Programme of the Issuer.
Programme Agreement	shall mean the amended and restated programme agreement (as modified and/or supplemented and/or restated from time to time) between the Issuer, Morgan Stanley & Co. International plc and the other dealers named therein dated 18 December 2013.
Prospectus Directive	shall mean Directive 2003/71/EC, as amended (which includes the

	amendments made by Directive 2010/73/EU to the extent such amendments have been implemented in a relevant Member State of the European Economic Area).
Record Date	shall have the meaning ascribed to it in Condition 4(c) (Presentation of Covered Bonds and Coupons) of the Terms and Conditions of the Covered Bonds.
Redeemed Covered Bonds	shall mean Covered Bonds (or, as the case may be, parts of Registered Covered Bonds) to be redeemed.
Registered Covered Bonds	shall mean Covered Bonds issued in registered form.
Registrar	shall mean BNP Paribas Securities Services, Luxembourg Branch or any successor registrar appointed in accordance with the Agency Agreement.
Register	shall mean the register of the Covered Bonds and the Cover Pool maintained by the Issuer in accordance with the terms of the Financial Institutions Act.
Registered Global Covered Bond	shall mean a permanent global Covered Bond in registered form, without interest coupons sold outside the United States in reliance on Regulation S of the Securities Act.
Relevant Date	shall mean the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent or the Registrar or, in the case of VPS Covered Bonds, the holders of the VPS Covered Bonds, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 12 (Notices) or in the case of VPS Covered Bonds, VPS Condition 10 (Notices).
Relevant Member State	shall mean each Member State of the EEA which has implemented the Prospectus Directive.
Relevant Implementation Date	shall mean the date on which the Prospective Directive is implemented in that Relevant Member State.
Securities Act	shall mean the Securities Act of 1933, as amended.
Series	shall mean a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds 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.
SIS	shall mean the Swiss Securities Services Corporation in Olten Switzerland.
Specified Currency	shall mean each Euro, Sterling, U.S. dollars, Yen, Norwegian Kroner, Swedish Kroner, Swiss Franc and, subject to any applicable legal or regulatory restrictions and any applicable reporting requirements, any

	other currency agreed between the Issuer and the relevant Dealer.
STIBOR	shall mean the Stockholm inter-bank offered rate.
Swiss Paying Agents	shall mean the Swiss Paying Agents as specified in the applicable Final Terms.
Talons	shall mean talons for further Coupons.
TARGET2 System	shall mean the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.
Treasury Regulations	shall mean the Treasury regulations promulgated under the Code.
Temporary Bearer Global Covered Bond	shall mean the temporary global Covered Bond in bearer form which will initially represent the Bearer Covered Bonds of each Tranche.
Terms and Conditions of the Covered Bonds	shall mean, in relation to the Covered Bonds, the terms and conditions to be endorsed on, attached to, or incorporated by reference into, the Covered Bonds, and any reference to a particular numbered Condition shall be construed in relation to the Covered Bonds accordingly.
Territories	shall mean certain dependent and associated territories of the EU Member States.
Transfer Agents	shall mean BNP Paribas Securities Services, Luxembourg Branch and any additional or successor transfer agent(s) appointed in accordance with the terms of the Agency Agreement.
Tranche	shall mean Covered Bonds which are identical in all respects (including as to listing).
VPS	shall mean the Norwegian Central Securities Depository, the VPS ASA.
VPS Agency Agreement	shall mean the agreement so named dated 28 May 2010 between the Issuer and the VPS Agent.
VPS Agent	shall mean DnB Bank ASA or any successor as VPS agent.
VPS Conditions	shall mean the terms and conditions of the VPS Covered Bonds.
VPS Covered Bonds	shall mean Covered Bonds issued in uncertified book-entry form cleared through the VPS.
VPS Letter	shall mean letter sent by the Issuer to the Fiscal Agent on the issue of VPS Covered Bonds which sets out the terms of relevant issue of VPS Covered Bonds in the form of Final Terms attached thereto.
VPS Trustee	shall mean Nordic Trustee ASA or any successor as VPS trustee.
VPS Trustee Agreement	shall mean the agreement so named dated 5 August 2010 between the Issuer and the VPS Trustee.
Zero Coupon Covered Bonds	shall mean Covered Bonds which provide that no interest is payable.

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