

This prospectus was approved by the Swedish Financial Supervisory Authority on 29 April 2019.



**Länsförsäkringar Bank AB (publ)**

**Prospectus regarding the listing and admission to trading of**

**SEK 1,000,000,000**

**Floating Rate Additional Tier 1 Capital Notes**

**ISIN: SE0012453488**

*Arranger, Issuing Agent and Joint Bookrunner*

**Nordea**

*Joint Bookrunners*



**S|E|B**

## Important information

In this prospectus, the “**Issuer**” means Länsförsäkringar Bank AB (publ), Swedish Corporate ID No. 516401-9878 and LEI code 549300C6TUMDXNOVXS82. “**Länsförsäkringar Bank**” means the Issuer and its Subsidiaries from time to time (each a “**Group Company**”). “**Subsidiary**” means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), which at the time is a subsidiary (*dotterföretag*) to such person, directly or indirectly, as defined in the Swedish Companies Act (*aktiebolagslagen* (2005:551)).

Words and expressions defined in the terms and conditions beginning on page 25 (the “**Terms and Conditions**”) have the same meanings when used in this prospectus (the “**Prospectus**”), unless expressly stated or otherwise follows from the context.

### Notice to investors

The Issuer issued a total of 500 Additional Tier 1 Capital notes (the “**Notes**”) in the Total Nominal Amount of SEK 1,000,000,000 on 10 April 2019 (the “**Issue Date**”). This Prospectus has been prepared for the listing and admission to trading of the Notes on Nasdaq Stockholm. This Prospectus does not contain and does not constitute an offer or a solicitation to buy or sell Notes. This Prospectus is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection herewith.

This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the “**Swedish FSA**”) pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) (the “**Trading Act**”). Approval and registration by the Swedish FSA do not imply that the Swedish FSA guarantees that the information provided in the Prospectus is correct and complete.

Solely for the purposes of the product governance requirements set forth in directive 2014/65/EU as amended (“**MIFID II**”), the target market assessment made by the Issuer for the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MIFID II; (ii) the negative target market for the Notes is clients that seek full capital protection or full repayment of the amount invested, are fully risk averse/have no risk tolerance or need a fully guaranteed income or fully predictable return profile, and (iii) all channels for distribution of the debentures to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**Distributor**”) should take into consideration the Issuer’s target market assessment. However, a Distributor subject to MIFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Issuer’s target market assessment) and determining appropriate distribution channels.

The Notes are not intended to be, and should thus not be, offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This Prospectus may not be distributed in any jurisdiction where such distribution would require any additional prospectus, registration or measures other than those required under Swedish law, or otherwise would conflict with regulations in such jurisdiction. Persons into whose possession this Prospectus may come are required to inform themselves about, and comply with such restrictions. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) or the securities laws of any state or other jurisdiction outside Sweden.

Each potential investor in the Notes must in light of its own circumstances determine the suitability of the investment. In particular, each potential investor should conduct their own investigation and analysis of the Issuer and the data set forth in this Prospectus and investors are urged to take steps to ensure that they understand the transaction and have made an independent assessment of the appropriateness of the transaction in light of their own objectives and circumstances before entering into any transaction (including the possible risks and benefits of entering into such transaction). Investors should also consider seeking advice from their own advisers in making this assessment.

No person has been authorised to provide any information or make any statements other than those contained in this Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorised or approved by the Issuer and the Issuer assumes no responsibility for such information or statements.

On the date of this Prospectus, the Notes are rated BBB- by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). The long-term/short-term senior unsecured ratings of the Issuer are A1 by Moody’s (“**Moody’s**”) and A by S&P. Each of Moody’s and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). As such, each of Moody’s and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

### Forward-looking statements and market data

The Prospectus contains certain forward-looking statements that reflect the Issuer’s current views or expectations with respect to future events and financial and operational performance. The words “intend”, “estimate”, “expect”, “may”, “plan”, “anticipate” or similar expressions regarding indications or forecasts of future developments or trends, which are not statements based on historical facts, constitute forward-looking information. Although the Issuer believes that these statements are based on reasonable assumptions and expectations, the Issuer cannot give any assurances that such statements will materialise. Because these statements involve known and unknown risks and uncertainties, the outcome could differ materially from those set out therein.

Factors that could cause the Issuer’s and Länsförsäkringar Bank’s actual operations, result or performance to differ from the forward-looking statements include, but are not limited to, those described in “*Risk factors*”. The forward-looking statements included in this Prospectus apply only to the date of the Prospectus. The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law. Any subsequent forward-looking information that can be ascribed to the Issuer and Länsförsäkringar Bank or persons acting on the Issuer’s behalf is subject to the reservations in or referred to in this section.

The Prospectus contains market data and industry forecasts, including information related to the sizes of the markets in which Länsförsäkringar Bank participates. The information has been extracted from a number of sources. Although the Issuer regards these sources as reliable, the information contained in them has not been independently verified and therefore it cannot be guaranteed that this information is accurate and complete. However, as far as the Issuer is aware and can assure by comparison with other information made public by these sources, no information has been omitted in such a way as to render the information reproduced incorrect or misleading. In addition to the above, certain data in the Prospectus is also derived from estimates made by the Issuer.

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## RISK FACTORS

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*All investments in securities involve a degree of risk. The financial performance of Länsförsäkringar Bank and the risks associated with Länsförsäkringar Bank's business are important when making a decision on whether to invest in the Notes. A number of factors influence and could influence Länsförsäkringar Bank's operations and financial performance and ultimately the Issuer's ability to make payments under the Notes. In this section, a number of risk factors are illustrated and discussed, both risks pertaining to Länsförsäkringar Bank's operations, regulatory risks and risks related to the Notes as subordinated financial instruments. The risk factors below are not ranked in any specific order of importance and no claim is being made that the list is exhaustive.*

*Potential investors should carefully consider the risk factors below, the Terms and Conditions, all other information in the investor documents and other available information before deciding on making an investment in the Notes. Investors must, in addition, alone or together with financial and/or other advisers, consider the general business prospects, and general information about the relevant market and companies active on that market, based on their personal circumstances. An investor should possess sufficient knowledge to assess the risk factors and sufficient financial strength to bear those risks.*

*Additional risk factors that are not currently known or not currently considered to be material may affect Länsförsäkringar Bank's business, financial condition and results of operations and consequently the Issuer's ability to meet its obligations under the Notes.*

### Risks relating to the Issuer

#### Risk management

Operating within the banking sector and offering financial products and services involve taking calculated risks. The risks related to these products and services are taken deliberately and shall be reflected in, and covered by, the prices offered to the customers. Significant risks that Länsförsäkringar Bank is exposed to are, amongst other things, risks relating to the Kingdom of Sweden and the Swedish banking industry, credit and counterparty risk, market risk, strategic risk, risks relating to disruptions in the global credit markets and economy, liquidity risk, operational risk, regulatory risk and competition and business risks (see below). Investors should be aware that the failure to control such risks could have a negative impact on the performance and reputation of the business of the Issuer.

#### Risks relating to the Kingdom of Sweden

The government debt issues in Sweden are rated Aaa by Moody's and AAA by Standard & Poor's. Relatively healthy public finances, a declining government debt and a competitive export sector, together with a well-educated labour force and a high standard of living are some of the credit strengths that are significant for Sweden. On the credit challenging side are high tax rates and rigidities in labour and product markets. Although Sweden has an ageing population, the pension system reforms are considered to help insulate these costs from the rest of the government finances.

Any deterioration of macroeconomic conditions in Sweden may ultimately adversely affect Länsförsäkringar Bank's business, financial condition and results of operations.

#### Risks relating to the Swedish banking industry

Sweden has one of the most consolidated banking sectors in Europe, dominated by four large banks. The risks within the banking sector mainly consist of credit, market and liquidity risks. Credit risk refers to the risk that a counterparty cannot meet its obligations and the risk that pledged assets will not cover the claim. Market risk is defined as the risk that changes in interest rates, exchange rates and asset prices will lead to a decline in the value of the bank's net assets and liabilities. The banking sector in Sweden has comparatively low levels of credit and market risks. The low credit risk profile reflects the dominance of retail business among Swedish banks. High cost efficiency and low risk profile are significant to the Swedish bank sector. Increasing competition and lower margins are future challenges for all the players within the sector.

Risk of loss of current revenue streams or missed future revenue opportunities because of changing market conditions for the Swedish banking industry through economic downturns, increased competition, changes in business laws/regulations or other external factors may negatively affect Länsförsäkringar Bank's business, financial position and results of operations.

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

One of the core and main businesses of Länsförsäkringar Bank is residential mortgage lending to Swedish borrowers. The business risk principally pertains to credit risks on Länsförsäkringar Bank's customers.

The Swedish mortgage market is dominated by a few institutions, consisting of banks and bank-owned mortgage companies. Low interest rates, rising house prices and strong increases in disposable household income have led to continued strong growth in demand for loans, especially in the residential mortgage market. One of the main risks related to the Swedish residential mortgage market is the credit risk associated with borrowers' creditworthiness, and their ability to pay under the mortgage loan, and with the value of the mortgaged properties. The relatively low risk profile among Swedish mortgage institutions reflects a high degree of lending to single-family homes, moderate loan-to-value ratios, high lending standards and a relatively strong repayment incentive among borrowers. However, it should be noted that the debt-to-income ratio of borrowers continues to increase. The housing market has been strong for many years, driven by low interest rates, strong household finances, low supply of new homes in growth regions and population growth. In relation to new homes, there has recently been a substantial increase in newly-built multi-family dwellings which could reduce demand in that particular market segment for the foreseeable future, which could have a negative impact on the housing market. House prices may be negatively affected by, for example, changes in regulations affecting the mortgage market directly or indirectly or by a quick rise in interest rates or unemployment levels. The Swedish FSA has implemented regulations imposing more stringent amortisation requirements on residential mortgages.

The risks associated with Länsförsäkringar Bank's business are linked to the development of the Swedish real estate and housing market. Risk of loss of current revenue streams or missed future revenue opportunities because of changing market conditions for the Swedish mortgage market through changes interest rates, house prices, disposable household income or other external factors may thus negatively affect Länsförsäkringar Bank's business model, financial model, results of operations and its ability to raise debt in the international capital markets.

### **Counterparty risks**

Counterparty risk is the risk of a counterparty being unable to fulfil its commitments to the Issuer, which could lead to losses. The Issuer's counterparty risk relates to agreements with counterparties for interest rate and currency swaps. Failure to control these risks can result in a material adverse effect on the Issuer's financial position.

### **Market risks**

The Issuer currently lends in Swedish Kronor but may fund itself in foreign currencies. The currency risk arising in connection with the funding is limited by the use of derivative instruments. There are also interest rate risks in the Issuer's business, which arise when there is an imbalance in the interest rate structure between its assets and liabilities and corresponding off-balance-sheet items.

If any of the mentioned market risks should materialise, such events may have an adverse impact on the revenue generated from the Issuer's activities and may negatively affect the Issuer's business, financial position and results of operations.

### **Risks relating to disruptions in the global credit markets and economy**

Financial markets are subject to periods of volatility, which may impact Länsförsäkringar Bank's ability to raise debt in a similar manner, and at a similar cost, to the funding raised in the past. Challenging market conditions may result in greater volatility and reduced liquidity, widening of credit spreads and lack of price transparency in credit markets, which may affect Länsförsäkringar Bank. These conditions and changes in financial markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may affect the financial performance of Länsförsäkringar Bank. In addition, the financial performance of Länsförsäkringar Bank could be adversely affected by a worsening of general economic conditions or political climate in the markets and regions in which it operates. The current political uncertainty and financial market volatility as a result of the UK's expected exit from the EU, originally due in March 2019 but at the date of this Prospectus suspended, may also adversely affect the financial performance of Länsförsäkringar Bank and its ability to raise debt in the international capital markets. With the details of the UK's exit from the EU still unclear, and uncertainty over trade arrangements, market access and legislative and regulatory frameworks, it is not possible to evaluate the impact the UK's exit may have on European economies and financial markets and this is to be reviewed at the end of March.

The possibility of an extended period of political uncertainty and financial market volatility as a result of such politically sensitive events may also adversely affect the financial performance of Länsförsäkringar Bank and its ability to raise debt in the international capital markets.

### **Liquidity risks**

Liquidity risk is the risk of the Issuer, due to insufficient cash and cash equivalents, being unable to fulfil its commitments or only being able to fulfil its commitments by borrowing cash and cash equivalents at a significantly higher cost. Liquidity risk also refers to the risk of financial instruments that cannot immediately be converted to cash and cash equivalents without decreasing in value. Furthermore, if the Issuer's inability to meet its payment obligations when they fall due is not temporary, it could mean that the Issuer might be considered insolvent.

The Issuer is also subject to liquidity requirements in its capacity as a credit institution supervised by the Swedish FSA, including a statutory requirement to maintain sufficient liquidity to enable it to discharge its obligations as they fall due. Liquidity requirement regulations include the European Parliament and Council Regulation (Regulation (EU) No. 575/2013) establishing the prudential requirements for credit institutions and investment firms ("**CRR**") and Commission Delegated Regulation (EU) 2015/61 with regard to liquidity coverage requirements for credit institutions. The Swedish FSA has issued regulations on liquidity (including FFFS 2010:7, as amended by FFFS 2014:21). Serious or systematic deviations from such regulations may lead to the Swedish FSA determining that the Issuer's business does not satisfy the statutory soundness requirement for credit institutions and could result in the Swedish FSA imposing sanctions against the Issuer, or as a last resort, withdrawal of license to operate as a credit institution.

### **Financing risks**

Financing risk is the risk that the Issuer, in the event of financing maturity, does not successfully refinance the maturity or only succeeds in borrowing at substantially increased costs. The Issuer's lending is to a large extent made on longer terms than the Issuer's funding. Therefore, the Issuer is dependent on the ability to refinance borrowings upon their maturity and failure to do so may result in a material adverse effect on the Issuer's business, financial position and results of operations.

### **Intercreditor agreement and subordination of the Issuer's claims against LF Hypotek**

The Issuer and Länsförsäkringar Hypotek AB (publ) ("**LF Hypotek**") have granted, and will grant, loans to certain borrowers which are secured by security granted to the Issuer and LF Hypotek jointly and/or on a first and second ranking basis with respect to existing and/or future obligations of the borrowers (the "**Joint Collateral**"). The Issuer and LF Hypotek have, in an intercreditor agreement, agreed that, unless otherwise agreed in a specific case in relation to a certain borrower, LF Hypotek's claims in respect of the Joint Collateral (and any income from the realisation thereof) shall rank senior to the Issuer's claims in respect thereof.

The incurrence of any claims in regards to the Joint Collateral (and any income from the realisation thereof) may thus reduce the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, may limit the ability of the Issuer to meet its obligations in respect of the Notes and could result in Noteholders losing all or some of their investment in the Notes.

### **Liquidity facility agreement between the Issuer and LF Hypotek**

The Issuer and LF Hypotek have entered into a liquidity facility agreement, pursuant to which the Issuer makes available a committed liquidity loan facility to LF Hypotek to support its ability to repay principal and pay interest on covered bonds issued under LF Hypotek's covered bonds programmes.

The incurrence of any debt in regards to the liquidity facility agreement may reduce the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, may limit the ability of the Issuer to meet its obligations in respect of the Notes and could result in Noteholders losing all or some of their investment in the Notes.

### **No access to equity capital markets**

Since the Issuer is not a listed company, it does not have direct access to the equity capital markets, and as a consequence, the Issuer is partly dependent upon its owner Länsförsäkringar AB (publ) ("**LFAB**") as a source for core equity capital. If LFAB does not provide the Issuer with such capital to the extent the Issuer needs it, this can have a negative impact on the Issuer's business. As LFAB is also not a listed company, it is in turn dependent on its owners, the 23 independent, local and customer-owned regional insurance companies in Sweden (the "**Regional Insurance Companies**"), as a source for capital.

### **Strategic risk**

Strategic risk is the risk of loss of current revenue streams or missed future revenue opportunities because of changing market conditions through economic downturns, increased competition, changes in business laws/regulations or other external factors that negatively affect Länsförsäkringar Bank's business model. Strategic risk also includes the risk that third parties adversely affect Länsförsäkringar Bank's brand. Macroeconomic developments in the business environment are affected by various events and scenarios and institutional changes and changes in basic market conditions may occur to the Issuer. The realisation of any of the aforementioned risks could adversely affect the Issuer's financial position and results of operations. The ability of the board of directors and CEO of the Issuer to plan, organise, follow up on and control the operations and to continuously monitor market conditions is important. Failure to do so may result in a material adverse effect on the Issuer's business, financial position and results of operations.

### **Earnings risk**

Earnings risk is volatility in earnings that creates a risk of lower income due to an unexpected decrease in income as a result of such factors as competition or volume reductions. Earnings risk is associated with all of Länsförsäkringar Bank's products and portfolios. A considerable portion of Länsförsäkringar Bank's business operations is mortgage lending. Mortgage lending has a low level of volatility.

A consistent and considerable decrease in earnings may lead to adverse effects on the Länsförsäkringar Bank's business, financial position and results of operations.

### **Reputational risk**

Reputational risk is the risk of a tarnished reputation among customers, owners, employees, authorities and other parties resulting in reduced income. Reputational risk is difficult to assess, but could be substantially damaging to the Issuer's operations based on a well-established brand, if materialised. However, failure to control reputational risk can result in material adverse effects on the Issuer's financial performance and reputation.

### **Operational risks**

Although identification, management and control of operational risks is a clear and integrated part of the Issuer's business, deficiencies or errors in internal processes and control routines, human errors, incorrect systems or external events that affect operations may occur. This could result in a material adverse effect on the Issuer's financial position, business, the products and services it offers or its assets.

### **Information technology risk**

Länsförsäkringar Bank depends on the success of its business continuity planning, the uninterrupted and efficient operation of its information and communications systems, including its information technology (to manage critical business processes as well as administrative functions), Länsförsäkringar Bank's monitoring and protective measures and the successful development and implementation of new systems. However, as is the case for information technology systems generally, losses could result from inadequate or failed internal control processes and protection systems, human error, fraud or external events that interrupt normal business operations. This could result in a loss of data and a failure to provide quality service to customers.

Länsförsäkringar Bank is currently in the process of replacing its IT-platform for deposits, lending and payments. The transition to the new platform is predicted to take place during the second quarter of 2019. As is generally the case with major IT projects, the risks associated with the functioning of the IT operations will be higher in connection with the implementation phase than during normal course of business.

If any of the above risks materialise, the interruption or failure of Länsförsäkringar Bank's information technology and other systems could impair Länsförsäkringar Bank's ability to provide its services effectively causing direct financial loss and may compromise Länsförsäkringar Bank's strategic initiatives. Technology failure or underperformance could also increase Länsförsäkringar Bank's litigation and regulatory exposure or require it to incur higher administrative costs (including remediation costs). Further, an irrecoverable loss of any customer database would be expensive and time-consuming to endeavour to retrieve or recreate and would have a material adverse effect on Länsförsäkringar Bank's business, financial position and results of operations.

### **Dependency on LFAB**

LFAB is providing Länsförsäkringar Bank with certain services related to intragroup IT and administration systems. Consequently, and in addition to the general risks related to information technology set out in the risk factor "*Information technology risk*" above, Länsförsäkringar Bank is dependent on LFAB in relation to (i) its

general IT and data security infrastructure, (ii) its strategies for intellectual property rights and data security and (iii) its relations with certain suppliers. Any failure by LFAB to provide, maintain and operate the IT and data security infrastructure, or any failure by LFAB to prevent data losses, security breaches and intellectual property infringements could have a negative impact on Länsförsäkringar Bank's business, financial position and results of operations.

