



## Swedbank AB (publ)

*(Incorporated with limited liability in the Kingdom of Sweden)*

### U.S.\$15,000,000,000 Medium Term Note Programme

Under the U.S.\$15,000,000,000 Medium Term Note Programme (the "Programme") described in this base prospectus (the "Base Prospectus"), Swedbank AB (publ) ("Swedbank" or the "Issuer"), subject to all applicable legal and regulatory requirements, may from time to time issue notes ("Notes") in registered or bearer form (respectively, "Registered Notes" and "Bearer Notes"). The aggregate principal amount of Notes outstanding at any one time will not exceed U.S.\$15,000,000,000 or the equivalent in other currencies.

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

This Base Prospectus has been approved by the Central Bank of Ireland (the "Central Bank") as competent authority under the Prospectus Directive (as defined below). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("EU") law pursuant to the Prospectus Directive. Such approval relates to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive" or "MiFID") and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the "Irish Stock Exchange") for Notes issued under the Programme to be admitted to the official list of the Irish Stock Exchange (the "Official List") and to trading on its regulated market (the "Main Securities Market"). The Main Securities Market is a regulated market for the purposes of MiFID. References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the Main Securities Market.

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

The Notes will be subject to Swedish Statutory Loss Absorption Powers (as defined below), as described in "Terms and Conditions of the Notes – Governing Law, Jurisdiction and Swedish Statutory Loss Absorption Powers".

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

#### **THERE ARE CERTAIN RISKS RELATED TO ANY ISSUE OF NOTES UNDER THE PROGRAMME, WHICH INVESTORS SHOULD ENSURE THEY FULLY UNDERSTAND (SEE "RISK FACTORS" ON PAGE 8 OF THIS BASE PROSPECTUS).**

The Issuer has been assigned ratings of A-1+ (short term) and AA- (outlook negative) (long term) from Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's"); P-1 (short term) and Aa3 (outlook stable) (long term) from Moody's Investors Service Ltd. ("Moody's"); and F1+ (short term) and AA- (outlook stable) (long term) from Fitch Ratings Ltd. ("Fitch"). Notes to be issued under the Programme are expected to be rated AA- (Notes with a maturity of more than one year) and A-1+ (Notes with a maturity of less than one year) by Standard & Poor's; Aa3 (Notes with a maturity of more than one year) and P-1 (Notes with a maturity of less than one year) by Moody's; and AA- (Notes with a maturity of more than one year) and F1+ (Notes with a maturity of less than one year) by Fitch. Each of Standard & Poor's, Moody's and Fitch is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). Notes issued under the Programme may be rated or unrated. Where a Tranche (as defined below) of Notes is rated, such rating will be specified in the applicable Final Terms (as defined below) and will not necessarily be the same as the ratings assigned to the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

**Arranger**  
**BofA Merrill Lynch**  
**Dealers**

**Barclays**  
**BofA Merrill Lynch**  
**Credit Suisse**  
**HSBC**

**BNP PARIBAS**  
**Citigroup**  
**Deutsche Bank Securities**  
**J.P. Morgan**

March 1, 2017

## IMPORTANT NOTICE

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementation measures in a relevant Member State of the European Economic Area.

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

The Issuer has confirmed to the Dealers that this Base Prospectus is true and accurate in all material respects and not misleading; that there are no other facts in relation to the information contained or incorporated by reference herein the omission of which would, in the context of the Programme and the issue of the Notes, make any statement herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealers that this Base Prospectus (together with, in relation to any Tranche, the applicable Final Terms) contains all information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and its subsidiaries (the “Group”) and of the rights attaching to the relevant Notes.

In relation to any Tranche, the aggregate nominal amount of the Notes of such Tranche, the interest (if any) payable in respect of the Notes of such Tranche, the issue price and certain other information which is relevant to such Tranche will be set out in a final terms document (“Final Terms”).

The Final Terms in respect of Notes to be listed on the Official List and admitted to trading on the Main Securities Market will be filed with the Central Bank on or before the date of issue of the Notes of such Tranche. Copies of the Final Terms in respect of Notes to be listed on the Official List and admitted to trading on the Main Securities Market will be published on the website of the Central Bank at [www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx](http://www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx) and on the website of the Irish Stock Exchange at [www.ise.ie](http://www.ise.ie). Copies of the Final Terms will be available, upon request, free of charge, at the registered office of the Issuer and the specified office of the Principal Paying Agent (as defined below) and, in relation to a Tranche of Registered Notes, the Registrar.

This Base Prospectus is to be read in conjunction with any amendment or supplement hereto, all information which is deemed to be incorporated herein by reference (see “Information Incorporated by Reference”) and, in relation to any Tranche, the applicable Final Terms. This Base Prospectus shall be read and construed on the basis that such information is incorporated and forms part of this Base Prospectus.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained or incorporated by reference in this Base Prospectus, in the Dealer Agreement (as defined under “Subscription and Sale and Transfer and Selling Restrictions”), in any other document prepared in connection with the Programme or any Final Terms or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee (as defined under “Terms and Conditions of the Notes”).

None of this Base Prospectus, any financial statements and any other information supplied in connection with the Programme and any Notes (i) is intended to provide the sole basis of any credit or other evaluation of the Issuer, (ii) constitutes an offer or an invitation to subscribe for or purchase any Notes or (iii) should be considered as a recommendation by the Issuer, the Dealers, the Trustee or any of them that any recipient of

this Base Prospectus, any financial statements or any other information supplied in connection with the Programme or any Notes should subscribe for or purchase any Notes. Each recipient of this Base Prospectus, any financial statements or any other information supplied in connection with the Programme or any Notes shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates or the Trustee, and neither the Dealers nor any of their respective affiliates nor the Trustee make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. Neither the delivery of this Base Prospectus or any part hereof or any Final Terms nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change in the financial situation of the Issuer since the date of this Base Prospectus or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale and Transfer and Selling Restrictions". Neither this Base Prospectus nor any Final Terms may be used by anyone in any jurisdiction in which such use is not authorised.

The Notes have not been, and will not be, registered under the Securities Act, and may be offered and sold outside of the United States to persons other than U.S. persons in reliance on Regulation S and in the United States only to QIBs. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

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

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

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

Further, prospective investors should ensure that they have sufficient knowledge and awareness of the economic situation and outlook, including in the Eurozone and globally, as they consider necessary to enable them to make their own evaluation of the risks and merits of an investment in the Notes. In particular, prospective investors should take into account the considerable uncertainty as to how the Eurozone and the wider economic situation will develop over time.

Each Tranche of Registered Notes sold to persons other than U.S. persons in reliance on Regulation S under the Securities Act will be represented by beneficial interests in an unrestricted global Note in registered form, without interest coupons (an “Unrestricted Registered Global Note”), which will be deposited either (i) with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”) for the accounts of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) for the accounts of their respective participants or (ii) with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Prior to expiry of the period that ends 40 days after the later of the date of issue of a Tranche and the completion of the distribution of a Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue (the “Distribution Compliance Period”), beneficial interests in the Unrestricted Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person except in accordance with Rule 144A, Rule 903 or 904 of Regulation S or pursuant to another applicable exemption from the registration requirements of the Securities Act. Each Tranche of Registered Notes sold within the United States or to, or for the account or benefit of, U.S. persons in reliance on Rule 144A under the Securities Act will be represented by beneficial interests in a restricted global Note in registered form, without interest coupons (a “Restricted Registered Global Note” and, together with an Unrestricted Registered Global Note, the “Registered Global Notes”), which will be deposited either (i) with a custodian for, and registered in the name of a nominee of, DTC or (ii) with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Registered Notes in definitive form (“Definitive Registered Notes”) will, at the request of the Holder (as defined under “Overview of the Programme”) (save to the extent otherwise indicated in the applicable Final Terms), be issued in exchange for interests in the Registered Global Notes upon the terms set out in the relevant Registered Global Note.

Each Tranche of Bearer Notes will initially be represented by a temporary global Note in bearer form (a “Temporary Global Note”) which will (i) if the Temporary Global Note is intended to be issued in new global note (“NGN”) form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg and (ii) if the Temporary Global Note is not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg. On or after the date which is 40 days after the later of the date of issue of a Tranche and the completion of the distribution of the Notes of the relevant Tranche and provided certification as to beneficial ownership thereof as required by United States Treasury Regulations Section 1.163-5(c)(2)(i)(D) (or any successor United States Treasury Regulations section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives

to Restore Employment Act of 2010) has been received, interests in the Temporary Global Note will be exchangeable for either interests in a permanent global Note in bearer form (a “Permanent Global Note”) or, if so specified in the applicable Final Terms, Bearer Notes in definitive form (“Definitive Bearer Notes”). Interests in the Permanent Global Note will be exchangeable for Definitive Bearer Notes in whole, but not in part, in the circumstances set out in the relevant Permanent Global Note. Bearer Notes are subject to U.S. tax law requirements and, subject to certain exceptions, may not be offered, resold or delivered within the United States to, or for the account or benefit of, U.S. persons. See “Subscription and Sale and Transfer and Selling Restrictions” below.

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

### **NOTICE TO CANADIAN INVESTORS**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (“NI 33-105”), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with any offering of the Notes.

## EXCHANGE RATES

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

	Period end	Average <sup>1</sup>	High <sup>2</sup>	Low <sup>2</sup>
	SEK	SEK	SEK	SEK
2012.....	6.504	6.773	7.269	6.503
2013 .....	6.426	6.512	6.804	6.287
2014 .....	7.742	6.863	7.856	6.328
2015.....	8.441	8.433	8.824	7.803
2016.....	9.106	8.590	9.409	7.960
January 2017 .....	8.742	8.948	9.162	8.742
February 2017 until February 27, 2017.....	9.063	8.903	9.063	8.751

Note:

<sup>1</sup> The average exchange rate for each period is the average of the last quoted rate for each day during the period.

<sup>2</sup> The high and low exchange rate for each period shows the highest and lowest quoted rate at the end of each day during the period.

On February 27, 2017, the exchange rate was SEK 9.0634 per U.S. dollar.

Source: Bloomberg

The rates set forth above are provided solely for convenience. No representation is made that Swedish Krona amounts have been, could have been or can be, converted into U.S. dollars at any of the exchange rates herein indicated or any other rate.

## PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

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

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

There have been no significant changes to the Group’s accounting policies set out in the 2014 Financial Statements.

Amendments to IAS 1 (*Presentation of Financial Statements*) were issued in December 2014 as part of an initiative to improve presentation and disclosure in financial reports. The amendments clarify that materiality is applicable to the entire financial statements and that the inclusion of immaterial information reduces the effectiveness of disclosure. The amendments are applicable for annual periods beginning on or after January 1, 2016 and were endorsed by the EU on December 19, 2015. The amendments have only impacted the Group’s disclosure. Apart from this, no IFRS new or amended standards or interpretations which have been introduced have had a significant effect on the financial position, results or disclosures of the Group or the parent company set out in the 2015 Financial Statements or the 2016 Financial Statements.

According to the IFRS Interpretations Committee, negative yield on financial assets does not meet the definition of revenue according to IAS 18 and should therefore not be presented as part of interest income. Accordingly, the same interpretation applies to negative yield on financial liabilities. During 2016, the negative yield amounts recognised within interest income and interest expense, respectively, have become material to the Group. Therefore, the Group has changed the presentation of its income statement to present separate line items for negative yield on financial assets and negative yield on financial liabilities within net interest income. Amounts for 2015 and 2014 have not been restated as they were not considered material.

The financial information set out herein has been extracted without material adjustment from the Issuer’s annual audited consolidated financial statements as of, and for, the years ended December 31, 2016, 2015 and 2014, including the notes thereto (the “Financial Statements”), except for the information in “Selected Statistical and Other Information” which is derived from the financial records of the Issuer. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretation of these standards as adopted by the EU. The consolidated financial statements also apply recommendation RFR 1, Complementary accounting rules for groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies (Sw: *Lagen (1995:1559) om årsredovisning i kreditinstitut och värdepappersbolag*) and the regulations and general advice of the Swedish Financial Supervisory Authority, FFFS 2008:25. IFRS differs in certain respects from generally accepted accounting principles applied in the United States. The Issuer prepares its financial statements in Swedish Krona in accordance with the requirements of Swedish statutory accounting and tax legislation.

All references in this Base Prospectus to “U.S. dollars”, “U.S.\$”, “USD” and “\$” refer to United States dollars, references to “SEK” and “Krona” refer to Swedish Krona, references to “Pounds Sterling”, “GBP” and “£” refer to the lawful currency of the United Kingdom, references to “Japanese Yen” and “JPY” refer to the lawful currency of Japan and references to “EUR”, “Euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union, pursuant to the Treaty on the Functioning of the European Union, as amended. Unless otherwise noted, all translations of SEK amounts into U.S. dollars for the year ended December 31, 2016 have been at the rate of SEK 9.0599 = U.S.\$1.00, being the representative market rate prevailing in Stockholm (the “Representative Market Rate”) on December 31,

2016, as reported by Bloomberg. No representation is made that SEK or U.S. dollar amounts referred to herein have been, could have been or could be, converted into U.S. dollars or SEK, as the case may be, at this rate, at any particular rate, or at all.

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

In this Base Prospectus, references to “Sweden” are to the Kingdom of Sweden and references to the “Government” are to the Swedish Government.

In this Base Prospectus, references to websites or uniform resource locators (“URLs”) are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Base Prospectus.

This Base Prospectus includes certain statistics and market share data. The Issuer believes that the statistics and market share data included in this Base Prospectus are useful in helping investors to understand the markets in which the Issuer operates. However, to the extent indicated, these figures are sourced from third party information (for instance, for market sizing) that has not been independently verified. This Base Prospectus also contains other information sourced from third parties, where indicated with references to third party sources herein. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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

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



## FORWARD-LOOKING STATEMENTS

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

Any forward-looking statements herein have been based on current expectations and projections about uncertain future events. Forward-looking statements are subject to risks, uncertainties and assumptions about the Group and the Issuer. Although it is believed that the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements are reasonable, investors should bear in mind that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, including assumptions relating to general economic conditions in Sweden, Europe and worldwide. These factors include those set out in the section of this Base Prospectus entitled “Risk Factors” and risks which the Issuer currently is not aware of, as well as more generally (without limitation):

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

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

## AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Registered Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Holder of such Registered Notes in connection with any sale thereof and any prospective purchaser of such Registered Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

## ENFORCEABILITY OF JUDGMENTS

The Issuer is a limited liability company incorporated under the laws of Sweden. Substantially all of the Issuer’s directors and executive officers and the experts named herein are residents of Sweden. All, or a substantial portion of, the assets of the Issuer and of such individuals are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Issuer or such persons with respect to matters arising under the U.S. securities laws or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of such laws. The United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. Furthermore, (i) there is doubt whether an original action could be brought in Sweden against the Issuer predicated solely upon the provisions of the U.S. securities laws and (ii) actions for enforcement of judgments of U.S. courts against the Issuer are not enforceable in Sweden, either by treaty or in practice, but are accepted on an evidential basis in a Swedish legal action.

## STABILISATION

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, ANY DEALER OR DEALERS ACTING AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## INFORMATION INCORPORATED BY REFERENCE

The following information which has previously been published, or is published simultaneously, with this Base Prospectus and has been submitted to and filed with the Swedish Financial Supervisory Authority (the "SFSA", Sw: *Finansinspektionen*) and the Central Bank shall be incorporated in, and form part of, this Base Prospectus:

- (1) the audited annual consolidated financial statements of the Issuer for each of the financial years ended December 31, 2016 (which can be viewed online at [https://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@ir/documents/financial/cid\\_2238210.pdf](https://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@ir/documents/financial/cid_2238210.pdf)), December 31, 2015 (which can be viewed online at [http://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@ir/documents/financial/cid\\_1972619.pdf](http://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@ir/documents/financial/cid_1972619.pdf)) and December 31, 2014 (which can be viewed online at [https://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@ir/documents/financial/cid\\_2005852.pdf](https://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@ir/documents/financial/cid_2005852.pdf)) comprising the information set out at the following pages of the Group's 'Annual Report 2016', 'Annual Report 2015' and 'Annual Report 2014':

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Consolidated Financial Statements and Notes	pages 58-168	pages 66-177	pages 62-174
Auditor's Report	page 182	page 191	page 191

- (2) the following sections from previous prospectuses relating to the Programme: (i) the section "Terms and Conditions of the Notes" (pages 31-59 inclusive) set out in the Prospectus dated September 3, 2012 (which can be viewed online at [www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@treasury/documents/productinformation/cid\\_649731.pdf](http://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@treasury/documents/productinformation/cid_649731.pdf)); (ii) the section "Terms and Conditions of the Notes" (pages 36-64 inclusive) set out in the Prospectus dated March 1, 2013 (which can be viewed online at [www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@treasury/documents/financial/cid\\_868225.pdf](http://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@treasury/documents/financial/cid_868225.pdf)); (iii) the section "Terms and Conditions of the Notes" (pages 40-70 inclusive) set out in the Base Prospectus dated February 19, 2014 (which can be viewed online at [www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@treasury/documents/productinformation/cid\\_1331680.pdf](http://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@treasury/documents/productinformation/cid_1331680.pdf)); (iv) the section "Terms and Conditions of the Notes" (pages 39-68 inclusive) set out in the Base Prospectus dated February 24, 2015 (which can be viewed online at [www.swedbank.com/investor-relations/debt-investor/funding/senior-debt/144a-senior-unsecured/CID\\_1660284](http://www.swedbank.com/investor-relations/debt-investor/funding/senior-debt/144a-senior-unsecured/CID_1660284)); and (v) the section "Terms and Conditions of the Notes" (pages 40-69 inclusive) set out in the Base Prospectus dated March 2, 2016 (which can be viewed online at [https://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@treasury/documents/article/cid\\_1977458.pdf](https://www.swedbank.com/idc/groups/public/@i/@sbg/@gs/@treasury/documents/article/cid_1977458.pdf)).

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained, upon request and free of charge, from the registered office of the Issuer and from the specified office of the Principal Paying

Agent in London and will be available for viewing on the website of the Issuer at [www.swedbank.com/investor-relations/financial-information-and-publications/index.htm](http://www.swedbank.com/investor-relations/financial-information-and-publications/index.htm). The contents of this website do not form a part of this Base Prospectus and investors should not rely on it.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

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

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes. The Issuer has undertaken to the Dealers in the Dealer Agreement that it will comply with Article 16 of the Prospectus Directive.

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## 1. Overview of the Programme

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*This overview should be understood as an introduction to this Base Prospectus, and highlights information presented in greater detail elsewhere in this Base Prospectus. This overview is not complete and does not contain all the information an investor should consider before investing in the Notes. Any investor should carefully read the entire Base Prospectus before investing, including “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the audited consolidated financial statements of Swedbank incorporated by reference in this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Each decision to invest in the Notes should be based on an assessment of the entire Base Prospectus.*

*This Overview of the Programme constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing Directive 2003/71/EC.*

*Words and expressions defined in “Terms and Conditions of the Notes” or elsewhere in this Base Prospectus shall have the same meanings in this overview.*

### 1.1 Overview of the Key Features of the Programme

Issuer:	Swedbank AB (publ)
Arranger:	Merrill Lynch International
Dealers:	Barclays Capital Inc. BNP Paribas Securities Corp. Citigroup Global Markets Inc. Credit Suisse Securities (USA) LLC Deutsche Bank Securities Inc. HSBC Securities (USA) Inc. J.P. Morgan Securities LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG
Transfer Agent:	Citibank, N.A., London Branch
Exchange Agent:	Citibank, N.A., London Branch

Programme Amount: U.S.\$15,000,000,000 (or its approximate equivalent in other currencies), subject to any duly authorised increase.

Form of Notes: Notes may be issued in registered form or in bearer form.

Each Tranche of Registered Notes offered and sold within the United States or to U.S. persons in reliance on Rule 144A under the Securities Act will be represented by beneficial interests in a Restricted Registered Global Note, which will be deposited either (i) with a custodian for, and registered in the name of a nominee of, DTC or (ii) with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Each Tranche of Registered Notes sold outside the United States to persons other than U.S. persons in reliance on Regulation S under the Securities Act will be represented by beneficial interests in an Unrestricted Registered Global Note, without interest coupons, which will be deposited either (i) with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg for the accounts of their respective participants or (ii) with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms.

In respect of each Tranche of Bearer Notes, the Issuer will deliver a Temporary Global Note, which will (i) if the Temporary Global Note is intended to be issued in NGN form, as specified in the applicable Final Terms, be delivered on, or prior to, the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or (ii) if the Temporary Global Note is not intended to be issued in NGN form, be delivered on, or prior to, the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable, as specified in the applicable Final Terms, either for interests in a Permanent Global Note or Definitive Bearer Notes, in each case upon certification as to non-U.S. beneficial ownership.

Status of the Notes: The Notes constitute unsubordinated, unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to such mandatory exceptions as are from time to time applicable under Swedish law) at least *pari passu* with all other unsecured indebtedness of the Issuer from time to time outstanding.

Offering and Sale: Subject to compliance with all applicable legal and regulatory requirements, the Notes may be distributed on a syndicated or non-syndicated basis.

Currencies: Notes may be denominated in any currency or combination of currencies (including, without limitation, United States dollars, Euro, Japanese Yen

and Pounds Sterling) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Issuance in Series:** Notes will be issued in series (each a “Series”). Each Series may comprise one or more Tranches. The Notes of each Series will all be subject to identical terms, whether as to currency, interest or maturity or otherwise, save that Issue Dates, Interest Commencement Dates and Issue Prices may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects (save that a Tranche may comprise Notes in more than one denomination). Further Tranches of Notes may be issued as part of an existing Series.

**Issue Price:** Notes may be issued at any price, as specified in the applicable Final Terms.

**Maturities:** Notes may have any maturity of not less than one month, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. No provision is made for the issue of perpetual Notes.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer.

**Redemption:** The Notes will be redeemable at par.

**Early Redemption:** Early redemption will be permitted for taxation reasons as described in “Terms and Conditions of the Notes – Early Redemption for Taxation Reasons”, but will otherwise be permitted only to the extent specified in the applicable Final Terms and subject to compliance with all applicable laws and regulations.

**Taxation:** All amounts payable in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, or on behalf of, the Kingdom of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (subject to the exceptions set out in “Terms and Conditions of the Notes – Taxation”) pay such additional amounts as will result in the holders of Notes or Coupons (“Holders”) receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or



	deduction been required.
Negative Pledge:	None
Cross-Default:	None
Interest:	Notes may be interest-bearing or non-interest bearing (as specified in the applicable Final Terms).
Denominations:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer subject to compliance with all applicable legal and/or regulatory and/or central bank (or equivalent body) requirements, provided however, that (i) the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than Euro, the equivalent amount in such currency as at the date of issue of the relevant Notes) and (ii) Notes sold in reliance on Rule 144A under the Securities Act shall be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Terms and Conditions:	<p>The Terms and Conditions applicable to each Tranche of Notes will be as agreed between the Issuer and the relevant Dealer at, or prior to the time of issuance of such Tranche, and will be specified in the applicable Final Terms.</p> <p>Final Terms will be prepared in respect of each Tranche of Notes, a copy of which, in the case of Notes intended to be admitted to the Official List and to trading on the Main Securities Market, will be delivered to the Central Bank and the Irish Stock Exchange on or before the date of issue.</p>
Governing Law:	The Notes, the Trust Deed, the Agency Agreement (as defined under “Terms and Conditions of the Notes”), all matters arising from or connected with them and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.
Swedish Statutory Loss Absorption Powers:	The Notes will be subject to Swedish Statutory Loss Absorption Powers, as described in “Terms and Conditions of the Notes – Governing Law, Jurisdiction and Swedish Statutory Loss Absorption Powers”.
Listing and Admission to Trading:	<p>Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges, markets or quotation systems agreed between the Issuer and the relevant Dealer in relation to the Series.</p> <p>Notes which are neither listed nor admitted to trading on any market may also be issued.</p>
Clearing Systems:	DTC, Euroclear, Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the applicable Final Terms.

**Selling Restrictions:** The Notes have not been and will not be registered under the Securities Act or any applicable U.S. state securities laws, and are being offered and sold in the United States only to QIBs and outside of the United States to persons other than U.S. persons in reliance on Regulation S and, in each case, in compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Bearer Notes will be issued in compliance with United States Treasury Regulations Section 1.163-5(c)(2)(i)(D) (or any successor United States Treasury Regulations section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the “D Rules”), unless the Bearer Notes are issued in circumstances in which the Bearer Notes will not constitute “registration required obligations” for U.S. federal income tax purposes, which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

There are selling restrictions relating to the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “Subscription and Sale and Transfer and Selling Restrictions” below.

**Risk Factors:** There are various factors which may affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme, principally the risks relating to the banking industry in the Group’s primary markets of Sweden, Estonia, Latvia and Lithuania. The Group’s business may be affected by such factors as credit risk, market risk, operational risk and liquidity risk as well as the economic conditions, globally or for certain geographies or sectors, particularly relating to the above-mentioned primary markets for the Group as well as to the banking industry in Europe. In addition, there are certain factors which are material for the purpose of assessing the market risks relating to an investment in Notes issued under the Programme. These include risks related to the structure of a particular issue of Notes, risks inherent in Notes and certain other factors. For a further discussion of risk factors, see “Risk Factors”.

## **1.2 Overview of the Issuer**

Swedbank is a public limited liability bank company (Sw: *Bankaktiebolag*) incorporated under the laws of the Kingdom of Sweden and headquartered in Stockholm. Its registered office is located at SE-105 34 Stockholm, with its head office at Landsvägen 40, 172 63 Sundbyberg and its telephone number is +46 (0)8 5859 0000. It is registered with the Swedish Companies Registration Office in Sundsvall under registration number 502017-7753. Swedbank’s shares are listed on NASDAQ OMX Stockholm. Swedbank was incorporated on April 24, 1942.

As of December 31, 2016, the Group served a total of 7.3 million private customers and more than 600,000 corporate customers through approximately 389 branches (compared to 420 in 2015) in 12

countries, primarily in its principal markets of Sweden, Estonia, Latvia and Lithuania. This includes customers reached through the 58 associated independent savings banks (hereafter referred to as associated independent savings banks) that collaborate with Swedbank. The terms of collaboration are governed by a common framework agreement which is agreed with the national association of savings banks, Sparbankernas Riksförbund, with each savings bank signing up to this agreement individually. During 2016, 29 branches were closed in Sweden, mainly due to business reasons.

The Group offers a broad range of products and services, including retail banking, corporate and investment banking, asset management and insurance products, with the majority of the Group's income deriving from its Swedish banking services. As of December 31, 2016, the Group's loans to the public, excluding the Swedish National Debt Office (the "SNDO") and repurchase agreements, amounted to SEK 1,453 billion. The Group recorded SEK 25,194 million in profit before impairments for the year ended December 31, 2016 and SEK 21,291 million in profit before impairments for the year ended December 31, 2015. Credit impairments for the year ended December 31, 2016 amounted to SEK 1,367 million. The Group recorded impairment of intangible assets of SEK 35 million for the year ended December 31, 2016. Net profit attributable to the shareholders of Swedbank for the year ended December 31, 2016 amounted to SEK 19,539 million and SEK 15,727 million for the year ended December 31, 2015. As of December 31, 2016, the Group had 14,061 full-time employees.

The Group has a long-standing history dating back to 1820 when the first savings bank was founded in Sweden. In the early 1990s, each of Sparbanken Sverige and Föreningsbanken were merged with a number of regional savings banks and regional agricultural co-operative banks, respectively. In 1997, Sparbanken Sverige and Föreningsbanken merged to form FöreningsSparbanken. FöreningsSparbanken changed its name to Swedbank in 2006. The Group expanded its operations into the Baltic countries (Estonia, Latvia and Lithuania) in 1996 when it acquired a 12.5 per cent stake in Eesti Hoiupank, a bank that merged with Hansabank in 1998. In 1999, the Group acquired additional shares, resulting in a 50 per cent ownership of the shares in Hansabank and, in 2005, acquired the remaining outstanding shares in Hansabank (now Swedbank AS). The Group consists of four business segments.

- *Swedish Banking:* Swedish Banking offers a broad range of financial products and services to private customers, as well as small and medium-sized corporates, through 248 branches as of December 31, 2016, as well as through telephone, internet and mobile banking. Through co-operation with local associated independent savings banks and partly-owned banks, the Group also offers its retail products through 214 other branches as of December 31, 2016;
- *Baltic Banking:* Baltic Banking offers a complete range of financial products and services to private and corporate customers in Estonia, Latvia and Lithuania through 141 branches as of December 31, 2016, as well as through telephone and internet banking. The Group holds leading positions in several key market segments in its Baltic home markets;
- *Large Corporates & Institutions:* Large Corporates & Institutions ("LC&I") is responsible for customers with revenues above SEK 2 billion whose needs are considered complex due to their multinational operations or their need for sophisticated financing solutions. LC&I is also responsible for developing corporate and capital market products for other parts of the Group and associated independent Swedish savings banks. LC&I works closely with customers to provide advice on decisions that create sustainable profits and growth. LC&I branches are located in Sweden, Norway, Estonia, Latvia, Lithuania, Finland, Luxembourg, China, the United States and South Africa; and

- *Group Functions & Other:* Group Functions & Other consists of centralised business support units, Group Savings and Group Lending & Payments. The centralised business support units provide strategic and administrative support, comprising Accounting & Finance, Communication, Risk, IT, Compliance, Public Affairs, Human Resources and Legal. In 2016, a new unit, Group Customer Value Management, was created, whose main task is to maximise the value of customer relationships, including through proactive measures. Group Treasury is responsible for Swedbank's funding, liquidity and capital planning.

### ***Selected Financial and Operational Data***

	As of and for the year ended December 31,		
	2016	2015	2014
Private customers (millions) .....	7.3	7.2	7.3
Corporate customers .....	651,000	640,000	642,000
Full-time employees.....	14,061	13,893	14,583
Total income (SEK million) .....	41,635	37,624	39,304
Profit before impairments (SEK million) .....	25,194	21,291	21,702
Credit impairments (SEK million) .....	1,367	594	419
Profit for the year attributable to the shareholders of Swedbank (SEK million) .....	19,539	15,727	16,447

## 2. Risk Factors

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*Investing in the Notes involves certain risks. If any of the risks described below materialise, the Group's business, financial condition and results of operations could suffer, and the trading price and liquidity of the Notes could decline, in which case you could lose some or all of the value of your investment. Swedbank believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but Swedbank may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by Swedbank based on information currently available to it or which it may not currently be able to anticipate, and Swedbank does not represent that the statements below regarding the risks of holding any Notes are exhaustive.*

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

### 2.1 Risks Relating to the Group

#### 2.1.1 ***Worsening economic conditions in the countries where the Group operates may adversely impact the Group and are likely to continue to do so if those conditions persist or recur.***

The Group's performance is significantly influenced by the general economic conditions in the countries in which it operates, in particular its primary markets of Sweden, Estonia, Latvia and Lithuania, and, to a lesser degree, Norway. In 2013, Swedbank sold its operations in Russia and Ukraine, which had been severely hit by the economic downturn. The economic situation in all of the countries in which the Group operates has in recent years been adversely affected in various ways by weakening economic conditions and the turmoil in the global financial markets. These countries have in the past few years experienced periods of declining economic growth or recessions, increasing rates of unemployment, and, in the case of Estonia, Latvia and Lithuania (together, the "Baltic countries"), decreasing lending volumes as well as decreasing asset values. A more aggressive Russian foreign policy and the contemplated new Russian gas line in the Baltic Sea have raised the geopolitical risks in the region.

In addition to these trends, a significant risk facing the Swedish economy is the level of household debt, which has reached historically high levels, with Sweden's household debt-to-income ratio in excess of 180 per cent at the end of 2016 according to the Swedish Central Bank's (Sw: *Riksbanken*) forecast in December 2016. A shortage of housing, low interest rates and higher house prices have led to a rapid increase in the volume of home lending and, as a result, households are more sensitive to higher interest rates. Successive Swedish governments have implemented policies to attempt to mitigate these risks and secure financial stability, including decreasing Sweden's interest rate to below zero to counteract the risk of deflation, but such measures may be inadequate or have unpredictable consequences. Attempts by regulators to slow credit growth have been largely ineffective, in part because interest rates have continued to decrease. The introduction in June 2016 by the SFSA of an amortisation requirement for new loans has led to a somewhat less active real estate market and the increase in housing prices, though still increasing, has begun to stabilise. The annual growth rate in household lending decreased from 8.7 per cent in May 2016 to 7.8 per cent in November 2016, but still significantly outpaces disposable income growth, which means that the household debt-to-income ratio continues to increase.

Any or all of the conditions described above could result in increased default rates and/or decreased lending activity which could have a material adverse effect on the Group's business, financial condition and results of operations.

**2.1.2 *The Group's business, financial condition and results of operations have been and may continue to be adversely affected by the recent conditions in the global financial markets and uncertainties about the strength of the Eurozone.***

The global capital and credit markets have been characterised by volatility and disruption in recent years. During the financial crisis in 2008 this resulted in liquidity constraints and other problems at many of the world's largest commercial banks, investment banks and insurance companies, a number of which are the Group's counterparties or customers in the ordinary course of its business. These conditions also resulted in a material reduction in the availability of financing, both for the Group as well as other financial institutions and their customers.

In March 2015, the European Central Bank (the "ECB") implemented an asset purchase programme, with monthly purchases of 60 billion Euro. The programme was extended in March 2016 when the ECB lowered its repo rate and deposit rate to negative rates. The monthly purchases under the asset purchase programme (also called quantitative easing, or "QE") were expanded to 80 billion Euro starting in April 2016. In December 2016, the ECB further extended the purchase programme to December 2017 at the current rate of 80 billion Euro per month, which is set to be scaled down to 60 billion Euro per month as from April 2017. The measure is designed to stimulate growth in the Eurozone and raise inflation, which remains below the target rate. Overall the liquidity situation in the Eurozone has become more favourable due to the ECB's expansionary monetary policy. Credit growth has also started to increase. Stress tests on the European banks implemented during the summer of 2016 showed an improvement, indicating that the Scandinavian banks, which includes the Swedish banks, showed a strong capital position for both the baseline and adverse scenarios; institutions in Italy and certain financial institutions in Spain, Ireland and Austria had the weakest performances. A fragile Italian banking sector, with a large share of non-performing loans, remains a risk to the European financial markets.

Although the level of market disruption and volatility caused by the global financial crisis has abated to a certain extent, there are no assurances that these conditions will not recur or that similar events will not occur that have similar effects on the financial markets, in which case the Group may experience reductions in business activity, increased funding costs, decreased liquidity, decreased asset values, additional credit impairment losses and lower profitability and revenues. Any of the foregoing factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Global markets and economic conditions have been negatively impacted since 2010 by market perceptions regarding the ability of certain EU Member States to service their sovereign debt obligations, including Greece, Ireland, Italy, Portugal and Spain. Although the uncertainty over the outcome of the EU governments' financial support programmes has decreased, the long term view for public finance in Europe still faces many challenges, including those related to demographic trends and the uncertain impact of the increase in immigration. Any loosening of the political ties within the EU, such as the UK leaving the EU, could negatively impact the European economy and increase volatility in the financial markets, which could impact political cooperation within the EU. Growing populism and rising criticism against the EU contribute to the sense that geopolitical risks in Europe will still be an area of focus during 2017.

Concerns about credit risk (including that of sovereigns) and the Eurozone crisis are influenced by the outlook of the global economy generally, as well as perceptions of the strength of the European banking sector. A slow down in China's economy could negatively impact the global economy, including in Europe. Cooperation within the EU is facing growing challenges in the wake of the large increase of immigrants coming into Europe, sluggish European growth and the impact of the UK's decision to leave the EU. The UK government has declared its intention to serve notice under Article 50 of The EU Lisbon Treaty by the end of the first quarter of 2017. However, a prolonged lack of

clarity on the details of the UK's exit from the EU, and uncertainty over trade arrangements, market access and legislative and regulatory frameworks, could likely result in continued market volatility and a deterioration in economic conditions in the UK with potential consequences in other markets. Sluggish global growth and declining world trade could have a dampening impact on Swedish export industries.

Following an extended period of volatility and decreasing prices, oil prices stabilized in the fourth quarter of 2016 as the oversupply of oil declined and demand for oil continued to increase in emerging markets. Although prices rose to above USD 55 per barrel at the end of 2016, from USD 30 per barrel in the beginning of 2016, oil prices remain at historically low levels. As a result of declining prices in recent years, major oil producers significantly revised their investment plans for the coming years which is expected to gradually lead to a decline in oil supply, and despite recent price increases, remain reluctant to invest. Market fluctuations are expected to continue and there can be no assurance that this will not have a material adverse effect on the Group's customers.

The impact of these conditions could be detrimental to the Group and it could experience reductions in business activity, increased funding costs, decreased liquidity, decreased access to the wholesale funding markets, decreased asset values, additional credit impairment losses and lower profitability and revenues. Any of the foregoing factors could have a material adverse effect on the Group's business, financial condition and results of operations.

### **2.1.3 *Swedish households may be exposed to a risk of a decrease in housing prices and changes in regulations applying to mortgages.***

In recent years in Sweden, low interest rates, with real interest rates on mortgages in Sweden decreasing from 8.8 per cent to 1.4 per cent between 1995 and 2016, low inflation, higher housing prices and increased disposable household income have led to continued strong growth in demand for loans, especially in the residential mortgage market. Demand for housing has increased rapidly in Sweden, partly as a result of rapid growth in the population over the past decade due to increases in immigration. The increase in immigration has affected demand for housing in the short term. Rapid urbanisation in Sweden has also contributed to an increase in demand for housing in metropolitan areas and other growth regions. Housing prices in Sweden increased by 10 per cent in the last three months of 2016 compared with the same period in 2015, after having more than tripled since 2000, according to Statistics Sweden. As prices have risen, buyers have taken on more mortgage debt, aided by low nominal interest rates and interest-only mortgages. Household debt rose to 182.5 per cent of disposable income at the end of 2016, according to the Swedish Central Bank's December 2016 forecast. About 60 per cent of the household total mortgage stock in Sweden has a floating interest rate, which means households are sensitive to changes in interest rates. A large number of Swedish households therefore may be exposed to the risk of a decrease in housing prices and the Group, through Swedbank Mortgage, is one of Sweden's leading mortgage lenders with a market share of 25 per cent as of December 31, 2016.<sup>1</sup>

Furthermore, the Basel Committee on Banking Supervision (the "Basel Committee") has recommended an international standard of 35 per cent risk weight for residential mortgages. In 2014, the SFSA raised the risk weight on residential mortgages to 25 per cent from 15 per cent. In June 2016 the SFSA introduced tighter amortisation requirements. Annual repayment on mortgages of at least two per cent will be made on loans until they reach a 70 per cent loan to value ratio and thereafter annual repayments of at least one per cent will be paid until loans reach a 50 per cent loan to value ratio. Still, the credit expansion to the household sector is significantly outpacing growth in disposable income. Additional measures have not been taken, but the SFSA has proposed introducing a debt ceiling on the share of household disposable income. Discussions about

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<sup>1</sup> Statistics Sweden (Sw: *Statistiska Centralbyrån*, SCB), 2016-12-31, [www.scb.se](http://www.scb.se).

reductions in interest deduction have intensified, but political consensus on this matter has not been reached. The Central Bank of Sweden has expressed concern about the housing market and the increase in household lending and has asked for additional macro prudential tools, such as decreased interest deduction, debt ratio of disposable income and lower mortgage share with flexible interest rates, to be implemented. If such macro prudential tools are too stringent, this could have a negative impact both on Swedish growth and on the real estate market. Any defaults could, in turn, have a material adverse effect on the Group's business, financial condition and results of operations. For further detail around the impact of the risk weight floor, see "– Swedbank or its financial institution subsidiaries may need additional capital and other eligible liabilities in the future to maintain capital adequacy ratios or for other reasons, and it may be difficult to obtain such capital and liabilities."

**2.1.4 *Economic and market conditions have caused substantial credit impairments in the past, and future credit impairments could have a material adverse impact on the Group's financial condition and results of operations.***

The Group is exposed to credit risk, or the risk that its borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. Further, there is a risk of declining market values that may affect the collateral securing the exposure. The Group maintains provisions for credit impairments to cover estimated probable incurred credit impairments inherent in its loan portfolio. The Group's allowance for credit impairments is based, among other things, on the Group's portfolio provision models and analysis of current and historical delinquency rates, loan management, macroeconomic factors and the valuation of the underlying assets, as well as numerous other management assumptions, which may prove to be inaccurate, resulting in further credit losses. Furthermore, the Group is exposed to concentration risk, which means credit risk relating to large individual exposures or affiliated borrowers as well as significant exposures to groups of counterparties whose probability of default ("PD") is driven by common underlying factors, such as sector, economy, geographical location, or type of instrument. The impact of the concentration risk could have a material adverse effect on the Group's business, financial condition and results of operations.

Swedbank Mortgage's credit risks arise primarily in its lending to the public (including private individuals, the forestry and agriculture industries and companies). As of the date of this Base Prospectus, approximately 77 per cent of Swedbank Mortgage's credit portfolio consists of lending to private individuals and is secured by single-family homes and tenant-owned apartments. For further information regarding risk related to the housing market, refer to "—Swedish households may be exposed to a risk of a decrease in house prices and changes in regulations applying to mortgages". Approximately 17 per cent consists of lending to companies. The remaining 6 per cent of the portfolio consists of forestry and agriculture-related credits with low loan-to-value ("LTV") ratios. The Group's credit impairments amounted to SEK 1,367 million, corresponding to a credit impairment ratio of 0.09 per cent for the year ended December 31, 2016 compared to a credit impairment of SEK 594 million, corresponding to a credit impairment ratio of 0.04 per cent, for the year ended December 31, 2015 and a SEK 419 million credit impairment, corresponding to a credit impairment ratio of (0.03) per cent for the year ended December 31, 2014. For further analysis of credit impairment ratios, refer to the section "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Global economic conditions were uncertain throughout 2016, but Swedbank's four home markets were fairly stable in comparison, which is reflected in the Group's low level of credit impairments. Swedish Banking credit impairments amounted to SEK (51) million (net recovery), corresponding to a credit impairment ratio of 0.00 per cent for the year ended December 31, 2016, compared to SEK 482 million, corresponding to a credit impairment ratio of 0.04 per cent for the year ended December 31, 2015, and SEK 246 million, corresponding to a credit impairment ratio of 0.03 per cent for the



year ended December 31, 2014. Impairment losses on loans and other credit risk provisions within Baltic Banking amounted to SEK (35) million (net recovery), corresponding to a credit impairment ratio of (0.03) per cent for the year ended December 31, 2016, compared to SEK (172) million (net recovery), corresponding to a credit impairment ratio of (0.14) per cent for the year ended December 31, 2015. This is compared to credit impairments of SEK (186) million (net recovery), corresponding to a credit impairment ratio of (0.16) per cent for the year ended December 31, 2014.

Although Swedbank has benefitted from a large percentage of credit recoveries over the past few years, in recent periods these recoveries have decreased and there can be no assurance that the Group will not experience materially lower credit recoveries or higher impairments in the future. Any of the foregoing risks could have a material adverse effect on the Group's business, financial condition and results of operations.

**2.1.5 *A significant amount of the Group's long-term financing matures in the next 12 months, which the Group may not have the ability to refinance.***

A significant portion, approximately SEK 166 billion, or 23 per cent at December 31, 2016, of the Group's external long-term financing, including maturing subordinated debt, matures in the next 12 months. Disruptions, uncertainty and/or increased volatility in the global capital markets may have a material adverse effect on the Group's ability to raise new financing. This could have a significant adverse effect on the Group's liquidity position, funding maturity profile and operating results. The availability of additional financing depends on a variety of factors, such as market conditions, the availability of credit generally and, specifically for borrowers in the financial services industry, the volume of trading activities, the Group's financial condition, its credit ratings and credit capacity, as well as any negative perception by the Group's customers or lenders of the Group's financial prospects if, for example, the Group incurs large loan or other losses, experiences significant deposit outflows or if the level of the Group's business activity decreases due to a market downturn. The Group's access to funds may further be impaired if regulatory authorities impose additional regulatory capital requirements or if ratings agencies downgrade the credit ratings of Swedbank, such as in June 2014 when Standard & Poor's and Moody's placed Swedbank and other Nordic banks on negative outlook due to a reduction in anticipated government support. For more information about recent regulatory changes to capital requirements, see "Swedbank or its financial institution subsidiaries may need additional capital and other eligible liabilities in the future to maintain capital adequacy ratios or for other reasons, and it may be difficult to obtain such capital and liabilities" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy".

In addition, an increase in interest rates and/or widening of credit spreads, as well as the restriction on the availability of credit, including, but not limited to, interbank credit, can impact the Group's ability to borrow on a secured or unsecured basis, which may have a material adverse effect on the Group's liquidity and results of operations. In difficult credit market conditions, the Group may be forced to fund its operations at a higher cost or it may be unable to raise as much short- or long-term funding as needed to support its business activities. This could cause the Group to curtail its business activities, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**2.1.6 *For loans outside of Sweden, the Group may be unable to successfully foreclose on the collateral securing its consumer loans in default, and even if it is successful in its foreclosure efforts, it may be unable to successfully repossess the underlying assets, which may adversely affect its ability to recover the value of the collateral.***

If a borrower defaults under one of the Group's loans, the Group may foreclose on the loan and/or acquire title to the assets pledged as collateral, and thereafter, make substantial improvements or

repairs in order to maximise the asset's realisable value. The borrower may contest enforcement of foreclosure or other compulsory measures, which may delay the foreclosure, or seek bankruptcy protection against the Group. If the borrower seeks bankruptcy protection, certain regulatory measures may preclude the Group from enforcing foreclosure or other remedies against the borrower. Foreclosure-related costs, high LTV ratios or reductions in the value of the assets may prevent the Group from realising an amount equal to its loans upon foreclosure, and the Group may be required to record losses. Even if the Group were able to successfully foreclose on the collateral securing its exposures, the Group may hold title to pledged assets that it is unable to efficiently repossess or force a sale of, which would adversely affect the Group's ability to recover the value of the collateral securing its exposure. Furthermore, the Group may, as part of its foreclosure on business assets, end up acquiring collateral that is not core to the Group's business and in respect of which it lacks the required operational or management expertise or experience or may be prohibited from owning under applicable regulations. Managing such assets may be costly and may require additional expertise, personnel or outsourcing, options which may not be readily available or available at all. All of the above may adversely affect the Group's business, financial condition and results of operations.

**2.1.7 *The Group's guidelines and policies for risk management may prove to be inadequate with respect to unidentified and unforeseen risks.***

The management of business, regulatory and legal risks requires, inter alia, guidelines and policies for the accurate registration and control of a large number of transactions and events. Such guidelines and policies may not always be adequate. Some methods used by the Group to estimate, measure and manage risk are based on perceived historical market behaviour. The methods may prove to be inadequate for predicting future risk exposure, which may differ from what is suggested by prior experience. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to the Group. Such information has not always been, and may not always be, correct, updated or correctly evaluated and may therefore be inadequate for the purpose of risk management, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

**2.1.8 *Any impairment of goodwill and other intangible assets could have a negative effect on the Group's results of operations.***

Swedbank performs impairment tests on goodwill and other intangible assets at least once per year or whenever there are indications of a decrease in the value of goodwill or other intangible assets. The outcome of any impairment test model depends, among other things, on key input data on macroeconomic factors and long-term growth assumptions. Impairment of intangible assets decreased to SEK 35 million for the year ended December 31, 2016 compared to SEK 254 million for the year ended December 31, 2015. The impairment in 2016 was due to an IT system write-down. Outstanding goodwill related to Baltic investment totalled SEK 9.7 billion as of December 31, 2016 and SEK 9.3 billion as of December 31, 2015. Should economic conditions worsen beyond what the Group expected as of December 31, 2016, or should there be a change in regulatory conditions affecting the Group's assets, either in any of the Group's home markets or in general, an impairment charge relating to goodwill and other intangible assets may need to be recognised, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**2.1.9 *The Group is financially exposed to Ireland, Italy, Portugal and Spain, as well as European banks that could be negatively affected by adverse events in these countries. Further developments adversely affecting these countries or other similar developments in other***

***Eurozone countries could have a material effect on the Group's financial position, results of operations and business.***

As of December 31, 2016, the Group had total credit exposures of SEK 496 million to Ireland, Italy, Portugal and Spain. It did not have any exposure to Greece. The exposures are classified into institutions, government and public sector entities. Further details are provided in the following chart. As a result of its exposure to these countries, the Group's financial position, results of operations and business could deteriorate following further developments adversely affecting these countries or similar developments in other Eurozone countries.

SEK million	As of December 31, 2016					
	Greece	Ireland	Italy	Portugal	Spain	Total
Bonds.....	-	-	-	-	315	315
of which sovereign.....	-	-	-	-	-	-
of which held to maturity.....	-	-	-	-	-	-
Loans (money market and certificates).....	-	-	22	5	-	27
Derivatives net <sup>1</sup> .....	-	10	16	-	94	120
Other <sup>2</sup> .....	-	23	11	-	-	34
<b>Total .....</b>	<b>-</b>	<b>33</b>	<b>49</b>	<b>5</b>	<b>409</b>	<b>496</b>

*Notes:*

<sup>1</sup> Derivatives at market value taking into account netting and collateral agreements. The potential future exposure of derivatives, current market values plus add-ons for potential future market value changes, is: SEK 13 million for Ireland, SEK 397 million for Italy, SEK 10 million for Portugal and SEK 325 million for Spain which amounts to the total of SEK 744 million.

<sup>2</sup> Includes trade finance and mortgage loans.

***2.1.10 The Group is exposed to foreign exchange risk. Fluctuations in the value of foreign currencies could have an adverse effect on the Group's assets, including its loan portfolio, and its results of operations.***

Currency risk arises mainly due to risks related to strategic holdings of foreign operations and when deposits and lending take place in different currencies. Exchange rate movements between SEK, EUR and USD could have a significant adverse effect on the Group's balance sheet position, as a substantial portion of the Group's assets and liabilities are denominated in such currencies and, in the long-term, the Group's income statement is in SEK. Changes in exchange rates affect both the balance sheet directly through strategic positions, and the Group's income statement, as foreign currency cash flows from lending margins could affect net interest income. Fluctuations in the value of foreign currencies may also have a negative impact on the Group's liquidity, since the Group's overall liquidity includes balances which are held in foreign currencies. Additionally, fluctuations in the value of foreign currencies may also have a negative impact on the Group's capital position, since part of the Group's capital and risk exposure amount is denominated in foreign currencies.

The effects of exchange rate fluctuations on the Group's financial statements are further detailed in "Risk Management – Market Risks – Currency Risk".

***2.1.11 The Group's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits.***

The Group is subject to the risks typical of banking activities, including interest rate fluctuations. Changes in interest rate levels, yield curves and spreads may affect the Group's lending and deposit spreads. The Group is exposed to changes in the spread between the interest rates payable by it on deposits or its wholesale funding costs, and the interest rates that it charges on loans to customers and other banks. While both the interest rates payable by the Group on deposits, as well as the interest rates that it charges on loans to customers and credit institutions, are in each case mainly floating rates or swapped into floating rates, there is a risk that the Group will not be able to re-price

its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short or medium term. The Group is also subject to intense competition for customer deposits and the current low interest rate environment puts pressure on the Group's deposit spreads. In recent years, the Group's market share of deposits in Sweden has fallen slightly. The Group may not be able to lower its funding costs, whether relating to deposits or wholesale funding, in line with decreases in interest rates on its interest-bearing assets.

Interest rates are sensitive to several factors that are out of the Group's control, including fiscal and monetary policies of governments and central banks, as well as domestic and international political conditions. An increase in interest rates could reduce the demand for credit, as well as contribute to an increase in defaults by the Group's customers. Conversely, a reduction in the level of interest rates could adversely affect the Group through, among other things, a decrease in demand for deposits and an increase in competition in deposit-taking and lending to customers. As a result of these factors, significant changes or volatility in interest rates could have a material adverse effect on the business, financial condition or results of operations of the Group.

Though the Group has implemented risk management methods aimed at mitigating these and other market risks, and exposures are constantly measured and monitored, it is difficult to predict changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial performance and results of operations. While the Group undertakes hedging operations in order to reduce its exposure to interest rate risk, it does not hedge all its risk exposure and cannot assure its hedging strategies will be successful. If the Group is unable to adjust the interest rate payable on deposits in line with the changes in market interest rates receivable by it on loans, or if the Group's monitoring procedures are unable to manage adequately the interest rate risk, its interest income could rise less or decline more than its interest expense, in which case the Group's results of operations and financial condition or prospects could be negatively affected.

#### **2.1.12 *The Group is subject to the risk that liquidity may not always be readily available.***

The Group's liquidity could be impaired by an inability to access debt markets, an inability to sell assets or redeem investments, outflows of deposits or collateral deterioration. This situation could arise due to circumstances that the Group is unable to control, such as continued general market disruption, loss of confidence in financial markets, uncertainty and speculation regarding the solvency of market participants, rating downgrades, or operational problems that affect third parties. Even any perception among market participants that a financial institution is experiencing greater liquidity risk can cause significant damage to the institution, including deposit outflows and access to capital markets on less favourable terms, and consequently its ability to access liquidity. Perceived liquidity risks from rumours or speculation in the marketplace can, in certain circumstances, lead to real liquidity impairments, which can further lead to, amongst other things, a downgrade in credit ratings, thereby exacerbating a downward liquidity spiral. The Group's ability to sell assets at commercially desirable prices, or at all, could be impaired if other market participants are seeking to sell similar assets at the same time or are not in the position to finance themselves, or when the market value of assets, including financial instruments underlying derivative transactions to which the Group is a party, is difficult to ascertain, which occurred during the last liquidity crisis. In addition, financial institutions with which the Group interacts could exercise set-off rights or the right to require additional collateral, which could further impair the Group's access to liquidity.

The Group's internal sources of liquidity may prove to be insufficient, and in such case, the Group may not be able to successfully obtain additional financing on favourable terms or at all, which would have a material adverse effect on the Group's business, financial condition and results of operations.

**2.1.13 *The Group's funding costs and its access to the debt capital markets depend significantly on its credit ratings.***

Any downgrade of Swedbank's credit ratings, or the credit ratings of its significant subsidiaries such as Swedbank Mortgage, could increase its borrowing costs, adversely affect the liquidity position of the Group, limit its access to the capital markets, undermine confidence in, and the competitive position of, the Group, or trigger obligations under certain bilateral terms in some of its trading and collateralised financing contracts, including requiring the provision of additional collateral as well as limiting the range of counterparties willing to enter into transactions with the Group. Any such event could have a material adverse effect on the Group's business, financial condition and results of operations.

**2.1.14 *Substantially all of the Group's retail mortgage portfolio comprises the cover pool for the covered bonds issued by Swedbank Mortgage.***

As of December 31, 2016, substantially all of the Group's Swedish retail mortgage portfolio was in the cover pool of Swedbank's wholly owned subsidiary, Swedbank Mortgage. The retail mortgages issued by Swedbank Mortgage comprise the cover pool and thereby serve as security for holders of the covered bonds issued by Swedbank Mortgage (and also counterparties under derivatives contracts entered into for hedging purposes in relation to such covered bonds). These mortgages do not form part of the general assets of Swedbank that would be available to holders of the Notes in the case of insolvency or liquidation of Swedbank. The Group intends to cover a significant part of its long-term funding requirement through the additional issuance of covered bonds, which will be secured by future retail mortgages issued by Swedbank Mortgage. As of December 31, 2016, the Group had SEK 525,055 million of covered bonds outstanding. The Notes are unsecured obligations of Swedbank, and the Holders are structurally subordinated to the covered bondholders and hedge counterparties with respect to the covered bonds, to the extent of the cover pool, and are not likely to ever have access to the cover pool should Swedbank become insolvent or be liquidated.

**2.1.15 *The Group is exposed to systemic risk and its business, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by, entities who owe the Group money, securities or other assets or whose securities or obligations the Group holds.***

Given the high level of interdependence between financial institutions, the Group is, and will continue to be, subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely interrelated as a result of their credit, trading, clearing or other relationships.

The Group is exposed to the risk that entities owing the Group money, securities or other assets will not perform their obligations. These entities may default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons. The Group is also subject to the risk that its rights against these entities may not be enforceable in all circumstances. For example, different methods of holding collateral in different countries can affect the Group's exposures as well as the value of the collateral to the Group. In addition, deterioration in the credit quality of securities or obligations held by the Group could result in losses and/or adversely affect its ability to transfer or realise value from those securities or obligations in the event of liquidation. A significant downgrade in the credit ratings of the Group's counterparties could also have a negative impact on the Group's results. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulty or when collateral value decreases, disputes may arise as to the amount of collateral the Group is entitled to receive and the value of the

counterparty's pledged assets. The termination of contracts and the foreclosure on collateral may subject the Group to claims asserting improper exercise of contractual rights. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Rapid changes in prices on the financial markets may cause the Group's exposure to such counterparties to increase, and in some of those cases the actual value of the Group's collateral is lower than it was when the agreement was entered into. The Group may not be able to retain the value of its collateral due to legal concerns and to the ability of the Group to manage real estate property and other assets.

Even the perceived lack of creditworthiness of, or questions about, a counterparty could lead to market-wide liquidity problems and losses or defaults by the Group or by other institutions. This risk is sometimes referred to as "systemic risk" and could adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom certain of the Group's subsidiaries interact on a daily basis. Systemic risk could have a material adverse effect on the Group's ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects.

**2.1.16 *Swedbank or its financial institution subsidiaries may need additional capital and/or eligible liabilities in the future to maintain capital adequacy ratios or for other reasons, and it may be difficult to obtain such capital and/or eligible liabilities.***

The Group, on a consolidated basis, and Swedbank and its financial institution subsidiaries, on an individual basis, are required to maintain minimum capital adequacy ratios and solvency levels prescribed by law in each of the jurisdictions in which the Group operates. If the capital of the Group is not sufficient to cover future losses or if the applicable minimum capital requirements increase, the Group may need to obtain additional capital and/or eligible liabilities in the future and it may not be able to obtain new equity capital or debt financing qualifying as regulatory capital on attractive terms, or at all.

Moreover, developments in the regulatory framework such as changes in the risk weighting of assets may cause reductions in the Group's capital adequacy ratios and solvency levels and/or cause the applicable minimum capital requirements to increase.

Additionally, macro-prudential authorities may change the Group's capital and/or eligible liability requirements in the future, when they deem it necessary to contain systemic risk.

**Capital and other requirements under the CRR**

The Swedish capital adequacy framework is based on the CRR (the EU Capital Requirements Regulation ("CRR")) and the CRD IV (the EU Capital Requirements Directive ("CRD IV")), which implement in the EEA the framework for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (the so-called "Basel III" framework) published by the Basel Committee in 2010.

Under the CRR and the European Commission's delegated act, Swedish banks are required to publicly disclose their leverage ratios. According to the Proposals (as defined under the heading "MREL/TLAC" below), a binding leverage ratio and a binding net stable funding ratio are to be introduced. The Proposals are subject to negotiation by the European Parliament and the Council of the European Union and are expected to enter into force no earlier than 2019 (or 2017 in the case of the proposal for a new asset class of "non-preferred" senior debt).

The SFSA has imposed capital requirements beyond the minimum level of 7 per cent Common Equity Tier 1 capital (including the mandatory capital conservation buffer of 2.5 per cent) to Swedish

banks, in accordance with the EU rules. The four major Swedish banks, including Swedbank, are required to maintain a systemic risk buffer of 3 per cent in Common Equity Tier 1 capital within the framework of Pillar 1 and a further 2 per cent within the framework of Pillar 2. The countercyclical buffer for Swedish exposures is 1.5 per cent as of June 27, 2016 and is applicable to Swedish exposures for all banks within Pillar 1 according to CRD IV. In March 2016, the SFSA decided to increase the countercyclical buffer rate for Swedish exposures to 2.0 per cent, effective as of March 19, 2017.

Since the CRR became law, the SFSA has had the authority to grant banks exemptions from the current Basel I floor. The SFSA however has decided that the Basel I floor is to be applied in Sweden. The buffer requirements in CRR/CRD IV, including the systemic risk buffers for the systemically important Swedish banks, are calculated without taking the Basel I floor into account. The floor is a parallel back-stop rule to define the lowest allowed level of own funds.

Supervisory authorities in Sweden and at the international level have made note of the major differences among the average risk weights generated by banks' internal models for credit risk under the internal rating-based ("IRB") approach (an approach for calculating capital requirements for credit risk), especially as regards mortgage lending within the retail exposure class. In 2013, the SFSA introduced a risk weight floor for the Swedish mortgages as a supervisory measure under Pillar 2. The risk weight floor for Swedish mortgages was raised in 2014 from 15 to 25 per cent.

Since 2015, the SFSA has, in the course of its supervisory review and evaluation process ("SREP"), used standardised methods for assessing capital requirements within the framework of Pillar 2 for credit-related concentration risk, interest rate risk in the banking book, and pension risk.

In January 2016, the SFSA reiterated that it does not intend to make formal decisions on the capital requirement for individual institutions in Pillar 2. As long as a formal decision has not been made, the capital requirement under Pillar 2 does not affect the level at which automatic restrictions on dividend and coupon payments on certain subordinated securities take effect (due to a breach of the combined buffer requirements).

At present, Swedbank has sufficient CET 1 capital to meet its capital requirements. However, no assurances can be made that Swedbank will continue to hold this level of CET 1 capital, that the regulations around the capital requirements will not change in the future, or that the definition of what constitutes CET 1 capital will not change in the future. For example, the Proposals discussed below contain proposals to amend the current Pillar 2 requirements.

## **BRRD**

The Bank Recovery and Resolution Directive 2014/59/EU ("BRRD") has been implemented by Sweden through the Swedish Resolution Act (the "Resolution Act"). Swedbank is subject to the provisions of the Resolution Act. The Resolution Act is likely to impact the size of the capital buffer needed by a bank, in addition to the requirements set out in the CRR and the CRD IV.

To ensure that banks always have sufficient loss-absorbing capacity, the Resolution Act provides for the Swedish resolution authority, the SNDO, to set minimum requirements for own funds and eligible liabilities ("MREL") for each institution, based on, amongst other criteria, its size, risk and business model.

## **MREL/TLAC**

The Financial Stability Board has issued a standard on Total Loss-absorbing Capacity ("TLAC"), which sets corresponding requirements for global systemically important banks. Swedbank is not a

global systemically important bank. The TLAC requirement is expected to be phased in starting from January 1, 2019.

However, discussions are underway in the EU regarding the implementation of the TLAC standard in EU legislation. In particular, the European Commission has proposed to incorporate TLAC into the capital requirements framework, as an extension to the own funds requirements and as part of the Proposals discussed below. Although TLAC only applies to global systemically important banks, in the Proposals, the European Commission has proposed that other banks in an EU Member State, like Swedbank, be subject to a firm-specific MREL regime under which they would be required to issue a sufficient amount of eligible instruments to absorb expected losses in resolution and to recapitalise the institution or the surviving part thereof.

On April 26, 2016, the SNDO published a proposal for consultation detailing its plans for implementing the MREL requirement for Swedish banks. On February 23, 2017 the SNDO published the Decision Memorandum (the "Decision Memorandum") in which the SNDO set out its policy positions. In the policy positions set out in the Decision Memorandum, the SNDO has chosen, where the current rules allow, to take account of the Proposals presented by the European Commission. This is in order to avoid, as far as possible, any major revisions to the rules in the near future and to facilitate adaptation to future rule changes. Moreover, the SNDO does not intend to apply the existing TLAC standard directly to Swedish banks, but considers that the Proposals presented by the European Commission essentially satisfy the substance of the TLAC standard within the EU. If the negotiations within the EU should result in differences between the EU rules and the TLAC standard, whether substantive or in relation to phasing-in, the SNDO will comply with the provisions of the EU regulations as implemented in Swedish law.