### **Risks relating to inadequate insurance**

Inability by Länsförsäkringar Bank to maintain adequate insurance policies could have a material adverse effect on Länsförsäkringar Bank's business, financial position and results of operations.

### **Legal disputes**

Claims or legal action may in the future be raised against Länsförsäkringar Bank which may have significant unfavourable effects on Länsförsäkringar Bank's financial position, performance, market position, or trading price of the Notes. The risk of claims or legal action also relates to intellectual property rights, such as patents and trademarks, and Länsförsäkringar Bank normally assumes liability for any infringement of third party intellectual property rights in relation to its customers.

## **Regulatory risks**

### **General compliance risk**

The Issuer is supervised by the Swedish FSA, and is subject to minimum statutory capital and liquidity levels. Non-compliance with these requirements may result in administrative actions or sanctions against the Issuer, which may affect the Issuer's ability to fulfil its obligations under the Notes.

Should the Swedish FSA consider that the operations of the Issuer are not sound or that the Issuer is otherwise in breach of laws or regulations that apply to it, its articles of association or internal governing documents that are based on laws and regulations governing the Issuer's operations as a bank, the Swedish FSA must intervene. The Swedish FSA may then issue an order to limit or reduce the risks of the operations in some respect, restrict or prohibit payment of dividends or interest or take other measures to rectify the situation, issue injunctions or remarks. In case of material violations, the Swedish FSA can, as an ultimate measure, revoke the Issuer's banking licence, following which the Swedish FSA may determine the manner in which the business will be wound up. A decision regarding revocation of licence can be combined with an injunction against continuing the operations. If deemed sufficient, taking into consideration, among other things, the nature, gravity, duration and potential effects on the financial system of the violation, the Swedish FSA can, instead of revoking the Issuer's banking licence, issue a warning. Remarks and warnings may be combined with monetary fines (up to ten per cent. of the annual turnover or two times the cost avoided or profit realised from the violation, where such amount can be ascertained). If the Issuer were subject to material sanctions, remarks or warnings and/or fines imposed by the Swedish FSA, this would cause significant, and potentially irreparable, damage to the reputation of the Issuer and, as a result, the Issuer's business, financial position and results of operations can be materially adversely affected. The Issuer's operations are contingent upon the banking licence issued by the Swedish FSA. The loss or suspension of the licence will require the Issuer to cease its banking operations which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Many initiatives for regulatory changes have been taken in the past and the impact of such initiatives is, to some extent, difficult to predict in full. Therefore, for example, financial services laws, capital, liquidity and solvency laws, marketing laws, consumer protection laws, data protection laws, laws related to deposits (including the Swedish deposit insurance scheme), the laws related to enforcement, laws and regulations related to or affecting interest, laws and regulations on internal governance and control, laws and regulations of remuneration, codes of conduct, government policies and general recommendations, and their respective interpretations currently affecting the Issuer can change, and the Issuer is unable to predict what regulatory changes can be imposed in the future as a result of regulatory initiatives in the EU, by the Swedish FSA, the European Banking Authority (the "EBA") or by other authorities and agencies. Such changes can have a material adverse effect on the Issuer's profitability, solvency and capital requirements, and can give rise to increased costs of compliance. Failure of the Issuer to effectively manage these legal and regulatory risk can have a material adverse effect on the Issuer's business, financial conditions and results of operations.

### **Capital requirements**

Länsförsäkringar Bank is subject to capital adequacy regulations, which aim to put in place a comprehensive and risk-sensitive legal framework and to ensure enhanced risk management among financial institutions. The

implementation of CRR (as defined above) and the EU Capital Requirements Directive 2013/36/EU (“**CRD IV**”) has resulted in higher capital requirements. Also, CRR and CRD IV are both supported by a set of binding technical standards which have been developed by the European Banking Authority (the “**EBA**”).

The changes to the capital adequacy framework include, *inter alia*, stricter minimum capital requirements. In addition to the minimum capital requirements, CRD IV introduces further capital buffer requirements. Certain buffers may be applicable to the Issuer as determined by the Swedish FSA. A breach of the combined buffer requirements will result in restrictions on certain capital distributions from the Issuer, for example, dividend and coupon payments on CET1 and tier 1 capital instruments, see further below under risk factor “*Interest payments on the Notes may be cancelled by the Issuer*”.

The countercyclical buffer rate is a capital requirement which varies over time and is to be used to support credit supply in adverse market conditions. The Swedish FSA has decided to amend its regulation in relation to countercyclical capital buffers (FFFS 2014:33) so that the countercyclical capital buffer will be increased to 2.5 per cent. on 19 September 2019. Such an increase and any other changes in the risk weighting of assets may cause reductions in the capital adequacy ratios and solvency levels of the Issuer and/or cause the applicable minimum capital requirements to increase.

On 11 May 2015, the Swedish FSA published a memorandum describing the methods it plans to use to evaluate the capital requirements as regards the three most important risk types within other Pillar 2 requirements for all major Swedish banks, namely credit-related concentration risk, interest rate risk in the banking book and pension risk. The Swedish FSA has applied these methods in the Supervisory Review and Evaluation Process (“**SREP**”) since 2015. The results of the SREP are made public quarterly by the Swedish FSA. There can be no assurance that these methods will not change over time. The Swedish FSA may also introduce additional methods for assessment of Pillar 2 risks. On 24 May 2016, the Swedish FSA established new standards for assessing models applied for calculating the capital requirement for credit risk, primarily for corporate exposures. These methods may increase the Issuer's capital requirements for credit risk, primarily for the corporate exposures. On 24 May 2016 the Swedish FSA also established new Pillar 2 requirements for banks applying the advanced internal ratings-based approach (A-IRB) for calculating credit risk. Länsförsäkringar Bank does apply the A-IRB method to some extent, and is thus subject to additional Pillar 2 requirements due to the proposed method.

As of 31 December 2018, the application of the risk weight floor for Swedish mortgages changed, which reduces the Issuer's capital ratios for the current period.

At the international level, a number of initiatives are being implemented which increase capital requirements, increase the quantity and quality of capital and raise liquidity levels in the financial institutions sector. Among these are a number of specific measures proposed by the Basel Committee on Banking Supervision (the “**Basel Committee**”) and implemented by the European Union to tighten regulations.

The Basel Committee issued a comprehensive set of reform measures in December 2010 (“**Basel III**”). In addition, on 13 January 2011, the Basel Committee published the minimum requirements for regulatory capital to ensure loss absorbency at the point of non-viability (the January 2011 release, and together with the Basel III, the “**Basel III Framework**”). The aim of the Basel III Framework is to improve the ability of credit institutions to absorb shocks arising from financial and economic stress, improve risk management and governance and strengthen credit institutions' transparency and disclosures. The Basel III Framework is intended to raise both the quality and quantity of the capital base and increases capital requirements for certain exposures. The minimum requirements for capital will be underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. In addition to the minimum requirements, there are also buffer requirements in the form of both a capital conservation buffer and a countercyclical capital buffer, as well as additional capital buffers for institutions of systemic importance, which may be on a global, European or domestic basis. The Basel III Framework also introduces internationally harmonised minimum requirements for liquidity risk.

In December 2017, the Basel Committee published proposed amendments to the Basel III Framework. The proposed amendments, often called Basel IV, entail substantial changes and are expected to enter into force from 1 January 2022 with a phasing-in period of five years. The proposed changes need to be implemented at EU level in order for them to become applicable for Sweden.

As part of its efforts on strengthening and deepening the Banking Union, the EU Commission presented a package of legislative proposals in November 2016 to implement, *inter alia*, the reforms agreed at international level following the 2007–08 financial crisis, generally referred to as the “**Banking Package**”. The Banking Package's main objective is to reduce risk in the EU banking industry, which is considered by Member States a prerequisite for further integration with respect to risk sharing under the Banking Union's third pillar. The

Banking Package comprises proposals for amendments to, *inter alia*, CRD IV, CRR and BRRD (as defined below). In May 2018, the Council published a compromise proposal concerning a draft Regulation amending CRR and CRD IV. Political agreement on a number of key issues was reached in dialogues on 21 and 22 November and the Council announced its endorsement of the agreement on 4 December 2018. The proposal entails substantial changes to CRR and CRD IV which may be finalised in early 2019 for publication in mid-2019.

The capital requirements mentioned above could force the Issuer to issue additional capital, which may be unavailable to the Issuer in the future or unavailable at an attractive rate or within the timeframe necessary in order to ensure compliance with such requirements. Furthermore, the conditions of the Issuer's business as well as external conditions are constantly changing. Any failure by the Issuer to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators can result in intervention by regulators or the imposition of sanctions, which can have a material adverse effect on the Issuer's profitability and results and can also have other effects on the Issuer's financial performance and on the trading price of Notes, both with or without the intervention by regulators or the imposition of sanctions. Any market perception or concern regarding compliance with future capital adequacy requirements, can increase the Issuer's borrowing costs and limit its access to capital markets, which can have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer is unable to predict what regulatory requirements may be imposed in the future or accurately estimate the impact that any currently proposed regulatory changes may have on its business, the products and services that it offers and the values of its assets. Banks that are considered systemically important in the context of the Swedish banking system, which currently comprise the four major Swedish banks, are subject to more stringent demands than other banks. The requirement for additional capital at a later stage could encompass more banks including the Issuer.

### **The Recovery and Resolution Directive**

To supplement the CRR and CRD IV legislative package, EU credit institutions are subject to Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (known as the Bank Recovery and Resolution Directive ("**BRRD**")).

The BRRD establishes a framework for the recovery and resolution of credit institutions and, *inter alia*, requires EU credit institutions to produce and maintain recovery plans setting out the arrangements that may be taken to restore the long-term viability of the credit institution in the event of a material deterioration of its financial position. The BRRD has been implemented into Swedish law by the Resolutions Act (*lagen (2015:1016) om resolution*) and the Precautionary Support Act (*lagen (2015:1017) om förebyggande statligt stöd till kreditinstitut*). The primary objective of the BRRD and the Resolutions Act is to maintain financial stability. All credit institutions, including the Issuer, are covered by the regime and may thus potentially be subject to resolution actions.

The Swedish National Debt Office (*Riksgälden*) has been appointed as resolution authority and has been given certain powers which can be categorised into preventive powers, early intervention powers and resolution powers. Ultimately, the authority may take control of a failing credit institution and, for example, transfer the credit institution to a private purchaser or to a publicly controlled entity pending a private sector arrangement. All these actions can be taken without any prior shareholder approval.

The BRRD contains a number of resolution tools and powers intended to ensure that resolution authorities across the EU have a harmonised toolkit to manage credit institutions' failure provided that the resolution conditions are satisfied. That may be applied by the resolution authority upon certain conditions for resolution being fulfilled. These tools and powers may be used alone or in combination and include, *inter alia*, a general power to write-down all or a portion of the principal amount of, or interest on, certain other eligible liabilities, whether subordinated or unsubordinated, of the credit institution in resolution and/or to convert certain unsecured debt claims including senior notes and subordinated notes into another security, including CET1 instruments of the surviving entity, which equity could also be subject to any further application of the general bail-in tool. This means that most of such failing credit institution's debt (including, in the case of the Issuer, the Notes) could be subject to bail-in, except for certain classes of debt, such as certain deposits and secured liabilities.

One of the key principles in the BRRD is that the shareholders of a failing credit institution must bear the first losses in case of a failure. Prior to taking any resolution action that would result in losses for the creditors of the failing credit institution, the authorities must impose losses on the shareholders by cancelling or severely diluting

their shares. In general, shareholders' claims should be exhausted before those of subordinated creditors and only when those claims are exhausted can resolution authorities impose losses on senior claims. Also, a resolution authority will only be permitted to exercise resolution powers and tools in relation to a credit institution if it determines that all of the following conditions for resolution are satisfied: (i) the determination that the credit institution is failing or likely to fail (the "failure condition") (which in Sweden will be determined by the Swedish FSA), (ii) there is no reasonable prospect that any solution, other than a resolution action taken in respect of the institution, would prevent the failure of the credit institution within a reasonable timeframe (the "no alternative condition"), and (iii) intervention through resolution action is necessary in the public interest (the "public interest condition").

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

The powers set out in the BRRD will impact how credit institutions are managed as well as, in certain circumstances, the rights of creditors. Holders of debt instruments (such as the Notes) may be subject to write-down or conversion into equity on any application of the general bail-in tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. The general bail-in tool can be used to recapitalise a credit institution that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The write-down and conversion power can be used either together with, or also, independently of, a resolution action. Other powers provided to resolution authorities under the BRRD in respect of debt instruments (such as the Notes) include replacing or substituting the credit institution as obligor in respect of such debt instruments; modifying the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), and/or discontinuing the listing and admission to trading of debt instruments.

Going forward, the BRRD has an impact on how large a capital buffer an institution will need, in addition to those set out in CRR and CRD IV. To ensure that institutions always have sufficient loss absorbing capacity, the BRRD requires institutions to maintain at all times minimum requirements for own funds and eligible liabilities ("MREL"), see the risk factor "The EBA regulatory technical standards on criteria for determining the MREL under the BRRD" below for further information regarding the determination of a credit institution's MREL under the BRRD.

In November 2016, the European Commission proposed changes to the BRRD with a focus on the implementation of the Financial Stability Board's standard for total loss absorbing capacity ("TLAC") into EU legislation and the alignment of the TLAC requirement with MREL rules to avoid duplication. While the TLAC requirement is proposed to be applicable only to global systemically important banks (known as G-SIBs) (and hence not to the Issuer), the Issuer expects that the MREL implementation by the Swedish National Debt Office will need to be amended in line with the final outcome of the proposed changes to the BRRD.

The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of the Noteholders, the price or value of Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. However, it is not possible to predict exactly how the powers and tools of the Swedish National Debt Office described in the BRRD and the Resolutions Act will affect Länsförsäkringar Bank. Accordingly, it is not possible to assess the full impact of the BRRD and the Resolutions Act. The powers and tools given to the Swedish National Debt Office are numerous and the exercise of any of those powers or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

### **Loss absorption at the point of non-viability of the Issuer**

The holders of Notes are subject to the risk that such Notes may be required to absorb losses as a result of statutory powers conferred on resolution and competent authorities in Sweden (the Swedish National Debt Office and the Swedish FSA). As noted above, the powers provided to resolution and competent authorities in the BRRD include write-down/conversion powers to ensure that relevant capital instruments (such as the Notes) fully absorb losses at the point of non-viability of the issuing credit institution in order to allow it to continue as a going concern subject to appropriate restructuring and without entering resolution. As a result, the BRRD contemplates that resolution authorities may require the permanent write-down of such capital instruments (which write-down may be in full) or the conversion of them into CET1 instruments at the point of non-viability (which CET1 instruments may also be subject to any application of the general bail-in tool described above) and

before any other bail-in or resolution tool can be used. Measures ultimately adopted in this area may apply to any debt currently in issue, including the Notes.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which one or more of the following circumstances apply: (i) the determination has been made by the relevant authority that the conditions for resolution (i.e. the "failure condition", the "no alternative condition" and the "public interest condition" described above) have been met, before any resolution action is taken, (ii) the relevant authority determines that unless the write-down/conversion power is exercised in relation to the relevant capital instruments, the institution "will no longer be viable" (as described in Article 59(4) of the BRRD) and/or (iii) extraordinary public financial support is required by the credit institution.

The application of any non-viability loss absorption measure may result in a holder of the Notes losing some or all of its investment. Any such conversion to equity or write-off of all or part of an investor's principal (including accrued but unpaid interest) shall not constitute an event of default and any affected holder of the Notes will have no further claims in respect of any amount so converted or written off. The exercise of any such power may be inherently unpredictable and may depend on a number of factors which may be outside the Issuer's control. Any such exercise, or any suggestion that the Notes could become subject to such exercise, could, therefore, materially adversely affect the value of the Notes.

### **The EBA regulatory technical standards on criteria for determining the MREL under the BRRD**

As described above in the risk factor "The Bank Recovery and Resolution Directive", in order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that all in-scope credit institutions have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied. Each credit institution must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities (the Swedish National Debt Office for Sweden) on a case by case basis. The MREL requirement applies to all EU credit institutions (and certain investment firms), not just to those identified as being of a particular size or of systemic importance.

In determining a credit institution's MREL, the resolution authority must have regard to certain criteria specified in the BRRD and the MREL requirement for that credit institution will be comprised of a number of key elements, including the required loss absorbing capacity of the credit institution (which will, as a minimum, equate to the credit institution's capital requirements under CRD IV, including applicable buffers), and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process.

Items eligible for inclusion in MREL will include a credit institution's "own funds" (within the meaning of CRD IV), along with "eligible liabilities", meaning liabilities which, *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives. Such eligible liabilities are also, in general expected to be effectively subordinated to other senior liabilities in a bail-in or insolvency of the relevant credit institution.

The BRRD's provisions relating to MREL are set out in Article 45 of the BRRD. These provisions are supplemented by regulatory technical standards ("RTS") drafted by the EBA. The key RTS relate to the assessment criteria for determining a credit institution's MREL under the BRRD and are set out in Commission Delegated Regulation (EU) 2016/1450, which entered into force on 23 September 2016. It should be noted that the Resolution Act, in line with BRRD, requires that all in-scope credit institutions have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied (see Chapter 4, section 3 of the Resolution Act).

On 23 February 2017, the Swedish National Debt Office presented the finalised model for the calculation of MREL, stating that systemically important credit institutions need to replace a portion of their existing bond holdings with subordinated bonds. On 20 December 2017, the Swedish National Debt Office announced which banks and credit institutions must comply with the requirement and the Issuer is one of the entities that must comply with these requirements. The model presented for the calculation of MREL took effect from 1 January 2018 and credit institutions must progressively build up the volume of subordinated liabilities required to meet the minimum requirement by 1 January 2022.

As a result of the decision by the Swedish National Debt Office and the proposed amendments to BRRD stemming from the November 2016 proposals, the Issuer will be required to issue a significant amount of additional eligible liabilities in the form of senior non-preferred notes in order to meet the new MREL

requirements within the required timeframes. If the Issuer was to experience difficulties in raising such eligible liabilities, it may have to reduce its lending or investments in other operations.

The extent and nature of the MREL requirements are currently being developed and therefore it is not possible to determine the exact impact that they will have on the Issuer once implemented. Given that the MREL requirements must be met by all EU credit institutions, there is a risk that eligible liabilities are issued in such volumes up until 1 January, 2022, that they will have a negative effect on the price and value of Notes.

### **EU General Data Protection Regulation (the “GDPR”)**

The GDPR entered into force on 24 May 2016 and applies from 25 May 2018. The main objectives of the GDPR are to harmonise EU laws on personal data and facilitate the flows of data across EU as well as to ensure that personal data enjoys a high standard of protection everywhere in the EU.

The GDPR includes new requirements for processing of personal data. This may create challenges for Länsförsäkringar Bank, as it will need to ensure that its policies and procedures are compliant with the GDPR. Failure to comply with the GDPR exposes the Issuer to substantial monetary fines which could have a material adverse effect on its business, financial condition and results of operation.

### **Payment services**

Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2018 on payment services (“PSD2”) was adopted in November 2015 and implemented in Sweden on 1 May 2018. Amongst other things, PSD2 gives payment institutions a right to access credit institutions’ payment account services and payment systems. Consequently, third party providers will be given an increased access to the Issuer’s customers and this may result in new competitors on the market which may, in turn, affect the Issuer’s business, financial condition and results of operations negatively.