Under the SNDO's Decision Memorandum, the MREL requirement for systemically important banks in Sweden, such as Swedbank, will be the sum of a loss absorption amount plus a recapitalisation amount. The loss absorption amount will equal the current total capital requirement without taking into account the Basel 1 floor, excluding the combined buffer requirement, the Pillar 2 systemic risk surcharge and the Swedish mortgage risk weight floor between 15%-25% in Pillar 2. The recapitalisation amount will equal the total current capital requirement excluding combined buffer requirement but will include the full Pillar 2 requirements. The loss absorption amount can be met with own funds instruments (Common Equity Tier 1, Additional Tier 1 and Tier 2), while the recapitalisation amount can only be met with eligible liabilities. The effect of this principle is that banks will not be able to count all of their capital towards compliance with MREL.

In the Decision Memorandum, the SNDO communicated that it intends to make the first decisions for the Swedish banks' MREL requirements in the last quarter of 2017, after the SREP for 2017 is completed, and having consulted the relevant resolution colleges. Swedish banks would then be required to comply with the MREL requirement starting from January 1, 2018.

Moreover, the SNDO has introduced a requirement that MREL-eligible liabilities must be subordinated to senior liabilities, whether contractually, by statute or structurally. This subordination requirement will have major consequences for Swedish banks, requiring the issue of new subordinated liabilities that meet the requirements of the Decision Memorandum (and which may carry higher financing costs than the liabilities which they replace), and it is currently unclear how Swedish banks subject to the MREL subordination requirement, including Swedbank, will satisfy that requirement (for example, a bank which wishes to rely on statutory subordination may seek to rely on the new category of senior "non-preferred" debt envisaged as part of the Proposals, although that will first require legislative changes in Sweden)). As such, the SNDO has provided for Swedish banks to comply with MREL entirely with subordinated instruments from 2022 onwards. The SNDO has stated that it will monitor a bank's issue volumes in the phasing-in period to ensure a reasonable pace of the adaption to the subordination requirement. Subordination requirements are also



addressed in the Proposals, which are subject to amendment, and their outcome will therefore also be relevant.

On November 23, 2016, the European Commission published legislative proposals for amendments to the CRR, the CRD IV, the BRRD and the Single Resolution Mechanism Regulation and proposed an amending directive to facilitate the creation of a new asset class of “non-preferred” senior debt (the “Proposals”). The Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of “non-preferred” senior debt, the MREL framework and the integration of the TLAC standard into EU legislation as described above. The Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements could be introduced throughout the course of the legislative process. Until the Proposals are in final form, it is uncertain how the Proposals will affect Swedbank or holders of the Notes.

### **The Basel Committee**

The Basel Committee is working on several policy and supervisory measures that aim to enhance the reliability and comparability of risk-weighted capital ratios. The measures include revised standardised approaches for credit risk and for operational risk, a set of constraints on the use of internal model approaches for credit risk, including exposure-level, model-parameter floors, a leverage ratio minimum requirement and aggregate capital floors for banks that use internal models based on the proposed revised standardised approaches.

In particular, in December 2015 the Basel Committee published its second consultative document on a revised standardised approach for credit risk. The document proposes, among other things, reducing reliance on external credit ratings, increasing risk sensitivity, and reducing national discretions.

In 2014 the Basel Committee issued a final regulatory text for a new standardised approach for measuring counterparty credit risk exposures, which is included in the Proposals. Moreover, in January 2016 the Basel Committee completed the Fundamental Review of the Trading Book, a comprehensive revision of the capital adequacy standard for market risk, which is also included in the Proposals. The new standard entails substantial revisions to both the standardised approach and the internal models approach. Furthermore, in March 2016, the Basel Committee published a proposal for a new standardised measurement approach for operational risk, which would replace all existing approaches for operational risks, including the Advanced Measurement Approach, which is the internal model-based approach for measuring operational risk in the current framework.

In December 2014, the Basel Committee issued a consultative document on the design of a capital floor framework. The framework would be based on the proposed revised standardised approaches, to limit the risk that capital requirements are too low due to the use of internal models. The new floor framework would replace the current capital floor, based on the Basel I standard, for banks using internal models.

In March 2016, the Basel Committee proposed constraints on the use of internal model approaches for credit risk. In particular, the Basel Committee proposed (i) to remove the option of using the IRB approaches for certain exposures, (ii) to adopt exposure-level, model-parameter floors and (iii) to provide greater specification of parameter estimation practices.

The Basel Committee had intended to finalise all such revisions to the Basel III framework, including the calibration of the aggregate capital floors framework and the leverage ratio minimum

requirement, at or around the end of 2016. However, on January 3, 2017, the Basel Committee announced that it had postponed finalisation until “the near future”.

There is a high degree of uncertainty with regards to the Basel Committee’s final calibration of the proposed reforms, and subsequently, how and when they will be implemented in the EU and in Sweden. It is thus too early to draw firm conclusions regarding the impact of the future capital requirements.

### **Swedish capital requirements**

In May 2016, the SFSA adopted revised requirements for Swedish banks calculating risk weights for capital requirements using the IRB approach, especially with regard to corporate exposures. The SFSA applied the revisions in its SREP for 2016, which the SFSA finalised at the end of September 2016. As a result, the revisions began to affect Swedbank’s capital requirements in the fourth quarter of 2016. The revisions require banks (i) to assume a larger proportion of economic downturn in the time periods used for estimating probability of default, which increased Swedbank’s CET 1 capital requirement by 0.5 per cent and (ii) to use a so-called maturity floor, which has increased Swedbank’s CET 1 capital requirement by 0.2 per cent.

### **Accounting standards**

According to International Accounting Standard (“IAS”) 19 (*Employee Benefits*), the valuation of the pension provision for the Group’s defined benefit pension schemes should be based on actuarial valuations. The actuarial valuations are based on a number of assumptions that are highly susceptible to change from period to period, which creates volatility in the estimated pension liabilities and, in turn, creates volatility in CET 1 capital.

International Financial Reporting Standard (“IFRS”) 9 (*Financial Instruments*) is an accounting standard that has been issued by the International Accounting Standards Board (the “IASB”), but not yet adopted by the Group, and its impact on financial reports is still being evaluated. IFRS 9 will be effective from January 1, 2018 and it is expected that the new impairment requirements, which require the implementation of an expected credit loss model, will have the greatest impact. The implementation of IFRS 9 is expected to increase impairment provisions and, correspondingly, reduce CET 1 capital. However, until the conclusions of the Basel Committee on the treatment of provisions under the standardised and IRB approaches are published, and until any transitional arrangements that may be implemented are announced it is not possible to determine the extent of its impact on CET 1 capital. The forthcoming credit loss model is expected to involve a high degree of judgment and subject to assumptions that could be volatile from period to period, which could create volatility in CET 1 capital once IFRS 9 is implemented.

IFRS 16 (*Leases*) is another accounting standard that has been issued by the IASB, but not yet adopted by the Group, and the impact on financial reports is still being evaluated. IFRS 16 will be effective from January 1, 2019 (pending EU approval) and eliminates the distinction between finance leases and operating leases for lessees. Consequently, Swedbank expects the most significant related impact will result from changes in accounting for agreements where it acts as lessee in operating leases, as IFRS 16 will require both a “right of use asset” and a lease liability for future lease payments to be recognized on the balance sheet. However, the impacts of adopting the standard are dependent on the transition option elected by the Group and the conclusions from regulators on how the right of use asset should be treated.

As a consequence of the ongoing effects of IAS 19 and of the changes in the regulatory framework and uncertainty relating to their implementation, the Group 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. The Group may need to sell assets and these sales could be at distressed prices, to the extent that a market exists, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, if the capital ratios of Swedbank's financial institution subsidiaries deteriorate, Swedbank, as the parent company, could be required to provide funding by way of direct or indirect capital contributions, loans, or guarantees of loans, into its subsidiaries. To the extent that it does not, Group operations could be restricted in the relevant jurisdictions as a result of regulatory penalties.

***2.1.17 The Group could see a downgrade in parts of the credit portfolio, resulting in a negative migration in the risk classification system.***

The Group could see a downgrade in parts of the credit portfolio, resulting in a negative migration in the risk classification system. The Group uses through-the-cycle estimates of PD for the purpose of calculating the regulatory capital requirement, but there is still a risk that such migration could result in a higher regulatory capital requirement, which could lead to a need to obtain additional capital. In addition, the Group values assets and assesses the capital adequacy position of its banking subsidiaries using financial models based on assumptions and estimates taking into account the then prevailing market conditions which may prove inadequate if market conditions deteriorate. Furthermore, changes in foreign exchange rates, decreases in collateral ratios as a consequence of the deterioration of the market value of assets pledged as collateral, or deterioration in the economic environment, among other things, could result in further provisioning and/or an increase in REA, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***2.1.18 Governmental responses to market disruptions may be inadequate and may have unintended consequences.***

The Group may be adversely affected by governmental responses to market disruptions in the countries in which it operates. As a result of the financial crisis in 2008 and subsequent government intervention, there has been, and there is expected to continue to be, a substantial increase in governmental policy responses to market disruptions, including reductions in public spending and the imposition of further fiscal austerity measures, and changes in monetary and interest rate policies.

The Group has no control over governmental policy changes or over changes in the interpretation of fiscal legislation by any tax authority. The recent measures taken by various European governments to stimulate the economy and support the banking system may lead to an increase in the tax burden or to a reduction in tax benefits. Significant changes in governmental policy responses in Sweden or in the other countries where the Group operates, or difficulties in implementing such responses or with the type and effectiveness of the impact of such responses, could have a relevant adverse impact on the activity, financial situation and operating results of the Group. For instance, the Group may have to enter into future contractual arrangements by operation of law or necessity under which the Swedish Government may have the right to take possession over the Group or part of it or its assets. In such instance of government takeover, the value of the Group or its assets could be considered to be limited and the Group may not receive adequate compensation, which could therefore significantly reduce its assets.

**2.1.19 *The Group may be required to reassess assumptions used in the calculation of defined benefit pension schemes and to make further contributions to its pension schemes if the value of the plan assets is not sufficient to cover potential liabilities.***

The Group maintains a number of defined benefit pension schemes and pension schemes based on the salaries of employees at the time of retirement for former and current employees. Beginning in 2016, these pension schemes are only available to then current employees in Sweden and are not available for new employees. The closing obligations of the Group's funded defined benefit pension plans amounted to SEK 20,900 million, wage tax included, and the closing fair value of plan assets amounted to SEK 19,494 million as of December 31, 2016. Pension risk is the risk that the liabilities of the Group's various defined benefit pension schemes, which are long-term in nature, will be higher than the liabilities projected based on current assumptions. Major assumptions include those pertaining to salary increases, mortality, discount rates and inflation. Risk also arises from the plan assets because the value of these asset portfolios and the returns from them may be less than expected, especially if equity prices, interest rates, counterparty risk (including sovereigns) or inflation are subject to significant changes. Actual outcome might also differ from current assumptions. These changes or differences, as expressed by an actuarial loss, could be significant and could have a negative impact on the Group's results of operations.

The Group makes contributions to the schemes so that the plan assets cover obligations according to Swedish legal requirements. If a deficit arises the Group could be obliged to, or may choose to, make additional contributions to the schemes. Swedbank's reported pension provision increased during 2016 by approximately SEK 2.7 billion, changing from a pension asset of SEK 1.3 billion at the end of 2015, to a pension liability by the end of 2016. Shareholders' equity decreased by approximately SEK 2.4 billion in 2016 due to re-measurements. Consequently, CET 1 capital decreased by approximately SEK 1.1 billion. The 2015 pension asset discussed above was not permitted to be included in CET 1 capital. During 2016, the discount rate in Sweden decreased from 3.53 per cent to 2.79 per cent and the inflation rate rose from 1.63 per cent to 1.84 per cent. The rules in IAS 19, as discussed in 2.1.16, regarding defined benefit pension plans could create volatility in the estimated pension liability and thus to Swedbank's equity through other comprehensive income.

**2.1.20 *Market fluctuations and volatility may adversely affect the value of the Group's positions, reduce its business activities and make it more difficult to assess the fair value of certain of its assets.***

The fair value of certain of the Group's assets may decline significantly due to dislocation of financial markets, causing the Group to record mark-to-market losses and may fluctuate over short periods of time. In addition, the Group's estimates of fair value may differ materially both from similar estimates made by other financial institutions and from the values that would have been used if a market for these assets had been readily available. Market fluctuations, in particular, fluctuations in the equity market, also influence the value of assets in funds managed by the Group's asset management business and have a direct impact on the income volatility of the asset management activities. Furthermore, similar to any other holding company with insurance subsidiaries, the Group's level of fees and returns from its equity investments in these subsidiaries are impacted by any decrease in the value of their investment portfolios, poor investment returns and the requirement to maintain assets sufficient to cover mandatory provisions for insurance claims.

The fair value of interest bearing securities trading in active markets is ordinarily based on market prices (mark-to-market). However, where quoted prices on instruments are not readily and regularly available, as was the case in particular during autumn 2008, due in part to the dislocation of the global financial markets, fair value is estimated using an internal valuation model (mark-to-model), which is generally based on observable market data, meaning the prices of financial instruments that

are as similar in nature as possible and for which transactions have been completed. These values are then adjusted to best reflect the value of the Group's securities. Adjustments for the relevant credit risk are based on the derivatives market.

**2.1.21 *The IT and other systems on which the Group depends for its day-to-day operations can fail for a variety of reasons which could be outside the Group's control; the Group is subject to the risk of infrastructure disruptions or other effects on such systems.***

The Group's operations are highly dependent on its ability to process and monitor, on a daily basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies, as well as its ability to accommodate current and future regulatory provisions, such as anti-money laundering monitoring requirements and IFRS 9 record-keeping and calculations. Increased digitisation contributes to making operational risks more complex, not least because the number of places and ways in which the bank interacts with customers is growing. The Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled due to, for example:

- infrastructure issues which are related to hardware, software, network and communication failures, power supply and cooling systems;
- external dependencies where the Group's operations are dependent on third parties such as stock exchanges, clearing houses, external information providers and, software vendors' maintenance providers;
- internal issues such as deterioration in the quality of IT development, support and operations processes, and a high turnover of employees or organisational changes, resulting in an inadequate number of personnel to handle the increasing complexity of operations; and
- security issues: the Group's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The Group's computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious codes and other external attacks or internal breaches that could have a security impact. If one or more of such events occur, this potentially could jeopardise the Group's, or the Group's clients' or counterparties', confidential and other information. The Group may be required to spend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures, and it may be subject to litigation and financial losses as well as reputational risks that are either not insured against or not fully covered through any insurance maintained by the Group.

Any disruption in the Group's IT or other systems may have a material adverse effect on the Group's financial condition and results of operations.

Despite the contingency plans and facilities the Group has in place, its ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the businesses and the countries in which the Group is located. This may include a disruption involving electrical, communications, transportation or other services used by the Group or third parties with whom it conducts business, or a catastrophic event involving any location where the Group has a significant operational base.

In recent years, the Group has, on occasion, experienced system disruptions that have affected customer access to services, such as the malfunctions in mobile banking and on Swedbank's internet website on June 20 and December 27, 2016, resulting in many customers not having access

to the system. On February 1, 2017, an incident in the card processing system required an implementation of a temporary point of sale limit for a twenty-four-hour period. Close to 90 per cent of all card transactions were approved during this period.

Problems encountered with respect to internet reliability may be substantial impediments to internet banking and IT services provided by critical third parties may fail to be delivered as agreed, both of which may result in a less stable IT operational base, which may in turn have an adverse effect on the Group's business and results of operations.

#### **2.1.22 *The Group's activities may be subject to the risk of cybercrime attacks.***

As for all major financial institutions, Swedbank's activities have been, and could continue to be, subject to an increasing risk of cyber-attacks, the nature of which is continually evolving. Digital developments, together with Swedbank's size and market share, make it a potential target for cybercrime, the cost of which is rising significantly in Europe but at a slower rate in the Nordic region. Cybercrime attempts are primarily related to the Group's internet bank users and include physical identity theft, unauthorised access to privileged and sensitive customer information, including internet bank credentials as well as payment and credit card information. The Group has experienced denial of service attempts against Swedbank's infrastructure on a reoccurring basis, causing minor impacts on availability of services. The Group also expects to face regulatory requirements going forward in relation to cybersecurity, such as the new EU General Data Protection Regulation or the European Banking Authority's (the "EBA") anticipated regulation on strong customer authentication.

The Group has continued to invest in building systems and defences to address threats from cyber-attacks. However, the Group could continue to experience security breaches or unexpected disruptions to its systems and services in the future. Such security breaches and unexpected disruptions could in turn result in liability to the Group's customers and third parties and have an adverse effect on the Group's business, reputation, financial condition and results of operations.

#### **2.1.23 *Litigation arising from the Group's business conduct could have an adverse impact on its performance and position.***

Entities within the Group could be involved from time to time in legal proceedings arising from the conduct of their business. The reputational and aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings, or publicity surrounding such legal or regulatory proceedings, could adversely impact the Group's business, reputation, financial condition and results of operations. For additional information, please see "Swedbank – Legal Proceedings".

#### **2.1.24 *The Group is exposed to risks related to money laundering activities, especially in its operations in emerging markets, and compliance with anti-money laundering and anti-terrorism financing rules involves significant cost and effort.***

The Group is subject to rules and regulations regarding money laundering and the financing of terrorism. In general, the risk that banks will be subjected to or used for money laundering has increased worldwide. The risk of money laundering is higher in emerging markets, such as the Baltic countries, than in Sweden and other more developed markets in which the Group operates. The high turnover of employees, the difficulty in consistently implementing related policies and technology systems, and the general business conditions in emerging markets mean that the risk of the occurrence of money laundering is higher in these countries. Over the past year, Swedish regulators have been especially focused on anti-money laundering procedures, and as such, Swedbank has further increased concentration on these issues internally, particularly in regards to "Know-Your-Customer" procedures. The Group requires any violations to be reported in its regular compliance

report. In addition, suspicious activity reports are filed with the local Financial Intelligence Unit by the Group's Money Laundering Reporting Officer according to local procedures. During the fourth quarter of 2016, Swedbank Latvia entered into an agreement with the Financial and Capital Market Commission (the "FCMC"), which includes a number of measures to improve Swedbank's internal control systems, after an audit by the FCMC in the spring of 2016 identified deficiencies in Swedbank Latvia's internal control systems, processes and documentation. As part of the settlement, Swedbank also paid a fine of 1.36 million Euros. Although the Group believes that its current policies and procedures are sufficient to comply with applicable rules and regulations (with the exception of Latvia, where it is implementing measures to address the deficiencies identified by the FCMC), it cannot guarantee that its Group-wide anti-money laundering and anti-terrorism financing policies and procedures completely prevent instances of money laundering or terrorism financing. Any violation of anti-money laundering or terrorist financing rules, or even the suggestion of violations, may have severe legal and reputational consequences for the Group and may, as a result, have a material adverse effect on the Group's financial condition and results of operations.

**2.1.25 *Conflicts of interest, whether actual or perceived, and non-compliance or fraudulent acts may negatively impact the Group.***

As the Group expands the scope of its businesses and its client base, the Group increasingly has to implement policies on corporate governance on a Group-wide level and address potential conflicts of interest and compliance with applicable laws. However, appropriately identifying and dealing with conflicts of interest is complex, in part because internal breaches of policy can be difficult to discover.

As a result, the Group's reputation could be damaged and there may be a reluctance on the part of clients to enter into transactions where there is the possibility of a conflict, or if the Group is seen as failing to identify, or deal appropriately with, conflicts of interest. In the autumn of 2015, there was media coverage of certain transactions by some of Swedbank's senior executives which were perceived as raising conflicts of interest issues. In December 2015, Swedbank was notified by the SFSA that they were conducting an investigation into those transactions to see how Swedbank managed any conflicts of interest. In January 2016 Swedbank provided the SFSA with the requested information and in April 2016 the SFSA requested additional information on the matter. On November 11, 2016, Swedbank received the preliminary findings of the SFSA and was asked to submit its response on December 5, 2016, with which request Swedbank complied. On or around February 20, 2017, the SFSA notified Swedbank of its intention to issue a sanction and gave Swedbank another opportunity to respond to the alleged non-compliance. There can be no assurance as to the outcome of the investigation. The publication by the SFSA of adverse findings or the imposition of any sanctions, including monetary fines, may have a material adverse effect on the Group's reputation or its business or results of operations.

**2.1.26 *Actions or inactions of savings banks which are parties to co-operation agreements with the Group may have a negative impact on the Group.***

In the normal course of business, the Group enters into various commercial agreements with companies related to the banking industry. The Group has co-operation agreements with associated independent savings banks and partly-owned banks pursuant to which the co-operating banks market and distribute a range of the Group's products and services through their own local branch networks. If the reputation or financial condition of one or more of the co-operating banks, through action or inaction, were to be adversely affected while operating under the Group's trademark, the Group's reputation could also be adversely affected regardless of whether the Group contributed to the action or inaction causing such reputational or financial injury, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

**2.1.27 *The Group operates in competitive markets and further increased competition may have an adverse effect on its financial condition and results of operations.***

The Group is subject to significant competition in the markets in which it operates. Competition may increase in some or all of the Group's markets as a result of legislative, regulatory, technological or other factors. Increased competition could cause the Group to lose business or compel it to price products and services on less advantageous terms, or otherwise have an adverse effect on its business, financial condition, results of operations and prospects. Digitisation continues at a brisk pace and customers are increasingly banking through digital channels rather than visiting a branch, which is placing higher demands on the stability of IT systems and on the banking sector to adapt products and distribution channels. In addition, increased competitor participation in the financial sector generally in the Group's principal markets may have an impact on the competitive landscape in such markets and on the way in which banks in those markets conduct their operations. At present, however, it is difficult to predict what the effects of this increased competitor participation will be or how it will differ from jurisdiction to jurisdiction, should it materialise. The Group may experience stronger competition and greater pressure on profit margins. These and other changes in the competitive landscape could adversely affect the Group's business, financial condition, results of operations, liquidity, markets and/or prospects.

**2.1.28 *The Group is subject to a variety of risks as a result of its operations outside of Sweden, most notably in the Baltic countries.***

As of December 31, 2016, total net lending to the public by the Baltic Banking business segment was SEK 140.2 billion. The Group's operations in the Baltic countries present various risks that do not apply, or apply to a lesser degree, to its business in Sweden. Some of these markets are typically more volatile and less developed economically and politically than markets in Western Europe and North America. The Group could face significant economic and political risks, including economic volatility, recession, inflationary pressure, exchange rate fluctuation risk and interruption of business, as well as civil unrest, moratorium, imposition of exchange controls, sanctions relating to specific countries, expropriation, nationalisation, renegotiation or nullification of existing contracts, sovereign default and changes in law or tax policy. For example, the current geopolitical situation in Russia and Ukraine, including sanctions and embargos, poses a risk to the region. Risks such as these could impact the ability or obligations of the Group's borrowers to repay their loans, the value of the Group's collateral held as security, interest rates and foreign exchange rates, and levels of economic activity, which could have a material adverse effect on the Group's business, financial condition and results of operations in this region.

**2.1.29 *In order to successfully compete, the Group depends on highly skilled individuals; the Group may not be able to retain or recruit key talent.***

The Group's performance is largely dependent on the talents and efforts of highly skilled individuals. The Group's continued ability to compete effectively in its businesses depends on the Group's ability to attract new employees and to retain and motivate its existing employees. Competition from within the financial services industry and from businesses outside the financial services industry for qualified employees is intense. In addition, current and future laws, including laws relating to immigration and outsourcing, and remuneration restrictions under CRD IV, may restrict the Group's ability to move responsibilities or personnel from one jurisdiction to another or to offer competitive compensation to attract new employees and to retain and motivate its existing employees. The need for higher cost efficiency could also result in a lower rate of wage increases in coming years, which may also impact the Group's ability to retain or recruit employees. This may impact the Group's ability to take advantage of business opportunities, potential efficiencies, or profitably manage its existing or new assets.



Swedbank has recently experienced changes within the Group, including in the composition of its Group Executive Committee. Declines in the future in the level of employee engagement may result in increased employee turnover. Employee competence and dedication to customer service impacts Swedbank's customers' experience and contributes to customer value. Employees have a high workload and the Group requires complex planning of resources, with a need to prioritise both business-driven development and regulatory-driven development while simultaneously managing day-to-day operations. Increased staff-related risks could materially adversely affect the Group's business, financial condition and results of operations.

**2.1.30 *The Group's business is subject to substantial regulation and supervision and can be adversely affected by adverse regulatory and governmental developments.***

The Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Sweden and the other countries in which the Group operates. This is particularly the case in the current market environment, which is experiencing increased levels of government and regulatory intervention in the financial sector, which the Group expects to continue for the foreseeable future. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of the Group and could materially adversely affect the Group's business, financial condition and results of operations.

The Group's operations are contingent upon licences issued by financial authorities in the countries in which the Group operates. Violations of rules and regulations, whether intentional or unintentional, may lead to the withdrawal of some of the Group's licences. Any breach of these or other regulations may adversely affect the Group's reputation, business, results of operations or financial condition.

Swedbank is subject to supervision by the SFSA and to Swedish regulations regarding, among other things, capital adequacy, liquidity and solvency (see "Risk Factors – Risks Relating to the Group – Swedbank or its financial institution subsidiaries may need additional capital and other eligible liabilities in the future to maintain capital adequacy ratios or for other reasons, and it may be difficult to obtain such capital and liabilities"). Certain of the Group's subsidiaries and operations are subject to the supervision of other local supervisory authorities. In Sweden and elsewhere, there is increased political and regulatory scrutiny of financial and mortgage institutions. Increased regulatory intervention may lead to requests from regulators to carry out wide-ranging reviews of past sales and/or sales practices. The Group's activities are also subject to tax at various rates in the jurisdictions in which it operates, computed in accordance with local legislation and practice. Revisions to tax legislation, such as a recent proposal by the Swedish government relating to increased taxes on banks, or to such legislation's interpretation, may have an adverse effect on the Group's financial condition. The Group is unable to predict what regulatory changes may be imposed in the future as a result of regulatory initiatives in the EU and elsewhere or by the SFSA and other supervisory authorities. If the Group is required to make additional provisions or to increase its reserves as a result of potential regulatory changes, this could adversely affect the results of operations of the Group. In addition, failure by the Group to comply with regulatory requirements could result in significant penalties.

In the United States, passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") has led to significant regulatory reforms affecting the financial services industry, including non-U.S. banks. Among other things, the Dodd-Frank Act addresses systemic risk oversight, bank capital standards, the orderly liquidation of failing systemically important financial institutions, over-the-counter ("OTC") derivatives, increases oversight of credit rating agencies and regulates the ability of banking entities to engage as principal in proprietary trading activities and sponsor and invest in certain private funds (the "Volcker Rule"). The Dodd-Frank Act and other post-financial crisis regulatory reforms in the United States have increased

costs, imposed limitations on activities, and resulted in an increased intensity in regulatory enforcement.

In particular, in December 2013, the U.S. Board of Governors of the Federal Reserve System (the “U.S. Federal Reserve”) and four other U.S. federal regulatory agencies issued final regulations implementing the Volcker Rule, which restricts banking entities (including Swedbank and all of its global affiliates) from engaging, as principal, in proprietary trading and from sponsoring or holding ownership interests in or having certain relationships with hedge, private equity or other similar funds (“covered funds”), subject to certain exceptions and exclusions. The conformance period for the Volcker Rule ended on July 21, 2015, although the U.S. Federal Reserve extended the conformance period to July 21, 2017 for investments in and relationships with covered funds that were in place prior to December 31, 2013. Financial institutions subject to the rule, such as Swedbank, must bring their activities and investments into compliance, and must implement a specific compliance programme. Further implementation efforts may be necessary based on subsequent regulatory interpretations, guidelines or examinations.

Additionally, on October 21 and 22, 2014, the SEC, the U.S. Federal Deposit Insurance Corporation, the U.S. Federal Reserve and certain other U.S. prudential banking regulators approved a final rule that mandates risk retention for securitisations. The final rule requires (with limited exceptions) that the sponsor maintain, unhedged, a minimum of 5% of the credit risk of the securitized assets and became effective with respect to mortgage-backed securitisations on December 24, 2015 and with respect to other securitisations on December 24, 2016. The failure of the Group to effectively manage regulatory risks could have a material adverse effect on the Group’s business, financial condition and results of operations.

Although some of the required rules and regulations are still in proposed form, are yet to be proposed or are subject to extended transition periods, the majority of rules and regulations have been finalised and have resulted in, or are anticipated to result in, additional costs and the imposition of certain limitations on Swedbank’s business activities. The recent change in administration in the United States adds to the uncertainty about the complete scope of the Dodd-Frank Act and other U.S. regulations, any changes to which could impact Swedbank’s business activities and/or the value or liquidity of the Notes.

**2.1.31 *The full scope and consequences of new derivatives regulations are as yet unknown and may impose additional regulatory burdens and costs that may affect the value of the Notes.***

The European Market Infrastructure Regulation 648/2012 (“EMIR”) entered into force in all EU Member States, including Sweden, on August 16, 2012. EMIR aims to increase stability in European OTC derivatives markets and includes measures to require the clearing of certain OTC derivatives contracts through central clearing counterparties and to increase the transparency of OTC derivatives transactions. EMIR applies to OTC derivatives contracts falling within its scope entered into by financial counterparties such as Swedbank, regardless of the identity of the other counterparty to the contract. In connection with EMIR, various regulatory and implementing technical standards have now come into force, but certain critical technical standards remain outstanding, such as the regulatory technical standards on margin requirements for uncleared derivatives, which are yet to be finalised. Similarly, although regulatory technical standards subjecting certain classes of OTC derivatives to the clearing obligation have already been published, it is possible that the European Securities and Markets Authority (“ESMA”) may publish further regulatory technical standards subjecting additional classes of OTC derivatives to the clearing obligation. Prospective investors should be aware that any regulatory changes arising from EMIR could in due course significantly increase the cost for Swedbank of entering into or taking any other action in relation to derivative contracts and may adversely affect their ability to engage in derivative contracts.

In addition, Title VII of the Dodd-Frank Act ("Title VII"), as well as other post-financial crisis regulatory reforms in the U.S., have increased costs, imposed limitations on activities and resulted in an increased intensity in regulatory enforcement. Title VII established a comprehensive U.S. regulatory regime for derivatives contracts, including swaps, security-based swaps and mixed swaps ("Covered Swaps"). Among other things, Title VII provides the Commodity Futures Trading Commission ("CFTC") and the SEC with jurisdiction and regulatory authority over Covered Swaps, requires the establishment of a comprehensive registration and regulatory framework applicable to swap dealers and security-based swap dealers and other major market participants, requires the reporting of Covered Swaps data, requires certain swaps and will require certain security-based swaps to be exchange-traded or executed on a swap execution facility or security-based swap execution facility, as applicable, and centrally cleared, and will impose capital requirements and margin requirements for uncleared Covered Swap transactions.

Many of the key regulations implementing Title VII have recently become effective or are in final form, although some continue to be in a proposed form not yet finalised by the appropriate regulator. Many of the regulations implementing Title VII have become effective; however, the interpretation and potential impact of these regulations is not yet entirely clear, and certain other key regulations are yet to be finalized. Once implemented, these new regulations could adversely affect the value, availability and performance of certain derivatives instruments and may result in additional costs and restrictions with respect to the use of those instruments. Swedbank's use of derivative instruments may be subject to the clearing, capital, margin, business conduct, reporting and/or recordkeeping requirements of Title VII or other related regulatory reforms, that may result in additional regulatory burdens and related costs and expenses.

The above could potentially adversely affect Swedbank's earnings and the need to comply with new regulations may detrimentally affect the Group's business by increasing costs and limiting the volume and type of liquid assets the Group can invest in. Swedbank is currently considering the impact of EMIR and Title VII on its business and monitoring the regulatory developments. Although many key regulations implementing EMIR and Title VII have been finalised, some are not yet effective or have otherwise been delayed, or may be subject to further interpretations or modifications, and as such, a full assessment of the exact effects cannot be made at this time.

## **2.2 Risks Relating to the Notes**

### **2.2.1 Risks Relating to the Market Generally**

#### **2.2.1.1 *The Notes may have no established trading market when issued, and one may never develop.***

The Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their principal amount or for Notes that are especially sensitive to interest rate, currency and market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

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

*2.2.1.2 A lack of liquidity in the secondary market may adversely affect the market value of the Notes.*

Generally weak global credit market conditions could contribute to a lack of liquidity in the secondary market for instruments similar to the Notes.