### **Anti-money laundering**

Länsförsäkringar Bank’s business is subject to a regulatory framework which requires Länsförsäkringar Bank to take actions in order to counteract money laundering and terrorist financing. In order to comply with the framework, Länsförsäkringar Bank has established procedures, internal control functions and guidelines to counteract money laundering and terrorist financing.

Failure to comply with the requirements could result in legal implications. If Länsförsäkringar Bank would become subject to sanctions, remarks or warnings and/or fines imposed by the Swedish FSA, this could cause significant, and potentially irreparable, damage to the reputation of Länsförsäkringar Bank and, as a result, Länsförsäkringar Bank’s business, financial position and results of operations could be materially adversely affected.

### **Changes to the Swedish Deposit Insurance Scheme**

The Swedish Deposit Insurance Scheme (“SDIS”) guarantees the depositors’ deposits in the event the Issuer is declared bankrupt or if the Swedish FSA determines that the SDIS should be activated in a given situation. The SDIS is administered by the Swedish National Debt Office. If activated, the insurance guarantees each customer compensation amounting to the value of the total funds in his or her account(s) with the Issuer, plus accrued interest, until the time of bankruptcy or the Swedish FSA’s activation decision. The maximum compensation is in most cases an amount of SEK 950,000. There is a risk that regulatory changes which decrease the maximum compensation amount or change the SDIS are implemented, which could have a negative effect on the amount of customer savings deposit currently held with the Issuer. This could have a negative effect on the Issuer’s liquidity, funding, business, financial condition and results of operations.

### **Changes in legislation and accounting standards**

In addition to the anticipated legislative changes mentioned above, a number of legislations, regulations and rules can affect the business conducted by Länsförsäkringar Bank. New or amended legislations and regulations could call for unexpected costs or impose restrictions on the development of the business operations or otherwise affect earnings, which could have an adverse effect on Länsförsäkringar Bank’s business and results of business operations.

From time to time, the International Accounting Standards Board (“IASB”), the EU and other regulatory bodies change the financial accounting and reporting standards that govern the preparation of Länsförsäkringar Bank’s financial statements. These changes can be difficult to predict and can materially impact how Länsförsäkringar Bank records and reports its results of operations and financial condition.

In July 2014, the IASB issued a new accounting standard, International Financial Reporting Standard 9 (Financial Instruments) ("**IFRS 9**"), which became effective from 1 January 2018 and replaced IAS 39. IFRS 9 provides principles for classification of financial instruments, and provisioning for expected credit losses which are mandatory, and therefore fully implemented by Länsförsäkringar Bank, as of 1 January 2018.

Furthermore, IFRS 9 provides a new general hedge accounting model which is not yet mandatory, which is why it is currently not possible to determine the extent of the impact that the implementation of the hedge accounting model will have on CET 1 capital as the new rules for the transition, and its impact on capital ratios, are not yet final. As a consequence of the new general hedge accounting model under IFRS 9, and the uncertainty regarding its implementation, Länsförsäkringar Bank may need to obtain additional capital in the future and may not be able to obtain new equity capital or debt financing qualifying as regulatory capital on attractive terms, or at all.

### **Changes in tax legislation**

The Issuer's business and transactions are conducted in accordance with the Issuer's interpretation of applicable laws, tax treaties, regulations, case law and requirements of the tax authorities. However, there can be no assurance that the Issuer's interpretation of applicable laws, tax treaties, regulations, case law or other rules or administrative practice is correct, or that such rules or practice will not change, possibly with retroactive effect. For example, the Swedish government has previously presented a proposal for tax on financial services based on an argued tax advantage for businesses supplying financial services since these services are VAT exempt. Although the proposal was withdrawn on 24 February 2017 after being heavily criticised during the consultation for comments, mainly for being too broad, certain political parties did express their intention to prepare a new proposal in connection with the 2018 Swedish general election. In January 2019, several months after the 2018 Swedish general election, four political parties entered into an agreement in order to form a government. The agreement contains 73 items, not including the specific tax on financial services but including several other general proposals for changes to the tax legislation, one of which is a comprehensive tax reform. The details of these intended changes to tax legislation are not yet known and the fact that the tax on financial services is not included in the agreement does not entail that such proposal cannot be presented separately.

It is currently not possible to predict if or when new proposals for changes to tax legislation will be presented or what they will look like. In this context, it should also be noted that new general limitations to deduct interest expenses (based on Directive 2016/1164) entered into force on 1 January 2019 and apply for financial years commencing after 31 December 2018. Under the new regulation, an overall interest deduction limitation rule has been introduced for net interest expenses on all loans, i.e. both between affiliated and unaffiliated parties, under which net expenses may only be deducted up to a maximum of 30 per cent. of the borrower's EBITDA (a safe harbour rule also exists under which net interest expenses up to SEK 5 million are deductible). The changes regarding interest deduction limitations are combined with a reduction of the corporate income tax rate over a two year period. For financial years commencing before 1 January 2019 the rate is 22 per cent, for financial years commencing from and including 1 January 2019 the rate is 21.4 per cent. and for financial years commencing from and including 1 January 2021 the rate is 20.6 per cent.

The Issuer's tax situation for previous, current and future years may change as a result of legislative changes such as that mentioned above, decisions made by the tax authorities or as a result of changed tax treaties, regulations, case law or requirements of the tax authorities. Such decisions or changes, potentially with retroactive effect, could adversely affect the Issuer's business, financial condition and results of operations. The Issuer's tax situation both for previous, current and future years may change as a result of legislative changes such as the one mentioned, decisions made by the tax authorities or as a result of changed tax treaties, regulations, case law or requirements of the tax authorities. Such decisions or changes, potentially with retroactive effect, could adversely affect the Issuer's business, financial condition and results of operations.

## **Risks relating to the Notes**

### **The Issuer's obligations under the Notes are deeply subordinated**

The Notes constitute unsecured, deeply subordinated obligations of the Issuer. In the event of the voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer, the rights of the Noteholders to payments on or in respect of the Notes (which in the case of any payment of principal shall be to payment of the then Nominal Amount only) shall rank:

- (a) *pari passu* without any preference among themselves;
- (b) *pari passu* with (i) any obligations or capital instruments of the Issuer which constitute Additional Tier 1 Capital and (b) any other obligations or capital instruments of the Issuer

that rank or are expressed to rank equally with the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;

- (c) senior to holders of all classes of the Issuer's shares in their capacity as such holders and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and
- (d) junior to any present and future claims of (i) depositors of the Issuer, (ii) any other unsubordinated creditors of the Issuer, (iii) any senior non-preferred creditors falling within the scope of the first paragraph of Section 18 of the Swedish Rights of Priority Act (*förmånsrättslagen (1970:979)*), and (iv) except as expressly stated in (b) above, any subordinated creditors, including for the avoidance of doubt holders of notes which constitute Tier 2 Capital.

In the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Notes.

Although the Notes may pay a higher rate of interest than comparable Notes which are not subordinated or which are subordinated but not so deeply, there is a significant risk that an investor in the Notes will lose all or some of its investment in the event of a voluntary or involuntary liquidation or bankruptcy of the Issuer.

Please also refer to the risk factor "*The Recovery and Resolution Directive*" above.

**The Issuer is not (and nor is any other Group Company) prohibited from issuing further debt, which may rank *pari passu* with or senior to the Notes**

There is no restriction on the amount or type of debt that the Issuer or a Group Company may issue or incur that ranks senior to, or *pari passu* with the Notes. The incurrence of any such debt may reduce the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, may limit the ability of the Issuer to meet its obligations in respect of the Notes and could result in Noteholders losing all or some of their investment in the Notes. In addition, the Notes do not contain any restriction on the Issuer issuing securities ranking *pari passu* with the Notes and having similar or preferential terms to the Notes.

**The Issuer is not (and nor is any other Group Company) prohibited from pledging assets for other debt**

There is no restriction on the amount or type of assets that the Issuer or a Group Company can pledge, or otherwise use as security, for other debt. If the Issuer chooses to do so this may reduce the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer.

**The Terms and Conditions do not contain any right for the Noteholders or the Agent to accelerate the Notes**

The Notes are intended to constitute Additional Tier 1 Capital of the Issuer. As such, the Terms and Conditions do not include any obligations or undertakings on the Issuer the breach of which would entitle the Noteholders or the Agent to accelerate the Notes.

**The Issuer may redeem the Notes on the occurrence of a Capital Event or Tax Event**

The Issuer may in certain circumstances, at its option, but in each case subject to obtaining the prior consent of the Swedish FSA, redeem the Notes upon the occurrence of a Capital Event or Tax Event at par together with accrued Interest on any Interest Payment Date.

It should also be noted that the Issuer may redeem the Notes as described above even if (i) the Total Nominal Amount of the Notes has been reduced by means of a write-down in accordance with the Terms and Conditions and (ii) the principal amount of the Notes has not been fully reinstated to the initial nominal amount of the Notes.

There is a risk that the Noteholders will not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Notes.

### **Substitution or variation of the Notes**

Subject to Clause 11.4 (*Early redemption, substitution or variation upon the occurrence of a Capital Event or Tax Event*) of the Terms and Conditions and the prior written consent of the Swedish FSA, the Issuer may, at its option and without the consent or approval of Noteholders, elect to substitute or vary the terms of all (but not some only) outstanding Notes on any Interest Payment Date for, so that they become or remain, as applicable, Qualifying Securities if a Capital Event or Tax Event occurs prior to the First Call Date.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Security will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Security are not materially less favourable to Noteholders than the terms of the Notes. The substitution or variation of the Notes may thus lead to changes in the Notes that have effects that are less favourable to some Noteholders. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequence suffered by any Noteholder).

### **Call options are subject to the prior consent of the Swedish FSA**

The Issuer has the option to, at its own discretion, redeem the Notes five years after they have been issued on the First Call Date or on any Interest Payment Date falling after the First Call Date. If the Issuer considers it favourable to exercise such a call option, the Issuer must obtain the prior consent of the Swedish FSA.

The Notes, however, have no fixed final redemption date and the Noteholders have no rights to call for the redemption of the Notes, and the Noteholders should not invest in the Notes with the expectation that such a call will be exercised by the Issuer. The Swedish FSA must agree to permit such a call, based upon its evaluation of the regulatory capital position of the Issuer and certain other factors at the relevant time. There is a risk that the Swedish FSA will not permit such a call or that the Issuer will not exercise such a call. The Noteholders should be aware that they may be required to bear the financial risks of an investment in the Notes for a period of time in excess of the minimum period.

### **Interest payments on the Notes may be cancelled by the Issuer**

Any payment of Interest in respect of the Notes shall be payable only out of the Issuer's Distributable Items and (i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Banking Regulations, or (ii) will be mandatorily cancelled to the extent so required by the Applicable Banking Regulations, including the applicable criteria for Additional Tier 1 Capital instruments.

Any cancellation of Interest (in whole or in part thereof) shall in no way limit or restrict the Issuer from making any payment of interest or equivalent payment or other distribution in connection with any instrument ranking junior to the Notes (including, without limitation, any CET1 capital) of the Issuer or in respect of any other Additional Tier 1 Capital instruments. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

In circumstances where the Capital Buffers Act (*lagen (2014:966) om kapitalbuffertar*) implementing Article 141 of the CRD IV Directive (or, as the case may be, any other provision of Swedish law transposing or implementing such Article) applies, no payments will be made on the Notes (whether by way of principal, Interest, or otherwise) if and to the extent that such payment would cause the maximum distributable amount (if any), determined in accordance with the Capital Buffers Act (or, as the case may be, any other provision of Swedish law transposing or implementing such Article) then applicable to the Issuer to be exceeded.

Following any cancellation of Interest as described above, the right of the Noteholders to receive accrued Interest in respect of any such Interest Period will terminate and the Issuer will have no further obligation to pay such Interest or to pay interest thereon, whether or not payments of Interest in respect of subsequent Interest Periods are made, and such unpaid Interest will not be deemed to have "accrued" or been earned for any purpose.

### **Loss Absorption following a Trigger Event**

If at any time the CET1 ratio has fallen below 5.125 per cent., in the case of the Issuer, or 7.00 per cent., in the case of the Issuer Consolidated Situation, this constitutes a Trigger Event and the Total Nominal Amount of the Notes shall be reduced (in whole or in part, and in each case as determined by the Issuer) by an amount sufficient to restore the CET1 ratio of the Issuer and/or the Issuer Consolidated Situation to at least 5.125 per cent. or 7.00 per cent., as applicable (except that, for technical reasons, the Nominal Amount of each Note may not be reduced below SEK 1). Following any such reduction of the Total Nominal Amount, the Issuer may, at its

discretion, reinstate in whole or in part the principal amount of the Notes, if certain conditions are met. The Issuer will not in any circumstances be obliged to reinstate in whole or in part the principal amount of the Notes (and any such reinstatement is likely to require approval at a shareholders' meeting of the Issuer).

The Issuer and/or the Swedish FSA may determine that a Trigger Event has occurred on more than one occasion and the then Nominal Amount of each Note may be reduced on more than one occasion. Further, during any period when the then Nominal Amount of a Note is less than the initial Nominal Amount, Interest will accrue on the then Nominal Amount of the Notes.

The Issuer's and/or the Swedish FSA's calculation of the CET1 ratio of the Issuer, and therefore its determination of whether a Trigger Event has occurred, shall be binding on the Noteholders, who shall have no right to challenge the published figures detailing the CET1 ratio of the Issuer.

### **Entities which are part of the Issuer Consolidated Situation but not part of Länsförsäkringar Bank**

As follows from the risk factor "*Loss Absorption following a Trigger Event*" above, a Trigger Event may occur if the CET1 ratio of the Issuer Consolidated Situation has fallen below 7.00 per cent. Since the Issuer Consolidated Situation includes entities that are not part of Länsförsäkringar Bank (and thus not under the control of the Issuer) ("**Consolidated Situation Entities**"), investors and Noteholders must consider the fact that circumstances affecting the capital situation of Consolidated Situation Entities may negatively impact the Noteholders' rights under the Notes and that the Notes may be written down due to circumstances solely related to Consolidated Situation Entities. The Consolidated Situation Entity LFAB is, through its Subsidiaries (in addition to the Issuer), exposed to, among other things, insurance risk, being the risk that the cost of future and outstanding insurance claims will be higher than anticipated due to inadequate pricing, risk concentration, incorrect assumptions or random fluctuations in the frequency and/or size of claims.

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

The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any other person, and no person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

### **Certain material interests**

Nordea Bank Abp, which is the arranger and joint bookrunner of the Notes issuance and Danske Bank A/S, Danmark, Sverige Filial and Skandinaviska Enskilda Banken AB (publ) which are joint bookrunners of the Notes issuance, have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for Länsförsäkringar Bank in the ordinary course of business. Accordingly, conflicts of interest may exist or may arise as a result of parties having previously engaged or in the future engaging in transactions with other parties, having multiple roles or carrying out other transactions for third parties. Nordea Bank Abp, Danske Bank A/S, Danmark, Sverige Filial and Skandinaviska Enskilda Banken AB (publ) and their affiliates may also take positions, or enter into hedging arrangements, in respect of the Notes or the Issuer. Such positions and hedging arrangements may adversely affect the price or liquidity of the Notes.

### **Interest rate risk**

The value of the Notes is dependent on several factors, one of the most significant over time being the level of market interest rates. Investments in the Notes involve a risk that the interest decreases as market interest rates decrease.

### **Noteholder representation and majority decisions by the Noteholders**

Under the Terms and Conditions, the Agent represents each Noteholder in all matters relating to the Notes. The Terms and Conditions contain provisions to the effect that a Noteholder is prohibited from taking actions on its own against the Issuer. To enable the Agent to represent the Noteholders in court, the Noteholders can submit a written power of attorney for legal proceedings. The failure of all Noteholders to submit such a power of attorney can negatively impact the enforcement options available to the Agent on behalf of the Noteholders. Further, under the Terms and Conditions the Agent has the right in some cases to make decisions and take measures that bind all Noteholders without first obtaining the prior consent of the Noteholders.

Additionally, under the Terms and Conditions certain majorities of Noteholders have the right to make decisions and take measures that bind all Noteholders, including those who vote in a manner contrary to the majority. Therefore, the actions of the majority and the Agent in such matters can impact the Noteholders' rights under the Finance Documents in a manner that can be undesirable for some of the Noteholders.

### **Credit risks**

If the Issuer's financial position deteriorates it is likely that the credit risk associated with the Notes will increase as there would be an increased risk that the Issuer cannot fulfil its obligations under the Terms and Conditions. The Issuer's financial position is affected by numerous risk factors, some of which have been outlined above. An increased credit risk can result in the market trading the Notes at a price below their Nominal Amount, which can adversely affect the value of the Notes. Another aspect of the credit risk is that a deteriorated financial position can result in a lower credit worthiness, which can affect the Issuer's ability to refinance the Notes and other existing debt, which in turn can adversely affect the Issuer's operations, result and financial position.

### **The price of Notes may be volatile**

The market price of the Notes can be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of the Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, can adversely affect the market price of the Notes without regard to the Issuer's operating results, financial condition or prospects.

### **MiFID II and MiFIR**

The main parts of the European Council Directive 2014/65/EU on markets in financial instruments ("MiFID II") and the Regulation (EU) No 600/2014 on markets in financial instruments ("MiFIR") entered into force on 3 January 2018. These entail both a review of existing rules on the securities market and the introduction of completely new rules. Among other things, the reporting requirements and transparency obligations on the interest rate market have increased. This may cause the financial institutions acting as intermediaries in trading financial instruments to become less likely to buy securities into their own stocks. If this were to happen in respect of the Notes, it could lead to a deteriorating liquidity of these, which could have an adverse effect on the Noteholders.

### **European Benchmarks Regulation**

Following a number of major scandals, the process of the calculation of EURIBOR, LIBOR, STIBOR and other interest rate benchmarks have been subject of the legislator's attention. This has resulted in a number of legislative measures, whereof some have been implemented and others are going to be implemented. The most important initiative on the subject matter is the so called Benchmarks Regulation (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014) that entered into force 1 January 2018 and which regulates the provision of a benchmark, contribution of input data for the purpose of determining a benchmark and the operation of benchmarks within the EU. Since the regulation has only been applicable for a limited period of time, the effects of the regulation cannot be fully assessed. There is, however, a risk that the Benchmarks Regulation may affect how interest rate benchmarks are calculated and developed. This in turn may give rise to increased volatility for some interest rate benchmarks. In addition, the increased administrative requirements and the associated regulatory risks may decrease the will of some parties to participate in the determination of interest rate benchmarks or to the fact that certain interest rate benchmarks will cease to be published. If this is the case for an interest rate benchmark applied to the Notes, it could have an adverse effect on the Noteholders.

The Terms and Conditions provide that the interest rate benchmark STIBOR, which applies for the Notes can be replaced as set out therein, if STIBOR ceases to be calculated or administered. Such replacement shall be made in good faith and in a commercially reasonable manner and is always subject to the Applicable Banking Regulations and the prior written consent of the Swedish FSA.

### **Admission to trading and absence of active secondary market**

Although the Issuer shall use reasonable efforts to ensure that the Notes are listed and admitted to trading on Nasdaq Stockholm within thirty (30) days from the Issue Date, there can be no assurance that such application will be accepted or that the Notes will be so listed or admitted to trading. Prior to any listing and admission to trading, there has been no public market for the Notes. There can be no assurance that an active trading market for the Notes will develop or, if developed, will be sustained. The Nominal Amount may not be indicative of the market price for the Notes. Furthermore, following a listing and admission to trading of the Notes, the liquidity and trading price of the Notes may be subject to fluctuations in response to many factors, including those

referred to in this section, as well as to market fluctuations and general economic conditions that may adversely affect the liquidity and price of the Notes, regardless of the actual performance of the Issuer. In addition, transaction costs in any secondary market may be high. Therefore, Noteholders may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes.

### **Clearing and settlement in the CSD's account-based system**

The Notes will be affiliated to and will continue to be affiliated to a central securities depository of notes, currently the CSD's account-based system, and no physical notes have been or will be issued. Clearing and settlement relating to the Notes, as well as payment of Interest and redemption of principal amounts, will be performed within the CSD's account-based system. The investors are therefore dependent on the functionality of the CSD's account-based system.

### **Exchange rate risks and exchange controls**

The Issuer will pay principal and Interest on the Notes in Swedish Kronor. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit other than Swedish Kronor (the "Noteholder's Currency"). Accordingly, a Noteholder is exposed to exchange rate risk if relevant exchange rates fluctuate significantly (including, but not limited to, fluctuations due to a devaluation of the Swedish Kronor or a revaluation of the Noteholder's Currency) or authorities with jurisdiction over the Noteholder's Currency impose or modify relevant exchange controls (if any).

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

On the date of this Prospectus, the Notes are rated BBB- by Standard & Poor's Credit Market Services Europe Limited ("S&P"). This rating may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended, reduced or withdrawn by the rating agency at any time. Any such revision, suspension, reduction or withdrawal could adversely affect the market value of the Notes. For the avoidance of doubt, the Issuer does not commit to ensure that any specific rating of the Notes will be upheld nor that any credit rating agency rating the Notes will remain the same.

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

## OVERVIEW OF THE NOTES

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*This section (Overview of the Notes) is only intended to serve as an introduction to the Notes. Any decision to invest in the Notes shall be based on an assessment of all information contained in this Prospectus as well as all documents incorporated herein by reference. The complete terms and conditions of the Notes are found on page 25 and onwards below.*

### The Notes

The Issuer has issued 500 Notes with a Nominal Amount of SEK 2,000,000 each. The Notes are denominated in Swedish kronor. The aggregate nominal amount of the Notes is SEK 1,000,000,000.

### ISIN code

The Notes have been allocated the ISIN code 549300C6TUMDXNOVXS82.

### Form of the Notes

The Notes are issued in dematerialised book-entry form and registered on a Securities Account on behalf of the relevant Noteholder. Hence, no physical notes have issued. The Notes are registered in accordance with the Financial Instruments Accounts Act and registration requests relating to the Notes shall be directed to an Account Operator.

### Status of the Notes

The Notes on issue are intended to constitute Additional Tier 1 Capital of the Issuer and the Issuer Consolidated Situation. The Notes will constitute direct, unsecured and subordinated liabilities of the Issuer and shall at all times rank:

- (i) *pari passu* without any preference among themselves;
- (ii) *pari passu* with (a) any liabilities or capital instruments of the Issuer which constitute Additional Tier 1 Capital and (b) any other liabilities or capital instruments of the Issuer that rank or are expressed to rank equally with the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;
- (iii) senior to holders of all classes of the Issuer's shares in their capacity as such holders and any other liabilities or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and
- (iv) junior to any present and future claims of (a) depositors of the Issuer, (b) any other unsubordinated creditors of the Issuer, (c) any senior non-preferred creditors falling within the scope of the first paragraph of Section 18 of the Swedish Rights of Priority Act (*förmånsrättslagen (1970:979)*), and (d) except as expressly stated in (ii) above, any subordinated creditors, including for the avoidance of doubt holders of notes which constitute Tier 2 Capital.

## Issuance, repurchase and redemption

### Issue Date and tenor

The Notes were issued on 10 April 2019. The Notes are perpetual and have no fixed date for redemption. The Issuer may only redeem the Notes in the circumstances described in Clause 11 (*Redemption and repurchase of the Notes*) of the Terms and Conditions. The Notes are not redeemable at the option of the Noteholders at any time.

### Purchase of Notes by the Issuer and related companies

Subject to applicable law and clause 11.5 (*Consent from the Swedish FSA*) of the Terms and Conditions, a Group Company, or other company forming part of the Issuer Consolidated Situation, may at any time on or following

the First Call Date and at any price purchase Notes on the market or in any other way. Notes held by such company may at its discretion be retained, sold or cancelled.

### **Early redemption at the option of the Issuer**

Subject to consent from the Swedish FSA in accordance with the Terms and Conditions, all (but not some only) outstanding Notes can be redeemed at the option of the Issuer on (i) the First Call Date or (ii) any Interest Payment Date falling after the First Call Date.

The Issuer can exercise its option by giving not less than fifteen (15) Business Days' notice to the Noteholders and the Agent in accordance with the Terms and Conditions. The Notes shall be redeemed at a price per Note equal to the Nominal Amount together with accrued but unpaid Interest.

### **Early redemption, substitution or variation upon the occurrence of a Capital Event or Tax Event**

Subject to consent from the Swedish FSA in accordance with the Terms and Conditions, all (but not some only) outstanding Notes can be redeemed, substituted or varied before the First Call Date at the option of the Issuer if a Capital Event or Tax Event occurs prior to the First Call Date.

The Issuer can exercise its option by giving not less than fifteen (15) Business Days' notice to the Noteholders and the Agent in accordance with the Terms and Conditions. If the Notes shall be redeemed, they shall be redeemed at a price per Note equal to the Nominal Amount together with accrued but unpaid Interest.

### **Payments in respect of the Notes**

Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Notes, shall be made to such person who is registered as a Noteholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.

### **Interest and interest cancellation**

Each Note carries Interest at the Interest Rate applied to the Nominal Amount from (but excluding) the Issue Date up to (and including) the relevant Redemption Date. Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).

Any payment of Interest in respect of the Notes shall be payable only out of the Issuer's Distributable Items and:

- (a) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Banking Regulations; or
- (b) will be mandatorily cancelled to the extent so required by the Applicable Banking Regulations, including the applicable criteria for Additional Tier 1 Capital instruments.

The Issuer can exercise its cancellation by giving notice to the Noteholders and the Agent in accordance with the Terms and Conditions, which notice might be given after the date on which the relevant payment of Interest is scheduled to be made.

### **Trigger Events, loss absorption and reinstatement**

A Trigger Event occurs if, at any time, the CET1 ratio of the Issuer or the Issuer Consolidated Situation, as calculated in accordance with the Applicable Banking Regulations, is less than 5.125 per cent., in the case of the Issuer, or 7.00 per cent., in the case of the Issuer Consolidated Situation, in each case as determined by the Issuer and/or the Swedish FSA (or any agent appointed for such purpose by the Swedish FSA).

If at any time a Trigger Event occurs, the Issuer shall immediately notify the Swedish FSA, the Noteholders and the Agent in accordance with the Terms and Conditions and the Total Nominal Amount or the Issuer's payment obligation under the Notes shall be written down. A write-down shall be made as a reduction of the Total Nominal Amount and such writedown shall be considered to be an unconditional capital contribution (*ovillkorat kapitaltillskott*) by the Noteholders and shall be made in consultation with the Swedish FSA and in accordance with the rules of the CSD. The amount of the reduction of the Total Nominal Amount on the Write Down Date shall equal the amount of a write-down that would reduce the Total Nominal Amount down to SEK 500 (i.e.

down to a Nominal Amount of SEK 1) or such lower reduction amount as is sufficient to restore the CET1 ratio of the Issuer to at least 5.125 per cent., and the CET1 ratio of the Issuer Consolidated Situation to at least 7.00 per cent., in each case at the point of such write-down.

Following a write-down of the Total Nominal Amount, the Issuer may, at its absolute discretion, reinstate the Notes, subject to compliance with any maximum distribution limits set out in the Applicable Banking Regulations. Reinstatement shall be made by way of issuing new notes that qualify as Additional Tier 1 Capital of the Issuer to the relevant Noteholders. Any such new note issuance shall specify the relevant details of the manner in which such new note issuance shall take effect and where the Noteholders can obtain copies of the new terms and conditions of the new notes. Such new notes shall be issued without any cost or charge to the Noteholders and shall be made in accordance with the rules of the CSD. For the avoidance of doubt, at no time may the reinstated Total Nominal Amount exceed the original Total Nominal Amount of the Notes (if issued in full), being SEK 1,000,000,000.

## European Benchmarks Regulation

The Interest payable under the Notes is calculated by reference to the benchmark STIBOR, as defined in the Terms and Conditions. This benchmark is provided by the Swedish Bankers' Association and/or its wholly owned subsidiary Financial Benchmarks Sweden AB. At the date of this Prospectus, the Swedish Bankers' Association does not appear on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the provisions in Article 51 of the Benchmarks Regulation apply such that the Swedish Bankers' Association is not yet required to obtain authorisation or registration.

## Listing and admission to trading of the Notes

The Issuer shall use reasonable efforts to ensure that the Notes are listed on Nasdaq Stockholm within thirty (30) days from the Issue Date, and that it remains listed or, if such listing and admission to trading is not possible to obtain or maintain, listed on another Regulated Market.

The Issuer shall, following the listing and admission to trading, use reasonable efforts to maintain the listing and admission to trading as long as any Notes are outstanding, however not longer than up to and including the last day of which the listing and admission to trading can reasonably, pursuant to the applicable regulations of the Regulated Market and the CSD, subsist.

It is estimated that the Issuer's costs in conjunction with the listing and admission to trading will be no higher than SEK 250,000.

## Decisions by Noteholders

A request by the Agent for a decision by the Noteholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.

Only a person who is, or who has been provided with a power of attorney in accordance with the Terms and Conditions from a person who is, registered as a Noteholder:

- (a) on the Record Date prior to the date of the Noteholders' Meeting, in respect of a Noteholders' Meeting, or
- (b) on the Business Day specified in the communication pursuant to Clause 17.2 of the Terms and Conditions, in respect of a Written Procedure,

may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the Adjusted Nominal Amount. Such Business Day specified pursuant to paragraph (b) above must fall no earlier than one (1) Business Day after the effective date of the communication.

A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.

Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to each person registered as a Noteholder on the date referred to above in item (a) or (b), as the

case may be, and shall also be published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer or the Agent, as applicable.

## **No direct action by Noteholders**

Subject to certain exemptions set out in the Terms and Conditions, a Noteholder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation or bankruptcy (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the obligations and liabilities of the Issuer under the Finance Documents.

## **Prescription**

The right to receive repayment of the principal of the Notes shall be prescribed and become void ten (10) years from the Redemption Date. Subject to Clause 9 (*Interest and interest cancellation*) of the Terms and Conditions, the right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been prescribed and has become void.

## **Governing law**

The Terms and Conditions of the Notes and any non-contractual obligations arising out of or in connection therewith shall be governed by and construed in accordance with the laws of Sweden. The Issuer submits to the non-exclusive jurisdiction of the District Court of Stockholm (*Stockholms tingsrätt*).

## **The CSD**

Euroclear Sweden AB, Swedish Corporate ID No. 556112-8074, P.O. Box 191, SE-101 23 Stockholm, Sweden, is initially acting as Central Securities Depository (CSD) and registrar in respect of the Notes.

The Issuer and the Agent shall at all times be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Notes. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent. For the purpose of carrying out any administrative procedure that arises out of the Finance Documents, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Notes.

## **The Agent**

Nordic Trustee & Agency AB (publ), Reg. No. 556882-1879, has been appointed as Agent on behalf of the Noteholders in accordance with the Terms and Conditions. The Agency Agreement is available to the Noteholders at the office of the Agent during normal business hours.

## **The Issuing Agent**

Nordea Bank Abp, Finnish Reg. No. 2858394-9, has been appointed as Issuing Agent in accordance with the Terms and Conditions of the Notes.

## **The Joint Bookrunners**

Nordea Bank Abp, Finnish Reg. No. 2858394-9, Danske Bank A/S, Danmark, Sverige Filial, Swedish Reg No. 516401-9811, and Skandinaviska Enskilda Banken AB (publ), Swedish Reg. No. 502032-9081, have been appointed as joint bookrunners.

## **Rating**

On the date of this Prospectus, the Notes are rated BBB- by S&P. S&P is established in the European Union and is registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

The following table sets out the possible long-term ratings assigned by S&P.

<b>Long-term rating</b>
AAA
AA+
AA
AA-
A+
A
A-
BBB+
BBB
BBB-
BB+
BB
BB-
B+
B
B-
CCC+
CCC
CCC-
CC
C
D

### **Use of proceeds**

The Issuer shall use the proceeds from the issue of the Notes for general corporate purposes of Länsförsäkringar Bank.

### **Restrictions on the transferability of the Notes**

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. A holder of Notes may not offer or sell the Notes in the United States. The Issuer has not undertaken to register the Notes under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. It is the Noteholder's obligation to ensure that the offers and sales of Notes comply with all applicable securities laws.

**TERMS AND CONDITIONS OF THE NOTES**

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**TERMS AND CONDITIONS FOR**  
**LÄNSFÖRSÄKRINGAR BANK AB (publ)**  
**SEK 1,000,000,000**  
**FLOATING RATE**  
**ADDITIONAL TIER 1 CAPITAL NOTES**  
**ISIN: SE0012453488**

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*No action is being taken that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Notes in any jurisdiction, where action for that purpose is required. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, any applicable restrictions.*

*Solely for the purposes of the product governance requirements set forth in directive 2014/65/EU as amended ("MIFID II"), the target market assessment made by the Issuer for the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MIFID II; (ii) the negative target market for the Notes is clients that seek full capital protection or full repayment of the amount invested, are fully risk averse/have no risk tolerance or need a fully guaranteed income or fully predictable return profile, and (iii) all channels for distribution of the debentures to eligible counterparties and professional clients are appropriate. any person subsequently offering, selling or recommending the Notes (a "Distributor") should take into consideration the Issuer's target market assessment. however, a Distributor subject to MIFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Issuer's target market assessment) and determining appropriate distribution channels.*

*The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer*

*within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*

#### **PRIVACY NOTICE**

*The Issuer and the Agent may collect and process personal data relating to the Noteholders, the Noteholders’ representatives or agents, and other persons nominated to act on behalf of the Noteholders pursuant to the Finance Documents (name, contact details and, when relevant, holding of Notes). The personal data relating to the Noteholders is primarily collected from the registry kept by the CSD. The personal data relating to other persons is primarily collected directly from such persons.*

*The personal data collected will be processed by the Issuer and the Agent for the following purposes:*

- a) to exercise their respective rights and fulfil their respective obligations under the Finance Documents;*
- b) to manage the administration of the Notes and payments under the Notes;*
- c) to enable the Noteholders’ to exercise their rights under the Finance Documents; and*
- d) to comply with their obligations under applicable laws and regulations.*

*The processing of personal data by the Issuer and the Agent in relation to items (a)-(c) is based on their legitimate interest to exercise their respective rights and to fulfil their respective obligations under the Finance Documents. In relation to item (d), the processing is based on the fact that such processing is necessary for compliance with a legal obligation incumbent on the Issuer or Agent. Unless otherwise required or permitted by law, the personal data collected will not be kept longer than necessary given the purpose of the processing.*

*Personal data collected may be shared with third parties, such as the CSD, when necessary to fulfil the purpose for which such data is processed.*

*Subject to any legal preconditions, the applicability of which have to be assessed in each individual case, data subjects have the rights as follows. Data subjects have right to get access to their personal data and may request the same in writing at the address of the Issuer and the Agent, respectively. In addition, data subjects have the right to (i) request that personal data is rectified or erased, (ii) object to specific processing, (iii) request that the processing be restricted and (iv) receive personal data provided by themselves in machine-readable format. Data subjects are also entitled to lodge complaints with the relevant supervisory authority if dissatisfied with the processing carried out.*

*The Issuer’s and the Agent’s addresses, and the contact details for their respective Data Protection Officers (if applicable), are found on their websites [lansforsakringar.se](http://lansforsakringar.se) and [nordictrustee.com/.se](http://nordictrustee.com/.se).*

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## 1. DEFINITIONS AND CONSTRUCTION

### 1.1 Definitions

In these terms and conditions (the “**Terms and Conditions**”):

“**Account Operator**” means a bank or other party duly authorised to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Noteholder has opened a Securities Account in respect of its Notes.

“**Accounting Principles**” means the international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time/as in force on the Issue Date) as applied by the Issuer in preparing its annual consolidated financial statements.

“**Additional Tier 1 Capital**” means additional tier 1 capital (*primärkapitaltillskott*) as defined in Chapter 3 of Title I of Part Two of the CRR and/or any other Applicable Banking Regulations at such time.

“**Adjusted Nominal Amount**” means the Total Nominal Amount *less* the Nominal Amount of all Notes owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Notes.

“**Adjustment Spread**” means a spread (which may be positive or negative), formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer, determines is required to be applied to a Successor Base Rate or an Alternative Base Rate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit to the Noteholders as a result of the replacement of a Base Rate with a Successor Base Rate or an Alternative Base Rate and is the spread, formula or methodology which:

- (a) in the case of a Successor Base Rate, is formally recommended in relation to the replacement of the applicable Base Rate with the relevant Successor Base Rate by any Relevant Nominating Body;
- (b) in the case of a Successor Base Rate for which no recommendation has been made or in the case of an Alternative Base Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer determines is recognised or acknowledged as being in customary usage in international debt capital markets transactions which reference the applicable Base Rate, where such rate has been replaced by the relevant Successor Base Rate or Alternative Base Rate; or
- (c) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion, determines (acting in good faith) to be appropriate.

“**Affiliate**” means (i) an entity controlling or under common control with the Issuer, other than a Group Company, and (ii) any other person or entity owning any Notes (irrespective of whether such person is directly registered as owner of such Notes) that has undertaken towards a Group Company or an entity referred to in item (i) to vote for such Notes in accordance with the instructions given by a Group Company or an entity referred to in item (i). For the purposes of this definition, “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by agreement or otherwise.

“**Agency Agreement**” means the agency agreement entered into on or before the Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the Issue Date between the Issuer and an agent.

“**Alternative Base Rate**” means the rate that the Independent Adviser or the Issuer determines has replaced the applicable Base Rate in customary market usage in the relevant debt capital markets for the purposes of determining rates of interest in respect of notes denominated in Swedish Kronor and

of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer determines that there is no such rate, such other rate as the Independent Adviser or the Issuer determines in its sole discretion is most comparable to the applicable Base Rate.

“**Applicable Banking Regulations**” means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy applicable to the Issuer or the Group, as the case may be, including, without limitation to the generality of the foregoing, CRD IV and any other laws, regulations, requirements, guidelines and policies relating to capital adequacy as then applied in Sweden by the Swedish FSA (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Group).

“**Agent**” means Nordic Trustee & Agency AB (publ), Swedish Reg. No. 556882-1879 or such other party replacing it, as Agent, in accordance with these Terms and Conditions.

“**Base Rate**” means STIBOR or, following the occurrence of a Base Rate Event, any reference rate replacing STIBOR in accordance with Clause 19 (*Base Rate replacement*).

“**Base Rate Determination Date**” means as set forth in paragraph in Clause 19.2.1(a).

“**Base Rate Event**” means as set out in Clause 19.2.1.

“**Business Day**” means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (*midsommarafton*), Christmas Eve (*julafton*) and New Year’s Eve (*nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

“**Business Day Convention**” means the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.