A failure of the market for securities similar to the Notes to recover from these conditions could adversely affect the market value of the Notes.

*2.2.1.3 Exchange rates may change and authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls.*

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

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

*2.2.1.4 Adverse effects may occur if the interest rate payable on assets and liabilities for a fixed period do not coincide.*

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

*2.2.1.5 Credit ratings may not reflect all risks.*

The Notes are expected to be assigned the following ratings: AA- (Notes with a maturity of more than one year) and A-1+ (Notes with a maturity of less than one year) by Standard & Poor's; Aa3 (Notes with a maturity of more than one year) and P-1 (Notes with a maturity of less than one year) by Moody's; and AA- (Notes with a maturity of more than one year) and F1+ (Notes with a maturity of less than one year) by Fitch. There is no guarantee that such ratings will be assigned or maintained or that such credit ratings reflect the potential impact of all risks related to an investment in the relevant Notes. Rating agencies may change their rating methodologies, which could lead to a change in the credit ratings assigned to the relevant Notes. Accordingly, a credit rating is not a recommendation to buy, sell or hold the relevant Notes and may be revised, suspended or withdrawn by the relevant rating agency at any time. Any such revision, suspension or withdrawal could adversely affect the market value of the relevant Notes.

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 European Union 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). Certain information with respect to the credit rating agencies and ratings is set out on the front cover of this Base Prospectus and under “Ratings” on page 86 of this Base Prospectus and if a Tranche of Notes is rated such rating will be disclosed in the applicable Final Terms.

#### *2.2.1.6 Judgments based on the U.S. federal securities laws may not be enforceable in Sweden.*

The United States and Sweden do not currently have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. As a result, a final judgment for the payment of damages based on civil liability rendered by a U.S. court, whether or not predicated solely upon the federal securities laws of the United States, may not be enforceable in Sweden. If the party in whose favour the final judgment is rendered brings a new suit in a competent Swedish court, the party may submit to the Swedish court the final judgment that has been rendered by the U.S. court. Such judgment will only be regarded by a Swedish court as evidence of the outcome of the dispute to which the judgment relates, and a Swedish court may choose to rehear the dispute *ab initio*.

### **2.2.2 General Risks Relating to Notes**

#### *2.2.2.1 The Terms and Conditions of the Notes and the Trust Deed permit defined majorities to bind all holders of the relevant Notes and permit the Trustee to make certain decisions without the consent of the holders of the Notes.*

The Terms and Conditions of the Notes and the Trust Deed contain provisions for convening meetings of holders of the relevant Notes to consider any matter affecting their interests generally. These provisions differ from the customary provisions prevailing in the United States and permit defined majorities to bind all holders of the relevant Notes including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may agree, without the consent of the holders of the Notes and without regard to the interests of particular holders of the Notes, to (i) any modification of any provision of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest or proven error and (ii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach, of any provision of the Terms and Conditions or the Trust Deed which is, in the opinion of the Trustee, not materially prejudicial to the interests of the holders.

In addition, the Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Holders, to the substitution of any other company in place of the Issuer, or of any previously substituted company as principal debtor under the Notes, in the circumstances described in Condition 12(c) of the Terms and Conditions of the Notes and provided always that the Trustee is satisfied that the interests of the holders will not be materially prejudiced by the substitution.

*2.2.2.2 No assurance can be given as to the impact of any possible judicial decision or change of law or administrative practice after the date of issue of the relevant Notes.*

The Terms and Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

*2.2.2.3 It is possible that Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination.*

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Bearer Note in respect of such holding (should such Definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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

*2.2.2.4 A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes.*

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a custodian for DTC or a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

*2.2.2.5 The Notes may be subject to write-down or conversion into ordinary shares of Swedbank.*

The powers of the authorities set out in the Resolution Act, that entered into force on February 1, 2016 and implemented the BRRD in Sweden, are wide ranging and impact how credit institutions

and investment firms are managed as well as, in certain instances, the rights of creditors. If the SFSA has determined that an institution is failing or likely to fail and (a) there are no alternative measures which would prevent the failure of such institution within a reasonable timeframe, and (b) a resolution action is necessary in the public interest, then the institution may be placed into resolution by the resolution authority. One of the resolution tools then available to the resolution authority is the “general bail-in tool” which gives it the power to write down certain claims of unsecured creditors (including the Notes) of a failing institution and to convert certain unsecured debt claims, including the Notes, in to equity, which equity could also be subject to any future cancellation, transfer or dilution. See “Banking Regulation and Supervision in Sweden - The Resolution Act and the Act of Preventative Government Support to Credit Institutions” below for further information on the resolution tools contained in the Resolution Act.

Under the terms of the BRRD, any application of the general bail-in tool is to be in accordance with the hierarchy of claims in normal insolvency proceedings. Accordingly, the impact of such application on Holders of Notes will depend on their ranking in accordance with such hierarchy at the relevant time, including any priority given to other creditors such as depositors.

To the extent any resulting treatment of Holders of Notes pursuant to the exercise of the general bail-in tool is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a Holder has a right to compensation under the BRRD based on an independent valuation of the firm (which is referred to as the “no creditor worse off safeguard” under the BRRD). Any such compensation is unlikely to compensate that Holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the Notes.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of the Notes may be subject to the application of the general bail-in tool, which may result in such Holders losing some or all of their investment. Such application could also involve modifications to or the disapplication of provisions in the Terms and Conditions of the Notes, including alteration of the principal amount or any interest payable on the Notes, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period. As a result, the exercise of the bail-in power or any suggestion of such exercise could materially adversely affect the rights of Holders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

## **2.2.3 Risks Relating to the Structure of a Particular Issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of those features:

### **2.2.3.1 *An optional redemption feature is likely to limit the market value of Notes.***

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

The Issuer may consider it favourable to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being

redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes will be redeemable at the option of the Issuer for tax reasons as described in Condition 5(b).

*2.2.3.2 Where the Issuer has the right to effect a conversion from a fixed rate of interest to a floating rate of interest and vice versa, this will affect the secondary market in, and the market value of, such Notes.*

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

*2.2.3.3 Market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.*

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



### 3. Form of the Notes

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The Notes of each Series will be issued in registered form or in bearer form, as specified in the applicable Final Terms.

#### 3.1 Registered Notes

In the case of Registered Notes, the applicable Final Terms will specify that the Notes will be issued in the form of Registered Global Notes held in specified clearing systems, as described below, or in the form of Definitive Registered Notes.

##### 3.1.1 *Form of Registered Global Notes*

If Notes are to be issued in the form of Registered Global Notes, the Issuer will deliver a Restricted Registered Global Note and/or an Unrestricted Registered Global Note, as specified in the applicable Final Terms.

##### 3.1.2 *Restricted and Unrestricted Registered Global Notes*

Registered Notes may only be offered and sold within the United States or to U.S. persons in transactions exempt from the registration requirements of the Securities Act to QIBs. The Registered Notes of each Tranche sold to QIBs will be represented by a Restricted Registered Global Note which will be deposited on or about the issue date of such Tranche either (i) with a custodian for, and registered in the name of a nominee of, DTC or (ii) with a common safekeeper or common depositary, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms.

The Registered Notes of each Tranche offered and sold to persons other than U.S. persons in reliance on Regulation S under the Securities Act will be represented by an Unrestricted Registered Global Note which will be deposited on or about the issue date of such Tranche either (i) with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg for the accounts of their respective participants or (ii) with a common safekeeper or common depositary, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. A beneficial interest in the Unrestricted Registered Global Note may at all times be held only through Euroclear and Clearstream, Luxembourg.

In the circumstances described below under “Exchange and Transfer of Registered Global Notes for Definitive Registered Notes”, interests in any Unrestricted Registered Global Note will be exchangeable for unrestricted Definitive Registered Notes (“Unrestricted Definitive Registered Notes”) and interests in any Restricted Registered Global Note will be exchangeable for restricted Definitive Registered Notes (“Restricted Definitive Registered Notes”). Restricted Registered Global Notes (and any Restricted Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note set forth under “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions”.

##### 3.1.3 *Owner of Registered Global Notes and Payments*

Subject to certain provisions of the Trust Deed relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders, so long as DTC or its nominee or

Euroclear, Clearstream, Luxembourg or the nominee of their common depositary or the nominee of the common safekeeper, as the case may be, is the registered owner or Holder of a Registered Global Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Notes. Payments of principal, interest and additional amounts, if any, pursuant to Condition 7 on Registered Global Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered Holder thereof. None of the Issuer, the Registrar, any Transfer Agent and any Paying Agent or any affiliate of any of the above will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### *3.1.3.1 Exchange and Transfer of Registered Global Notes for Definitive Registered Notes*

Beneficial interests in a Restricted Registered Global Note will be exchangeable, in whole but not in part, for Restricted Definitive Registered Notes; (i) in the case of Notes registered in the name of a nominee of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Restricted Registered Global Note or ceases to be a “clearing agency” registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary; or (ii) in the case of Notes registered in the name of a nominee for a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg, if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (iii) if an Event of Default as set out in Condition 6 occurs and is continuing; or (iv) at the option of the Issuer, if the Issuer, any Paying Agent or the Registrar, by reason of any change in, or amendment to, Swedish law, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

Beneficial interests in an Unrestricted Registered Global Note will be exchangeable, in whole but not in part, for Unrestricted Definitive Registered Notes: (i) in the case of Notes registered in the name of a nominee of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Unrestricted Registered Global Note or ceases to be a “clearing agency” registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary; or (ii) in the case of Notes registered in the name of a nominee for a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg, if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (iii) if an Event of Default as set out in Condition 6 occurs and is continuing; or (iv) at the option of the Issuer, if the Issuer, any Paying Agent or the Registrar, by reason of any change in, or amendment to, Swedish law, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

In such circumstances, (i) the Registrar will be required to notify all Holders of interests in the relevant Registered Global Notes registered in the name of DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depositary or the nominee of the common safekeeper, as the case may be, of the availability of Restricted or Unrestricted Definitive Registered Notes, as the case may be, and (ii) the Issuer will, at the cost of the Issuer, cause sufficient Unrestricted Definitive Registered Notes and/or Restricted Definitive Registered Notes, as the case may be, to be executed and delivered to the Registrar for completion, authentication and

dispatch to the relevant Holders. A person having an interest in the relevant Registered Global Note must provide the Registrar with:

- (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver the relevant Definitive Registered Note; and
- (b) in the case of a Restricted Registered Global Note only, a fully completed, signed certification substantially to the effect that the exchanging Holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Restricted Definitive Registered Notes issued in exchange for a beneficial interest in a Restricted Registered Global Note will bear the legend applicable to transfers pursuant to Rule 144A (as set out under “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions”).

Registered Notes will not be exchangeable for Bearer Notes and vice versa.

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

The Holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 2 of the Terms and Conditions of the Notes. The Holder of a Definitive Registered Note may transfer such Note by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of Restricted Definitive Registered Notes issued in exchange for beneficial interests in a Restricted Registered Global Note bearing the legend referred to under “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions”, or upon specific request for removal of the legend on a Restricted Definitive Registered Note, the Registrar shall deliver only Restricted Definitive Registered Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless either (i) such transfer, exchange or replacement occurs or such request is made one year or more after the later of (1) the original issue date of the Notes of such Tranche or (2) the last date on which the Issuer or any affiliate (as defined under the section “Terms and Conditions of the Notes”) of the Issuer as notified to the Registrar by the Issuer was the beneficial owner of such Note (or any predecessor of such Note) or (ii) there is delivered to the Issuer and the Registrar an opinion, reasonably satisfactory to the Issuer, of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of such laws.

The Registrar will not register the transfer of or exchange of interests in a Registered Global Note for Definitive Registered Notes for a period of 15 calendar days preceding the due date for any payment in respect of the Notes.

#### **3.1.4 Payments on Registered Notes**

Payments of principal on the Registered Notes will be made on the relevant payment date to the persons in whose name such Notes are registered at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date. Payments of interest on the Registered Notes will be made on the relevant payment date to the persons in whose name such Notes are

registered on the Record Date (as defined in Condition 8(b)) immediately preceding such payment date.

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

### **3.2 Bearer Notes**

Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note without Coupons or Talons (each as defined in “Terms and Conditions of the Notes”) which will (i) if the Temporary Global Notes are intended to be issued in NGN form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the Temporary Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg.

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

If an interest or principal payment date for any Notes occurs while such Notes are represented by a Temporary Global Note, the related interest or principal payment will be made only to the extent that certification of non-U.S. beneficial ownership has been received as described in the last sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note is improperly withheld or refused. Payments of principal or interest (if any) on a Permanent Global Note will be made through Euroclear or Clearstream, Luxembourg (against presentation or surrender, as the case may be, of the Permanent Bearer Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any further requirement for certification. Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

Interests in a Permanent Global Note will be exchangeable, in whole but not in part, (free of charge to the Holder) for Definitive Bearer Notes as indicated in the applicable Final Terms either (A) upon not less than 45 days’ written notice (expiring at least 30 days after the Exchange Date) from the bearer to the Principal Paying Agent as described therein, or (B) only upon the occurrence of an Exchange Event as described therein, upon notice from the bearer to the Principal Paying Agent or,

upon the occurrence of an Exchange Event described in (iii) below, from the Issuer to the Principal Paying Agent. “Exchange Event” means (i) either of Euroclear or Clearstream, Luxembourg or any other clearing system by which the Notes have been accepted for clearing is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently, (ii) an Event of Default in relation to the Notes as set out in Condition 6 occurs and is continuing, or (iii) at the option of the Issuer, if the Issuer or any Paying Agent, by reason of any change in, or amendment to, Swedish law, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form. The Issuer will promptly give notice to the Holders in accordance with Condition 15 if an Exchange Event occurs. Any such exchange following the occurrence of an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The exchange upon notice option described in paragraph (A) above should not be expressed to be applicable if the relevant Notes have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Global Note exchangeable for Definitive Bearer Notes.

The following legend will appear on all Bearer Notes (other than Temporary Global Notes), Coupons and Talons relating to such Bearer Notes which have an original maturity of more than 1 year and on all Coupons and Talons relating to such Bearer Notes :

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

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

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

### 3.3 General

Any reference herein to DTC and/or Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Principal Paying Agent.

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

Where the Global Notes issued in respect of any Tranche are in NGN form or are intended to be held under the NSS (as specified in the applicable Final Terms), the applicable Final Terms will also

indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon the ECB being satisfied that the Eurosystem eligibility criteria have been met. Furthermore, any indication that the Global Notes are not intended to be so held may be the case at the date of the applicable Final Terms. However, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper and, in the case of Registered Notes, registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Similarly, this would not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

The common safekeeper for NGNs or any Notes intended to be held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

## 4. Terms and Conditions of the Notes

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The following are the Terms and Conditions of the Notes which, when construed together with Part A of the applicable Final Terms in relation to any Notes, will be applicable to each Series of Notes:

The Notes are constituted by a Trust Deed dated September 3, 2012 (as supplemented and/or amended from time to time, the “Trust Deed”) and made between Swedbank AB (publ) (the “Issuer”, which term, for the avoidance of doubt, shall include its legal successors following universal succession (Sw: *universalsuccession*), by operation of law applicable in Sweden, upon consolidation, amalgamation, merger or any other similar occurrence) and BNY Mellon Corporate Trustee Services Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Holders (as described below). These Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and any Coupons relating to them. Copies of the Trust Deed and an Agency Agreement (as supplemented or amended from time to time, the “Agency Agreement”) dated February 24, 2015 and made between the Issuer, the Trustee, Citibank, N.A., London Branch in its capacities as principal paying agent (the “Principal Paying Agent”, which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such), as paying agent, as transfer agent and as exchange agent (the “Exchange Agent”, which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such), Citigroup Global Markets Deutschland AG in its capacity as registrar (the “Registrar”, which expression shall include any successor to Citigroup Global Markets Deutschland AG in its capacity as such) and The Bank of New York Mellon (Luxembourg) S.A. as paying agent (a “Paying Agent” and, together with the Principal Paying Agent and any substitute or additional paying agents appointed in accordance with the Agency Agreement, the “Paying Agents”) and as transfer agent (a “Transfer Agent” and, together with the Principal Paying Agent and any substitute or additional transfer agents appointed in accordance with the Agency Agreement, the “Transfer Agents”), are available for inspection at the specified office of the Trustee (presently at The Bank of New York Mellon, One Canada Square, London E14 5AL) and each of the Paying Agents and the Registrar. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of and to be bound by all of the provisions of the Trust Deed insofar as they relate to the Notes. References herein to “Agents” shall, where the context so requires, be to the Paying Agents, the Registrar, the Transfer Agents and the Exchange Agent. References herein to the Paying Agents and the Transfer Agents shall include any additional Paying Agent(s) and/or Transfer Agent(s) specified in the applicable Final Terms (as defined below).

The final terms of the Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms relating to the Notes which complete these Terms and Conditions (the “Conditions”). References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof). Copies of the Final Terms in respect of Notes to be listed on the official list of the Irish Stock Exchange plc (the “Irish Stock Exchange”) and admitted to trading on the regulated market of the Irish Stock Exchange will be published on the website of the Central Bank of Ireland at [www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx](http://www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx) and on the website of the Irish Stock Exchange at [www.ise.ie](http://www.ise.ie). If the Notes are to be admitted to trading on any other regulated market in the European Economic Area, the applicable Final Terms will be published in accordance with the rules and regulations of the relevant listing authority or stock exchange and otherwise in accordance with Article 14 of Directive 2003/71/EC (as amended including by Directive 2010/73/EU and any relevant implementation measures in a relevant Member State of the European Economic Area) (the “Prospectus Directive”). Copies of the Final Terms will be available, upon request, free of charge, at the registered office of the Issuer and the specified office of the Principal Paying Agent and, in relation to a Tranche of Registered Notes, the Registrar.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing and admission to trading and save that a Tranche may comprise Notes in more than one denomination) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

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

For the purposes of these Conditions, references to “Notes” are to Notes of the same Series and shall, as the context may require, be deemed to include any Unrestricted Registered Global Note, Restricted Registered Global Note, Definitive Registered Note, Temporary Global Note, Permanent Global Note or, as the case may be, Definitive Bearer Note (each as defined below). References to “Holders” shall include holders of Coupons (as defined below), as the context may require.

## **1. Form and Denomination**

### **(a) Form**

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

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

### **(b) Notes in Global Form and Exchanges Thereof**

#### **(i) Registered Notes will be represented upon issue by Notes in the following form:**

(A) Notes initially sold within the United States in reliance on Rule 144A under the United States Securities Act of 1933, as amended (the “Securities Act”) will be represented by beneficial interests in a restricted registered global Note (a “Restricted Registered Global Note”) in substantially the form (subject to amendment and completion) set out in the Trust Deed, which will be deposited either (i) with a custodian for The Depository Trust Company (“DTC”) and registered in the name of Cede & Co. as nominee of DTC or (ii) with a common depositary or a common safekeeper, as the case may be, for, and in respect of, interests held through Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms; and

(B) Notes initially sold to persons other than U.S. persons in reliance on Regulation S under the Securities Act will be represented by beneficial interests in an unrestricted registered global Note (an “Unrestricted Registered Global Note”) in substantially the form (subject to amendment and completion) set out in the Trust Deed, which will be deposited either (i) with a custodian for DTC and registered in the name of Cede & Co. as nominee of DTC for the



accounts of Euroclear and Clearstream, Luxembourg for the accounts of their respective participants, or (ii) with a common depository or a common safekeeper, as the case may be, for, and in respect of, interests held through Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms.

An interest in either the Restricted Registered Global Note or the Unrestricted Registered Global Note (each a “Registered Global Note”) may be exchanged for a definitive Registered Note (a “Definitive Registered Note”) in the limited circumstances set out in such Registered Global Note. A Definitive Registered Note may be exchanged for another Definitive Registered Note under certain circumstances described in the Agency Agreement. In relation to any Tranche, prior to the expiry of the period that ends 40 days after the later of the date of issue of such Tranche and the completion of the distribution of such Tranche, beneficial interests in an Unrestricted Registered Global Note will only be exchangeable for interests in a Restricted Registered Global Note in accordance with the certification requirements described in the Agency Agreement.

Registered Notes will not be exchangeable for Bearer Notes and vice versa.

- (ii) Registered Notes will, if so specified in the applicable Final Terms, be the subject of an application by the Issuer to DTC for the acceptance of such Registered Notes into DTC’s book-entry settlement system. If such application is accepted, one or more Registered Global Notes (each, a “DTC Note”) in denominations equivalent in aggregate to the aggregate principal amount of relevant Registered Notes which are to be held in such system will be issued to DTC and registered in the name of Cede & Co., or such other person as may be nominated by DTC for the purpose, as nominee for DTC. Thereafter, such registered nominee will be the holder of record and entitled to rights in respect of each DTC Note. Accordingly, each person having a beneficial interest in a DTC Note must rely on the procedures of the institutions having accounts with DTC to exercise any rights of such person. So long as Registered Notes are traded through DTC’s book-entry settlement system, ownership of a beneficial interest in the relevant DTC Note will (unless otherwise required by applicable law or regulatory requirement) be shown on, and transfers of such beneficial interest may be effected only through, records maintained by (i) DTC or its registered nominee (as to DTC-participant interests) or (ii) institutions having accounts with DTC (including, without limitation, Euroclear and Clearstream, Luxembourg).
- (iii) Bearer Notes will be represented upon issue by a temporary global Note (a “Temporary Global Note”) in substantially the form (subject to amendment and completion) set out in the Trust Deed. On or after the date (the “Exchange Date”) which is 40 days after the completion of the distribution of the Notes of the relevant Tranche and provided certification as to the beneficial ownership thereof as required by United States Treasury regulations has been received, interests in the Temporary Global Note may be exchanged for either (as specified in the applicable Final Terms):
  - (A) interests in a permanent global Note in bearer form (a “Permanent Global Note”) representing the Notes of that Series and in substantially the form (subject to amendment and completion) set out in the Trust Deed; or
  - (B) Bearer Notes in definitive form (“Definitive Bearer Notes”), serially numbered and in substantially the form (subject to amendment and completion) set out in the Trust Deed.
- (iv) In the case of Bearer Notes, if any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by the Temporary Global Note, if such payment falls due before the Exchange Date, the related interest payment will be made on the Temporary Global Note upon and to the extent of delivery to or to the order of any of the

Paying Agents outside the United States of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear or Clearstream, Luxembourg and dated not earlier than the relevant interest payment date.

Payments of principal or interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

- (v) In the case of Bearer Notes, interests in a Permanent Global Note will be exchangeable, in whole but not in part, (free of charge to the Holder) for Definitive Bearer Notes as indicated in the applicable Final Terms either:
  - (A) upon not less than 60 days' written notice (expiring at least 30 days after the Exchange Date) from the bearer to the Principal Paying Agent as described therein, or
  - (B) only upon the occurrence of an Exchange Event as described therein, upon notice from the bearer to the Principal Paying Agent or, upon the occurrence of an Exchange Event described in (iii) below, from the Issuer to the Principal Paying Agent.

"Exchange Event" means (i) either of Euroclear or Clearstream, Luxembourg or any other clearing system by which the Notes have been accepted for clearing is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently, (ii) an Event of Default in relation to the Notes as set out in Condition 6 occurs and is continuing, or (iii) at the option of the Issuer, if the Issuer or any Paying Agent, by reason of any change in, or amendment to, Swedish law, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form. The Issuer will promptly give notice to the Holders in accordance with Condition 15 if an Exchange Event occurs. Any such exchange following the occurrence of an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

- (vi) The following legend will appear on all Bearer Notes (other than Temporary Global Notes) which have an original maturity of more than 1 year and on all Coupons and Talons relating to such Notes:

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

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

- (vii) Interest-bearing Definitive Bearer Notes will have attached thereto at the time of their initial delivery coupons ("Coupons") and, if applicable, talons for further Coupons ("Talons"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Bearer Notes in global form do not have Coupons or Talons attached on issue.

(c) ***Surrender of Global Notes in Exchange for Definitive Notes***

In order to exchange interests in a global Note for definitive Notes, a Holder must surrender or, as the case may be, present the relevant Registered Global Note at the specified office of the Registrar or its agent or, as the case may be, present the relevant Temporary Global Note or Permanent Global Note at the specified office of the Principal Paying Agent, together, in each case, with a request in writing specifying the principal amount of such Registered Global Note or, as the case may be, Temporary Global Note or Permanent Global Note to be exchanged.

**2. Title**

(a) ***Title to Registered Notes***

Title to Registered Notes passes by registration in the register which is kept by the Registrar. References herein to the “Holders” of Registered Notes are to the persons in whose names such Notes are so registered or, in the case of joint holders, the first named thereof.

(b) ***Title to Bearer Notes***

Title to Bearer Notes and Coupons passes by delivery and references herein to the “Holders” of Bearer Notes and Coupons are to the bearers of such Bearer Notes and Coupons.

(c) ***Ownership***

The Holder of any Note or Coupon will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

(d) ***Transfer of Registered Notes in Definitive Form***

Definitive Registered Notes may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (in the authorised denominations set out in the applicable Final Terms) upon the surrender of the Registered Note to be transferred for registration of the transfer of the Registered Note (or the relevant part thereof), together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

(e) ***Delivery of New Registered Notes in Definitive Form***

Each new Registered Note to be issued upon the transfer of Registered Notes in definitive form shall be available for delivery within five business days at the specified office of the Registrar or the relevant Transfer Agent after receipt of the form of transfer. Delivery of the new Registered Note shall be made at the specified office of the Registrar or of the Transfer Agent, as the case may be, to whom delivery of such form of transfer shall have been made or, at the option of the Holder making such delivery as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Registered Note to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. For these purposes, a form of transfer received by the Registrar during the period of 15 days ending on the due date for any payment on the relevant Registered Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the

purposes of this Condition 2(e), “business day” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located.

(f) ***Charges on Transfer***

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation thereto.

(g) ***Private Placement Legend***

Upon the transfer, exchange or replacement of Restricted Registered Global Notes or Restricted Definitive Registered Notes of any Tranche bearing the private placement legend (the “Rule 144A Legend”) set forth in the form of Restricted Registered Global Note or Restricted Definitive Registered Note, as the case may be, or upon specific request for removal of the Rule 144A Legend, the Registrar shall deliver only Registered Notes of such Tranche that also bear the Rule 144A Legend or will refuse to remove the Rule 144A Legend, as the case may be, unless either (i) such transfer, exchange or replacement occurs, or such request is made, one year or more after the later of (1) the original issue date of the Notes of such Tranche or (2) the last date on which the Issuer or any affiliate (as defined in Rule 405 under the Securities Act) of the Issuer as notified to the Registrar by the Issuer was the beneficial owner of such Note (or any predecessor of such Note) or (ii) there is delivered to the Issuer and the Registrar an opinion, reasonably satisfactory to the Issuer, of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to ensure compliance with the provisions of such laws.

(h) ***Transfers of Registered Notes in Global Form***

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor’s nominee.

**3. Status**

The Notes constitute unsubordinated, unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to such mandatory exceptions as are from time to time applicable under Swedish law) at least *pari passu* with all other unsecured indebtedness of the Issuer from time to time outstanding.

#### **4. Interest**

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

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

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

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

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

- (A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

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

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (ii) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number

of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (aa) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (bb) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

In the Conditions:

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

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

(b) ***Interest on Floating Rate Notes***

(i) **Interest Payment Dates**

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

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

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

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

- (aa) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x)

above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (bb) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (cc) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (dd) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, "Business Day" means a day which is:

- (1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (2) if TARGET2 System is specified as a Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open; and
- (3) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open.

(ii) **Rate of Interest**

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

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

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

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

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

If the Relevant Screen Page is not available or if, in the case of Condition 4(b)(ii)(A)(I), no offered quotation appears or, in the case of Condition 4(b)(ii)(A)(II), fewer than three offered quotations appear, in each case as at the Relevant Time, the Principal Paying Agent or the Calculation Agent, as the case may be, shall request each of the Reference Banks to provide the Principal Paying Agent or the Calculation Agent, as the case may be, with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent or the Calculation Agent, as the case may be, with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as the case may be.

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



substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of these Conditions:

“Interest Determination Date” shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate (“LIBOR”) (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (iii) if the Reference Rate is Euro LIBOR or the Eurozone interbank offered rate (“EURIBOR”), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is the Stockholm interbank offered rate (“STIBOR”), the second Stockholm business day prior to the start of each Interest Period;
- (v) if the Reference Rate is the Norwegian interbank offered rate (“NIBOR”), the Second Oslo business day prior to the start of each Interest Period;
- (vi) if the Reference Rate is the Copenhagen interbank offered rate (“CIBOR”), the first day of each Interest Period;
- (vii) if the Reference Rate is the Tokyo interbank offered rate (“TIBOR”), the second Tokyo business day prior to the start of each Interest Period; or
- (viii) if the Reference Rate is the Hong Kong interbank offered rate (“HIBOR”), the first day of each Interest Period.

“Reference Bank” shall mean, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market, in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone interbank market and, in the case of a determination of a Reference Rate that is not LIBOR or EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the interbank market of the Relevant Financial Centre, in each case selected by the Principal Paying Agent.

“Reference Rate” shall mean (i) LIBOR, (ii) EURIBOR, (iii) STIBOR, (iv) NIBOR, (v) CIBOR, (vi) TIBOR, or (vii) HIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

“Relevant Financial Centre” shall mean London, in the case of a determination of LIBOR, Brussels, in the case of a determination of EURIBOR, Stockholm, in the case of a determination of STIBOR, Oslo, in the case of a determination of NIBOR Copenhagen, in the case of a determination of CIBOR, Tokyo, in the case of a determination of TIBOR and Hong Kong, in the case of a determination of HIBOR as specified in the applicable Final Terms.

“Relevant Time” shall mean (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of STIBOR, 11.00 a.m., (iv) in the case of NIBOR, 12.00 noon, (v) in the case of CIBOR, 11.00 a.m., (vi) in the case of TIBOR, 11.00 a.m., and (vii) in the case of HIBOR, 11.00 a.m., in each case in the Relevant Financial Centre, or such other time as specified in the applicable Final Terms.

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

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

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

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

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

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

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

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

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

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

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

The Principal Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

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

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

where:

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

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

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

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

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

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(v) **Linear Interpolation**

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

For the purposes of this Condition 4(b)(v), “Designated Maturity” means, (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate (b) in relation to ISDA Determination, the Designated Maturity, as referred to in Condition 4(b)(ii)(B).

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the Registrar (in the case of Registered Notes) and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Holders of the Notes in accordance with Condition 15. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) **Determination or Calculation by Trustee**

If for any reason at any relevant time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or subparagraph (ii)(B) above, as the case may be, and in each case in accordance with paragraph (iv) or (v) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

(viii) **Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) by the Principal Paying Agent shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Principal Paying Agent, the other Paying Agents and all Holders of the Notes and (in the absence of wilful default or bad faith) no liability to the Issuer or the Holders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(ix) **Calculation Agent**

If the applicable Final Terms specify that a Calculation Agent will be appointed in place of the Principal Paying Agent for the purposes of calculating the Rate(s) of Interest and Interest Amount(s) as aforesaid, references in this Condition 4(b) to Principal Paying Agent shall, unless the context otherwise requires, be construed as references to such Calculation Agent.