“**Capital Event**” means, at any time on or after the Issue Date, a change in the regulatory classification of the Notes that would be likely to result in the exclusion, wholly or partially, of the Notes from the Additional Tier 1 Capital of the Issuer and/or the Issuer Consolidated Situation or the reclassification, wholly or partially, of the Notes as a lower quality form of regulatory capital, provided that (a) the Swedish FSA considers such a change to be sufficiently certain and (b) the Issuer demonstrates to the satisfaction of the Swedish FSA that such change was not reasonably foreseeable at the Issue Date, and provided that such exclusion or reclassification is not a result of any applicable limitation on the amount of such Additional Tier 1 Capital contained in the Applicable Banking Regulations.

“**CET1 Capital**” means, at any time, the common equity tier 1 capital of the Issuer or the Issuer Consolidated Situation, respectively, as calculated by the Issuer in accordance with Chapter 2 of Title II of Part Two of the CRR and/or any other Applicable Banking Regulations at such time.

“**CET1 ratio**” means, at any time:

- (i) in relation to the Issuer, the ratio (expressed as a percentage) of the aggregate amount of the CET1 Capital of the Issuer at such time *divided* by the Risk Exposure Amount of the Issuer at such time; and
- (ii) in relation to the Issuer Consolidated Situation, the ratio (expressed as a percentage) of the aggregate amount of the CET1 Capital of the Issuer Consolidated Situation at such time *divided* by the Risk Exposure Amount of the Issuer Consolidated Situation at such time,

in each case as calculated by the Issuer in accordance with the CRD IV requirements and any applicable transitional arrangements under the Applicable Banking Regulations.

“**CRD IV**” means the legislative package consisting of the CRD IV Directive, the CRR and any CRD IV Implementing Measures.

“**CRD IV Directive**” means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013.

“**CRD IV Implementing Measures**” means any regulatory capital rules, regulations or other requirements implementing (or promulgated in the context of) the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts or regulations (including technical standards) adopted by the European Commission, national laws and regulations, adopted by the Swedish FSA and guidelines issued by the Swedish FSA, the European Banking Authority or any other relevant authority, which are applicable to the Issuer or the Group, as applicable.

“**CRR**” means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013.

“**CSD**” means the Issuer’s central securities depository and registrar in respect of the Notes, Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden, or any other party replacing it, as CSD, in accordance with these Terms and Conditions.

“**CSD Regulations**” means the CSD’s rules and regulations applicable to the Issuer, the Agent and the Notes.

“**Distributable Items**” means the amount of the profits at the end of the of the last financial year, *plus* any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments (*kapitalbasinstrument*) (excluding, for the avoidance of doubt, distributions to holders of any Tier 2 Capital instruments) *less* any losses brought forward, profits which are non-distributable pursuant to any applicable legislation or the Issuer’s articles of association and sums placed to non-distributable reserves in accordance with applicable legislation or the Issuer’s articles of association, those losses and reserves being determined on the basis of the audited annual financial statements of the Issuer in respect of such financial year.

“**Finance Documents**” means these Terms and Conditions, and any other document designated by the Issuer and the Agent as a Finance Document.

“**Financial Instruments Accounts Act**” means the Swedish Financial Instruments Accounts Act (*lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

“**First Call Date**” means the Interest Payment Date falling on or immediately after the fifth anniversary of the Issue Date.

“**Force Majeure Event**” has the meaning set forth in Clause 26.1.

“**Group**” means the Issuer and its Subsidiaries from time to time (each a “**Group Company**”).

“**Independent Adviser**” means an independent financial institution of repute in the debt capital markets where the Base Rate is commonly used or other independent financial adviser experienced in the debt capital markets where the Base Rate is commonly used, in each case appointed by the Issuer at its own expense.

“**Insolvent**” means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7–9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with all or substantially all of its creditors (other than the Noteholders and creditors of secured debt) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (*lagen (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

“**Interest**” means the interest on the Notes calculated in accordance with Clause 9.1 (*Interest*).

“**Interest Determination Date**” means the second Business Day prior to the start of each of Interest Period.

“**Interest Payment Date**” means 10 January, 10 April, 10 July and 10 October of each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Notes shall be 10 July 2019 and the last Interest Payment Date shall be the relevant Redemption Date.

“**Interest Period**” means (i) in respect of the first Interest Period, the period from (but excluding) the Issue Date to (and including) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment Date to (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

“**Interest Rate**” means the Base Rate *plus* a margin of 4.20 per cent. (and any applicable Adjustment Spread) *per annum*.

“**Issue Date**” means 10 April 2019.

“**Issuer**” means Länsförsäkringar Bank AB (publ), a public limited liability company incorporated under the laws of Sweden with Reg. No. 516401-9878 and LEI code 549300C6TUMDXNOVXS82.

“**Issuer Consolidated Situation**” means the Issuer and any other entity which is part of the Swedish prudential consolidated situation (as such term is used in the Applicable Banking Regulations) of which the Issuer is a part, from time to time.

“**Issuing Agent**” means Nordea Bank Abp, filial i Sverige, or such other party replacing it, as Issuing Agent, in accordance with these Terms and Conditions and the CSD Regulations.

“**Nominal Amount**” has the meaning set forth in Clause 2.4.

“**Noteholder**” means the person who is registered on a Securities Account as direct registered owner (*ägare*) or nominee (*förvaltare*) with respect to a Note.

“**Noteholders’ Meeting**” means a meeting among the Noteholders held in accordance with Clause 16 (*Noteholders’ Meeting*).

“**Note**” means a debt instrument (*skuldförbindelse*) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which is governed by and issued under these Terms and Conditions.

“**Qualifying Securities**” means securities issued directly or indirectly by the Issuer following a substitution or variation of the Notes in accordance with Clause 11.4(b) that:

- (a) have terms not materially less favourable to a Noteholder, certified by the Issuer acting reasonably, than the terms of the Notes (immediately prior to the relevant substitution or variation), provided that they shall,
  - (i) include a ranking at least equal to that of the Notes;
  - (ii) have at least the same Interest Rate and the same Interest Payment Dates as those applying to the Notes;
  - (iii) have the same redemption rights as the Notes;
  - (iv) preserve any existing rights under the Notes to any accrued interest which has not been paid but which has not been cancelled in respect of the period from (and including) the Interest Payment Date last preceding the date of the relevant substitution or variation of the Notes;
  - (v) are assigned (or maintain) the same or higher credit ratings as were assigned to the Notes (if any) immediately prior to the relevant substitution or variation of the Notes;
  - (vi) comply with the then current requirements for Additional Tier 1 Capital contained in the Applicable Banking Regulations; and
- (b) are admitted to trading and listed on a regulated market, if the Notes were admitted to trading and listed on a regulated market immediately prior to the relevant substitution or variation.

“**Quotation Day**” means, in relation to any period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

“**Record Date**” means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Noteholders is to be made under Clause 13 (*Distribution of proceeds*) or (iv) a date of a Noteholders’ Meeting or (v) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

“**Redemption Date**” means the date on which the relevant Notes are to be redeemed or repurchased in accordance with Clause 11 (*Redemption and repurchase of the Notes*).

“**Regulated Market**” means Nasdaq Stockholm or any other regulated market (as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU).

“**Relevant Nominating Body**” means in relation to a reference rate:

- (a) the administrator of the reference rate, or any entity under the common control as the administrator of the reference rate;
- (b) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or
- (c) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the reference rate relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (iii) a group of the aforementioned central banks or other supervisory authorities, or (iv) the Financial Stability Board or any part thereof.

“**Risk Exposure Amount**” means, at any time, with respect to the Issuer or the Issuer Consolidated Situation, as the case may be, the aggregate amount of the risk weighted assets or equivalent of the Issuer or the Issuer Consolidated Situation, respectively, calculated in accordance with the Applicable Banking Regulations at such time.

“**Securities Account**” means the account for dematerialised securities maintained by the CSD pursuant to the Financial Instruments Accounts Act in which (i) an owner of such security is directly registered or (ii) an owner’s holding of securities is registered in the name of a nominee.

“**Security**” means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

“**STIBOR**” means:

- (a) the applicable percentage rate *per annum* displayed on Nasdaq Stockholm’s website for STIBOR fixing (or through another website replacing it) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor and for a period comparable to the relevant Interest Period; or
- (b) if no rate is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by leading banks in the Stockholm interbank market reasonably selected by the Issuing Agent, for deposits of SEK 100,000,000 for the relevant period; or
- (c) if no quotation is available pursuant to paragraph (b) (other than due to a Base Rate Event), the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits of SEK 100,000,000 offered in the Stockholm interbank market for the relevant period.

“**Subsidiary**” means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), which at the time is a subsidiary (*dotterföretag*) to such person, directly or indirectly, as defined in the Swedish Companies Act (*aktieföretagslagen (2005:551)*).

“**Successor Base Rate**” means the rate that an Independent Adviser or the Issuer determines is a successor to or the replacement of the applicable Base Rate and which is formally recommended by a Relevant Nominating Body.

“**Swedish FSA**” means the Swedish Financial Supervisory Authority (*Finansinspektionen*) or such other governmental authority in Sweden (or, if the Issuer becomes subject to primary bank supervision in a jurisdiction other than Sweden, in such other jurisdiction) or the European Union having primary bank supervisory authority with respect to the Issuer.

“**Swedish Kronor**” and “**SEK**” means the lawful currency of Sweden.

“**Tax Event**” means, as a result of any change in, or amendment to, the laws or regulations of Sweden, 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, resulting in that the Issuer is, or becomes, subject to a significant amount of additional taxes, duties or other governmental charges or civil liabilities with respect to the Notes, provided that the Issuer satisfies the Swedish FSA that such change in tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date.

“**Tier 2 Capital**” means tier 2 capital (*supplementärkapital*) as defined in Chapter 4 of Title I of Part Two of the CRR and/or any other Applicable Banking Regulations at such time.

“**Total Nominal Amount**” means the total aggregate Nominal Amount of the Notes outstanding at the relevant time.

“**Trigger Event**” means if, at any time, the CET1 ratio of the Issuer or the Issuer Consolidated Situation, as calculated in accordance with the Applicable Banking Regulations, is less than 5.125 per cent., in the case of the Issuer, or 7.00 per cent., in the case of the Issuer Consolidated Situation, in each case as determined by the Issuer and/or the Swedish FSA (or any agent appointed for such purpose by the Swedish FSA).

“**Write Down Date**” has the meaning as set forth in Clause 10.1.2.

“**Written Procedure**” means the written or electronic procedure for decision making among the Noteholders in accordance with Clause 17 (*Written Procedure*).

## 1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

- a) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
- b) a “**regulation**” includes any regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- c) a provision of law is a reference to that provision as amended or re-enacted; and
- d) a time of day is a reference to Stockholm time.

1.2.2 When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day, as published by the Swedish Central Bank (*Riksbanken*) on its website (*riksbank.se*). If no such rate is available, the most recently published rate shall be used instead.

1.2.3 No delay or omission of the Agent or of any Noteholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

## 2. STATUS OF THE NOTES

2.1 The Notes on issue are intended to constitute Additional Tier 1 Capital of the Issuer and the Issuer Consolidated Situation. The Notes will constitute direct, unsecured and subordinated debt liabilities of the Issuer, and shall at all times rank:

- (i) *pari passu* without any preference among themselves;
- (ii) *pari passu* with (a) any liabilities or capital instruments of the Issuer which constitute Additional Tier 1 Capital and (b) any other liabilities or capital instruments of the Issuer that rank or are expressed to rank equally with the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;
- (iii) senior to holders of all classes of the Issuer's shares in their capacity as such holders and any other liabilities or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and
- (iv) junior to any present and future claims of (a) depositors of the Issuer, (b) any other unsecured creditors of the Issuer, (c) any senior non-preferred creditors falling within the scope of the first paragraph of Section 18 of the Swedish Rights of Priority Act (*förmånsrättslagen (1970:979)*), and (d) except as expressly stated in (ii) above, any subordinated creditors, including for the avoidance of doubt holders of notes which constitute Tier 2 Capital.

2.2 The Notes are denominated in Swedish Kronor and each Note is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Notes and to comply with these Terms and Conditions, subject to and in accordance with these Terms and Conditions.

2.3 By subscribing for Notes, each initial Noteholder agrees that the Notes shall benefit from and be subject to the Finance Documents and by acquiring Notes, each subsequent Noteholder confirms such agreement.

2.4 The initial nominal amount of each Note is SEK 2,000,000 (the "**Nominal Amount**"). The aggregate nominal amount of the Notes is SEK 1,000,000,000. The Nominal Amount, and the Total Nominal Amount, may, be subject to a write-down, and subsequent reinstatement, in each case on a *pro rata* basis, in accordance with Clause 10 (*Loss absorption and reinstatement*), and "Nominal Amount" shall be construed accordingly.

2.5 Each Note is issued on a fully paid basis at an issue price of 100.00 per cent. of the Nominal Amount.

2.6 A Noteholder or the Agent may only declare the Notes (and any accrued interest) due and payable in the event of the liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer.

2.7 No Noteholder who in the event of the liquidation or bankruptcy of the Issuer is indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of Notes held by such Noteholder.

- 2.8 The Issuer reserves the right to issue further notes, including, subordinated notes, and other obligations in the future, which may rank senior to or *pari passu* with the Notes.
- 2.9 The Notes are freely transferable but the Noteholders may be subject to purchase or transfer restrictions with regard to the Notes, as applicable, under local laws to which a Noteholder may be subject. Each Noteholder must ensure compliance with such restrictions at its own cost and expense.
- 2.10 No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of any document or other material relating to the Issuer or the Notes in any jurisdiction, where action for that purpose is required. Each Noteholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Notes.

### **3. USE OF PROCEEDS**

The Issuer shall use the proceeds from the issue of the Notes for general corporate purposes of the Group.

### **4. CONDITIONS FOR DISBURSEMENT**

- 4.1 Prior to the issuance of the Notes, the Issuer shall provide the following to the Agent
- a) the Finance Documents and the Agency Agreement duly executed by the parties thereto;
  - b) a copy of an officer's certificate to certify that a resolution from the board of directors of the Issuer approving the issue of the Notes, the terms of the Finance Documents and the Agency Agreement, and resolving to enter into such documents and any other documents necessary in connection therewith is in place;
  - c) the articles of association and certificate of incorporation of the Issuer;
  - d) evidence that the person(s) who has/have signed the Finance Documents, the Agency Agreement and any other documents in connection therewith on behalf of parties thereto is/are duly authorised to do so; and
  - e) such other documents and information as is agreed between the Agent and the Issuer.
- 4.2 The Agent may assume that the documentation delivered to it pursuant to Clause 4.1 is accurate, correct and complete unless it has actual knowledge that this is not the case, and the Agent does not have to verify the contents of any such documentation.
- 4.3 The Agent shall confirm to the Issuing Agent when the conditions in Clause 4.1 have been satisfied.

### **5. NOTES IN BOOK-ENTRY FORM**

- 5.1 The Notes will be registered for the Noteholders on their respective Securities Accounts and no physical notes will be issued. Accordingly, the Notes will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Notes shall be directed to an Account Operator.
- 5.2 Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Note shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.

- 5.3 The Issuer and the Agent shall at all times be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Notes. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent. For the purpose of carrying out any administrative procedure that arises out of the Finance Documents, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Notes.
- 5.4 The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Notes. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Noteholders.
- 5.5 The Issuer and the Agent may use the information referred to in Clause 5.3 only for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Noteholder or third party unless necessary for such purposes.

## **6. RIGHT TO ACT ON BEHALF OF A NOTEHOLDER**

- 6.1 If any person other than a Noteholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Noteholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Noteholder and authorising such person.
- 6.2 A Noteholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Notes held by it. Any such representative may act independently under the Finance Documents in relation to the Notes for which such representative is entitled to represent the Noteholder and may further delegate its right to represent the Noteholder by way of a further power of attorney.
- 6.3 The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 6.2 and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face or the Agent has actual knowledge to the contrary.

## **7. ADMISSION TO TRADING AND LISTING**

- 7.1 The Issuer shall use reasonable efforts to ensure that the Notes are listed and admitted to trading on Nasdaq Stockholm within thirty (30) days from the Issue Date, and that it remains admitted or, if such listing or admission to trading is not possible to obtain or maintain, listed or admitted to trading on another Regulated Market.
- 7.2 The Issuer shall, following the listing and admission to trading, use reasonable efforts to maintain the listing and admission to trading as long as any Notes are outstanding, however not longer than up to and including the last day of which the listing and admission to trading can reasonably, pursuant to the applicable regulations of the Regulated Market and the CSD, subsist.
- 7.3 For the avoidance of doubt, neither a Noteholder nor the Agent has the right to accelerate the Notes or otherwise request a prepayment or redemption of the Notes if a failure to list or admit to trading the Notes or maintain an listing or admission to trading of the Notes in accordance with Clause 7.1 or 7.2 above occurs.

## **8. PAYMENTS IN RESPECT OF THE NOTES**

- 8.1 Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Notes, shall be made to such person who is registered as a Noteholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.
- 8.2 If a Noteholder has registered, through an Account Operator, that principal, interest or any other payment shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Noteholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the persons who are registered as Noteholders on the relevant Record Date as soon as possible after such obstacle has been removed.
- 8.3 If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. For the avoidance of doubt, such postponement shall in no event constitute an event of default.
- 8.4 If payment or repayment is made in accordance with this Clause 8 (*Payments in respect of the Notes*), the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount.
- 8.5 The Issuer is not liable to gross-up any payments under the Finance Documents by virtue of any withholding tax (including but not limited to 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, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto), public levy or the similar.

## **9. INTEREST AND INTEREST CANCELLATION**

### **9.1 Interest**

- 9.1.1 Each Note carries Interest at the Interest Rate applied to the Nominal Amount from (but excluding) the Issue Date up to (and including) the relevant Redemption Date.
- 9.1.2 Interest accrues during an Interest Period. Payment of Interest in respect of the Notes shall be made to the Noteholders on each Interest Payment Date for the preceding Interest Period.
- 9.1.3 Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).

### **9.2 Interest cancellation**

- 9.2.1 Any payment of Interest in respect of the Notes shall be payable only out of the Issuer’s Distributable Items and:
- (a) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Banking Regulations; or
  - (b) will be mandatorily cancelled to the extent so required by the Applicable Banking Regulations, including the applicable criteria for Additional Tier 1 Capital instruments.

- 9.2.2 The Issuer shall give notice to the Noteholders in accordance with Clause 25 (*Notices*) of any such cancellation of a payment of Interest, which notice might be given after the date on which the relevant payment of Interest is scheduled to be made. Notwithstanding the foregoing, failure to give such notice shall not prejudice the right of the Issuer not to pay Interest as described above.
- 9.2.3 Following any cancellation of Interest as described above, the right of the Noteholders to receive accrued Interest in respect of any such Interest Period will terminate and the Issuer will have no further obligation to pay such Interest or to pay interest thereon, whether or not payments of Interest in respect of subsequent Interest Periods are made, and such unpaid Interest will not be deemed to have "accrued" or been earned for any purpose.
- 9.2.4 A cancellation of any payment of Interest at any time shall in no event constitute an event of default.