(c) ***Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Notes or such other rate as may be specified in the applicable Final Terms until the date on which, upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation of the relevant Note, the relevant payment is made or, if earlier (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Trustee, the Principal Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders in accordance with Condition 15 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

**5. Redemption and Purchase**

(a) ***Redemption at Maturity***

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

(b) ***Early Redemption for Taxation Reasons***

If, in relation to any Series of Notes (i) as a result of any change in the laws of the Kingdom of Sweden or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the Issue Date of the first Tranche of such Notes on the occasion of the next payment due in respect of such Notes the Issuer would be required to pay additional amounts as provided in Condition 7 and (ii) such circumstances are evidenced by the delivery by the Issuer to the Trustee of a certificate signed by two directors or other authorised signatories of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing addressed to the Trustee to the effect that such circumstances prevail (and the Trustee shall be entitled to accept such certificate and legal opinion

as sufficient evidence that the said circumstances prevail in which event they shall be conclusive and binding on the Holders), the Issuer may, at its option and having given no less than 30 nor more than 60 days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to (i) the Trustee and (ii) the Holders in accordance with Condition 15 (which notice shall be irrevocable) redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their Early Redemption Amount referred to in Condition 5(e) below, together with accrued interest (if any) thereon provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Floating Rate Notes, a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

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

- (i) not less than 15 nor more than 30 days' notice (or such other notice period as may be specified in the applicable Final Terms) to the Holders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Trustee, the Principal Paying Agent (copied to the other Paying Agents, in the case of Bearer Notes) and the Registrar (copied to the Principal Paying Agent and the Transfer Agents, in the case of Registered Notes);

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), as the case may be, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days (or such other notice period as may be specified in the applicable Final Terms) prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 5(c) and notice to that effect shall be given by the Issuer to the Holders in accordance with Condition 15 at least five days prior to the Selection Date.

(d) ***Redemption at the Option of the Holders (Investor Put)***

If Investor Put is specified as being applicable in the applicable Final Terms, upon the Holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice (or such other notice period as may be specified in the applicable Final Terms) the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the

Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

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

If the Note is represented by a global Note or is a Note in definitive form and held through DTC, Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of the Note the Holder thereof must, within the notice period, give notice to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of DTC, Euroclear and/or Clearstream, Luxembourg (which may include notice being given on his instruction by DTC, Euroclear or Clearstream, Luxembourg or any common depository or common safekeeper, as the case may be, for them to the Principal Paying Agent or the Registrar, as the case may be, by electronic means) in a form acceptable to DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, from time to time and, if the Note is represented by (i) a global Note in bearer form which has not been issued in New Global Note form as specified in the applicable Final Terms, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent or (ii) a global Note in bearer form which has been issued in New Global Note form as specified in the applicable Final Terms, instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of DTC, Euroclear and/or Clearstream, Luxembourg given by a Holder of any Note pursuant to this Condition 5(d) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 6 in which event such Holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 5(d).

(e) ***Early Redemption Amounts***

For the purpose of Condition 5(b) above and Condition 6, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the "Amortised Face Amount") calculated in accordance with the following formula:

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



where:

“RP” means the Reference Price;

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

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

(f) **Purchases**

Subject to Condition 2(g), the Issuer or any of its consolidated subsidiaries may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the discretion of the Issuer, surrendered to the Principal Paying Agent or the Registrar, as the case may be, for cancellation.

(g) **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 5(f) above (together, in the case of Definitive Bearer Notes, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(h) **Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5(a), 5(b), 5(c) or 5(d) above or upon its becoming due and repayable as provided in Condition 6 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5(e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the Late Payment Date.

“Late Payment Date” means the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the Registrar or the

Trustee and notice to that effect has been given to the Holders in accordance with Condition 15.

## **6. Events of Default**

- (a) The following shall be events of default (each an “Event of Default”) in relation to the Notes of any Series, namely:
- (i) there is default for more than seven days in the payment of principal of any of the Notes as and when the same shall become due and payable; or
  - (ii) there is a default for more than 30 days in the payment of any interest due in respect of the Notes or any of them; or
  - (iii) there is a default in the performance or observance by the Issuer of any other obligations or provisions binding on it under the Notes or the Trust Deed and such default (A) is, in the opinion of the Trustee, incapable of remedy or (B) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or
  - (iv) an agency or supervisory authority of the Kingdom of Sweden having jurisdiction in respect of the same institutes a proceeding, or a court in the Kingdom of Sweden enters a decree or order, for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving (A) the Issuer or (B) as long as Swedbank Mortgage AB (publ) (“Swedbank Mortgage”) is a wholly-owned subsidiary of the Issuer, Swedbank Mortgage or (C) all or substantially all of the Issuer’s property or (D) as long as Swedbank Mortgage is a wholly-owned subsidiary of the Issuer, all or substantially all of Swedbank Mortgage’s property or (E) the winding-up of or liquidation of the Issuer’s affairs or (F) as long as Swedbank Mortgage is a wholly owned subsidiary of the Issuer, the winding-up of or liquidation of Swedbank Mortgage’s affairs, as the case may be, and such proceeding, decree or order is not vacated or remains in force undischarged or unstayed for a period of 60 days; or
  - (v) the Issuer or as long as Swedbank Mortgage is a wholly owned subsidiary of the Issuer, Swedbank Mortgage, files a petition to take advantage of any insolvency statute or voluntarily suspends payment of its obligations generally.
- (b) If any Event of Default shall have occurred and be continuing in relation to the Notes of any Series, the Trustee may at its discretion, and if so requested by Holders of at least one-quarter in principal amount of the Notes of such Series then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) will, by written notice to the Issuer declare that such Notes and (if the Notes are interest-bearing) all interest then accrued on such Notes be forthwith due and payable, whereupon the same shall become immediately due and payable at their Early Redemption Amount, together with all interest (if any) accrued thereon without further action and formality.

## **7. Taxation**

- (a) All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes or Coupons by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by

law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by any Holder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in respect of any payment in respect of any Note or Coupon:

- (i) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Kingdom of Sweden other than the mere holding of such Note or Coupon; or
  - (ii) to, or to a third party on behalf of, a Holder who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
  - (iii) more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days.
- (b) For the purposes of these Conditions, the “Relevant Date” means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the first date on which the full amount of such moneys has been so received and notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 15.
- (c) If the Issuer becomes generally subject at any time to any taxing jurisdiction other than or in addition to the Kingdom of Sweden, references herein to the Kingdom of Sweden shall be read and construed as references to the Kingdom of Sweden and/or to such other jurisdiction.
- (d) Notwithstanding anything to the contrary contained herein, any amounts to be paid with respect to any Note or Coupon will be paid net of any deduction or withholding imposed or required pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to section 1471(b) of the Code, any intergovernmental agreement, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code (or any law implementing such an intergovernmental agreement) (a “FATCA Withholding Tax”), and no additional amounts shall be payable on account of any FATCA Withholding Tax.
- (e) Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7.

## **8. Payments**

### **(a) *Method of Payment***

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee

with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

- (ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws, regulations or directives applicable thereto in the place of payment or other laws to which the Issuer agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. References to "Specified Currency" will include any successor currency under applicable law.

(b) ***Payments in Respect of Registered Notes***

Payments of principal in respect of Registered Notes (whether in definitive or global form) will be made in the manner provided in Condition 8(a) above to the persons in whose name such Notes are registered at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Notes at the specified office of the Registrar.

Payments of interest due on a Registered Note (whether in definitive or global form) will be made in the manner specified in Condition 8(a) to the person in whose name such Note is registered (i) where in global form, at the close of business on the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to such due date and (ii) where in definitive form, at the close of business on the 15th day (whether or not such 15th day is a business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the "Record Date")) prior to such due date. In the case of payments by cheque, cheques will be mailed to the Holder (or the first named of joint Holders) at such Holder's registered address on the business day (as described above) immediately preceding the due date.

If payment in respect of any Registered Notes is required by credit or transfer as referred to in Condition 8(a) above, application for such payment must be made by the Holder to the Registrar not later than the relevant Record Date.

(c) ***Presentation of Definitive Bearer Notes and Coupons***

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 8(a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

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

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

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

(d) ***Payments in Respect of Bearer Notes in Global Form***

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

(e) ***General Provisions Applicable to Payments***

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

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

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

Amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars may, at the election of the beneficial holder of such Note, be paid by transfer by the Registrar (or the Principal Paying Agent acting on the Registrar's behalf) to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

(f) ***Payment Day***

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation;
  - (B) each Financial Centre (other than TARGET2 System) specified in the applicable Final Terms; and
  - (C) if TARGET2 System is specified as a Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (ii) either (I) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in

the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (II) in relation to any sum payable in Euro, a day on which the TARGET2 System is open.

(g) ***Interpretation of Principal and Interest***

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

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(e)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

**9. Prescription**

- (a) The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.
- (b) There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8(c) or any Talon which would be void pursuant to Condition 8(c).

**10. Agents**

The initial Agents and their respective initial specified offices are specified below. If any additional Paying Agents are appointed in connection with any Series of Notes, the names of such Paying Agents will be specified in Part B of the applicable Final Terms. The Issuer (with the prior written approval of the Trustee (such approval not to be unreasonably withheld)) reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) there will at all times be a Paying Agent (in the case of Bearer Notes) in a jurisdiction within continental Europe;

- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and a Registrar and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Registrar (in the case of a Series of Registered Notes) which, if the Registrar originally appointed in respect of such Series had its specified office outside the United Kingdom, shall also have a specified office outside the United Kingdom; and
- (d) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 8(e).

The Agents reserve the right at any time to change their respective specified offices to some other specified office in the same city.

Notice of all changes in the identities or specified offices of the Agents, will be notified promptly to the Issuer, the Trustee and the Holders.

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

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes) or of the Registrar (in the case of Registered Notes), subject to all applicable laws and the requirements of any stock exchange on which the Notes are listed, upon payment by the claimant of all expenses incurred in such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Principal Paying Agent or, as the case may be, the Registrar may require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered therefor.

## **12. Meetings of Holders, Modification and Waiver and Substitution**

### **(a) *Meetings of Holders***

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including (without limitation) the modification of the Notes, the Coupons or of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Any Extraordinary Resolution duly passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

Such a meeting may be convened by the Trustee, the Issuer or by the Trustee upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent of the aggregate principal amount of the Notes for the time being outstanding or, at any adjourned meeting, one or more persons being or representing Holders whatever the aggregate principal amount of the Notes held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of



payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which one or more persons holding or representing not less than 75 per cent or, at any adjourned meeting, one or more persons holding or representing not less than 50 per cent in principal amount of the Notes for the time being outstanding form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Holders who for the time being are entitled to receive notice of a meeting of Holders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) ***Modification and waiver***

The Trustee may agree, without the consent of the Holders, to (i) any modification of any provision of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is in the opinion of the Trustee proven and (ii) any other modification (except such modifications in respect of which an increased quorum is required, as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach, of any provision the Notes, of these Conditions or the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee materially prejudicial to the interests of the Holders. Any such modification, waiver, authorisation or determination shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Holders as a class (but shall not have regard to any interests arising from circumstances particular to individual Holders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent already provided for in Condition 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

(c) ***Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendments to the Trust Deed and such other conditions as the Trustee may require, without the consent of the Holders except as provided below, to the substitution of any other company in place of the Issuer, or of any previously substituted company as principal debtor under the Notes, Coupons and the Trust Deed provided always that the Trustee is satisfied that the interests of the Holders will not be materially prejudiced by the substitution, and certain other conditions set out in the Trust Deed are complied with.

**13. Enforcement**

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of

the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Holders holding at least one-quarter in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Holder of Notes or Coupons may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. The Trustee shall not be obliged to make a declaration as referred to in Condition 6(b) unless indemnified and/or secured and/or prefunded to its satisfaction.

#### **14. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

#### **15. Notices**

##### ***To Holders of Registered Notes***

- (a) In the case of any Registered Notes represented by a global Note, notices shall be deemed to be validly given if delivered to DTC, Euroclear and/or Clearstream, Luxembourg for communication by them to the persons shown in their respective records as having interests therein. Any notice so given will be deemed to have been validly given on the date of such delivery.

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or by such other means as required by the relevant stock exchange or relevant authority.

##### ***To Holders of Bearer Notes***

- (b) Notices to Holders of Bearer Notes will be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, if published in a leading English-language newspaper having general circulation in the United Kingdom approved by the Trustee or, in the case of Notes represented by a Temporary Global Note or a Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg for communication by them to the persons shown in their respective records as having interests therein. Provided that, in the case of Notes listed on a stock exchange or admitted to trading by another relevant authority and if the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or by such other means as required by the relevant stock exchange or relevant authority. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication) or, as the case may be, on the date of such delivery.

Holders of Coupons shall be deemed for all purposes to have notice of the contents of any notice to the Holders of Bearer Notes in accordance with this Condition.

## ***To the Issuer***

- (c) Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at its official address registered with the Swedish Companies Office from time to time, for the attention of the Head of Group Treasury, and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

## **16. Further Issues**

The Issuer may from time to time without the consent of the Holders of any Notes of any Series create and issue further notes, bonds or debentures having the same terms and conditions as the Notes of such Series in all respects (or in all respects except for the issue date, issue price, the first payment of interest, if any, on them and the date from which interest starts to accrue) and so that the same shall be consolidated and form a single series with the Notes of such Series.

## **17. Currency Indemnity**

The currency in which the Notes are denominated or, if different, payable, as specified in the applicable Final Terms (the "Contractual Currency") is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or a Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or a Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or a Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or a Coupon and no proof or evidence of any actual loss will be required by the Issuer.

## **18. Governing Law, Jurisdiction and Swedish Statutory Loss Absorption Powers**

- (a) *Governing law:* The Notes, the Agency Agreement and the Trust Deed, all matters arising from or connected with them and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.
- (b) *English courts:* The Issuer agrees for the benefit of the Trustee and the Holders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "Dispute") arising from or connected with the Notes (including a Dispute relating to any non-contractual obligations arising out of or in connection therewith).
- (c) *Appropriate forum:* The Issuer agrees that the courts referred to in Condition 18(b) are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient.

- (d) *Rights of Holders to take proceedings outside England:* Condition 18(b) is for the benefit of the Trustee and the Holders only. As a result, nothing in this Condition 18 prevents the Trustee or any Holder from taking proceedings relating to a Dispute ("Proceedings") (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed) in any other courts with jurisdiction. To the extent allowed by law, the Trustee and the Holders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered in connection with any Proceedings in England, to Business Sweden, The Swedish Trade & Invest Council at its office at 6th Floor, Winchester House, 5 Upper Montagu Street, London W1H 2AG. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Holder addressed to the Issuer and delivered to the Issuer or to the specified office of the Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Trustee. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.
- (f) *Acknowledgement of Swedish Statutory Loss Absorption Powers:* Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 18(f), includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Holder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of Swedish Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:
  - (i) the effect of the exercise of any Swedish Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
    - (I) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;
    - (II) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Holder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;
    - (III) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and
    - (IV) the amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
  - (ii) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Swedish Statutory Loss Absorption Powers by the Relevant Resolution Authority.

For the purposes of this Condition 18(f):

“BRRD” means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as the same may be amended or replaced from time to time;

“Relevant Amounts” means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts (as described in Condition 7) due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Swedish Statutory Loss Absorption Powers by the Relevant Resolution Authority;

“Relevant Resolution Authority” means the resolution authority with the ability to exercise any Swedish Statutory Loss Absorption Powers in relation to the Issuer; and

“Swedish Statutory Loss Absorption Powers” means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Kingdom of Sweden, relating to (i) the transposition of the BRRD (including but not limited to the Resolution Act (*Lagen (2015:1016 om resolution)*)) as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

## **19. Third Parties**

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

## **5. Use of Proceeds**

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The net proceeds of the issue of each Tranche of Notes will be used by the Issuer for its general business purposes. If in respect of a specific Tranche of Notes there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## 6. Swedbank

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### 6.1 Overview

Swedbank is a public limited liability bank company (Sw: *Bankaktiebolag*) incorporated under the laws of the Kingdom of Sweden and headquartered in Stockholm. It has its registered office at SE-105 34 Stockholm, with its head office at Landsvägen 40, 172 63 Sundbyberg and its telephone number is +46 (0)8 5859 0000. It has been registered in the Swedish Companies Registration Office in Sundsvall under registration number 502017-7753. Swedbank's shares are listed on NASDAQ OMX Stockholm. Swedbank was incorporated on April 24, 1942.

As of December 31, 2016, the Group served a total of 7.3 million private customers and more than 600,000 corporate customers through more than 389 branches in 12 countries, primarily in its principal markets of Sweden, Estonia, Latvia and Lithuania. This includes customers reached through 58 associated independent savings banks that collaborate with Swedbank. The terms of such collaboration are governed by a common framework agreement which is agreed with the national association of savings banks, Sparbankernas Riksförbund, with each savings bank signing up to this agreement individually.

The Group offers a broad range of products and services, including retail banking, corporate and investment banking, asset management and insurance products, and the majority of the Group's income in 2016 derived from its Swedish banking services. As of December 31, 2016, the Group's loans to the public, excluding the Swedish National Debt Office and repurchase agreements, amounted to SEK 1,453 billion. The Group recorded SEK 25,194 million in profit before impairments for the year ended December 31, 2016 and SEK 21,291 million in profit before impairments for the year ended December 31, 2015. Credit impairments for the year ended December 31, 2016 amounted to SEK 1,367 million. The Group recorded impairment of intangible assets by SEK 35 million for the year ended December 31, 2016. Net profit attributable to the shareholders of Swedbank for the year ended December 31, 2016 amounted to SEK 19,539 million and SEK 15,727 million for the year ended December 31, 2015. As of December 31, 2016, the Group had 14,061 full-time employees.

The Group has a history dating back to 1820 when the first savings bank was founded in Sweden. In the early 1990s, each of Sparbanken Sverige and Föreningsbanken was merged with a number of regional savings banks and regional agricultural co-operative banks, respectively. In 1997, Sparbanken Sverige and Föreningsbanken merged to form FöreningsSparbanken. FöreningsSparbanken changed its name to Swedbank in 2006. Swedbank expanded its operations into the Baltic countries (Estonia, Latvia and Lithuania) in 1996 when it acquired a 12.5 per cent stake in Eesti Hoiupank, a bank that merged with Hansabank in 1998. In 1999, Swedbank acquired additional shares, resulting in a 50 per cent ownership of the shares in Hansabank and, in 2005, acquired all outstanding shares in Hansabank (now Swedbank AS). The Group consists of four business segments: Swedish Banking, Baltic Banking, LC&I and Group Functions & Other.

### 6.2 Strategy

Swedbank's core strategy is to provide customer value and build sustainable value. By being a stable profitable bank with low risk, Swedbank is able to build relationships that meet its customers' long-term needs. The aim of its strategy is to create sustainable value for its customers, society, its shareholders and its employees. Swedbank has chosen to create long-term customer and shareholder value. This goal reflects Swedbank's purpose, values and vision.

### **6.2.1 Accessible Full-Service Bank**

Swedbank offers households, institutions, and businesses, both large and small, an accessible full-service bank in its four home markets: Sweden, Estonia, Latvia and Lithuania. Swedbank offers its customers a range of banking services, everything from basic transactions to sophisticated advisory services, and also provides customers with a large, modern distribution network, making it easy for a broad base of customers to manage their finances. Swedbank provides efficient digital solutions for day-to-day financial needs and comprehensive advice through direct contact with Swedbank employees. In May 2016, Swedbank announced the formation of a new unit for Digital Banking that will be responsible for digital sales support, development and innovation.

### **6.2.2 Offerings Based on Customer Needs**

Products which reflect customer needs and expectations are crucial to Swedbank's success. Digitisation increases opportunities to meet each customer's specific needs with the right offering. Swedbank creates better targeted offerings by analysing customer data and using each advisor's experiences and knowledge.

### **6.2.3 Low Risk**

The foundation for Swedbank's sustainable growth is a low risk profile. Swedbank's lending is financed through deposits and capital market funding. Current low financing costs are the result of stable profitability in combination with high-quality lending and solid capitalisation. This is a prerequisite for winning the trust of the capital markets and benefits all of Swedbank's stakeholders. Maintaining stable earnings over time requires not only a low risk level, where each borrower's solvency, solidity and collateral are carefully assessed, but also the ability to quickly adapt to market conditions and changing customer preferences. The Group's credit impairments amounted to SEK 1,367 million, corresponding to a credit impairment ratio of 0.09 per cent for the year ended December 31, 2016, compared to a credit impairment of SEK 594 million, corresponding to a credit impairment ratio of 0.04 per cent for the year ended December 31, 2015.

### **6.2.4 Cost Efficiency**

Cost efficiency is of growing importance due to changes in the banking market and Swedbank aims to be a market leader in cost efficiency. Understanding our customers' needs and the impact of tied-up capital helps us to better manage capital efficiency. Swedbank also strives to do things better, more simply, and more efficiently. Another important factor in increasing cost efficiency is a corporate culture where all employees are aware of and cautious about spending. The more cost-effective Swedbank is, the more value it believes it can create for customers through greater investment opportunities. The Group's cost/income ratio was 0.39 for the year ended December 31, 2016, 0.43 for the year ended December 31, 2015 and 0.45 for the year ended December 31, 2014.

## **6.3 Business Segments**

The Group is comprised of four business segments.

### **6.3.1 Swedish Banking**

Swedish Banking is the Group's largest business segment, offering a complete range of financial products and services to private customers as well as small and medium-sized companies through 248 branches as well as through telephone and internet banking. Through co-operation with local associated independent savings banks and partly-owned banks, the Group also offers its products through 214 additional branches, as of December 31, 2016. Swedish Banking is supported by a



number of subsidiaries in Sweden such as Swedbank Mortgage (responsible for long-term mortgage lending) and Swedbank Robur (fund management and institutional and discretionary asset management). Loans to the public in Swedish Banking represented approximately 75 per cent of the Group's total loans to the public outstanding as of December 31, 2016.

### **6.3.2 Baltic Banking**

Baltic Banking offers a broad range of financial products and banking services, including mortgages, business and consumer loans, savings and current accounts, life insurance and leasing in Estonia, Latvia and Lithuania through 141 branches as of December 31, 2016 as well as through telephone and internet banking.

The Group holds leading positions in several key market segments in its Baltic home markets.<sup>2</sup> Loans to the public in Baltic Banking represented approximately 9 per cent of the Group's total loans to the public outstanding as of December 31, 2016.

### **6.3.3 Large Corporates & Institutions**

LC&I is responsible for Swedbank's provision of services to customers with revenues above SEK 2 billion and those whose needs are considered complex due to their multinational operations or their need for sophisticated financing solutions. LC&I is also responsible for developing corporate and capital market products for other parts of the Group and associated independent Swedish savings banks. LC&I works closely with customers to provide advice on decisions that create sustainable profits and growth. LC&I is present in Sweden, Norway, Estonia, Latvia, Lithuania, Finland, Luxembourg, China, the United States and South Africa. Loans to the public in LC&I represented approximately 15 per cent of the Group's total loans to the public outstanding as of December 31, 2016.

### **6.3.4 Group Functions & Other**

Group Functions & Other consists of centralised business support units, Group Savings and Group Lending & Payments. The centralised business support units provide strategic and administrative support, comprising Accounting & Finance, Communication, Risk, IT, Compliance, Public Affairs, Human Resources and Legal. Group Savings and Group Lending & Payments' purpose is to improve efficiency in the development and maintenance of Swedbank's products. Group Treasury is responsible for Swedbank's funding, liquidity and capital planning.

## **6.4 Products and Services**

### **6.4.1 Mortgage Lending Products**

The products offered primarily consist of loans secured by mortgages over underlying residential, agricultural and forest properties. Consumer real estate loans include fixed and variable rate loans for home purchase and refinancing needs.

The Group, through Swedbank Mortgage, is one of Sweden's leading mortgage lenders with a market share of 25 per cent as of December 31, 2016 compared to 25 per cent as of December 31, 2015.<sup>3</sup> As of December 31, 2016, Swedbank Mortgage's outstanding Swedish mortgage loan portfolio amounted to SEK 920 billion, of which SEK 711 billion derived from private customers. Swedish mortgage lending represented 47 per cent of the Group's total loans to the public

<sup>2</sup> Swedbank estimates based on: (1) management accounts as to Swedbank presence, (2) Estonian Central Bank data as to Estonian market size, (3) Association of Commercial Banks of Latvia and The Financial and Capital Market Commission (Latvia) data as to Latvian market size and (4) Association of Lithuanian Banks data as to Lithuanian market size.

<sup>3</sup> Statistics Sweden (Sw: *Statistiska Centralbyrån*, SCB), 2016-12-31, [www.scb.se](http://www.scb.se).

outstanding as of December 31, 2016. Both Swedbank and Swedbank Mortgage originate mortgages. Swedbank Mortgage is responsible for the origination of standard mortgage loans with up to an 85 per cent LTV ratio, whereas Swedbank is responsible for originating other loans including uncollateralised loans. The volume-weighted average LTV ratio in Swedbank Mortgage's private residential loan portfolio was 54 per cent as of December 31, 2016, calculated on a property level (which gives effect to multiple mortgage loans on a given property). To benefit customers by offering a broad range of home buying services and reducing costs, while creating the opportunity to acquire profitable new businesses in this segment, the Group creates economies of scale by co-operating with a number of partners including Swedbank's subsidiary, Swedbank Fastighetsbyrå, various home builders and other construction companies.

Swedbank Mortgage's products primarily consist of loans secured by Swedish residential, agricultural and forest properties.

Swedbank Mortgage lends exclusively in Sweden and primarily provides long-term loans secured by first ranking mortgages on existing properties. More than half of Swedbank Mortgage's mortgage loan portfolio consists of loans to owners of single-family homes. It also grants loans for tenant-owner rights, multi-family housing, tenant-owner associations, municipalities, commercial properties and to the agriculture and forestry sector. The volume-weighted average LTV ratio calculated on all loans and property types in Swedbank Mortgage was 52.1 per cent as of December 31, 2016.

Loans for single-family homes are primarily secured by first ranking mortgages and have interest rates fixed for between 60 days and 10 years. Swedbank Mortgage's loans are either interest-only loans or amortised over 10-60 years. Swedbank Mortgage's lending to single-family housing is limited to 85 per cent of the market value of the property. Loans may be granted to applicants who have a prior ranking mortgage over their property with another lender, provided that the aggregated amount and ranking of the prior ranking mortgage and the Group's own exposure under its mortgage is less than 85 per cent of the value of the mortgaged property.

#### **6.4.2 General Mortgage Loan Features**

The mortgage loans originated by Swedbank Mortgage have the following key features:

*Purpose of loans* – A mortgage loan may be for the purpose of purchasing or refinancing a property. Typically, this property will be a primary residence (i.e. a single-family home or a tenant-owner right), but it can also be a vacation home, a multi-family home (including loans to tenant-owner associations) or an agricultural/forestry property. Swedbank Mortgage's portfolio also comprises loans to the public sector.

*Repayment profile* – Mortgage loans may be straight line or serial repayment loans. In certain circumstances, an 'interest only' period may be established within the repayment profile, typically at the start of the mortgage loan's term.

*Early repayment* – All mortgage loans contain the option for the borrower to make early repayments, in some cases conditional upon payment of interest compensation.

*Other fees* – Minor fees are charged to the borrower at the origination of the mortgage loan and on each regular payment date (i.e. quarterly or every second month).

*Interest accrual* – Interest on a mortgage loan accrues daily.

*Maturity of a mortgage loan* – The term of a mortgage loan may vary from 10 to 60 years, but the typical maturity is 30 years and the historically observed, typical weighted average life of a mortgage

loan (which depends on the borrower's repayment behaviour) is estimated to be 5 to 7 years, depending on the method of calculation.

Consumers' debt servicing capacity is tested using a model based on the net income and expenses of the borrower's household, taking into account a stressed scenario for affordability including a substantial interest rate increase (as of 2016, plus three percentage points above the current five-year fixed rate, at a minimum of 7 per cent). The limit for a borrower's debt-to-income ratio is 500 per cent of gross income. As of September 2015, Swedbank introduced new amortisation guidelines in line with the SFSA's new amortisation requirements which were implemented in June 2016. The new amortisation guidelines include amortisation of 2 per cent annually for LTV ratios over 70 per cent and a 1 per cent amortisation for LTV ratios between 50 and 70 per cent.

Swedbank Mortgage's loans are distributed by the Group through its approximately 248 branches and the approximately 214 branches of the associated independent savings banks and in some situations also through Swedbank's digital channels. The Group is also a leading mortgage lender in the Baltic countries, according to the relevant bank association<sup>4</sup> in each respective country, and the mortgage products the Group offers there are adapted to its client base in the Baltic countries, comprising mainly Baltic homeowners. The main products offered by Baltic Banking include residential loans for home buying or building and loans which are mainly used for renovating and furnishing homes. Both products are continually adapted to meet customers' needs.

#### **6.4.3 Corporate Banking Products**

The Group offers a full range of corporate banking products and services for small and medium-sized business clients and large and multinational corporate customers, including financing, cash management, leasing products, investment and risk-management services. In addition, the Group offers mortgage lending and lending to the agricultural and forestry industries through Swedbank Mortgage.

The products offered include corporate loans as well as credit facilities adapted to meet the customers' needs. Real estate loans are primarily aimed at public and private developers, home builders and commercial real estate companies.

#### **6.4.4 Investment Banking Products**

The Group offers equity, fixed income and currency trading, project, export and acquisition financing and corporate services as part of its LC&I business.

#### **6.4.5 Consumer Lending Products**

The Group offers a range of personal loans, both secured and unsecured, to its retail customers. These can be made for specific purposes, such as vehicle loans, or as general purpose personal loans.

#### **6.4.6 Savings and Investment Products**

The Group offers a comprehensive range of deposit-related products, including traditional savings accounts and current accounts tailored to different customer segments. Through Asset Management and Insurance, the Group offers its customers a comprehensive range of investment products, including equity funds, fixed income funds, insurance products and individual pension savings products.

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<sup>4</sup> Estonia: Estonian Banking Association; Latvia: Association of Latvian Commercial Banks; Lithuania: Association of Lithuanian Banks.

#### **6.4.7 Payment Services**

The Group offers a broad range of payment products, including debit, transaction services and card infrastructure and, as of December 31, 2016, the Group had 8 million bank cards in circulation. In retail transactions, the Group emphasises convenience and time saving by making automatic payment options available to the Group's customers through direct debit or other electronic channels, such as e-bills or mobile and card payments. For corporate cash management, the focus is on offering clients a packaged, integrated solution.

### **6.5 Information Technology**

#### **6.5.1 Overview**

Group IT is a common Group function serving the Group in Sweden and the Baltic countries. In addition, Group IT provides IT services to those associated independent savings banks in Sweden co-operating with the Group and which offer mortgage loans funded by Swedbank Mortgage.

The main data centres are located in Sweden and Estonia and contain sufficient back-up storage.

The organisation is business-driven and delivers IT services based on service agreements with the business side of the Group. IT operation and infrastructure services are organised to ensure economies of scale, efficiency, availability and to reduce operational risk. Special functions are defined to work on IT governance issues such as the Group project portfolio management, IT strategy and IT architecture.

The total number of staff in Group IT is approximately 1,579, of which 788 are located in Sweden and 791 in the Baltic countries as of December 31, 2016.

The Group uses hardware and software provided by different vendors. The Group complements its internal resources by employing IT consultants and has offshore agreements with CGI Group Inc., Cap Gemini S.A. and EVRY ASA for application development in India.

To increase customer satisfaction, the Group aims to improve its ability to offer products and services appropriate to meet the needs of each customer group. For customers in need of less complex financial advice, the Group aims to provide relevant, simple and effective offerings, primarily through its electronic channels. In particular, the Group aims to improve internet, mobile and telephone banking services in an effort to make routine banking services simpler and more efficient, and thereby making them more cost efficient for the Group. In response to changing technologies, customers' habits have changed, which has impacted the traditional role of the bank branch.

Customers can now satisfy most of their routine banking requirements through alternate channels such as ATMs, debit cards, telephone banking, the internet and mobile devices. The Group's internet bank service reaches approximately 7.3 million customers. The Group's mobile bank services have, since its launch in 2009, added 3.6 million users. Through information and a differentiated pricing model, the Group intends to make it easier for customers to select the most effective way to communicate with Swedbank for a variety of matters, as evidenced, for example, by a number of new digital functions launched by Swedbank in 2016, which make everyday banking easier for customers.

#### **6.5.2 IT Strategy and Key Initiatives**

The Group's IT strategy is aligned with the Group's business strategy. The IT strategy focuses on ensuring an economy of scale IT operation, which is capable of handling high transaction volumes in

a reliable and secure environment. The application architecture is built to support sustainable multi-bank, multi-channel and customer centric solutions. The product ledger systems are encapsulated and support the frontline users and customers through a distribution platform to bank branches, online and telephone banking services. The digital distribution platform plays a key role in the Group's strategy and, in the coming years, Swedbank plans to dedicate a substantial portion of the Group's investment portfolio to address the development of electronic channels. Information management is based on a Master Data Management solution combined with a customer-oriented Enterprise Data Warehouse, as a source for analysis and management reporting.

Activities are ongoing, with the objective of consolidating the Group's technical infrastructure, to gain synergy effects and to enable application platform harmonisation and consolidation.

Major development initiatives are ongoing in Swedish Banking, Baltic Banking, LC&I and Group Functions & Other. The Group's development efforts in Swedish Banking and Baltic Banking are driven by the Group's strategy to move more transactions from the traditional retail branch office channel over to more cost efficient online channels. Investments in LC&I are mainly driven by regulatory changes and lifecycle needs. Large investments in Group Functions & Other are made according to lifecycle, or when systems are becoming outdated and require investment. The Group is also moving a portion of its IT maintenance related activities to the Baltic countries.

In November 2014, Swedbank established a working group led by the Chief Information Security Officer specialising in and focused on information security, including capabilities for security incident response. This specialist group is responsible for the security framework of the Group. It reviews all IT projects, establishes a process for follow-up and compliance with issued regulations (both internal and external), and mitigates and investigates cybercrime and threats through a security and incident response team.

## **6.6 Related Party Transactions**

During the year ended December 31, 2016, normal business transactions were executed between companies in the Group, including other related companies and affiliates. Significant affiliates include partly-owned saving banks. Other significant relationships are with Swedbank's pension funds foundation and Sparinstitutens Pensionkassa SPK, which safeguard the post-retirement benefits of the employees in the Swedish entities within the Group. These related parties use Swedbank for customary banking services. For additional information please see note G52 in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2016.

## **6.7 Legal Proceedings**

In 2013, allegations were made in the media that actively managed funds in the Swedish asset management sector, including Swedbank Robur, are not actively managed. In January 2014, the Swedish Consumer Board initiated an investigation of the marketing of the Swedbank Robur funds and in March 2014, it announced that it had concluded its review without further action. In December 2014, the Swedish Shareholder's Association (Sw: *Aktiespararna*) filed a class action (Sw: *grupptalan*) against Swedbank Robur on behalf of the fund investors with the National Board for Consumer Disputes (Sw: *Allmänna Reklamationsnämnden* - ARN) (the "ARN"). The Swedish Shareholders' Association claimed that two Swedbank Robur funds, Allemansfond Komplet and Kapitalinvest, were not actively managed for an extended period of time and that Swedbank Robur should therefore repay a portion of the management fees it charged fund owners. Swedbank Robur responded to the Swedish Shareholders' Association's submission to ARN, comprehensively outlining several reasons for its view that there is no need to compensate the fund owners. On July 1, 2015 the ARN determined that it was not suitable for the ARN to try the matter. The Swedish

Shareholders' Association filed a request that ARN reconsider its decision, which was rejected by the ARN on October 14, 2015. The Swedish Shareholders' Association submitted an application in August to the Consumer Ombudsman (the "KO") requesting that it take over the class action and the KO rejected this request on September 4, 2015. In August and December 2015, the Swedish Shareholders' Association also requested that the KO represent an individual in an ordinary litigation brought by such an individual against Swedbank Robur. The KO rejected these proposals on September 4, 2015 and December 18, 2015. The general investigation by the SFSA regarding closet index funds is now closed. No known actions from the Swedish Shareholders' Association are ongoing at the moment.

In December 2015, Swedbank was notified by the SFSA that they were conducting an investigation into certain transactions by some of Swedbank's senior executives to see how Swedbank managed conflicts of interest. In January 2016, Swedbank provided the SFSA with the requested information. The SFSA contacted Swedbank in November 2016 and asked for additional information regarding the investigation. Swedbank responded to the SFSA on December 5, 2016. On or around February 20, 2017, the SFSA notified Swedbank of its intention to issue a sanction and gave Swedbank another opportunity to respond to the alleged non-compliance. See "Risk Factors – Risks Relating to the Group – Conflicts of interest, whether actual or perceived, and non-compliance or fraudulent acts may negatively impact the Group."

## 6.8 Employees

As of December 31, 2016, the Group had 14,061 full-time employees. The table below sets out the number of employees employed for the years indicated.

	As of December 31,		
	2016	2015	2014
Full-time employees .....	14,061	13,893	14,583

The largest increase in employee numbers in 2016 was in Group Functions, but was partly offset by a decrease in Swedish Banking. Approximately 68 per cent of the Group's employees were governed by collective bargaining agreements as of December 31, 2016. The Group maintains continuous and active dialogue with its employees and representatives and believes that its relations with its employees are good. There have been no significant strikes or mutual work stoppages in the past three years.

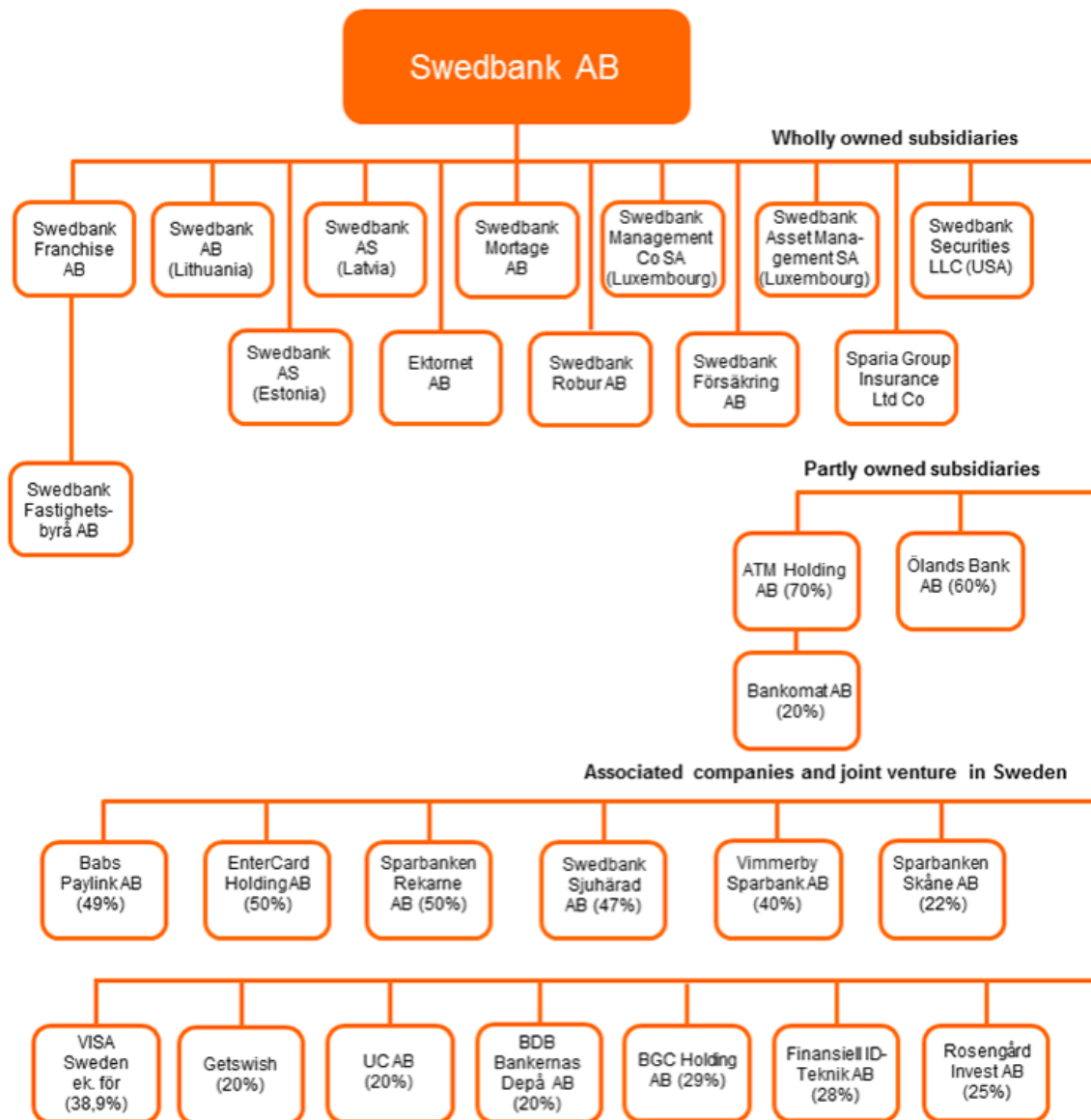
## 6.9 Key Geographic Markets and Competition

The Group currently operates in four geographic home markets: Sweden, Estonia, Latvia and Lithuania. To support business in these markets, the Group has established branches in neighbouring markets such as Finland, Norway and Denmark, as well as in major markets of financial importance such as in the United States (where the Group has both a branch and a subsidiary) and China (where the Group has a branch). The Group also has a branch in Luxembourg and representative offices in Spain and South Africa.

Below is a chart showing Swedbank's corporate structure.

# Swedbank Group

Legal structure



## 6.9.1 Sweden

The banking sector is fairly concentrated in the Group's home markets. In Sweden, the Group, Svenska Handelsbanken, Nordea and SEB accounted for approximately 70 per cent of deposits and lending in 2016, according to the Swedish Central Bank. These major banks offer a wide range of financial products and services and compete in all key product segments. In Sweden, the Group is the largest retail bank and has a leading market position in private mortgage lending (25 per cent) and deposits from private customers (21 per cent) as of December 31, 2016.<sup>5</sup> The Group believes consumers have been more willing to change banks in recent years in a generally stable market. During the past year, banking customers have shown a tendency to turn to the major banks due to perceived volatility among the smaller players.

<sup>5</sup> Statistics Sweden.

### **6.9.2 Estonia**

The Estonian banking sector is even more concentrated than Sweden's. The market is dominated by foreign banks. In Estonia, the Group had a market share of 55 per cent for deposits and private customers and 47 per cent for lending as of December 31, 2016. In the Estonian corporate market, the Group's market share was 34 per cent for lending and 43 per cent for deposits as of December 31, 2016.<sup>6</sup>

### **6.9.3 Latvia**

Latvia has a more fragmented market where local banks account for 30 to 70 per cent of the various segments. As of December 31, 2016, the Group accounted for 31 per cent of private deposits and 31 per cent of private lending. In the corporate market, the market share was 15 per cent for deposits as of December 31, 2016.<sup>7</sup>

### **6.9.4 Lithuania**

Like Sweden, the banking market in Lithuania is dominated by a few major players. As of September 30, 2016, the Group accounted for 40 per cent of private deposits and 34 per cent of private lending. In the corporate market, the Group's share was 19 per cent for lending and 26 per cent for deposits as of September 30, 2016.<sup>8</sup> In all the Baltic countries, competition has begun to increase again as the economy appears to recover.

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<sup>6</sup> Estonian Banking Association.

<sup>7</sup> Association of Latvian Commercial Banks.

<sup>8</sup> Association of Lithuanian Banks.



## 7. Selected Financial Information

### 7.1 Selected Financial Information

The selected financial data for 2016, 2015 and 2014 provided below have been derived from the audited consolidated financial statements of the Group as of and for the years ended December 31, 2016, 2015 and 2014 incorporated by reference in this Base Prospectus. There have been no significant changes to the Group's accounting policies set out in the 2016 Financial Statements and no new or amended IFRS standards or interpretations which have been introduced have had a significant effect on the financial position, results of the Group or the parent company. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the audited consolidated financial statements incorporated by reference into this Base Prospectus. The consolidated financial statements also apply recommendation RFR 1 Complementary accounting rules for groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general advice of the SFSA, FFRS 2008:25. According to the IFRS Interpretations Committee, negative yield on financial assets does not meet the definition of revenue according to IAS 18 and should therefore not be presented as part of interest income. Accordingly, the same interpretation applies to negative yield on financial liabilities. During 2016, the negative yield amounts recognised within interest income and interest expense, respectively, have become material to the Group. Therefore, the Group has changed the presentation of its income statement to present separate line items for negative yield on financial assets and negative yield on financial liabilities within net interest income. Amounts for 2015 and 2014 have not been restated as they were not considered material.

SEK million	For the year ended December 31,		
	2016	2015	2014
<b>INCOME STATEMENT DATA</b>			
Interest income, including negative yield on financial assets.....	32,185	34,983	41,052
Interest expenses, including negative yield on financial liabilities.....	(8,521)	(11,990)	(18,410)
<b>Net interest income</b> .....	<b>23,664</b>	<b>22,993</b>	<b>22,642</b>
Net commission income.....	11,333	11,199	11,204
Net gains and losses on financial items at fair value ....	2,231	571	1,986
<b>Net insurance</b> .....	<b>754</b>	<b>708</b>	<b>581</b>
Share of profit or loss of associates.....	2,467	863	980
Other income.....	1,186	1,290	1,911
<b>Total income</b> .....	<b>41,635</b>	<b>37,624</b>	<b>39,304</b>
Staff costs .....	9,376	9,395	10,259
Other general administrative expenses.....	6,436	6,266	6,625
<b>Total general administrative expenses</b> .....	<b>15,812</b>	<b>15,661</b>	<b>16,884</b>
Depreciation/amortisation of tangible and intangible fixed assets.....	629	672	718
<b>Total expenses</b> .....	<b>16,441</b>	<b>16,333</b>	<b>17,602</b>
<b>Profit before impairments</b> .....	<b>25,194</b>	<b>21,291</b>	<b>21,702</b>
Impairments of intangible assets .....	35	254	1
Impairments of tangible assets .....	31	72	256
Credit impairments .....	1,367	594	419
<b>Operating profit</b> .....	<b>23,761</b>	<b>20,371</b>	<b>21,026</b>
Tax expense.....	4,209	4,625	4,301
Profit for the year from continuing operations.....	19,552	15,746	16,725
Profit for the year from discontinued operations, after tax .....	—	(6)	(262)

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Profit for the year</b> .....	<b>19,552</b>	<b>15,740</b>	<b>16,463</b>
Non-controlling interests .....	13	13	16

<b>SEK million</b>	<b>As of December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>BALANCE SHEET DATA</b>			
<b>Assets</b>			
Cash and balances with central banks .....	121,347	186,312	113,768
Treasury bills and other bills eligible for refinancing with central banks, etc. ....	107,571	76,552	46,225
Loans to credit institutions .....	32,197	86,418	113,820
Loans to the public .....	1,507,247	1,413,955	1,404,507
Value change of interest hedged item in portfolio hedge .....	1,482	1,009	1,291
Bonds and other interest-bearing securities .....	74,501	88,610	124,455
Financial assets for which customers bear the investment risk .....	160,114	153,442	143,319
Shares and participating interests .....	23,897	11,074	9,931
Investments in associates .....	7,319	5,382	4,924
Derivatives .....	87,811	86,107	123,202
Intangible fixed assets .....	14,279	13,690	14,319
of which goodwill .....	12,408	12,010	12,344
Investment properties .....	—	8	97
Tangible assets .....	1,864	1,981	2,653
Current tax assets .....	1,796	1,662	1,304
Deferred tax assets .....	160	192	638
Other assets .....	8,067	14,677	10,103
Pension assets .....	—	1,274	—
Prepaid expenses and accrued income .....	4,551	6,362	6,126
Group of assets classified as held for sale .....	—	148	615
<b>Total assets</b> .....	<b>2,154,203</b>	<b>2,148,855</b>	<b>2,121,297</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Amounts owed to credit institutions .....	71,831	150,493	171,453
Deposits and borrowings from the public .....	792,924	748,271	676,679
Financial liabilities for which customers bear the investment risk .....	161,051	157,836	146,177
Debt securities in issue .....	841,673	826,535	835,012
Short positions securities .....	11,614	8,191	27,058
Derivatives .....	85,589	68,681	85,694
Current tax liabilities .....	992	105	1,477
Deferred tax liabilities .....	2,438	3,071	1,684
Pension provisions .....	1,406	17	2,548
Insurance provisions .....	1,820	1,728	1,745
Other liabilities and provisions .....	14,989	22,715	22,330
Accrued expenses and prepaid income .....	10,917	13,243	13,071
Subordinated liabilities .....	27,254	24,613	18,957
Liabilities directly associated with group of assets classified as held for sale .....	—	14	39
<b>Total liabilities</b> .....	<b>2,024,498</b>	<b>2,025,513</b>	<b>2,003,924</b>
<b>Equity</b>			
Non-controlling interests .....	190	179	170
Equity attributable to the shareholders of Swedbank ....	129,515	123,163	117,203
<b>Total equity</b> .....	<b>129,705</b>	<b>123,342</b>	<b>117,373</b>
<b>Total liabilities and equity</b> .....	<b>2,154,203</b>	<b>2,148,855</b>	<b>2,121,297</b>

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOW STATEMENT</b>			
Cash and equivalents at beginning of the year .....	186,312	113,768	59,382
Cash flow from operating activities .....	(53,645)	70,932	8,930
Cash flow from investing activities .....	306	(2,270)	(5,071)
Cash flow from financing activities .....	(13,949)	5,228	48,661
<b>Cash flow for the year .....</b>	<b>(67,288)</b>	<b>73,890</b>	<b>52,520</b>
Exchange rate differences on cash and cash equivalents .....	2,323	(1,346)	1,866
Cash and cash equivalents in acquired companies....	—	—	—
<b>Cash and cash equivalents at end of the year .....</b>	<b>121,347</b>	<b>186,312</b>	<b>113,768</b>

	<b>As of or for the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>KEY RATIOS<sup>1</sup></b>			
Return on equity .....	15.8%	13.5%	15.0%
Earnings per share total operations before dilution, SEK .....	17.60	14.23	14.93
Earnings per share continuing operations before dilution, SEK .....	17.60	14.24	15.17
Cost/income ratio .....	0.39	0.43	0.45
Equity per share, SEK .....	116.6	111.40	106.35
Common Equity Tier 1 capital ratio .....	25.0%	24.1%	21.2%
Tier 1 capital ratio .....	28.7%	26.9%	22.4%
Total capital ratio .....	31.8%	30.3%	25.5%
Full-time employees .....	14,061	13,893	14,583

Note:

<sup>1</sup> See section "Definitions".

## 7.2 Ratings

The Group/Swedbank<sup>9</sup> has been assigned ratings by Standard & Poor's, Moody's and Fitch as set forth in the table below:

<b>As of December 31, 2016</b>	<b>Standard &amp; Poor's, Negative Outlook</b>		<b>Moody's, Stable Outlook</b>		<b>Fitch, Stable Outlook</b>	
	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>
Swedbank	A-1+	AA-	P-1	Aa3	F1+	AA-

On December 2, 2015, Standard & Poor's upgraded Swedbank's rating to AA-/A-1+ from A+/A-1 to reflect its view of Sweden's ongoing support of its systemically important banks. However, the outlook on the rating is negative, reflecting its view of heightened economic risk for Swedish banks. The rating was affirmed on June 17, 2016.

On June 17, 2015 Moody's upgraded Swedbank's long-term debt and deposit rating of A1 to Aa3, acknowledging Swedbank's rigorous focus on costs and margins which has enabled it to generate stable earnings in the low interest-rate environment. The rating was affirmed on November 25, 2016 with a stable outlook.

On May 26, 2016 Fitch upgraded Swedbank's long-term issuer default rating ("IDR") to AA- from A+ and its short-term IDR to F1+ from F1. The upgrade reflects Swedbank's execution of its prudent risk strategy since 2009, and Fitch's expectation that this strategy will continue under the new management team. The rating also reflects Swedbank's strong retail franchise, solid asset quality, and strong capitalisation. The outlook on the long-term IDR is stable.

<sup>9</sup> The ratings of Standard & Poor's are assigned to both Swedbank and the Group. The ratings of Fitch and Moody's are assigned only to Swedbank.

The Group's aim is to maintain a credit rating on par with that of the banks with the highest credit ratings in the Nordic region.

## 8. Management's Discussion and Analysis of Financial Condition and Results of Operations

### 8.1 Overview and Market Share

*The following discussion of the financial condition and results of operations of Swedbank should be read in conjunction with the audited consolidated financial statements of the Group as of and for the years ended December 31, 2016, 2015 and 2014 which are incorporated by reference in this Base Prospectus, as well as with the information presented under "Selected Financial Information" and "Selected Statistical and Other Information".*

*The following discussion contains forward-looking statements that are based on estimates and assumptions that are subject to risks and uncertainties. The actual results may differ materially from what is discussed in the forward-looking statements as a result of various factors, including those set forth in "Risk Factors".*

#### 8.1.1 Overview

As of December 31, 2016, the Group served a total of 7.3 million private customers and more than 600,000 corporate customers through more than 389 branches in 12 countries, primarily in its principal markets of Sweden, Estonia, Latvia and Lithuania. This includes customers reached through 58 independent savings banks.

The Group offers a broad range of services, including retail banking, corporate and investment banking, asset management and insurance, with the majority of the Group's income generated from its retail banking operations. As of December 31, 2016, the Group's loans to the public, excluding the Swedish National Debt Office and repurchase agreements, amounted to SEK 1,453 billion. The Group recorded SEK 25,194 million in profit before impairments for the year ended December 31, 2016 and SEK 21,291 million in profit before impairments for the year ended December 31, 2015. The Group has four business segments: (i) Swedish Banking, which generated the majority of the Group's consolidated income as of December 31, 2016, (ii) Baltic Banking, (iii) LC&I and (iv) Group Functions & Other. Group Functions & Other includes Group Savings and Group Lending & Payments.

#### 8.1.2 Market Share

##### Market share, Sweden<sup>1</sup>

	As of December 31,		
	2016	2015	2014
<b>Private market</b>			
Deposits .....	21%	21%	21%
Lending .....	23%	23%	24%
of which mortgage lending .....	25%	25%	25%
<b>Corporate market</b>			
Deposits .....	20%	19%	19%
Lending .....	18%	19%	19%

*Note:*

<sup>1</sup> Swedbank estimates based on (i) management accounts as to Swedbank presence and (ii) Statistics Sweden as to Swedish market size.

**Market share, Estonia<sup>1</sup>**

	As of December 31,		
	2016	2015	2014
<b>Private market</b>			
Deposits .....	55%	55%	54%
Lending .....	47%	47%	46%
of which mortgage lending .....	46%	46%	45%
<b>Corporate market</b>			
Deposits .....	43%	41%	36%
Lending .....	34%	34%	34%

Note:

<sup>1</sup> Swedbank estimates based on (i) management accounts as to Swedbank presence and (ii) Estonian Central Bank data as to Estonian market size.

**Market share, Latvia<sup>1</sup>**

	As of December 31,		
	2016	2015	2014
<b>Private market</b>			
Deposits .....	31%	28%	28%
Lending .....	31%	29%	29%
of which mortgage lending .....	34%	32%	31%
<b>Corporate market</b>			
Deposits .....	15%	12%	12%
Lending .....	16%	17%	17%

Note:

<sup>1</sup> Swedbank estimates based on (i) management accounts as to Swedbank presence and (ii) Association of Commercial Banks of Latvia and The Financial and Capital Market Commission (Latvia) data as to Latvian market size.

**Market share, Lithuania<sup>1</sup>**

	As of September 30,	As of December 31,	
	2016	2015	2014
<b>Private market</b>			
Deposits .....	40%	38%	37%
Lending .....	34%	28%	28%
of which mortgage lending .....	33%	27%	27%
<b>Corporate market</b>			
Deposits .....	26%	21%	22%
Lending .....	19%	21%	23%

Note:

<sup>1</sup> Swedbank estimates based on (i) management accounts as to Swedbank presence and (ii) Association of Lithuanian Banks data as to Lithuanian market size.

## 8.2 Significant Factors Affecting Results of Operations and Business Conditions<sup>10</sup>

It is the Group's view that its business, results of operations and financial condition have been affected, and may continue to be affected by the significant factors described below. The impact of these and other potential factors may vary significantly in the future. Unanticipated events relating to the aftermath of the global financial crisis and the economic conditions mean that past performance is less of a predictor of future performance than is usually the case.

### 8.2.1 Divided Global Economy<sup>11</sup>

Global economic growth recovered in 2016, primarily driven by advanced economies, while the growth rate decelerated in emerging markets.

The labour market in the United States continued to improve and the unemployment rate decreased to just below 5 per cent. Wages in the United States began to increase due to a higher utilisation rate in the economy. The U.S. Federal Reserve raised fund rates in December 2016 by 25 basis points to 0.75 per cent for the first time since December 2015 and indicated that it contemplated gradual interest rate increases during 2017. The new presidential administration under Donald

<sup>10</sup> Swedbank Economic Outlook, January 2017.

<sup>11</sup> Statistics Sweden, Statistics Estonia, Central Statistical Bureau of Latvia and Statistics Lithuania.

Trump has indicated intentions to lower taxes and invest significantly in infrastructure. The expectation of a more expansive fiscal policy going forward has resulted in raised interest rates in the United States and strengthened the U.S. dollar. Restrictions in global trade, if implemented by the Trump administration, could have a negative impact on growth both in the United States and globally.

Recovery in the Euro area continued in 2016, with an estimated growth in GDP of 1.7 per cent, with the household sector being the major growth engine. Higher disposable income, low interest rates and an improving labour market were all positive factors for the recovery of the Euro area. Depreciation of the Euro has also been helpful to the manufacturing sector. Unemployment declined in several countries and has fallen to its lowest level since 2009, but still varies largely across the region.

The ECB is contending with both the risk of deflation and a malfunctioning credit transmission mechanism. During 2016 the ECB lowered its repo rate and deposit rate to negative rates in an attempt to force banks to lend to households and businesses. Monthly purchases under the ECB asset purchase programme, initially introduced in March 2015, were expanded to 80 billion Euro starting in April 2016, up from the previous amount of 60 billion Euro per month. In December 2016, the ECB decided to further extend the purchase programme to December 2017 at the current rate of 80 billion per month, which is expected to be scaled down to 60 billion Euro per month starting April 2017. The depreciation of the Euro is expected to give some support to the export sector.

The Baltic countries have experienced decreased exports due to weak demand. The general impact of the Russia-Ukraine crisis is so far limited and concentrated in just a few economic sectors. However, the related geopolitical tensions have raised uncertainty and made companies more cautious in their investment decisions. Unemployment has continued to decrease and wages have increased with household consumption remaining strong. As of January 2015, all three Baltic countries share the same currency, the Euro.

The upswing in the Swedish economy accelerated in 2015 and GDP increased by 3.8 per cent on average. Although the growth rate is expected to have decreased to 3.2 per cent in 2016, the Swedish economy is still growing significantly faster than average for Europe. The major driver was a strong domestic demand, including private consumption and investments, stimulated by an improving labour market and low interest rates. Investment growth was broad based with the largest growth in real estate, but private business sector investments improved significantly as well. Due to strong domestic demand, growth in imports accelerated. The export of goods recovered in the second half of 2016 and was mainly driven by the export of transportation and chemical products. A slight improvement in exports and a better performance in the Euro area encouraged recovery in the Swedish manufacturing sector. The labour market continued to strengthen in 2016, with the unemployment rate at 6.9 per cent on average in 2016 compared to 7.4 per cent in 2015. Several sectors, mainly construction, the private service sector and the public sector, experienced a labour shortage, a trend which is expected to be more pronounced during 2017.

### **8.2.2 General Macroeconomic Factors<sup>12</sup>**

The global economy was resilient in 2016 despite several geopolitical events. The United Kingdom's vote to leave the EU, a fragile Italian banking sector and the outcome of the U.S. presidential election were only small and temporary setbacks for the financial market. Global growth momentum recovered in 2016, except in emerging markets, where the growth rate decelerated, primarily in China and India. Commodity prices stabilised in 2016 after a period of sharp decline. Oil prices increased from USD 30 per barrel in the beginning of 2016 to above USD 55 per barrel at the end of

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<sup>12</sup> Statistics Sweden, Statistics Estonia, Central Statistical Bureau of Latvia and Statistics Lithuania.

2016, primarily due to lower oil production and robust global demand for oil. Metal prices also increased. Higher oil prices are expected to have a positive impact for oil producers, such as Norway and Russia. Additionally, the risk of deflation has decreased and is expected to reduce the pressure on central banks to implement additional monetary stimuli.

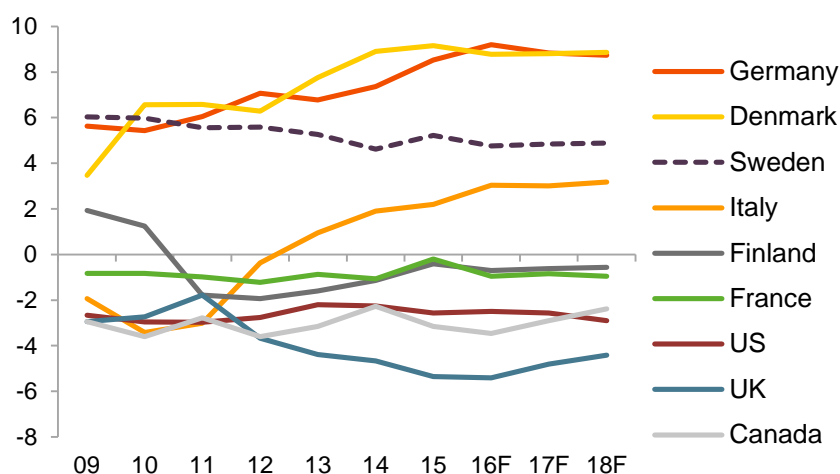
The macroeconomic environment is a major driver of the Group's earnings. In particular, it affects the demand for banking services and pricing as well as asset quality, and accordingly impacts the credit and other risk the Group undertakes in the normal course of its business. The development of the Group's balance sheet and income statement is to a large extent dependent on general macroeconomic development.

### 8.2.3 Sweden

Sweden's sovereign rating of Aaa/AAA/AAA was maintained by all rating agencies during 2016. Swedish real GDP is estimated to have increased by approximately 3.2 per cent in 2016 compared with 3.8 per cent in 2015 and 2.7 per cent in 2014. Strong economic growth in Sweden also had a positive impact on public finances. Higher tax revenues in 2016 led to a higher surplus in public finances as compared to 2015 and the public debt is expected to have decreased to 41.2 per cent of GDP from 43.9 per cent in 2015. Swedish public finances are still among the strongest in the EU. The surplus in current account balances is expected to have declined in 2016 to 4.9 per cent of GDP from 5.4 per cent in 2015. Sluggish external demand and a solid domestic demand growth drove the decline in the external balance. However, Sweden is still among the countries in the world with the largest surplus in foreign trade.

The Swedish economy accelerated in 2016, driven mainly by a stronger domestic demand. Lower interest rates, increasing asset prices and improved labour markets supported faster growth in private consumption. Investments grew broadly in 2016, rising by nearly 7 per cent on an annualised basis in the first three quarters of 2016. Housing investment rose by 18 per cent in 2016 and was the biggest contributor to investments. Investment in the public and private sector rose as well.

The chart below shows the current account balance as a percentage of GDP of the listed countries.

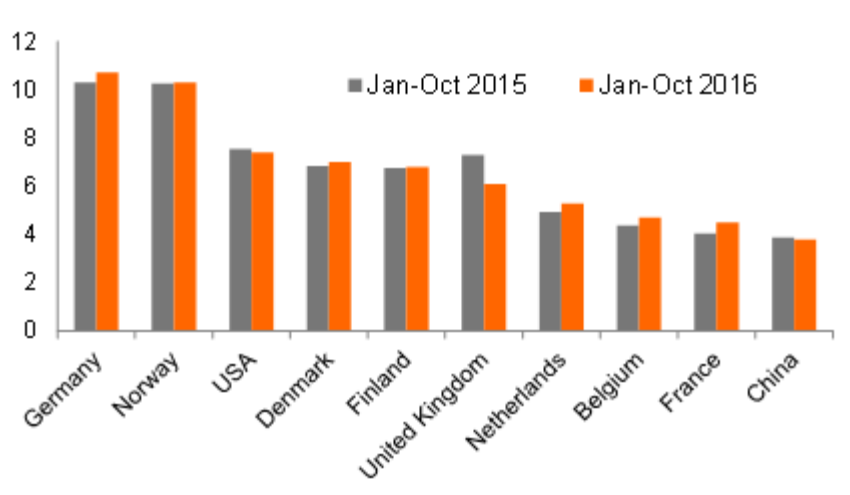


Source: OECD "Economic Outlook 100", November 2016.