### **9.3 Calculation of Interest in case of write-down or reinstatement**

- 9.3.1 Subject to Clause 9.2 (*Interest cancellation*), in the event that a write-down of the Notes occurs pursuant to Clause 10.1 (*Loss absorption upon a Trigger Event*) during an Interest Period, Interest will continue to accrue on the Nominal Amount (as adjusted as of such write-down).
- 9.3.2 Subject to Clause 9.2 (*Interest cancellation*), in the event that a reinstatement of the Notes occurs pursuant to Clause 10.2 (*Reinstatement of the Notes*), Interest shall begin to accrue on the reinstated Nominal Amount.
- 9.3.3 In connection with a write-down or write-up pursuant to Clause 10 (*Loss absorption and reinstatement*), the Issuer shall inform the CSD of the adjusted interest that shall be applied on the next Interest Payment Date, in order for the Noteholders to receive an amount of Interest equivalent to the Interest Rate on the Nominal Amount so written down or written up (as applicable).

### **9.4 No penalty interest**

Under no circumstances shall any penalty interest (*dröjsmålsränta*) be payable by the Issuer in respect of the Notes.

## **10. LOSS ABSORPTION AND REINSTATEMENT**

### **10.1 Loss absorption upon a Trigger Event**

- 10.1.1 If at any time a Trigger Event occurs, the Issuer shall immediately notify the Swedish FSA, the Noteholders and the Agent in accordance with Clause 25 (*Notices*) and the Total Nominal Amount or the Issuer's payment obligation under the Notes shall be written down in accordance with this Clause 10.1 (*Loss absorption upon a Trigger Event*).
- 10.1.2 A write-down shall take place on a date selected by the Issuer in consultation with the Swedish FSA (the "**Write Down Date**") but no later than one month following the occurrence of the relevant Trigger Event unless, in accordance with the Applicable Banking Regulations, the Swedish FSA has agreed with the Issuer in writing that a write-down may occur after a longer period, in which case, on such date as agreed with the Swedish FSA.
- 10.1.3 A write-down shall be made as a reduction of the Total Nominal Amount and such write-down shall be considered to be an unconditional capital contribution (*ovillkorat kapitaltillskott*) by the Noteholders and shall be made in consultation with the Swedish FSA and in accordance with the rules of the CSD.
- 10.1.4 The amount of the reduction of the Total Nominal Amount on the Write Down Date shall equal the amount of a write-down that would reduce the Total Nominal Amount down to SEK 500 (i.e. down to a Nominal Amount of SEK 1) or such lower reduction amount as is sufficient to restore the CET1

ratio of the Issuer to at least 5.125 per cent., and the CET1 ratio of the Issuer Consolidated Situation to at least 7.00 per cent., in each case at the point of such write-down.

- 10.1.5 A write-down in accordance with this Clause 10.1 (*Loss absorption upon a Trigger Event*) shall be made taking into account any preceding or imminent write-down of corresponding or similar loss absorbing instruments issued by the Issuer, including but not limited to Additional Tier 1 Capital instruments (other than the Notes).
- 10.1.6 For the avoidance of doubt, the Notes shall, upon the write-down of the Total Nominal Amount described above, be written down on a *pro rata* basis.
- 10.1.7 If the Notes are to be written down, the Issuer shall notify the Noteholders and the Agent in accordance with Clause 25 (*Notices*). Notwithstanding the foregoing, failure to give such notice shall not prejudice any write-down of the Notes.

## **10.2 Reinstatement of the Notes**

- 10.2.1 Following a write-down of the Total Nominal Amount in accordance with Clause 10.1 (*Loss absorption upon a Trigger Event*), the Issuer may, at its absolute discretion, reinstate the Notes, subject to compliance with any maximum distribution limits set out the Applicable Banking Regulations.
- 10.2.2 Reinstatement shall be made by way of issuing new notes that qualify as Additional Tier 1 Capital of the Issuer to the relevant Noteholders. Any such new note issuance shall specify the relevant details of the manner in which such new note issuance shall take effect and where the Noteholders can obtain copies of the new terms and conditions of the new notes. Such new notes shall be issued without any cost or charge to the Noteholders and shall be made in accordance with the rules of the CSD.
- 10.2.3 A reinstatement in accordance with this Clause 10.2 (*Reinstatement of the Notes*) shall be made taking into account any preceding or imminent reinstatement of corresponding or similar loss absorbing instruments issued by the Issuer, including but not limited to Additional Tier 1 Capital instruments (other than the Notes).
- 10.2.4 For the avoidance of doubt, at no time may the reinstated Total Nominal Amount exceed the original Total Nominal Amount of the Notes (if issued in full), being SEK 1,000,000,000.
- 10.2.5 For the avoidance of doubt, any reinstatement of the Notes shall be made on a *pro rata* basis.
- 10.2.6 If the Issuer decides to reinstate the Notes, the Issuer shall notify the Noteholders and the Agent in accordance with Clause 25 (*Notices*) prior to such reinstatements becoming effective.

## **11. REDEMPTION AND REPURCHASE OF THE NOTES**

### **11.1 No scheduled redemption**

The Notes are perpetual and have no fixed date for redemption. The Issuer may only redeem the Notes in the circumstances described in this Clause 11 (*Redemption and repurchase of the Notes*). The Notes are not redeemable at the option of the Noteholders at any time.

### **11.2 Early redemption at the option of the Issuer**

Subject to Clause 11.5 (*Consent from the Swedish FSA*) and giving notice in accordance with Clause 11.7 (*Notice of early redemption*), the Issuer may redeem all (but not some only) outstanding Notes on (i) the First Call Date or (ii) any Interest Payment Date falling after the First Call Date.

**11.3 Purchase of Notes by the Issuer and related companies**

Subject to applicable law and to Clause 11.5 (*Consent from the Swedish FSA*), a Group Company, or other company forming part of the Issuer Consolidated Situation, may at any time on or following the First Call Date and at any price purchase Notes on the market or in any other way. Notes held by such company may at its discretion be retained, sold or cancelled.

**11.4 Early redemption, substitution or variation upon the occurrence of a Capital Event or Tax Event**

If a Capital Event or Tax Event occurs prior to the First Call Date, the Issuer may, at its option, but subject to Clause 11.5 (*Consent from the Swedish FSA*) and giving notice in accordance with Clause 11.7 (*Notice of early redemption, substitution or variation*),

- (a) redeem all (but not some only) outstanding Notes on any Interest Payment Date; or
- (b) substitute or vary the terms of all (but not some only) of the outstanding Notes without any requirement for the consent or approval of the Noteholders, so that they become or remain, as applicable, Qualifying Securities, provided that such substitution or variation does not itself give rise to any right of the Issuer to redeem, substitute or vary the terms of the Notes in accordance with this Clause 11.4 (*Early redemption, substitution or variation upon the occurrence of a Capital Event or Tax Event*) in relation to the Qualifying Securities so substituted or varied.

**11.5 Consent from the Swedish FSA**

The Issuer, or any other company forming part of the Issuer Consolidated Situation may not redeem, purchase, substitute or vary, as contemplated by this Clause 11 (*Redemption and repurchase of the Notes*), any Notes without the prior written consent of the Swedish FSA and in accordance with the Applicable Banking Regulations.

**11.6 Early redemption amount**

The Notes shall be redeemed at a price per Note equal to the Nominal Amount together with accrued but unpaid Interest.

**11.7 Notice of early redemption, substitution or variation**

11.7.1 Any redemption, substitution or variation in accordance with Clauses 11.2 (*Early redemption at the option of the Issuer*) and 11.4 (*Early redemption, substitution or variation upon the occurrence of a Capital Event or Tax Event*) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Noteholders and the Agent in accordance with Clause 25 (*Notices*). Any such notice is irrevocable and, upon expiry of the notice period, the Issuer is bound to redeem the Notes.

11.7.2 Notwithstanding Clause 11.7.1, if a Trigger Event occurs following a notice being given in accordance with Clause 11.7.1 but prior to the relevant redemption of the Notes, such notice shall be of no force and effect and Clause 10.1 (*Loss absorption upon a Trigger Event*) shall apply, and, for the avoidance of doubt, no redemption shall occur.

**12. INFORMATION TO NOTEHOLDERS****12.1 Information from the Issuer**

12.1.1 The Issuer will make the following information available to the Noteholders by way of publication on the website of the Issuer:

- a) as soon as the same become available, but in any event within five (5) months after the end of each financial year, audited consolidated financial statements of the Group for that financial year prepared in accordance with the Accounting Principles; and

- b) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, consolidated financial statements or the year-end report (*bokslutskommuniké*) (as applicable) of the Group for such period prepared in accordance with the Accounting Principles.

12.1.2 When the financial statements and other information are made available to the Noteholders pursuant to Clause 12.1.1, the Issuer shall send a copy of such financial statements and other information to the Agent.

## **12.2 Information from the Agent**

Subject to the restrictions of any agreement regarding the non-disclosure of information received from the Issuer, the Agent is entitled to disclose to the Noteholders any event or circumstance directly or indirectly relating to the Issuer or the Notes. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Noteholders delay disclosure or refrain from disclosing certain information.

## **12.3 Information among the Noteholders**

Upon request by a Noteholder, the Agent shall promptly distribute to the Noteholders any information from such Noteholder which relates to the Notes. The Agent may require that the requesting Noteholder reimburses any costs or expenses incurred, or to be incurred, by the Agent in doing so (including a reasonable fee for the work of the Agent) before any such information is distributed.

## **12.4 Publication of Finance Documents**

12.4.1 The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Issuer and the Agent.

12.4.2 The latest versions of the Finance Documents shall be available to the Noteholders at the office of the Agent during normal business hours.

## **13. DISTRIBUTION OF PROCEEDS**

13.1 In the event of the liquidation or bankruptcy of the Issuer, all payments relating to the Notes and the Finance Documents shall be distributed in the following order of priority, in accordance with the instructions of the Agent:

- a) *first*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Noteholders), (ii) other costs and expenses relating to the protection of the Noteholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause 20.2.9, and (iv) any costs and expenses incurred by the Agent in relation to a Noteholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 15.15;
- b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest under the Notes not cancelled in accordance with Clause 9.2 (*Interest cancellation*) (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
- c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Notes; and
- d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under the Finance Documents.

- 13.2 Funds that the Agent receives (directly or indirectly) following an application of Clause 13.1 in connection with the enforcement of the Notes constitute escrow funds (*redovisningsmedel*) and must be held on a separate interest-bearing account on behalf of the Noteholders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 13 (*Distribution of proceeds*) as soon as reasonably practicable.
- 13.3 If the Issuer or the Agent shall make any payment under this Clause 13 (*Distribution of proceeds*), the Issuer or the Agent, as applicable, shall notify the Noteholders of any such payment at least fifteen (15) Business Days before the payment is made in accordance with Clause 25 (*Notices*). The notice from the Issuer shall specify the Record Date, the payment date and the amount to be paid.

#### **14. UNDERTAKINGS**

- 14.1 The Issuer shall, in accordance with the Agency Agreement:
- a) pay fees to the Agent;
  - b) indemnify the Agent for costs, losses and liabilities;
  - c) furnish to the Agent all information requested by or otherwise required to be delivered to the Agent; and
  - d) not act in a way which would give the Agent a legal or contractual right to terminate the Agency Agreement.
- 14.2 The Issuer and the Agent shall not agree to amend any provisions of the Agency Agreement without the prior consent of the Noteholders if the amendment would be detrimental to the interests of the Noteholders.

#### **15. DECISIONS BY NOTEHOLDERS**

- 15.1 A request by the Agent for a decision by the Noteholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.
- 15.2 Any request from the Issuer or a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Noteholders, be made by them jointly) for a decision by the Noteholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Noteholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Noteholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Noteholders' Meeting.
- 15.3 The Agent may refrain from convening a Noteholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Noteholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- 15.4 Should the Agent not convene a Noteholders' Meeting or instigate a Written Procedure in accordance with these Terms and Conditions, without Clause 15.3 being applicable, the person requesting the decision by Noteholders may request the Issuer to convene such Noteholders' Meeting or instigate such Written Procedure, as the case may be, instead. Should the Issuer in such situation not convene a Noteholders' Meeting, the person requesting the decision by Noteholders may convene such Noteholders' Meeting or instigate such Written Procedure, as the case may be,

instead. The Issuer or the Issuing Agent shall then upon request provide the convening Noteholder with such information available in the debt register (*skuldbok*) kept by the CSD in respect of the Notes as may be necessary in order to convene and hold the Noteholders' Meeting or instigate and carry out the Written Procedure, as the case may be.

15.5 Should the Issuer wish to replace the Agent, it may (i) convene a Noteholders' Meeting in accordance with Clause 16.1 or (ii) instigate a Written Procedure by sending communication in accordance with Clause 17.1, in either case with a copy to the Agent. After a request from the Noteholders pursuant to Clause 20.4.3, the Issuer shall no later than ten (10) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Noteholders' Meeting in accordance with Clause 16.1. The Issuer shall inform the Agent before a notice for a Noteholders' Meeting or communication relating to a Written Procedure where the Agent is proposed to be replaced is sent and shall, on the request of the Agent, append information from the Agent together with the a notice or the communication.

15.6 Only a person who is, or who has been provided with a power of attorney pursuant to Clause 6 (*Right to act on behalf of a Noteholder*) from a person who is, registered as a Noteholder:

- a) on the Record Date prior to the date of the Noteholders' Meeting, in respect of a Noteholders' Meeting, or
- b) on the Business Day specified in the communication pursuant to Clause 17.2, in respect of a Written Procedure,

may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the Adjusted Nominal Amount. Such Business Day specified pursuant to paragraph b) above must fall no earlier than one (1) Business Day after the effective date of the communication.

15.7 The following matters shall require the consent of Noteholders representing at least seventy-five (75) per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 17.2:

- a) a change to the terms of Clause 2 (*Status of the Notes*);
- b) a change to the terms dealing with the requirements for Noteholders' consent set out in Clauses 15 (*Decisions by Noteholders*), 16 (*Noteholders' meeting*) and 17 (*Written procedure*);
- c) a change to an Interest Rate or the Nominal Amount; and
- d) an early redemption of the Notes, other than as permitted by these Terms and Conditions (which for the avoidance of doubt shall always be subject to Clause 11.5 (*Consent from the Swedish FSA*)).

15.8 Any matter not covered by Clause 15.7 shall require the consent of Noteholders representing more than fifty (50) per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 17.2. This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 18.1a) or 18.1b)).

15.9 Quorum at a Noteholders' Meeting or in respect of a Written Procedure only exists if a Noteholder (or Noteholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 15.7, and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:

- a) if at a Noteholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
- b) if in respect of a Written Procedure, reply to the request.

If a quorum exists for some but not all of the matters to be dealt with at a Noteholders' Meeting or by a Written Procedure, decisions may be taken in the matters for which a quorum exists.

- 15.10 If a quorum does not exist at a Noteholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Noteholders' Meeting (in accordance with Clause 16.1) or initiate a second Written Procedure (in accordance with Clause 17.1), as the case may be, provided that the person(s) who initiated the procedure for Noteholders' consent has confirmed that the relevant proposal is not withdrawn. For the purposes of a second Noteholders' Meeting or second Written Procedure pursuant to this Clause 15.10, the date of request of the second Noteholders' Meeting pursuant to Clause 16.1 or second Written Procedure pursuant to Clause 17.1, as the case may be, shall be deemed to be the relevant date when the quorum did not exist. The quorum requirement in Clause 15.9 shall not apply to such second Noteholders' Meeting or Written Procedure.
- 15.11 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as applicable.
- 15.12 A Noteholder holding more than one Note need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- 15.13 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Noteholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Noteholders that consent at the relevant Noteholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- 15.14 A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.
- 15.15 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Noteholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- 15.16 If a decision is to be taken by the Noteholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Notes owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Notes. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible for determining whether a Note is owned by a Group Company or an Affiliate.
- 15.17 Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to each person registered as a Noteholder on the date referred to in Clause 15.6(a) or 15.6(b), as the case may be, and shall also be published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer or the Agent, as applicable.

**16. NOTEHOLDERS' MEETING**

- 16.1 The Agent shall convene a Noteholders' Meeting as soon as practicable and in any event no later than ten (10) Business Days after receipt of a valid request from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a notice thereof to each person who is registered as a Noteholder on the Record Date prior to the date on which the notice is sent.
- 16.2 The notice pursuant to Clause 16.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Noteholders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Noteholders' Meeting. Should prior notification by the Noteholders be required in order to attend the Noteholders' Meeting, such requirement shall be included in the notice.
- 16.3 The Noteholders' Meeting shall be held no earlier than ten (10) Business Days and no later than thirty (30) Business Days after the effective date of the notice.
- 16.4 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Noteholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Noteholders to vote without attending the meeting in person.

**17. WRITTEN PROCEDURE**

- 17.1 The Agent shall instigate a Written Procedure as soon as practicable and in any event no later than ten (10) Business Days after receipt of valid a request from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Noteholder on the Record Date prior to the date on which the communication is sent.
- 17.2 A communication pursuant to Clause 17.1 shall include (i) each request for a decision by the Noteholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least ten (10) Business Days and not longer than thirty (30) Business Days from the effective date of the communication pursuant to Clause 17.1). If the voting is to be made electronically, instructions for such voting shall be included in the communication.
- 17.3 When consents from Noteholders representing the requisite majority of the total Adjusted Nominal Amount pursuant to Clauses 15.7 and 15.8 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 15.7 or 15.8, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

**18. AMENDMENTS AND WAIVERS**

- 18.1 The Issuer and the Agent (acting on behalf of the Noteholders) may, subject to the prior written consent of the Swedish FSA, agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
- a) such amendment or waiver is not detrimental to the interest of the Noteholders as a group, or is made solely for the purpose of rectifying obvious errors and mistakes;

- b) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority, including but not limited to, to facilitate any measure by the relevant regulator pursuant to the Swedish Resolutions Act (*lagen (2015:1016) om resolution*);
  - c) such amendment is a Base Rate Amendment made in accordance with Clause 19.3 (*Variation upon a Base Rate replacement*); or
  - d) such amendment or waiver has been duly approved by the Noteholders in accordance with Clause 15 (*Decisions by Noteholders*).
- 18.2 The consent of the Noteholders is not necessary to approve the particular form of any amendment to the Finance Documents. It is sufficient if such consent approves the substance of the amendment.
- 18.3 The Agent shall promptly notify the Noteholders of any amendments or waivers made in accordance with Clause 18.1, setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause 12.4 (*Publication of Finance Documents*). The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.
- 18.4 An amendment to the Finance Documents shall take effect on the date determined by the Noteholders Meeting, in the Written Procedure or by the Agent, as the case may be.

## 19. BASE RATE REPLACEMENT

### 19.1 General

Any determination to be made by or any changes to the Finance Documents to be specified by the Independent Adviser or the Issuer in accordance with the provisions of this Clause 19 (*Base Rate replacement*) shall at all times be made by such Independent Adviser or the Issuer acting in good faith, provided that the determination of any Successor Base Rate or Alternative Base Rate, and any other related changes to the Notes, shall be made pursuant to the Applicable Banking Regulations and be subject to the prior written consent of the Swedish FSA.