The total value of exports and imports amounted to SEK 971 billion and SEK 977 billion, respectively, in 2016.<sup>13</sup> As set out below, Sweden's main export partners during the year were Germany, Norway and the U.S. This was the first year since the mid-1980s that trade balance showed a deficit.

The chart below shows the largest export countries in January through October 2016, as a percentage of Swedish total exports.



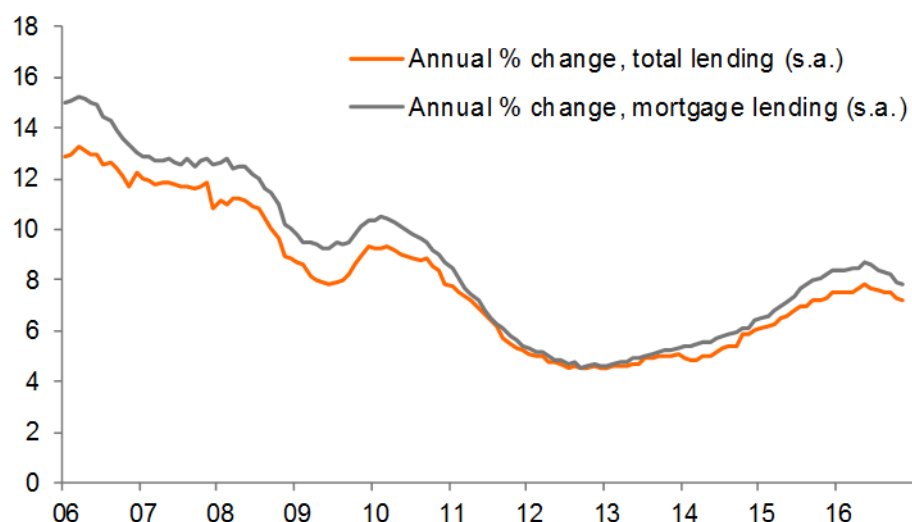
Source: Statistics Sweden, October 2016.

The gradual increase in business activity in 2016 was followed by increased hiring needs in the private service sector and firms have reported a lack of labour. The significant influx of 163,000 asylum seekers in 2015 declined to approximately 30,000 people in 2016 and is expected to decrease further in 2017 due to tighter Swedish immigration policy. This recent inflow of asylum seekers and an ageing population is expected to have a significant impact on hiring needs in the public sector in the coming year. At the same time, the labour supply has grown due to less favourable benefits in social security and a growing influx of youth into the labour market. Since employment rates have grown faster than the labour force, the seasonally adjusted unemployment rate declined relatively quickly during 2016. In December 2016, the unemployment rate (seasonally adjusted) was 6.9 per cent compared to 7.2 per cent in December of the prior year. However, improvement in the Swedish employment rate and higher growth in disposable income has not strengthened household confidence, which is still below the historical average, according to the National Institute of Economic Research Survey. Uncertainties regarding fiscal policy and measures used by the government in an attempt to dampen household debt could have a dampening impact on consumer confidence. Credit expansion to Swedish households slowed in the first half of 2014, but picked up again in the second half of 2015, driven by lower interest rates and higher housing prices. The credit expansion to Swedish households continued to increase strongly in the first half of 2016 but started to decelerate in the second half of 2016, partly due to the implementation of new amortisation requirements for new loans introduced by the SFSA.

The chart below shows the annual percentage change of household borrowing in Sweden from 2002 through December 2016.

<sup>13</sup> Statistics Sweden, (Sw: Statistiska Centralbyrån, SCB), 2017-01-31, [www.scb.se](http://www.scb.se).

## Pace of household borrowing accelerates



Source: Statistics Sweden (SCB), data up to and including December 2016.

Higher real disposable incomes, low interest rates and growing asset prices stimulated private consumption in Sweden in 2016. Private consumption increased by 2.3 per cent during the three quarters ended September 30, 2016. This was lower than disposable income growth, however, so therefore the saving ratio increased in 2016. Gross fixed investment rebounded in the first half of 2016 but was unchanged in the third quarter due to weaker investments in the business sector. Investments increased strongly in the real estate sector, as well as in the public sector, mainly in the municipality sector.

In 2016, the inflation rate was below the Swedish Central Bank's inflation target of 2 per cent, but the trend was on track towards the target in the second half of 2016. In December 2016, the inflation rate was 1.7 per cent, as calculated with the consumer price index and 1.9 per cent, as calculated with the consumer price index with fixed interest rates. This is the highest level since December 2010. The rise in inflation was primarily due to higher energy prices and housing costs. The inflation expectation has gradually increased. However, inflation remains fragile and the Swedish Central Bank decided in December 2016 to extend quantitative easing to June 2017 with a high probability of further repo rate cuts. The decision was not unanimous.

Sweden accounted for 79 per cent of the Group's total income for the year ended December 31, 2016.

Rate of GDP growth in Sweden for the following periods was:<sup>14</sup>

	2016	2015	2014
Sweden .....	3.2%	3.8%	2.7%

### 8.2.4 The Baltic Countries<sup>15</sup>

Growth in the Baltic countries decelerated in 2016, mainly as a result of weaker external demand; the Baltics are largely dependent on exports. Subdued growth in the export sector was partly off-set

<sup>14</sup> Statistics Sweden (SCB), 2016-11-31, [www.scb.se](http://www.scb.se) and Swedbank Economic Outlook, January 2017.

<sup>15</sup> GDP and inflation figures from Statistics Estonia, Statistics Latvia and Central Statistical Bureau of Lithuania, respectively.

by stronger domestic demand. Private consumption was the major growth engine in all the Baltic countries and was stimulated by a stronger labour market and higher wages. The decline in inflation increased households' disposable income in real terms. Latvia experienced the lowest inflation rate, followed by Lithuania and Estonia. Among the Baltic countries, Lithuania had the highest annual growth rate in the third quarter of 2016, of 1.7 per cent, while Latvia had the lowest rate of 0.3 per cent. Estonia had a growth rate of 1.3 per cent. Inflation rates rose in all countries due to higher prices on energy and food products. The Baltic countries accounted for 18 per cent of the Group's total income for the year ended December 31, 2016. Latvia and Lithuania reported net recoveries of SEK 10 million and SEK 76 million in 2016, while Estonia reported credit impairments of SEK 54 million, related to a few customers.

In 2015, the Group reported net recoveries of SEK 228 million in Latvia, while Estonia and Lithuania reported credit impairments of SEK 37 million and SEK 22 million respectively, related to a few customers.

The Group recorded net recoveries in all three of the Baltic countries in 2014, with Latvia accounting for recoveries of SEK 106 million, Lithuania for SEK 49 million and Estonia for SEK 29 million.

Rate of GDP growth (contraction) in the Baltic countries for the following periods:<sup>16</sup>

	2016	2015	2014
Estonia .....	1.2%	2.2%	2.8%
Latvia .....	1.6%	2.9%	3.1%
Lithuania.....	2.0%	2.8%	2.5%

### 8.2.5 Interest Rates

Fluctuations in short- and medium- to long-term interest rates impact the Group's net interest income differently based upon the re-pricing profile of the Group's interest-earning assets and interest-bearing liabilities, which are set forth in the notes to the audited consolidated financial statements incorporated by reference in this Base Prospectus (see note G8 in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2016). The Group's re-pricing profile depends upon the pricing terms applicable to its products (including base interest rates and yield curves), the mix of funding and lending instruments in the Group's portfolio and the extent of the Group's use of interest-related derivatives. As a general matter, low interest rate levels have a negative impact on the Group's profitability, since current accounts with a zero per cent interest rate generate a relatively low margin of income in a low interest rate environment. However, the Group's re-pricing profile is to an extent characterised by a higher level of short-term liabilities than short-term assets.

In 2016, the Group's net interest income improved, benefiting from higher lending volumes, and increased margins on Swedish mortgages, which offset lower deposit margins, which led to an increase of SEK 671 million, or 3 per cent, to SEK 23,664 million in the Group's net interest income for 2016, from SEK 22,993 million in 2015. Net interest income increased within Swedish Banking. Lower market interest rates adversely affected deposit margins, while increased lending volumes and higher mortgage margins contributed positively. Net interest income in Sweden increased from SEK 17,767 million in 2015 to SEK 18,314 million in 2016, which is an increase of SEK 547 million, or 3 per cent. Net interest income increased within Baltic Banking mainly as a result of higher lending volumes, including the loan portfolio acquired from Danske Bank, lower deposit guarantee fees and somewhat higher mortgage margins. Net interest income decreased within LC&I due to lower lending margins. Stability fund fees reduced net interest income by SEK 646 million.

<sup>16</sup> GDP and inflation figures from Statistics Estonia, Statistics Latvia and Central Statistical Bureau of Lithuania, preliminary outcome for 2016; Swedbank Economic Outlook, January 2017.

In 2015, Group Treasury's net interest income improved, benefiting from falling market interest rates, which led to an increase of SEK 351 million, or 2 per cent, to SEK 22,993 million in the Group's net interest income for 2015, from SEK 22,642 million in 2014. Net interest income increased somewhat within Swedish Banking. Lower market interest rates adversely affected deposit margins, while increased lending volumes and higher mortgage margins contributed positively. Higher stability fund fees reduced net interest income by SEK 64 million. Net interest income in Sweden increased from SEK 17,456 million in 2014 to SEK 17,767 million in 2015, which is an increase of SEK 311 million, or 2 per cent. Net interest income increased within Baltic Banking mainly as a result of changes in exchange rates. Net interest income decreased within LC&I due to lower deposit margins. Higher stability fund fees reduced net interest income by SEK 64 million, while fluctuations in exchange rates increased net interest income by SEK 81 million.

For more information relating to interest rate risk management see "Risk Management – Market Risks – Interest Rate Risk".

#### **8.2.6 Exchange Rates**

The Group has a policy to not hedge foreign exchange exposures associated with goodwill related to the holdings of foreign (non-SEK) entities. However, negative exchange rate changes from those exposures would not be reported in the consolidated income statement or affect the Group's CET 1 capital. Those foreign exchange exposures would be recognised as other comprehensive income.

Changes in exchange rates raised the Group's profit by SEK 52 million.

Changes in exchange rates, primarily the depreciation of the Swedish Krona against the Euro during 2015, raised the Group's profit by SEK 16 million.

For more information relating to exchange rate risk management, see "Risk Management – Market Risks – Currency Risk".

#### **8.2.7 Equity Capital Markets**

Net commission in Asset Management and Insurance is directly impacted by fluctuations in global equity capital markets, as well as the value of assets under management. The Group's net commission income for the year ended December 31, 2016 was stable at SEK 11,333 million, compared to SEK 11,199 million for the year ended December 31, 2015. Asset management commissions were stable in 2016. Higher average assets under management due to higher share prices during the year contributed positively, while price cuts on fund fees had a negative effect.

Volatility in stock prices is expected to continue to have a significant effect on the Group's results of operations. A decline in stock market prices by 10 per cent would have reduced the Group's net commission by SEK 276 million in the year ended December 31, 2016 and SEK 327 million in the year ended December 31, 2015.

### **8.3 Funding**

In 2016, the financial crisis in Europe improved due to actions of European central banks, although southern European countries are still highly indebted, which is a continued risk to the stability of and growth in the Eurozone. Swedbank experienced continued strong demand from debt investors internationally and its investor base has been further strengthened by increased interest from investors in Asia and the United States. Management believes that Swedbank's favourable liquidity position, which to some extent reduces its need for refinancing, together with its high capital ratio

and solid profitability, has resulted in tighter credit spreads and further improved funding costs during the year.

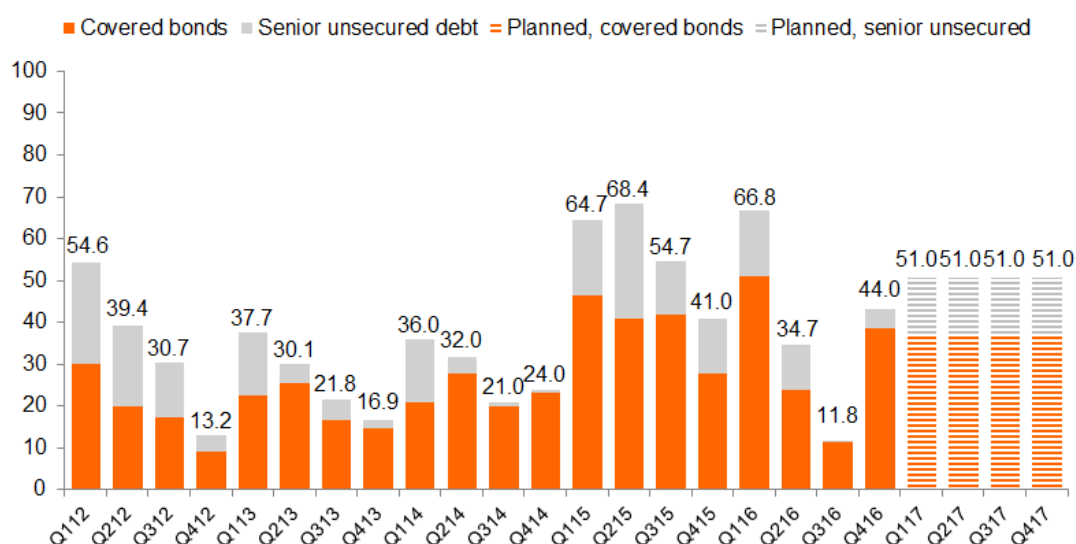
Swedbank's funding strategy is based on the structure of its assets. More than half of its lending consists of Swedish mortgages, which are primarily financed through covered bonds. Swedbank is one of the leading savings banks in its home markets. Deposit volumes, together with covered bonds and shareholder equity, nearly cover Swedbank's total funding requirements. Therefore, management believes that Swedbank has a limited structural need for senior unsecured funding. Swedbank's funding strategy is also closely linked to the credit quality of the assets on its balance sheet. One of Swedbank's areas of focus for managing liquidity risk is to ensure that it maintains high quality lending activities. Swedbank strives to match unsecured funding against assets of an equivalent amount and maturity.

The Group's share of unsecured funding is mainly determined by its liquidity needs and the buffer it wants to maintain in its cover pool in the form of overcollateralisation in order to withstand fluctuations in housing prices. Looking forward, one driver for issuance of senior unsecured debt is Swedbank's MREL requirement, although this is still to be finalised by the SNDO. Management believes that both the Group and Swedbank Mortgage have a well-diversified investor base.

The average maturity profile for all wholesale funding, including both short- and long-term funding programmes, has increased. The average maturity for all capital market funding arranged through the Group's short- and long-term programmes was 33 months as of December 31, 2016, 31 months as of December 31, 2015 and 27 months as of December 31, 2014.

The following table shows funding issuance and funding requirements from the first quarter of 2012 through the first quarter of 2017.

SEK billion



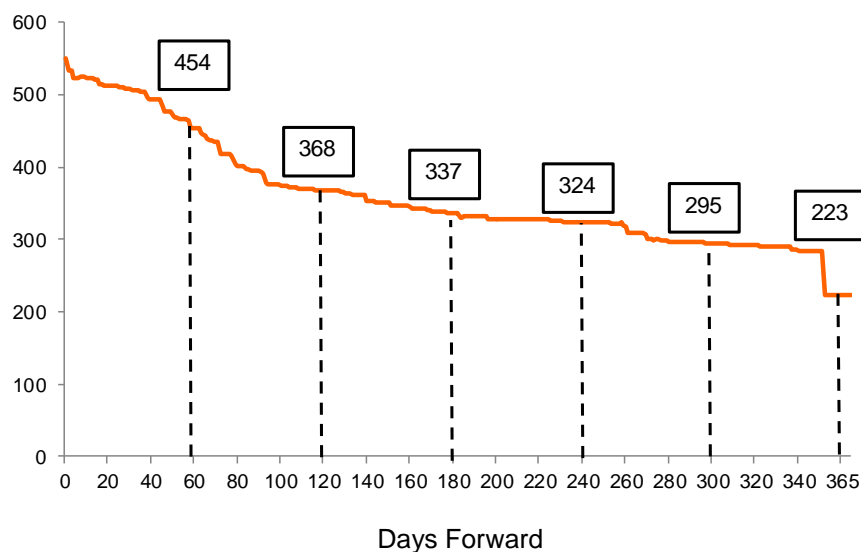
Source: Swedbank interim reports.<sup>17</sup>

The table below shows Swedbank's survival horizon which represents the number of days with positive cumulative net cash flows taking into consideration the Group's future contractual cash flows and assuming

<sup>17</sup> Information provided for Q117-Q417 reflects anticipated funding need, whereas previous periods reflect actual funding issuance.

no access to wholesale funding markets. The survival horizon is hence considered as a base stress scenario.

SEK billion



Source: Swedbank Interim reports and internal funding plan 2017.

#### 8.4 Valuation of Financial Instruments at Fair Value

The Group recognises certain of its assets and liabilities at fair value. The value of these assets and liabilities has fluctuated in the past and are expected to fluctuate in the future, which may have a direct impact on the Group's results of operations and the structure of its balance sheet. The fair value of financial instruments is determined based on quoted market prices in an active market and a significant portion is determined based on adjusted, quoted price or valuation models with valuation parameters derived from an active market. Fair value for a financial asset or financial liability in an active market is the current bid or offer price times the number of units of the instrument held. Where a trading portfolio contains both financial assets and financial liabilities which are derivatives of the same underlying instrument, fair value is determined by valuing the gross long and short positions at current mid-market prices, with an adjustment at portfolio level to the net open long or short position to amend the valuation to bid or offer prices.

When such market prices are not available, generally accepted valuation models such as discounting of future cash flows are used. The valuation models are based on observable market data, such as quoted prices on active markets for similar instruments or quoted prices for identical instruments on inactive markets.

For loans measured at fair value where observable market data on the credit margin are not available at the time of measurement, the Group uses the credit margin for the most recent transaction with the same counterparty.

The table below shows financial instruments carried at fair value as of December 31, 2016, by valuation method.

SEK million	As of December 31, 2016			
	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>	Total
<b>Assets</b>				
Treasury bills and other bills eligible for refinancing with central banks, etc. ....	16,740	5,429	—	22,169
Loans to credit institutions .....	—	852	—	852
Loans to the public .....	—	190,512	—	190,512
Bonds and other interest-bearing securities .....	42,650	28,183	—	70,833
Shares and participating interest .....	23,604	135	158	23,897
Financial assets for which the customers bear the investment risk .....	160,115	—	—	160,115
Derivatives .....	138	87,608	65	87,811
<b>Total</b> .....	<b>243,247</b>	<b>312,719</b>	<b>223</b>	<b>556,189</b>
<b>Liabilities</b>				
Amounts owed to credit institutions .....	—	13	—	13
Deposits and borrowings from the public .....	—	10,892	—	10,892
Debt securities in issue .....	3,270	19,830	—	23,100
Financial liabilities for which the customers bear the investment risk .....	—	161,051	—	161,051
Derivatives .....	75	85,514	—	85,589
Short positions securities .....	11,614	—	—	11,614
<b>Total</b> .....	<b>14,959</b>	<b>277,300</b>	<b>—</b>	<b>292,259</b>

Note:

<sup>1</sup> Level 1 – Financial assets and financial liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. This category includes, for example, Treasury bills and listed shares.

<sup>2</sup> Level 2 – Financial assets and financial liabilities valued using observable prices or the value is directly linked to certain asset values. This category includes, for example, less liquid bonds, loans to the public and deposits.

<sup>3</sup> Level 3 – Financial assets and financial liabilities valued using reasonable assumption such as a comparison with similar counterparties where there is an observable quote. This category includes, for example, corporate bonds and securities in issue.

## 8.5 Critical Accounting Policies and Estimates

The Group's accounting policies are integral to understanding the financial condition and results of operations presented in the consolidated financial statements and the related notes thereto. The Group's significant accounting policies applied in the financial statements are described in note G2 'Accounting policies' in the audited consolidated financial statements of the Group as of and for the years ended December 31, 2016 and 2015 which are incorporated by reference in this Base Prospectus.

The preparation of financial statements requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reported period. On an ongoing basis, the Group's management evaluates its estimates and judgements, including those related to fair value of financial instruments, allowance for impairment of loans and receivables and impairment of intangible assets. Management bases its estimates and judgements on historical experience and on various other factors that are assessed to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

## 8.6 Valuation of Financial Instruments

The Group's financial instruments are divided into four valuation categories: fair value through profit and loss, loans and receivables, held-to-maturity investments and other financial liabilities. All financial instruments are initially recognised at fair value, which generally corresponds to cost. Subsequent measurement is based on the category under which the financial instruments are accounted for.

The fair value of financial instruments designated at fair value through the profit and loss is re-measured at each balance sheet date. The fair value of financial instruments is determined based on quoted market prices. When quoted such prices are not available, generally accepted valuation models such as discounting of future cash flows are used. Such valuations are based on observable market data, such as quoted prices on active markets for similar instruments or quoted prices for identical instruments on inactive markets. For loans measured at fair value where observable market data on the credit margin are not available at the time of measurement, the credit margin for the most recent transaction with the same counterparty is used. Changed market conditions could result in a significant impact in future periods.

Loans and receivables are initially recognised at fair value. At each balance sheet date, these assets are assessed for potential indicators of impairment; see “– Credit Impairments and Provisioning Levels”.

In addition, the Group categorises certain financial instruments as “held to maturity investments”. These instruments have fixed maturities, are not derivatives and were at initial recognition quoted on an active market. These investments are initially recognised on their trade day at cost and subsequently at amortised cost less any impairment. The Group accounts for these instruments using the same methods as described above in respect of loans and receivables.

## **8.7 Credit Impairments and Provisioning Levels**

Receivables measured at amortised cost are tested if loss events have occurred. Individual loans are tested initially, followed by groups of loans with similar credit terms and which are not identified individually. A loss event refers to an event that occurred after the loan was paid out and which has a negative effect on projected future cash flows. Determining loss events for groups of loans carries greater uncertainty, since a number of different events, such as macroeconomic factors, may have had an impact. Loss events include late or non-payments, concessions granted due to the borrower’s financial difficulties, bankruptcy or other financial reconstructions, and local economic developments tied to non-payments, such as an increase in unemployment or decreases in real estate or commodity prices.

Where a loss event has occurred, individual loans are classified as impaired loans. Loans whose terms have been significantly changed due to the borrower’s economic difficulties, and loans that have been non-performing for more than 90 days, should automatically be treated as impaired. Such a loan is not considered impaired if there is collateral which covers the capital, accrued and future interest and redundant fees by a satisfactory margin. When a loss event has occurred, a determination is made at the time the loan’s cash flow will be received and its probable size. For impaired loans, interest is not considered to be received, only capital or portions thereof. Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms.

The Group determines first whether there is objective evidence for the impairment of each individual loan. Loans for which such evidence is lacking are included in portfolios with similar credit risk characteristics. These portfolios are subsequently measured collectively in the event objective evidence of impairment exists. Any impairment is then calculated for the portfolio as a whole. Homogenous groups of loans with limited value and similar credit risk that have been individually identified as having objective evidence of impairment are measured individually based on the loss risk in the portfolio as a whole. For groups of loans, estimates are based on historical values and experience-based adjustments to the current situation. Provisions for impaired loans are made on the difference between estimated value, i.e. estimated future cash flows discounted by the loan’s original effective interest rate, and carrying amounts according to contractual cash flows.



Assumptions about when a cash flow will be received as well as its size determine the size of the provisions. Decisions on provisions are therefore based on various calculations and management's assumptions of current market conditions. Management is of the opinion that provision estimates are important because of their significant size as well as the complexity of making these estimates.

Loan impairments are recognised through profit or loss as credit impairments, which are done either as provisions for individually impaired loans, portfolio provisions or write-offs of impaired loans. Repayments of write-offs and recovery of provisions are recognised within credit impairments. If impairment decreases in subsequent periods, previously recognised impairment losses are reversed. Loans are never recognised at a value higher than what the amortised cost would have been if the impairment had not occurred. The carrying amount of loans is amortised cost less write-offs and provisions. Provisions for estimated losses on guarantees and other contingent liabilities are recognised on the liability side.

Oil prices were stable during the fourth quarter of 2016, but the major oil companies are still reluctant to invest. Swedbank continues to follow developments carefully and maintains a close dialogue with impacted customers in oil-related sectors. Restructuring work is proceeding according to plan. During the fourth quarter of 2016 one restructuring process was deemed to be too weak, and consequently, the Group allocated a provision for anticipated credit impairment.

During 2015 and 2016, the economic conditions in the Baltic countries stabilised and improved. The Group's provisions for loans in the Baltic operation therefore decreased during 2016 from SEK 1,553 million as of December 31, 2015 to SEK 1,347 million as of December 31, 2016. The decrease in provisions is based on the losses that management assumed were likely according to the economic outlook at the time such assumptions were made. Impaired loans, gross, decreased in the Baltic operations during 2016 from SEK 3,198 million as of December 31, 2015 to SEK 2,648 million as of December 31, 2016. The Group's portfolio provision for loans that are not classified as impaired increased during 2016 from SEK 957 million as of December 2015 to SEK 1,048 million as of December 31, 2016.

Provisions for loans, less amounts released and recoveries of amounts written off in previous years are charged to the line item credit impairment in the income statement. The provisions are deducted from the loans to credit institutions and the loans to the public line items on the balance sheet.

## **8.8 Goodwill Impairment**

Goodwill is the excess cost of an acquisition over the fair value of its net assets. Goodwill is not amortised but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, goodwill is allocated to each cash-generating unit or group of cash-generating units. Testing is conducted by calculating the recoverable amount, i.e. the higher of value in use or the realisable value. If the recoverable amount is lower than the carrying amount, the asset is reduced to its recoverable amount. The Group's tests are done by calculating value in use. The calculation is based on estimated future cash flows from the cash-generating unit that the goodwill relates to and has been allocated to as well as when the cash flows are received. The first three years' cash flows are determined on the basis of the financial plans management has established. Subsequent determinations of the size of future cash flows require more subjective estimates of future growth, margins and profitability levels. In addition, a suitable discount rate is determined that in addition to reflecting the time value of money also reflects the risk that the asset is associated with. As far as possible, the discount rate and assumptions, or portions of the assumptions, are based on external sources. Nevertheless, the calculation is dependent in large part on management's own assumptions.

The Group's goodwill amounted to SEK 12,408 million as of December 31, 2016, of which SEK 9,701 million relates to the investment in the Baltic operations. As of the end of 2016, the impairment tests did not result in any impairment.

Impairment tests include an assessed required Tier 1 capital ratio. At the end of 2016, 2015 and 2014, the required Tier 1 capital ratio was 14 per cent.

The estimates that Management has made are significant to the Group's results and financial position. However, goodwill impairment does not affect either cash flow or the capital adequacy ratio, since goodwill is a deduction in the calculation of the capital base. During 2001, 60 per cent of the Baltic operations were acquired. In 2005 the remaining 40 per cent was acquired. The majority, or SEK 10,352 million, of the goodwill before impairment losses as of December 31, 2011, arose through the acquisition of the remaining non-controlling interest and at the time corresponded to 40 per cent of the operation's total value. Even if the discount rate as of December 31, 2016 had been increased by one percentage point or the growth assumption had been reduced by one percentage point it would not have created any impairment losses in the Baltic banking operation.

Impairment tests on goodwill and other intangible assets are performed at least once a year and whenever there are indications of impairment of any such asset. The impairment tests are made for each cash-generating unit, which means that the goodwill is tested for each Baltic country separately.

## **8.9 Pensions**

The Group operates defined benefit pension schemes as described in the consolidated financial statements. However, the schemes have been closed to new employees since the beginning of 2013. The assets of the schemes are measured at their fair values at the balance sheet date. The liabilities of the schemes are estimated by projecting the growth in current accrued pension benefits to reflect inflation and salary growth to the date of pension payment, discounted to present value using assumed discount rates. The valuation of the pension provision is based on actuarial valuations. The pension liability amounted to SEK 1,406 million as of December 31, 2016.

The actuarial valuations used to estimate pension liability is based on a number of assumptions related to mortality, price inflation, discount rates, pension increases, and earnings growth which are based on past experience and current economic data, such as agreements between trade unions and employers.

These assumptions are highly susceptible to change from period to period, and any change in the assumption could result in a significant difference between the Group's estimates of the scheme liabilities and actual liabilities. Such a change in estimate could significantly alter the amount of the surplus or deficit recognised in the balance sheet and the pension cost charged to the profit and loss.

## **8.10 Accounting Presentation**

The Group adopted IFRS 10 on January 1, 2014, when it became effective for EU adoption. IFRS 10 replaces consolidation rules under IAS 27, Consolidated and Separate Financial Statements, and SIC 12, Consolidation-Special Purpose Entities. The new standard establishes a single definition of control that applies to all entities, including those that were previously considered special purpose entities under SIC 12. Control over another entity exists when the reporting company is capable of managing the relevant activities of such entity, is exposed or entitled to a variable return and is able to use its power over such entity to affect the return. The assessment of control is based on all facts and circumstances and the conclusion is reassessed if there is an indication that there have been

any changes in such facts and circumstances. In assessing requirements of the new standard, the Group considers that holdings in investment funds through unit-linked mutual insurance contracts do not result in a variable exposure, and therefore the Group does not have control over such investment funds.

According to the IFRS Interpretations Committee, negative yield on financial assets does not meet the definition of revenue under IAS 18, and should therefore not be presented as part of interest income. Accordingly, the same interpretation applies to negative yield on financial liabilities. During 2016, the negative yield amounts recognised within interest income and interest expense have become material to the Group. Therefore, the Group has changed the presentation of its income statement to present separate line items for negative yield on financial assets and negative yield on financial liabilities within net interest income. Amounts for 2015 have not been restated as they were not considered material.

### 8.11 Recent Developments

On January 9, 2017 Swedbank Fastighetsbyrå AB sold their shares in Hemnet Sverige AB for SEK 863 million, of which SEK 650 million was paid in cash at the time of the sale. At the time of the sale, the Group reported a tax-exempt capital gain of SEK 680 million in other income.

On February 22, 2017 it was announced that Swedbank's Board of Directors does not intend to make any claim for damages against the Swedbank's former CEO and former Chair, neither of whom was discharged from liability for the financial year 2015 by shareholders at the 2016 Annual General Meeting ("AGM").

### 8.12 Consolidated Income Statement

SEK million	For the year ended December 31,		
	2016	2015	2014
Interest income, including negative yield on financial assets.....	32,185	34,983	41,052
Interest expenses, including negative yield on financial liabilities.....	(8,521)	(11,990)	(18,410)
<b>Net interest income .....</b>	<b>23,664</b>	<b>22,993</b>	<b>22,642</b>
<b>Net commission income .....</b>	<b>11,333</b>	<b>11,199</b>	<b>11,204</b>
Net gains and losses on financial items at fair value ..	2,231	571	1,986
<b>Net insurance.....</b>	<b>754</b>	<b>708</b>	<b>581</b>
Share of profit or loss of associates .....	2,467	863	980
Other income.....	1,186	1,290	1,911
<b>Total income .....</b>	<b>41,635</b>	<b>37,624</b>	<b>39,304</b>
Staff costs .....	9,376	9,395	10,259
Other general administrative expenses.....	6,436	6,266	6,625
<b>Total general administrative expenses .....</b>	<b>15,812</b>	<b>15,661</b>	<b>16,884</b>
Depreciation/amortisation of tangible and intangible fixed assets.....	629	672	718
<b>Total expenses .....</b>	<b>16,441</b>	<b>16,333</b>	<b>17,602</b>
<b>Profits before impairments .....</b>	<b>25,194</b>	<b>21,291</b>	<b>21,702</b>
Impairments of intangible assets.....	35	254	1
Impairments of tangible assets .....	31	72	256
Credit impairments .....	1,367	594	419
<b>Operating profit .....</b>	<b>23,761</b>	<b>20,371</b>	<b>21,026</b>
Tax expense.....	4,209	4,625	4,301
Profit for the year from continuing operations.....	19,552	15,746	16,725
Profit for the year from discontinued operations, after tax .....	—	(6)	(262)
<b>Profit for the year.....</b>	<b>19,552</b>	<b>15,740</b>	<b>16,463</b>
Non-controlling interests .....	13	13	16

### 8.12.1 Interest Income

Consolidated interest income including negative yield on financial assets was SEK 32,185 million in 2016, compared to SEK 34,983 million in 2015. Lower market interest rates adversely affected interest income, while increased lending volumes and higher mortgage margins contributed positively in 2016. Interest rates on loans to the public decreased from 2.32 per cent on average in 2015 to 2.06 per cent on average in 2016 and interest rates on loans to credit institutions decreased from 0.31 per cent in 2015 to 0.07 per cent in 2016. Interest income on interest bearing securities decreased from SEK 1,237 million in 2015 to SEK 651 million in 2016. Other interest income and derivative interest income increased from SEK 898 million in 2015 to SEK 1,857 million in 2016, primarily due to increases in derivatives income.