### 19.2 Base Rate determination

- 19.2.1 If (i) the applicable Base Rate, from time to time, has ceased to be published on the relevant screen for at least five (5) consecutive Business Days as a result of such reference rate ceasing to be calculated or administered, (ii) the administrator of the applicable Base Rate has made a public statement or publication of information announcing that within six (6) months it will cease to provide the applicable Base Rate permanently or indefinitely, or (iii) a Relevant Nominating Body has made a public statement or publication of information recommending the usage of a Successor Base Rate for the applicable Base Rate (which better reflects the relevant market interest rates), a “**Base Rate Event**” has occurred and the following shall apply:
- (a) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine, no later than five (5) Business Days prior to the relevant Interest Determination Date in relation to the next succeeding Interest Period (the “**Base Rate Determination Date**”), a Successor Base Rate or, alternatively, if there is no Successor Base Rate, an Alternative Base Rate for purposes of determining the applicable Base Rate for the next succeeding Interest Period;
  - (b) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Base Rate or an Alternative Base Rate prior to a Base Rate Determination Date, the Issuer (acting in good faith) may determine a Successor Base Rate or, if there is no Successor Base Rate, an Alternative Base Rate, to constitute the Base Rate for the next succeeding Interest Period; and

- (c) if a Successor Base Rate or an Alternative Base Rate is determined in accordance with paragraph (a) or (b) in this Clause 19.2.1, such Successor Base Rate or Alternative Base Rate shall be the Base Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Clause 19 (*Base Rate replacement*)), provided, however, that if paragraph (b) in this Clause 19.2.1 applies and the Issuer is unable to or does not determine a Successor Base Rate or an Alternative Base Rate prior to the relevant Base Rate Determination Date, the Base Rate applicable to the next succeeding Interest Period shall be equal to the Base Rate last determined for the preceding Interest Period.

- 19.2.2 If an Independent Adviser (in consultation with the Issuer) or the Issuer, determines that an Adjustment Spread is required to be applied to the Successor Base Rate or the Alternative Base Rate and that such Adjustment Spread is determined by the Independent Adviser or the Issuer, such Adjustment Spread shall be applied.

### **19.3 Variation upon a Base Rate replacement**

- 19.3.1 If the Independent Adviser or the Issuer determines a Successor Base Rate or an Alternative Base Rate in accordance with Clause 19.2 (*Base Rate determination*), the Independent Adviser or the Issuer, may also specify changes to the Finance Documents in order to follow market practice in relation to the relevant Successor Base Rate or Alternative Base Rate.
- 19.3.2 The Issuer and the Agent shall, at the request and expense of the Issuer, but subject to receipt by the Agent of the certificate referred to in Clause 19.3.3, without the requirement for any consent or approval of the Noteholders, effect such amendments to the Finance Documents as may be required by the Issuer in order to give effect to this Clause 19 (*Base Rate replacement*), such amendments referred to as “**Base Rate Amendments**”. The Agent shall however not be obliged to concur if in the opinion of the Agent, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Agent in the Finance Documents.
- 19.3.3 The Issuer shall promptly, following the determination of any Successor Base Rate or Alternative Base Rate and any Base Rate Amendments, give notice thereof to the Agent and the Noteholders in accordance with Clause 25 (*Notices*). No later than giving the Agent such notice, the Issuer shall deliver to the Agent a certificate signed by two authorised signatories of the Issuer:
- (a) confirming (i) that a Base Rate Event has occurred, (ii) the relevant Successor Base Rate or Alternative Base Rate, and (iii) any Base Rate Amendments, in each case as determined in accordance with the provisions of this Clause 19 (*Base Rate replacement*); and
  - (b) certifying that the Base Rate Amendments are necessary to ensure the proper operation of such Successor Base Rate or Alternative Base Rate.
- 19.3.4 The Agent shall be entitled to rely on such certificate referred to in Clause 19.3.3 without further enquiry and without liability to any person. The Successor Base Rate or Alternative Base Rate and any Base Rate Amendments specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Base Rate or Alternative Base Rate and any Base Rate Amendments and without prejudice to the Agent’s ability to rely on such certificate as aforesaid) be binding on the Issuer, the Agent, the Issuing Agent and the Noteholders.

## **20. APPOINTMENT AND REPLACEMENT OF THE AGENT**

### **20.1 Appointment of the Agent**

- 20.1.1 By subscribing for Notes, each initial Noteholder appoints the Agent to act as its agent in all matters relating to the Notes and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these

Terms and Conditions) in any legal or arbitration proceedings relating to the Notes held by such Noteholder, including the winding-up, dissolution, liquidation or bankruptcy (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Notes, each subsequent Noteholder confirms such appointment and authorisation for the Agent to act on its behalf.

- 20.1.2 Each Noteholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Noteholder which does not comply with such request.
- 20.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- 20.1.4 The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.
- 20.1.5 The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

## **20.2 Duties of the Agent**

- 20.2.1 The Agent shall represent the Noteholders in accordance with the Finance Documents. However, the Agent is not responsible for the execution or enforceability of the Finance Documents.
- 20.2.2 When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Noteholders. The Agent shall act in the best interest of the Noteholders as a group and carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill. The Agent is never acting as an advisor to the Noteholders or the Issuer. Any advice or opinion from the Agent does not bind the Noteholders or the Issuer.
- 20.2.3 The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under the Finance Documents.
- 20.2.4 The Agent shall treat all Noteholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Noteholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- 20.2.5 Other than as specifically set out in the Finance Documents, the Agent shall not be obliged to monitor (i) the performance, default or any breach by the Issuer or any other party of its obligations under the Finance Documents, or (ii) whether any other event specified in any Finance Document has occurred. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.
- 20.2.6 Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- 20.2.7 If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Noteholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in

accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

- 20.2.8 The Agent shall give a notice to the Noteholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or (ii) if it refrains from acting for any reason described in Clause 20.2.7.
- 20.2.9 The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all costs for external experts engaged after the occurrence of a breach of the Terms and Conditions, or for the purpose of investigating or considering (i) an event or circumstance which the Agent reasonably believes is or may lead to a breach of the Terms and Conditions or (ii) a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Noteholders under the Finance Documents. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 13 (*Distribution of proceeds*).
- 20.2.10 The Agent shall, as applicable, enter into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Agent, as may be necessary in order for the Agent to carry out its duties under the Finance Documents.

### **20.3 Limited liability for the Agent**

- 20.3.1 The Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- 20.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Noteholders to delay the action in order to first obtain instructions from the Noteholders.
- 20.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Noteholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- 20.3.4 The Agent shall have no liability to the Noteholders for damage caused by the Agent acting in accordance with instructions of the Noteholders given in accordance with Clause 15 (*Decisions by Noteholders*).
- 20.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Noteholders under the Finance Documents.

### **20.4 Replacement of the Agent**

- 20.4.1 Subject to Clause 20.4.6, the Agent may resign by giving notice to the Issuer and the Noteholders, in which case the Noteholders shall appoint a successor Agent at a Noteholders' Meeting convened by the old Agent or by way of Written Procedure initiated by the old Agent.
- 20.4.2 Subject to Clause 20.4.6, if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

- 20.4.3 A Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Noteholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Noteholders, be given by them jointly), require that a Noteholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Noteholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Noteholders that the Agent be dismissed and a new Agent appointed.
- 20.4.4 If the Noteholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Noteholders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- 20.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- 20.4.6 The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- 20.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Noteholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.
- 20.4.8 In the event that there is a change of the Agent in accordance with this Clause 20.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Agent agree otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

## **21. APPOINTMENT AND REPLACEMENT OF THE ISSUING AGENT**

- 21.1 The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Notes.
- 21.2 The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the retiring Issuing Agent retires or is dismissed. If the Issuing Agent is Insolvent, the Issuer shall immediately appoint a new Issuing Agent which shall replace the retiring Issuing Agent as issuing agent in accordance with these Terms and Conditions.
- 21.3 The Issuing Agent shall enter into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Issuing Agent, as may be necessary in order for the Issuing Agent to carry out its duties under the Terms and Conditions

## **22. APPOINTMENT AND REPLACEMENT OF THE CSD**

- 22.1 The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the CSD Regulations and the other regulations applicable to the Notes.

- 22.2 The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Noteholder or any listing of the Notes. The replacing CSD must be authorised to professionally conduct clearing operations pursuant to the Securities Markets Act (*lagen (2007:528) om värdepappersmarknaden*) and be authorised as a central securities depository in accordance with the Financial Instruments Account Act.

### **23. NO DIRECT ACTIONS BY NOTEHOLDERS**

- 23.1 A Noteholder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation or bankruptcy (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the obligations and liabilities of the Issuer under the Finance Documents. Such steps may only be taken by the Agent.
- 23.2 Clause 23.1 shall not apply if the Agent has been instructed by the Noteholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Noteholder to provide documents in accordance with Clause 20.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or by any reason described in Clause 20.2.7, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 20.2.8 before a Noteholder may take any action referred to in Clause 23.1.
- 23.3 The provisions of Clause 23.1 shall not in any way limit an individual Noteholder's right to claim and enforce payments which are due by the Issuer to some but not all Noteholders.
- 23.4 The provisions of this Clause 23 (*No direct actions by the Noteholders*) are subject to the overriding limitations set out in Clause 2 (*Status of the Notes*).

### **24. PRESCRIPTION**

- 24.1 The right to receive repayment of the principal of the Notes shall be prescribed and become void ten (10) years from the Redemption Date. Subject to Clause 9 (*Interest and interest cancellation*), the right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been prescribed and has become void.
- 24.2 If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*preskriptionslagen (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Notes, and of three (3) years with respect to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

### **25. NOTICES**

- 25.1 Any notice or other communication to be made under or in connection with the Finance Documents:
- a) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) on the Business Day prior to dispatch, or, if sent by

email by the Issuer, to the email address notified by the Agent to the Issuer from time to time;

- b) if to the Issuer, shall be given at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) on the Business Day prior to dispatch, or, if sent by email by the Agent, to the email address notified by the Issuer to the Agent from time to time; and
- c) if to the Noteholders, shall be given at their addresses as registered with the CSD, on the date such person shall be a Noteholder in order receive the communication or if such date is not specified, on the Business Day prior to dispatch, and by either courier delivery or letter for all Noteholders. A Notice to the Noteholders shall also be published on the websites of the Issuer and the Agent.

25.2 Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter, or, if between the Issuer and the Agent, by email, and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 25.1, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 25.1, or, in case of email, when received in readable form by the email recipient. Any such notice shall be made in English.

25.3 Failure to send a notice or other communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

## 26. FORCE MAJEURE AND LIMITATION OF LIABILITY

26.1 Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade, natural disaster, insurrection, civil commotion, terrorism or any other similar circumstance (a “**Force Majeure Event**”). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.

26.2 The Issuing Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Issuing Agent shall never be responsible for indirect loss.

26.3 Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.

26.4 The provisions in this Clause 26 (*Force majeure and limitation of liability*) apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act which provisions shall take precedence.

## 27. GOVERNING LAW AND JURISDICTION

27.1 These Terms and Conditions, and any non-contractual obligations arising out of or in connection herewith, shall be governed by and construed in accordance with the laws of Sweden.

27.2 The Issuer submits to the non-exclusive jurisdiction of the District Court of Stockholm (*Stockholms tingsrätt*).

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We hereby certify that the above terms and conditions are binding upon ourselves.

Date: 5 April 2019

**LÄNSFÖRSÄKRINGAR BANK AB (publ)**

We hereby undertake to act in accordance with the above terms and conditions to the extent they refer to us.

Date: 5 April 2019

**NORDIC TRUSTEE & AGENCY AB (publ)**

## DESCRIPTION OF THE ISSUER

### Overview

The Issuer is a public limited liability company incorporated in Sweden on 12 March 1996 for an unlimited duration under the Swedish Companies Act. The Issuer has the business name Länsförsäkringar Bank AB and is registered in the Swedish Companies Registration Office under corporate registration number 516401-9878. The Issuer's registered office is in Stockholm, its address is Tegeluddsvägen 11-13, SE-106 50 Stockholm, Sweden, and its phone number is +46858841600. The Issuer operates as a limited liability company regulated as a banking company under the Banking and Financing Business Act (*lagen (2004: 297) om bank- och finansieringsrörelse*) and is subject to the supervision of the Swedish FSA.

The Issuer has three wholly-owned Subsidiaries: (i) LF Hypotek (as defined above), the Issuer's mortgage institution; (ii) Wasa Kredit AB ("**Wasa Kredit**"), a finance company offering leasing, hire purchase and personal loans; and (iii) Länsförsäkringar Fondförvaltning AB (publ) ("**LF Fondförvaltning**"), which manages mutual funds.

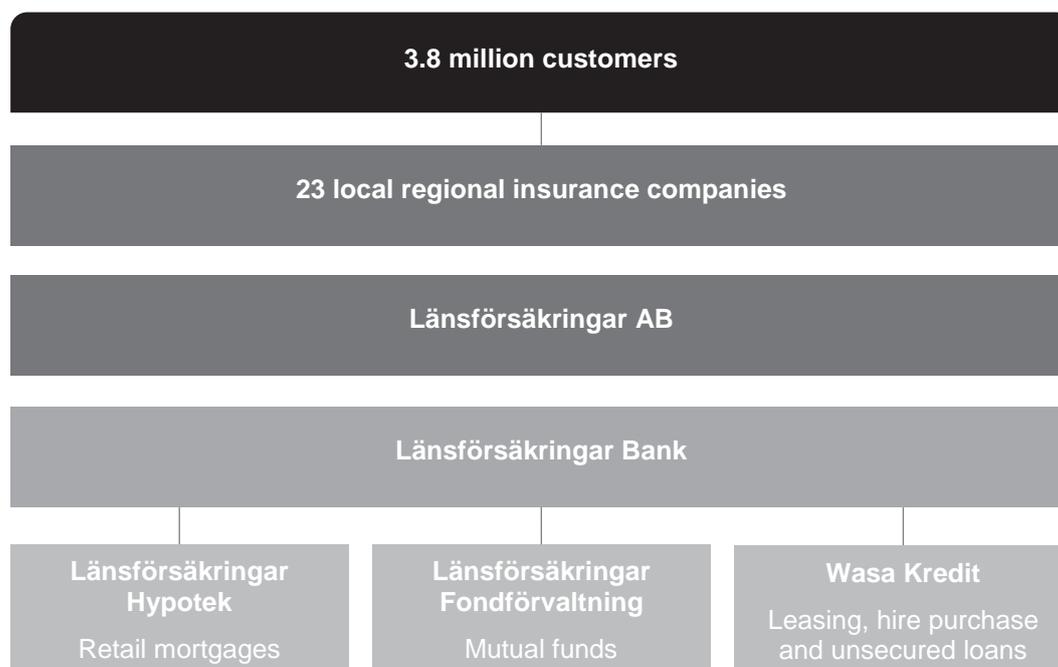
The Issuer is wholly owned by LFAB (as defined above). LFAB is principally owned by the Regional Insurance Companies which, together with LFAB and its Subsidiaries, including Länsförsäkringar Bank, and Länsförsäkringar Fastighetsförmedling AB, comprise the Länsförsäkringar Alliance (the "**Alliance**").

The Issuer relies upon its parent, LFAB, for the injection of necessary capital. The Issuer's capitalisation can be impacted by the conditions prevailing within the Alliance.

Under CRR, the consolidated situation of the Issuer includes LFAB, Länsförsäkringar Bank and Utile Dulci 2 Handelsbolag (Swedish Reg. No. 916601-0067). This mainly affects the Issuer in relation to risks, capital requirements and governance. Since the Issuer maintains the view that the risk and capital situation is best presented in Länsförsäkringar Bank's capital ratios, the actual risk and capital ratios are published in parallel with the capital ratios for the consolidated situation including LFAB.

The following diagram shows the structure of the Alliance, and Länsförsäkringar Bank within it:

### Länsförsäkringar Bank – part of the Länsförsäkringar Alliance



The Issuer is one of the larger retail banks in Sweden with 1,164,000 customers (of which 507,000 have the Issuer as their primary bank) and a business volume (loans, deposits and funds) of SEK 561 billion as of 31 December 2018. In 2018, the business continued to grow in all main product segments. According to the

2018 Swedish Quality Index customer satisfaction survey, the Issuer has Sweden's most satisfied retail and mortgage customers.

Länsförsäkringar Bank offers a full range of banking services to its customers (mainly private individuals, farmers and small businesses). Sales, advisory services and customer services are carried out through the 128 branches of the Regional Insurance Companies and via the internet, mobile services and telephone. Certain administration of banking services are also carried out at the branches of the Regional Insurance Companies. The Regional Insurance Companies are reimbursed for sales, administration and services through a reimbursement system based on volumes managed.

## Strategy

The Issuer's strategy, which has not been changed since 2000, is to provide the Alliance's Regional Insurance Companies' customers with a complete offering of banking services. Customer contact is mainly performed by the 128 branches of the Regional Insurance Companies. The real estate brokerage Länsförsäkringar Fastighetsförmedling also conducts some customer contacts through its 165 branches. The strategy for the Issuer's banking operations is primarily based on the existing infrastructure of the Alliance: a large customer base, a strong brand, local presence and the value basis and core values of the customer-owned Regional Insurance Companies.

## History

The Issuer was founded in 1996 to further broaden the Alliance's offering. In 2000, the strategy of becoming a full-service retail bank was adopted and in 2001 the Issuer started retail mortgage lending operations through LF Hypotek.

## Large customer base

The Alliance has a total of 3.9 million insurance customers and the main target groups for the Issuer are the 3.2 million retail customers, of whom 2.4 million are home-insurance customers. Other target groups are agricultural customers and small businesses.

## Local customer-owned

The banking operations, which are conducted in Sweden only, have a local presence as the Regional Insurance Companies manage the majority of all contact with customers. The Regional Insurance Companies are mutual non-life insurance companies, and as such are owned by the policy holders of each company. The Regional Insurance Companies' involvement, network and local decision-making, provide a broad and in-depth local presence.

## Customer-driven business model

The Issuer supports the Regional Insurance Companies in their advisory services and sales. Product development takes place in close cooperation between the Issuer and the Regional Insurance Companies. This cooperation features continuous efficiency enhancements to implement improvements that lead to better processes and advisory services, greater expertise and lower costs.

## Objectives

The Issuer's objectives are as follows:

- achieve profitable growth;
- have the most satisfied customers; and
- increase the percentage of customers who combine their banking and insurance commitments.

## Regulatory framework

The Issuer is subject to a number of rules and regulations, amongst others the Companies Act (*aktieföretagslagen 2005:551*), the Securities Markets Act (*lagen (2007:528) om värdepappersmarknaden*) and the Banking and Financing Business Act (*lagen (2004:297) om bank- och finansieringsrörelse*) which regulates, *inter alia*, the Issuer's lending activities. In addition, the Supervision of Credit and Investment Institutions Act (*lagen (2014:968) om särskild tillsyn över kreditinstitut och värdepappersbolag*), the Act on Capital Buffers (*lagen (2014:966) om kapitalbuffertar*) and CRR sets forth certain requirements on regulatory capital, exposures and liquidity that the Issuer must observe.

The Issuer is supervised by the Swedish FSA.

## Credit quality

Total loans in Länsförsäkringar Bank amounted to SEK 289 billion (261 billion) on 31 December 2018. The geographic distribution of the loan portfolio encompasses all of Sweden, and no loans were granted with collateral based outside Sweden. As of 31 December 2018, mortgages accounted for 77 per cent. (76 per cent.) of the loan portfolio and agricultural loans accounted for 10 per cent. (10 per cent.). Combined, these loans accounted for approximately 87 per cent. (86 per cent.) of Länsförsäkringar Bank's loan portfolio.

Länsförsäkringar Bank applies IFRS 9 Financial Instruments from 1 January 2018. This accounting standard replaces IAS 39 and the new model for calculating loss allowances has the largest financial impact on Länsförsäkringar Bank. Under IFRS 9, the loss allowance is based on expected losses. Accordingly, the loss allowance is calculated under IFRS 9 on initial recognition, which differs from the former IAS 39 rules where calculations take place in connection with the occurrence of a specific incurred loss event. Credit losses amounted to SEK 94.7 million (57.7), net, corresponding to a credit loss level of 0.04 per cent. (0.02). Credit-impaired loan receivables amounted to SEK 741.6 million, corresponding to a share of credit-impaired loan receivables of 0.17 per cent. The estimated value of collateral for credit-impaired loan receivables was SEK 451.8 million. The total recognised loss allowance for loan receivables under IFRS 9 amounted to SEK 425.4 million, of which SEK 242.1 million pertained to credit-impaired loan receivables. The reserve ratio for credit-impaired loan receivables amounted to 32.6 per cent. In addition to the recognised loss allowance for loan receivables, SEK 73.5 million of the remuneration to the regional insurance companies' credit-risk commitments for generated business is withheld in accordance with the settlement model. Including the withheld remuneration to the regional insurance companies, the loss allowance for loan receivables totalled SEK 498.9 million. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to regional insurance companies, amounted to 37.0 per cent.

## Funding strategy of Länsförsäkringar Bank

Länsförsäkringar Bank manages its funding and liquidity with the aim to have a sufficiently strong liquidity position to ensure that it can handle periods with stress in the capital markets, when access to new funding is limited or not even available. The liquidity risk is controlled and limited through a survival horizon methodology, meaning how long all known contracted obligations can be met without any access to capital market financing.

The share of deposits in Länsförsäkringar Bank's total financing year amounts to 32 per cent. on 31 December 2018.

Given its retail oriented business mix and large mortgage lending operation Länsförsäkringar Bank's main funding sources are naturally retail deposits and covered bonds. Länsförsäkringar Bank has a low refinancing risk and the maturity profile is well diversified. As of 31 December 2018, deposits from the public amounted to SEK 108.1 billion.

As of 31 December 2018, debt securities amounted to a nominal SEK 204.3 billion, of which covered bonds amounted to SEK 164 billion, senior long-term funding to SEK 40 billion and short-term funding to SEK 0.3 billion. The average remaining term for the long-term funding was 3.5 years on 31 December 2018. The covered bonds are issued out of the issuer's subsidiary LF Hypotek and mainly in the form of liquid benchmark bonds in the domestic Swedish market. In recent years the funding diversification has been enhanced through the issuance of Euro benchmark covered bonds as well as through covered bonds issued in CHF, NOK and GBP. Senior unsecured debt and commercial papers are issued by the Issuer.

The market risk that arises from the lending and the funding operations are managed mainly through derivatives. Using derivatives increases the flexibility of borrowing activities, entailing that the financing can be based on market conditions with only a limited exposure to interest rate and currency risks.

## Intercreditor agreement and subordination of the Issuer's claims in relation to LF Hypotek against certain borrowers

The Issuer and LF Hypotek have granted, and will grant, loans to certain borrowers which are secured by Joint Collateral. The Issuer and LF Hypotek have, in an intercreditor agreement, agreed that, unless otherwise agreed in a specific case in relation to a certain borrower, LF Hypotek's claims in respect of the Joint Collateral (and any income from the realisation thereof) shall rank senior to the Issuer's claims in respect thereof.

## **Liquidity facility agreement between the Issuer and LF Hypotek**

The Issuer and LF Hypotek have entered into a liquidity facility agreement, pursuant to which the Issuer makes available a committed liquidity loan facility to LF Hypotek to support its ability to repay principal and pay interest on covered bonds issued under LF Hypotek's covered bonds programmes.

## **Credit policy**

The lending portfolio is entirely comprised of loans with Swedish-based collateral. The loan book is geographically well-distributed across Sweden meaning there is no concentration in any particular region. Loan origination is primarily directed towards mortgages for private individuals' homes and family-owned agricultural operations. The Issuer does however also, itself and through Wasa Kredit, to a certain extent offer unsecured loans as well as, through Wasa Kredit, leasing and hire purchase loans.

All loans are given subject and pursuant to the credit policy decided by the board of directors of the Issuer and the credit process is largely automated. The Regional Insurance Companies have good knowledge about their customers and the local markets. The banking operations impose strict requirements on customers' repayment capacity and the quality of any collateral. In connection with credit scoring, the repayment capacity of borrowers and households is stress tested and the quality of the loan portfolio and the borrowers' repayment capacity is continuously monitored and reviewed. The credit policy is centrally decided and the automated credit scoring and decision support system is managed centrally by the Issuer. A majority of the credit decisions are taken locally by the Regional Insurance Companies. The decision-support model, combined with the expertise, local market knowledge and credit responsibility of the Regional Insurance Companies, creates favourable conditions for balanced and consistent loan origination and a loan portfolio of high credit quality.

## **Risk management**

The overall objective is to protect shareholders' equity and the investors' and depositors' capital. Returns are maximised through active and secure financial management within the guidelines of Länsförsäkringar Bank's overall risk policy.

A sound financial management is ensured by the Issuer being proactive, maintaining clear divisions of responsibility and exercising strict controls. All limits, methods of measuring, financial instruments, reporting and responsibilities in respect of the policy are to be well defined and updated and modified as appropriate.

The divisions of responsibility in financial management are of utmost importance. This means that position taking and executing roles should have no influence on risk control and back office functions.

### **Division of responsibility in risk management**

The board of directors of the Issuer is ultimately responsible for Länsförsäkringar Bank's operations and, as a result, for safeguarding Länsförsäkringar Bank's assets and for creating risk awareness in Länsförsäkringar Bank. The board of directors of the Issuer achieves this goal, among others, by annually establishing central risk tolerances and risk strategies that ensure a sound and well-balanced process for risk-taking and risk management. Such a process should be characterised by a deliberate focus on changes in the operations and its macro-economic environment. The board of directors of the Issuer is also responsible for establishing all of the methods, models, systems and processes that form the internal measurement, control and reporting of identified risks. Through Länsförsäkringar Bank's Compliance, Risk Control and Internal Audit functions, the board of directors of the Issuer is also responsible for ensuring that the Issuer's regulatory compliance and risks are managed in a satisfactory manner.

The CEO is responsible for the ongoing administration of the Issuer in accordance with the risk tolerances and risk strategies established by the board of directors of the Issuer. This means that the CEO is responsible for ensuring that the methods, models, systems and processes that form the internal measurement, control and reporting of identified risks work in the manner intended and decided by the board of directors of the Issuer.

The CEO is the chairman of an Asset Liability Committee (ALCO) whose main task is to follow up capital and financial matters arising in Länsförsäkringar Bank.

Risk Control is an independent unit and has an independent position in relation to the corporate operations that it has been assigned to monitor and control. Risk Control is under the supervision of the CEO and is responsible to the board of directors of the Issuer for ensuring that risk policies are complied with, risk limits are monitored and non-compliance is reported to the CEO and board of directors of the Issuer. In addition, Risk Control is responsible for the validation of the risk-classification system "the Internal Ratings Based Approach" (the "IRB

**Approach**”) and its use in the Issuer’s operations. One of the most important tasks of the Risk Control is to ensure that the Issuer’s operations have active risk management and that the risk tolerance established by the board of directors of the Issuer is converted into limits according to which the operations conduct their activities.

## **Agreement regarding settlement model with the Regional Insurance Companies**

The “Länsförsäkringar settlement model”, which was introduced on 1 January 2014, under which the Regional Insurance Companies have assumed part of the credit risk for loan losses related to the business they have originated, entails that the Regional Insurance Companies cover 80 per cent of the provisioning requirement in Länsförsäkringar Bank (excluding Wasa Kredit), on the date when an impairment is identified, by off-setting this against a buffer of accrued commission.

## **Capital adequacy**

Länsförsäkringar Bank applies the IRB Approach. The advanced IRB Approach is applied to all retail exposure and to most of the counterparty exposures to corporates and the agricultural sector. The fundamental IRB Approach is applied to all other counterparty exposures to corporates and the agricultural sector and the Standardised Approach for other exposures. Common Equity Tier 1 ratio according to CRD IV amounted to 15.7<sup>1</sup> per cent. (23.3 per cent.). Total Capital ratio according to CRD IV was 18.3<sup>2</sup> per cent. (28.1 per cent.).

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<sup>1</sup> As of 31 December 2018, the application of the risk weight floor for Swedish mortgages will change, which consequently reduces the capital ratios for the current period.

<sup>2</sup> As of 31 December 2018, the application of the risk weight floor for Swedish mortgages will change, which consequently reduces the capital ratios for the current period.

## THE BOARD OF DIRECTORS, MANAGEMENT, AUDITORS AND EMPLOYEES

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### Board of directors

#### Name and Role

***Fredrik Bergström***

Born 1970  
Chairman since 2018  
CEO of Länsförsäkringar AB

#### Principal Outside Activities

Other board appointments: Chairman of Länsförsäkringar Sak and Länsförsäkringar Fondliv, board member of Länsförsäkringar Liv Försäkrings AB, Svensk Försäkring, Försäkringsbranschens Arbetsgivareorganisation and European Alliance Partners Company AG. .

***Per-Ove Bäckström***

Born 1959  
Board member since 2015  
CEO of Länsförsäkringar Gävleborg

Other board appointments: board member of Länsförsäkringar Gävleborg.

***Anders Grånäs***

Born 1966  
Board member since 2016  
CEO of Dalarnas Försäkringsbolag

Other board appointments: board member of Länsförsäkringar Secondary PE Investments S.A, Humlegården AB and Lansa Fastigheter AB.

***Ingrid Jansson***

Born 1950  
Board member since 2013.

N/A

***Bengt-Erik Lindgren***

Born 1950  
Board member since 2012  
Chairman of Länsförsäkringar Bergslagen

Other board appointments: Chairman of Grönklitsgruppen AB. Board member of Nordanå Trä AB, Inlandsinnovation AB and Prevas AB.

***Beatrice Kämpe Nikolausson***

Born 1972  
Board member since 2016  
CEO of Länsförsäkring Kronoberg

Other board appointments: CEO and board member of Länsförsäkring Kronoberg AB, board member of Länsförsäkringar Grupplivförsäkringsaktiebolag, Chairman of Länsgården AB and Hjalmar Petri. Board member of LF Affärsservice Sydost AB, Bergvik Skog AB, Micki Leksaker, and AXB Education AB.

***Peter Lindgren***

Born 1959  
Board member since 2016  
CEO

Other board appointments: chairman of Länsförsäkringar Östgöta and Developing Design Sweden AB. Board member of Humlegården Fastigheter AB, Ryssnäs AB and FemSju AB.

***Anna-Greta Lundh***

Born 1955  
Board member since 2016  
CEO Länsförsäkringar Södermanland

Other board appointments: Eskilstuna-Kuriren, Almi Invest Östra Mellansverige, Länsförsäkringar Södermanland.

***Mirek Swartz***

Born 1962  
Employee representative FTF since 2015

Other board appointments: board member of Wasa Kredit and Länsförsäkringar Fondförvaltning. Deputy board member of Länsförsäkringar AB.

***Ellinoora Hoppe***

Born 1985  
Employee representative Saco since 2017

No other board appointments

### Executive management

#### Name and Role

***Sven Eggefalk***

Born 1969  
CEO. Employed since 2018.

#### Principal Outside Activities

N/A

**Anders Borgcrantz** N/A  
Born 1961  
CFO. Employed since 2003.

**Susanne Calner** N/A  
Born 1969  
Head of CEO office. Employed since 2012.

**Pia Bergman** N/A  
Born 1963.  
Human Resources Director. Employed since 2014.

**Bengt Clemedtsen** N/A  
Born 1964  
Head of Business. Employed since 2006.

**Eva Gottfridsdotter Nilsson** N/A  
Born 1960  
CEO of Länsförsäkringar Fondförvaltning. Employed since 2000.

**Gert Andersson** N/A  
Born 1959  
Head of Product. Employed since 2013.

**Richard Lundberg** N/A  
Born 1976  
Head of Bank Business Service. Employed since 2012.

**Louise Lindgren** N/A  
Born 1959  
Chief Risk Officer. Employed since 2014.

**Thomas Högväg** N/A  
Born 1968  
CEO Wasa Kredit. Employed since 2018.

**Tobias Ternstedt** N/A  
Born 1972  
Head of IT. Employed since 2010

The business address of each member of the board of directors and executive management of the Issuer is Tegeluddsvägen 11-13, SE-106 50 Stockholm, Sweden.

**Helena Tammerlöv**  
Compliance Officer

**Jakob Nordin**  
Head of Internal audit

**Auditor**  
KPMG AB  
Attention: Dan Beitner (who is an authorised public accountant and a member of FAR)  
Box 382  
101 27 Stockholm  
Telephone +46 8-723 91 00

### **Additional information on the board of directors and executive management of the Issuer**

To the best knowledge of the Issuer, no potential conflicts of interest exist between the private interests and other duties of the members of the board of directors or the executive management of the Issuer and their duties towards the Issuer. The aforesaid applies also to other persons from the Issuer involved in the preparation of this Prospectus.

### **Employees**

In 2018 the Issuer had an average of 556 (546) employees.

## LEGAL AND SUPPLEMENTARY INFORMATION

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### Authorisations and responsibility

The Issuer has obtained all necessary resolutions, authorisations and approvals required in conjunction with the Notes and the performance of its obligations relating thereto. The issuance of the Notes was authorised by a resolution of the board of directors of the Issuer on 28 May 2018.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The board of directors of the Issuer is, to the extent provided by law, responsible for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

### Material agreements

Neither the Issuer nor any other company within Länsförsäkringar Bank has concluded any material agreements not entered into in the ordinary course of its business which could result in a member of Länsförsäkringar Bank being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders.

### Legal and arbitration proceedings

Länsförsäkringar Bank has not been party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened that the Issuer is aware of) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's and/or Länsförsäkringar Bank's financial position or profitability.

### Certain material interests

The Issuing Agent (and closely related companies) has engaged in, and may in the future engage in, certain investment banking and/or commercial banking and other services to the Issuer and Länsförsäkringar Bank for which they will receive remuneration. Accordingly, conflicts of interest may arise as a result of the Issuing Agent in the future engaging in transactions with other parties, having multiple roles or carrying out other transactions for third parties.

### Trend information

There has been no material adverse change in the prospects of the Issuer since 27 March 2019, being the date of publication of the last audited financial information of the Issuer.

### Significant changes since 31 December 2018

There have been no significant changes in the financial or trading position of Länsförsäkringar Bank since 31 December 2018, being the end of the last financial period for which audited financial information of the Issuer was presented.

### Incorporation by reference

The following information has been incorporated into this Prospectus by reference and should be read as part of the Prospectus:

#### Annual Report for 2016

as regards the audited consolidated financial information and the audit report on pages 29 (Income statement (*Resultaträkning*)), 30 (Balance sheet (*Balansräkning*)), 31 (Cash flow report (*Kassaflödesanalys*)), 32 (Changes to equity (*Förändringar i eget kapital*)), 33–39 (Accounting principles (*Redovisningsprinciper*)), 33–69 (Notes (*Noter*)), 93–95 (Independent auditor's report (*Revisionsberättelse*)) and 99 (Definitions (*Definitioner*)).

**Annual Report for 2017**

as regards the audited consolidated financial information and the audit report on pages 33 (Income statement (*Resultaträkning*)), 34 (Balance sheet (*Balansräkning*)), 35 (Cash flow report (*Kassaflödesanalys*)), 36 (Changes to equity (*Förändringar i eget kapital*)), 37–43 (Accounting principles (*Redovisningsprinciper*)), 37–70 (Notes (*Noter*)), 93–95 (Independent auditor’s report (*Revisionsberättelse*)) and 99 (Definitions (*Definitioner*)).

**Annual Report for 2018**

as regards the audited consolidated financial information and the audit report on pages 31 (Income statement (*Resultaträkning*)), 32 (Balance sheet (*Balansräkning*)), 33 (Cash flow report (*Kassaflödesanalys*)), 34 (Changes to equity (*Förändringar i eget kapital*)), 35–43 (Accounting principles (*Redovisningsprinciper*)), 35–103 (Notes (*Noter*)), 105–107 (Independent auditor’s report (*Revisionsberättelse*)) and 111 (Definitions (*Definitioner*)).

**Interim Report for January–March 2019**

as regards the consolidated financial information on pages 8 (Income statement (*Resultaträkning*)), 9 (Balance sheet (*Balansräkning*)), 10 (Cash flow report (*Kassaflödesanalys*)), 11 (Changes to equity (*Förändringar i eget kapital*)), 12 (Accounting principles (*Redovisningsprinciper*)), 12–22 (Notes (*Noter*)), 31 (Independent auditor’s review (*Granskningsrapport*)) and 32 (Definitions (*Definitioner*)).

The information referred to above is available for inspection at <http://www.lansforsakringar.se/finansieelltbank>.

Information in the above documents which is not incorporated by reference is either deemed by the Issuer not to be relevant for investors in Notes or is covered elsewhere in the Prospectus.

The Issuer’s annual reports and interim report have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (*lagen 1995:1559 om årsredovisning i kreditinstitut och värdepappersbolag*), the accounting regulations of the Swedish FSA in respect of Credit Institutions and Securities Companies (*FFFS 2008:25 - Föreskrifter och allmänna råd om årsredovisning i kreditinstitut och värdepappersbolag* (including its amendments)) and the Supplementary Accounting Rules for Länsförsäkringar Bank (RFR 1) of the Swedish Financial Reporting Board have been applied. The annual reports for 2016, 2017 and 2018 have been audited by the Issuer’s auditor and the interim report for January–March 2019 has been reviewed by the Issuer’s auditor. With the exception of the annual reports and the interim report, no information in this Prospectus has been audited or reviewed by the Issuer’s auditor.

**Documents on display**

Copies of the following documents are available at the Issuer’s office, Tegeluddsvägen 11-13, SE-106 50 Stockholm, Sweden (regular office hours):

- the Agency Agreement;
- the Issuer’s certificate of registration and articles of association;
- all documents which are incorporated by reference in this Prospectus (also available electronically on the Issuer’s website: [lansforsakringar.se](http://lansforsakringar.se));
- the annual reports of the operating Subsidiaries of the Issuer (including auditor’s reports) for the financial years 2016, 2017 and 2018;
- a copy of this Prospectus together with any supplement; and

- the Terms and Conditions of the Notes.

## ADDRESSES

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### The Issuer

#### Länsförsäkringar Bank AB (publ)

##### **Postal address**

10650 Stockholm

##### **Visiting address**

Tegeluddsvägen 11-13

SE-106 50 Stockholm

Sweden

Telephone: +46 8 5884 1600

Website: lansforsakringar.se

### Arranger, Issuing Agent and Joint Bookrunner

#### Nordea Bank Abp

Telephone: +46 8 407 98 50

Website: nordea.se

### Joint Bookrunners

#### Danske Bank A/S, Danmark, Sverige Filial

Telephone: +46 752 48 00 00

Website: danskebank.se

#### Skandinaviska Enskilda Banken AB (publ)

Telephone: +46 8 763 50 00

Website: seb.se

### Legal Adviser to the Issuer

#### Mannheimer Swartling Advokatbyrå

Telephone: +46 8 595 060 00

Website: mannheimerswartling.se

### Auditor to the Issuer

#### KPMG

Telephone: +468-72 391 00

Website: kpmg.se

### The CSD

#### Euroclear Sweden

Telephone: +46 8 402 91 70

Website: euroclear.com/sweden/sv.html

### The Agent

#### Nordic Trustee & Agency AB

Telephone: +468-12299443

Website: nordictrustee.com



Tegeluddsvägen 11-13, SE-106 50 Stockholm, Sweden

Website: lansforsakringar.se