Consolidated interest income was SEK 34,983 million in 2015, compared to SEK 41,052 million in 2014. Lower market interest rates adversely affected interest income, while increased lending volumes and higher mortgage margins contributed positively in 2015. Interest rates on loans to the public decreased from 2.95 per cent on average in 2014 to 2.32 per cent on average in 2015 and interest rates on loans to credit institutions decreased from 0.68 per cent in 2014 to 0.31 per cent in 2015. Interest income on interest bearing securities decreased from SEK 2,274 million in 2014 to SEK 1,237 million in 2015. Other interest income and derivative interest income increased from SEK 565 million in 2014 to SEK 898 million in 2015.

The components of interest income are set out below:

SEK million	For the year ended December 31,		
	2016	2015	2014
Loans to credit institutions .....	64	329	658
Loans to the public .....	30,845	33,144	38,741
Interest-bearing securities .....	651	1,237	2,274
Total interest-bearing assets.....	31,560	34,710	41,673
Derivatives .....	1,093	(27)	(199)
Other assets .....	764	925	764
Total assets .....	33,417	35,608	42,238
of which interest income reported in net gains/losses on financial items at fair value .....	1,232	625	1,186
<b>Interest income including negative yield on financial assets according to income statement .....</b>	<b>32,185</b>	<b>34,983</b>	<b>41,052</b>

### 8.12.2 Interest Expenses

Consolidated interest expenses including negative yield on financial liabilities were SEK 8,521 million in 2016, compared to SEK 11,990 million in 2015. In 2016 the interest expenses decreased as an effect of lower market interest rates. The stability fee decreased to SEK 646 million in 2016, compared to SEK 681 million in 2015.

Consolidated interest expenses were SEK 11,990 million in 2015, compared to SEK 18,410 million in 2014. In 2015 the interest expenses decreased as an effect of lower market interest rates. The stability fee increased to SEK 681 million in 2015, compared to SEK 616 million in 2014.

In 2016, the stability fee was replaced by a new Resolution Fund Fee. The Resolution Fund Fee will be implemented gradually and is expected to begin having a more significant impact in 2017.

SEK million	For the year ended December 31,		
	2016	2015	2014
Amounts owed to credit institutions.....	269	325	479
Deposits and borrowings from the public .....	1,100	1,256	3,191
Debt securities in issue.....	13,013	14,369	16,901

Subordinated liabilities.....	977	1,041	671
Interest-bearing liabilities.....	15,359	16,991	21,242
Derivatives.....	(7,638)	(5,688)	(2,866)
Other liabilities.....	689	748	695
Total liabilities.....	8,410	12,051	19,071
of which interest income reported in net gains/losses on financial items at fair value .....	(111)	61	661
<b>Interest expenses including negative yield on financial liabilities according to income statement.....</b>	<b>8,521</b>	<b>11,990</b>	<b>18,410</b>

### 8.12.3 Net Interest Income

Consolidated net interest income increased by 3 per cent to SEK 23,664 million in 2016, compared to SEK 22,993 million in 2015. The fee for state deposit guarantees decreased by SEK 97 million. Group net interest income improved, benefiting from higher lending volumes, and increased margins on Swedish mortgages, which offset lower deposit margins. Net interest income increased within Swedish Banking and Baltic Banking. Net interest income decreased within LC&I due to lower deposit margins. The stability fee decreased to SEK 646 million in 2016, compared to SEK 681 million in 2015.

Consolidated net interest income increased by 2 per cent to SEK 22,993 million in 2015, compared to SEK 22,642 million in 2014. The fee for state deposit guarantees decreased by SEK 41 million. Group Treasury's net interest income improved, benefiting from falling market interest rates. Net interest income increased slightly within Swedish Banking. Deposit margins, and therefore interest income, were adversely impacted by lower market interest rates, while increased lending volumes and higher mortgage margins contributed positively. Net interest income increased within Baltic Banking. Net interest income decreased within LC&I due to lower deposit margins. Changes in exchange rates also contributed to the increase of net interest income by SEK 81 million. The stability fee increased to SEK 681 million in 2015, compared to SEK 616 million in 2014.

### 8.12.4 Net Commissions

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Asset management.....	4,245	4,487	4,481
Payment processing.....	743	700	795
Cards .....	2,832	2,503	2,335
Lending.....	909	942	893
Brokerage.....	328	332	374
Corporate Finance.....	277	246	466
Life Insurance.....	472	467	285
Other .....	1,527	1,522	1,575
<b>Total .....</b>	<b>11,333</b>	<b>11,199</b>	<b>11,204</b>

Consolidated net commissions increased slightly to SEK 11,333 million in 2016, compared to SEK 11,199 million in 2015. Payment processing and card commissions contributed positively, while income from asset management and lending commissions fell. Asset management income decreased primarily due to lower average assets under management and because the fee reductions implemented in 2015 had full effect in 2016.

Consolidated net commissions decreased slightly to SEK 11,199 million in 2015, compared to SEK 11,204 million in 2014. Life insurance related income and card and lending commissions contributed positively, while income from corporate finance and payment commissions fell, the latter due to Lithuania's Euro transition and a positive one-off item of SEK 35 million in 2014. Asset management commissions were stable. Higher average assets under management due to higher share prices during the year contributed positively, while price cuts on fund fees had a negative effect.

### 8.12.5 Net Gains and Losses on Financial Items at Fair Value

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Valuation category, fair value through profit or loss</b>			
Net gains and losses on financial items at fair value .....	1,407	1,086	55
Other financial instruments .....	(861)	(1,614)	461
Valuation category, fair value through profit or loss.....	(52)	(57)	8
Ineffective part in hedging of net investments in foreign operations .....	—	—	15
Financial liabilities valued at amortised cost.....	(414)	(803)	(2)
Loan receivables at amortised cost.....	142	194	170
Trading related interest.....	1,343	565	526
Change in exchange rates .....	666	1,200	753
<b>Total .....</b>	<b>2,231</b>	<b>571</b>	<b>1,986</b>

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Distribution by business purpose</b>			
Financial instrument for trading related business .....	2,694	2,054	2,423
Financial instrument intended to be held until contractual maturity.....	(463)	(1,483)	(437)
<b>Total .....</b>	<b>2,231</b>	<b>571</b>	<b>1,986</b>

Consolidated net gains on financial items at fair value increased to SEK 2,231 million in 2016, compared to SEK 571 million in 2015. The increase was mainly due to improved net gains and losses on financial items within Group Treasury and the sale of Visa Europe. The increase from SEK 1,892 million to SEK 2,068 million in net gains and losses on financial items at fair value within LC&I was mainly due to trading in equity and corporate bonds.

Consolidated net gains on financial items at fair value decreased by 71 per cent to SEK 571 million in 2015, compared to SEK 1,986 million in 2014. The decrease was mainly due to a lower result in Group Treasury within Group Functions & Other caused by negative valuation effects from covered bond repurchases and increased credit spreads. The increase from SEK 55 million to SEK 1,086 million in net gains and losses on financial items at fair value within LC&I was mainly due to interest-bearing instruments and interest-related derivatives.

### 8.12.6 Net Insurance

Net insurance increased by 6 per cent in 2016 from SEK 708 million in 2015 to SEK 754 million in 2016. The increase was mainly attributable to higher premiums in non-life insurance operations.

Net insurance increased by 22 per cent in 2015 from SEK 581 million in 2014 to SEK 708 million in 2015. The increase was mainly attributable to higher premiums in non-life insurance operations.

### 8.12.7 Share of Profit or Loss in Associates

The consolidated share of profit in associates increased to SEK 2,467 million in 2016, compared to SEK 863 million in 2015, primarily due to the sale of Visa Europe.

The consolidated share of profit in associates decreased by 12 per cent to SEK 863 million in 2015, compared to SEK 980 million in 2014, primarily as a result of lower share of profit from the associated company, EnterCard.

### 8.12.8 Other Income

Consolidated other income includes capital gains and losses on the sale of ownership interests in subsidiaries and associates to the extent they do not represent an independent service line or a

significant business conducted within a geographical area. Other income also includes capital gains and losses on the sale of tangible assets.

Consolidated other income decreased by 8 per cent to SEK 1,186 million in 2016 compared to SEK 1,290 million in 2015, primarily due to a smaller property portfolio and less sales activity.

Consolidated other income decreased by 32 per cent to SEK 1,290 million in 2015 compared to SEK 1,911 million in 2014, primarily due to a purchase gain of SEK 461 million recognised on the acquisition of Sparbanken Öresund in 2014. A significantly smaller property portfolio and less sales activity negatively affected other income in 2015.

### **Staff Costs**

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Salaries and Board fees .....	5,840	5,757	5,952
Compensation through shares in Swedbank AB .....	377	414	459
Social insurance charges.....	1,933	1,890	2,129
Pension costs .....	783	937	1,046
Training costs .....	117	105	127
Other staff costs .....	326	292	546
<b>Total .....</b>	<b>9,376</b>	<b>9,395</b>	<b>10,259</b>

Since July 1, 2010 Swedbank has paid parts of its variable remuneration in the form of shares. This remuneration is accrued as an expense until the shares are settled. As a result, variable remuneration allocated to employees during the period differs from the recognised amount. The purpose of the programme is to build long-term commitment among employees through deferred remuneration in the form of shares.

Consolidated staff costs decreased to SEK 9,376 million in 2016 compared to SEK 9,395 million in 2015. In 2016 fixed staff costs increased by SEK 28 million compared to a decrease of SEK 731 million in 2015 and variable staff costs decreased to SEK 627 million, compared to SEK 674 million in 2015. The number of full-time positions increased by 168 positions in 2016. There was an increase of 35 positions in LC&I, an increase of 28 positions in Baltic Banking, an increase of 319 positions in Group Functions & Other and a decrease of 214 positions in Swedish Banking.

Consolidated staff costs decreased by SEK 864 million or 8 per cent to SEK 9,395 million in 2015 compared to SEK 10,259 million in 2014. In 2015 fixed staff costs decreased by SEK 731 million compared to an increase of SEK 748 million in 2014 and variable staff costs decreased to SEK 674 million, compared to SEK 807 million in 2014. The number of full-time positions decreased by 690 positions in 2015. There was an increase of 2 positions in LC&I, a decrease of 539 positions in Swedish Banking, a decrease of 67 positions in Baltic Banking and a decrease of 86 positions in Group Functions & Other.

### **Other Expenses**

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Expenses for premises .....	—	18	92
Rents, etc. ....	1,131	1,154	1,263
IT expenses.....	1,834	1,888	1,824
Telecommunications, postage .....	118	158	161
Consulting .....	314	310	408
Compensation to Savings banks .....	1,050	762	735
Other purchased services .....	708	617	635
Travel .....	226	190	218
Entertainment .....	51	54	59
Office supplies.....	103	108	109
Advertising, public relations, marketing.....	285	340	361

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Security transports, alarm systems .....	72	83	85
Maintenance.....	111	115	130
Other administrative expenses .....	302	356	358
Other operating expenses .....	131	113	188
<b>Total .....</b>	<b>6,436</b>	<b>6,266</b>	<b>6,625</b>

Consolidated other expenses increased by SEK 170 million, or 3 per cent, to SEK 6,436 million in 2016, compared to SEK 6,266 million in 2015, primarily due to higher costs relating to higher compensation to savings banks due to higher lending margins.

Consolidated other expenses decreased by SEK 359 million, or 5 per cent, to SEK 6,266 million in 2015, compared to SEK 6,625 million in 2014, primarily due to lower costs relating to rents, consultants and expenses for premises because of one-off expenses incurred in 2014 in relation to the move of the head office.

### **8.12.9 Depreciation and Amortisation**

Consolidated depreciation and amortisation decreased by 6 per cent to SEK 629 million in 2016, compared to SEK 672 million in 2015. This decrease is mainly attributable to the lower depreciation of equipment.

Consolidated depreciation and amortisation decreased by 6 per cent to SEK 672 million in 2015, compared to SEK 718 million in 2014. This decrease is mainly attributable to the lower depreciation of equipment.

#### **8.12.10 Impairment of Intangible Assets**

Impairment of intangible assets amounted to SEK 35 million in 2016, which is a decrease of SEK 218 million from 2015. The annual test in 2016 led to an impairment regarding internally developed software.

Impairment of intangible assets amounted to SEK 254 million in 2015, which is an increase of SEK 253 million from 2014, due to an IT system write-down within Group Products and the write-down of a previously acquired asset management assignment.

#### **8.12.11 Impairment of Tangible Assets**

Impairment of tangible assets amounted to SEK 31 million in 2016, a decrease of SEK 41 million from 2015. This is mainly attributable to a smaller property portfolio.

Impairment of tangible assets amounted to SEK 72 million in 2015, a decrease of SEK 184 million from 2014. This is mainly attributable to a smaller property portfolio.

#### **8.12.12 Credit Impairment**

Credit impairments amounted to SEK 1,367 million in 2016 compared to SEK 594 million in 2015. The increase in credit impairments are primarily attributable to increased provisions within LC&I for oil-related commitments, while Swedish and Baltic Banking reported net recoveries during the period.

Credit impairments amounted to SEK 594 million in 2015 compared to SEK 419 million in 2014. The increase in credit impairments are primarily attributable to a large provision for a single commitment



within Swedish Banking in the fourth quarter. LC&I reported lower credit impairments, while Baltic Banking reported additional recoveries.

The changes in provisions in the Baltics are based on the losses that Management assumed were likely according to the economic outlook at the time such assumptions were made.

#### **8.12.13 Tax Expense**

Consolidated operating profit amounted to SEK 23,761 million in 2016, compared to SEK 20,371 million in 2015. The consolidated tax expense recorded was SEK 4,209 million in 2016, compared to SEK 4,625 million in 2015, giving an effective tax rate of 17.7 per cent in 2016 and 22.7 per cent in 2015. The tax rate was lower in 2016 than in 2015 partly because the 2015 period was negatively affected by the tax effect of a one-off dividend from the Group's Estonian subsidiary and partly because 2016 was positively affected by the tax-exempt income from the sale of Swedbank's shares in Visa Europe through its membership in Visa Sweden and Visa Europe. The Group's effective tax rate is estimated to be 20-22 per cent in the medium term. The range has been raised from 19-21 per cent following the adoption by the Swedish parliament of a proposal to eliminate the tax deductibility of interest on certain subordinated loans.

Consolidated operating profit amounted to SEK 20,371 million in 2015, compared to SEK 21,026 million in 2014. The consolidated tax expense recorded was SEK 4,625 million in 2015, compared to SEK 4,301 million in 2014, giving an effective tax rate of 22.7 per cent in 2015 and 20.5 per cent in 2014. The effective tax rate in 2015 was affected by one-off items in our Estonian and U.S. operations and by a pending reduction in the corporate tax rate in Norway. As previously estimated, the effective tax rate is expected to be 19-21 per cent in the medium term.

#### **8.12.14 Profit Attributable to the Shareholders of Swedbank**

Consolidated profit for the year attributable to the shareholders of Swedbank in 2016 increased by 24 per cent to SEK 19,539 million, compared to SEK 15,727 million in 2015. This was mainly due to increased income connected to the sale of Visa Europe, improved net gains and losses on financial items within Group Treasury and higher net interest income, offset by increased credit impairments. Changes in exchange rates increased profit by SEK 52 million. The result for continuing operations was SEK 19,552 million in 2016, compared to SEK 15,746 million in 2015, and SEK 0 million for discontinued operations in 2016, compared to SEK (6) million in 2015. Return on equity was 15.8 per cent in 2016, compared to 13.5 per cent in 2015. The Group's cost/income ratio was 0.39 for the year ended December 31, 2016 and 0.43 for the year ended December 31, 2015.

Consolidated profit for the year attributable to the shareholders of Swedbank in 2015 decreased by 4 per cent to SEK 15,727 million, compared to SEK 16,447 million in 2014. This was mainly due to lower net gains and losses on financial items at fair value and a one-off tax expense in the second quarter of 2015. Income and expenses both decreased in 2015. Changes in exchange rates raised profit by SEK 16 million, mainly because the Swedish Krona depreciated on average against the Euro during 2015. The result for continuing operations was SEK 15,746 million in 2015, compared to SEK 16,725 million in 2014, and SEK (6) million for discontinued operations in 2015, compared to SEK (262) million in 2014. In 2014, SEK (223) million was reclassified in the income statement to wind down the Russian operations. Return on equity was 13.5 per cent in 2015, compared to 15 per cent in 2014, affected equally by a lower profit and a larger capital base. The Group's cost/income ratio was 0.43 for the year ended December 31, 2015 and 0.45 for the year ended December 31, 2014.

### 8.13 Results of Operations – Segmental Presentation

The segmental income statement data set out below does not include intra-group eliminations. The effects of Swedbank's ownership of Swedbank AS are included in Baltic Banking in the form of financial costs, Group goodwill and amortisation of the surplus value in the lending and deposits portfolios identified at the time of the acquisition in 2005.

Financial reporting is divided into four segments: Swedish Banking, Baltic Banking, LC&I and Group Functions & Other. The Swedish regions are included in Swedish Banking; Group Treasury, Group Savings, Group Lending & Payments and Group IT are included in Group Functions & Other.

The Russian and Ukrainian operations are reported as discontinued operations for the years 2015 and 2014.

SEK million	For the year ended December 31,		
	2016	2015	2014
<b>Swedish Banking</b>			
Net interest income.....	14,780	13,449	13,350
Net commissions .....	6,938	7,188	6,939
Net gains and losses on financial items at fair value .....	306	264	230
Share of profit or loss of associates .....	815	862	980
Other income.....	590	693	1,179
<b>Total income</b> .....	<b>23,429</b>	<b>22,456</b>	<b>22,678</b>
<b>Baltic Banking</b>			
Net interest income.....	3,994	3,558	3,496
Net commissions .....	2,074	2,052	1,956
Net gains and losses on financial items at fair value .....	220	202	239
Share of profit or loss of associates .....	—	—	0
Other income.....	524	4756	416
<b>Total income</b> .....	<b>6,812</b>	<b>6,287</b>	<b>6,107</b>
<b>Large Corporates &amp; Institutions</b>			
Net interest income.....	3,332	3,416	3,485
Net commissions .....	2,334	2,011	2,233
Net gains and losses on financial items at fair value .....	2,068	1,892	1,929
Share of profit or loss of associates .....	—	—	0
Other income.....	77	140	121
<b>Total income</b> .....	<b>7,811</b>	<b>7,459</b>	<b>7,768</b>
<b>Group Functions &amp; Other<sup>1</sup></b>			
Net interest income.....	1,558	2,570	2,311
Net commissions .....	(13)	(52)	76
Net gains and losses on financial items at fair value .....	(363)	(1,787)	(412)
Share of profit or loss of associates .....	1,652	1	0
Other income.....	749	690	776
<b>Total income</b> .....	<b>3,583</b>	<b>1,422</b>	<b>2,751</b>
<b>Consolidated total income</b>	<b>41,635</b>	<b>37,624</b>	<b>39,304</b>
Consolidated staff costs.....	9,376	9,395	10,259
Consolidated other expenses .....	6,436	6,266	6,625
Consolidated depreciations and amortisations .....	629	672	718
<b>Consolidated total expenses</b> .....	<b>16,441</b>	<b>16,333</b>	<b>17,602</b>
<b>Consolidated profit before impairments</b>	<b>25,194</b>	<b>21,291</b>	<b>21,702</b>
Impairment of intangible assets .....	35	254	1
Impairment of tangible assets .....	31	72	256
Credit impairments .....	1,367	594	419
<b>Consolidated operating profit</b> .....	<b>23,761</b>	<b>20,371</b>	<b>21,026</b>
Consolidated tax expenses.....	4,209	4,625	4,301
Profit from continuing operations .....	19,552	15,746	16,725
Profit for the period from discounted operations, after tax ..	0	(6)	(262)
<b>Consolidated profit for the year</b> .....	<b>19,552</b>	<b>15,740</b>	<b>16,463</b>

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Consolidated profit for the year attributable to Shareholders of Swedbank.....</b>	<b>19,539</b>	<b>15,727</b>	<b>16,447</b>
<b>Consolidated non-controlling Interests .....</b>	<b>13</b>	<b>13</b>	<b>16</b>

Note:

<sup>1</sup> Group Functions & Other includes eliminations.

For information on consolidated income statement data see "Consolidated Income Statement."

## **8.14 Assets and Liabilities**

### **8.14.1 Assets**

Total assets increased by SEK 5 billion from SEK 2,149 billion to SEK 2,154 billion between December 31, 2015 and December 31, 2016. The increase was mainly attributable to lending volumes which, excluding the National Debt Office and repos, increased by SEK 82 billion in 2016. This increase in lending volumes is primarily attributable to lending in Sweden of which SEK 43 billion was mortgages. The increase in total assets was offset by lower cash and balances with central banks, which decreased by SEK 65 billion. The decrease is mainly attributable to lower deposits with the US Federal Reserve and central banks in the Euro system.

Total assets increased by 1 per cent from SEK 2,121 billion to SEK 2,149 billion between December 31, 2014 and December 31, 2015. The increase was mainly attributable to higher deposits with the U.S. Federal Reserve and European Central Bank. Cash and balances with central banks rose by SEK 73 billion in 2015. Excluding the National Debt Office and repos, lending volumes increased by SEK 45 billion. The increase related to all home markets in local currency, with SEK 37 billion of the increase attributable to mortgages in Sweden. The market value of derivatives decreased on the asset side, mainly due to large movements in interest rates and currencies.

### **8.14.2 Liabilities**

Total liabilities decreased from SEK 2,026 billion to SEK 2,024 billion between December 31, 2015 and December 31, 2016. The decrease in total liabilities was mainly attributable to the decrease in amounts owed to credit institutions by SEK 79 billion during that period. Deposits and borrowings from the public increased by a total of SEK 45 billion between December 31, 2015 and December 31, 2016, primarily in the volumes from Swedish and Baltic private customers, while corporate deposits fell slightly. The increase in securities in issue was primarily due to higher issued volumes compared with repaid long-term securities funding of SEK 55 billion. Short-term securities funding decreased by SEK 17 billion as an effect of lower issued volumes compared with repaid funding.

Total liabilities increased by 1 per cent from SEK 2,004 billion to SEK 2,026 billion between December 31, 2014 and December 31, 2015. The increase in total liabilities was mainly attributable to the increase in borrowings from the public and deposits, mainly corporate deposits, which rose by a total of SEK 72 billion in 2015.

## **8.15 Liquidity and Capital Resources**

### **8.15.1 Funding and Liquidity Strategy**

Liquidity risk refers to the risk of not being able to meet payment obligations at maturity without significant increase in cost of obtaining means of payment (due to high borrowing costs or low prices when divesting assets).

In accordance with the Group's Board of Directors' (the "Board of Directors") liquidity risk framework, Group Treasury has the overall responsibility to centrally manage the Group's liquidity risks according to the principles and limits outlined by the Board of Directors and Chief Executive Officer (the "CEO").

Swedbank's funding strategy is based on the structure of its assets. More than half of Swedbank's lending consists of Swedish mortgages, which are primarily financed through covered bonds. Swedbank is one of the leading savings banks in its home markets. Deposit volumes, together with covered bonds and shareholder equity, nearly cover Swedbank's total funding requirements. This means that Swedbank has limited structural need for senior unsecured funding.

The share of unsecured funding is mainly determined by Swedbank's liquidity needs and the buffer it wants to maintain in its cover pool in the form of over-collateralisation in order to withstand fluctuations in housing prices. Looking forward, one driver for the issuance of senior unsecured debt is Swedbank's MREL requirement, although this is still to be finalised by the SNDO. During 2016, Swedbank increased its presence somewhat in the unsecured funding market, which has given it a larger share of senior funding in relation to covered bonds.

The main liquidity measure used by the Board of Directors and executive management is the survival horizon, which shows how long the Group can manage long periods of stress in capital markets in which access to new financing would be limited. As of December 31, 2016, the Group would be able to survive for more than 12 months without the need to access the capital markets. This applies to the Group's total liquidity as well as liquidity in U.S. dollar and Euro. This is an internally developed calculation which may not be comparable to similar measures published by other banks.

Swedbank's funding strategy is also closely linked to the credit quality of the assets in the balance sheet. One of Swedbank's focus areas for managing liquidity risk is to ensure that it retains high quality in all lending. Swedbank strives to match unsecured funding against assets of an equivalent amount and maturity.

The Board of Directors has also set a floor for the Group Treasury's liquidity portfolio. The portfolio needs to exceed a certain volume and has to be invested in liquid and pledgeable assets (not to be confused with the liquidity reserve, which, in addition to the liquidity portfolio, includes liquidity placed with central banks and in the overnight market). The minimum size of the liquidity portfolio is a complementary measure to the survival horizon, since it does not provide any information on how the liquidity portfolio is financed.

The liquidity risks are measured and reported daily through analyses of the Group's cumulated net financing requirement, based on daily contractual cash flows and the volume of liquid assets eligible for refinancing. These measures, showing the Group's expected future cash flows, provide important information for liquidity risk management and for the planning of the Group's funding. Impacts from non-contractual cash flows are measured through different simulations and stress tests.

Swedbank Management is of the opinion that the Group's working capital (i.e. its ability to access cash and other available liquid resources) is sufficient for it to meet its liabilities as they become due for a period of 12 months after the date of this Base Prospectus.

For more information regarding liquidity risk management, see "Risk Management — Liquidity Risk".

### 8.15.2 Sources of Funding

Swedbank uses a number of different funding programmes for its short and long-term funding, including programmes for commercial paper, certificates of deposit, covered bonds and senior unsecured debt.

In 2016, Swedbank issued one senior unsecured 144A series of bonds in the aggregate amount of U.S.\$1.25 billion under the senior unsecured bond programme under Rule 144A and Regulation S that it established in 2012.

During the last few years, Swedbank has issued high volumes of long-term funding and average maturities on all wholesale funding have been prolonged. Since 2013, Swedbank has had lower refinancing needs; this, in combination with unchanged high demand, lowered financing costs and allowed Swedbank to expand its investor base and deepen existing relationships.

The introduction of new capital adequacy rules increased issues of Additional Tier 1 capital by European banks. To optimise its capital structure, at the end of 2016 Swedbank issued a further U.S.\$500 million in Additional Tier 1 capital. In 2016, Swedbank issued lower volumes of long-term bonds than in 2015, mainly due to higher inflow of deposits and lower than anticipated loan volume growth. Swedbank's improved ratings contributed to further reduced funding costs. In 2016, Swedbank issued a total of SEK 160 billion in long-term debt, of which SEK 44 billion was issued in the fourth quarter, compared to issues of SEK 229 billion in 2015. Covered bond issues accounted for SEK 125 billion of the total in 2016. In 2017, Swedbank plans to issue approximately SEK 200 billion in debt instruments to meet maturing funding with a nominal value of SEK 166 billion and credit demand, mainly in Swedish mortgages. At December 31, 2016, outstanding short-term funding amounted to SEK 102 billion. At the same time, SEK 121 billion was placed with central banks.

The Group's liquidity reserve amounted to SEK 326 billion as of December 31, 2016, compared to SEK 364 billion as of December 31, 2015. The liquidity reserve and the Liquidity Coverage Ratio (the "LCR") fluctuate over time depending on, among other factors, the maturity structure of Swedbank's issued securities. As of December 31, 2016, the Group's LCR was 156 per cent for SEK (compared to 159 per cent as of December 31, 2015) and 160 per cent and 330 per cent, respectively, for USD and EUR. According to the Group's interpretation of the Basel Committee's latest recommendation (BCBS295) for the Net Stable Funding Ratio (the "NSFR"), as of December 31, 2016 Swedbank's NSFR was 108 per cent, compared to 107 per cent as of December 31, 2015. The improvement during the year was driven by increased long-term funding, which also reduced Swedbank's structural liquidity sensitivity. The table below shows the breakdown of the Group's different funding sources as of December 31, 2016:

<b>The Group</b> <b>SEK million, as of December 31, 2016</b>	<b>Total</b>
Amount owed to credit institutions .....	<b>71,831</b>
Deposits and borrowings from the public .....	<b>792,924</b>
Debt securities in issue .....	<b>841,673</b>
Subordinated liabilities .....	<b>27,254</b>
<b>Total .....</b>	<b>1,733,682</b>

### 8.15.3 Maturing Debt

As of December 31, 2016, the Group had external outstanding long-term issued debt amounting to nominal SEK 166 billion maturing in 2017, including maturing subordinated debt.

The maturity distribution of the Group's funding sources is reflected in the following table:

Maturity distribution of the Group, as of December 31, 2016:

SEK million	<3 mths	3 mths- 1yr	1-5 yrs	5-10 yrs	>10 yrs	Discount effect / no maturity	Total
Amount owed to credit institutions .....	68,620	2,938	267	6	—	—	71,831
Deposits and borrowings from the public.....	757,008	33,636	2,088	150	42	—	792,924
Debt securities in issue....	117,531	144,888	495,516	36,568	15,169	32,001	841,673
Subordinated liabilities.....	—	—	—	12,901	14,198	155	27,254
<b>Total .....</b>	<b>943,159</b>	<b>181,462</b>	<b>497,871</b>	<b>49,625</b>	<b>49,625</b>	<b>32,156</b>	<b>1,733,682</b>

Long-term funding with an original maturity of over one year had an average maturity of 38 months, of which 36 months for covered bonds and 27 months for senior funding.

#### 8.15.4 Deposits from the Public

The Group is among the market leaders in deposits in all of its home markets and its market shares have generally remained stable in all those markets during the last three years. As of December 31, 2016, the Group's total deposits and borrowings from the public amounted to SEK 793 billion. The Group's deposit base is largely stable but saw an increase during 2016 mainly due to negative rates/yields in other type of products.

#### 8.15.5 Covered Bonds

Swedbank Mortgage's lending to the public is financed through capital market borrowing, primarily covered bonds. Swedbank Mortgage is the sole issuer of covered bonds within the Group. Swedbank Mortgage is the market leading mortgage lender in Sweden with a market share of 25 per cent as of December 31, 2016 as measured in terms of lending to individual households and 25 per cent as of December 31, 2015.<sup>18</sup> Its more than one million customers include Swedish homeowners, businesses, tenant-owner associations, municipalities and agricultural and forestry businesses.

#### 8.15.6 Senior Unsecured Debt

As a further source of funding, the Group had outstanding senior unsecured debt amounting to approximately SEK 166 billion as of December 31, 2016 as compared to 154 billion as of December 31, 2015. The main purpose for the senior unsecured funding is to provide liquidity and to finance corporate lending.

#### 8.15.7 Interbank Funding

The Group's dependence on interbank funding is low. As of December 31, 2016, deposits and amounts owed to credit institutions amounted to SEK 72 billion, which was lower as compared to the previous year with SEK 150 billion as of December 31, 2015.

#### 8.15.8 Subordinated Debt Instruments

As a further source of funding, the Group had outstanding issued subordinated liabilities, mainly accounted as Tier 1 or Tier 2 capital for the purposes of capital adequacy, amounting to SEK 27 billion as of December 31, 2016. During 2016, no subordinated debt instruments were subject to optional redemption. In December 2016, the Group issued an Additional Tier 1 instrument of

<sup>18</sup> Statistics Sweden (Sw: Statistiska Centralbyrån, SCB), 2016-12-31, [www.scb.se](http://www.scb.se).

U.S.\$500 million. There are four upcoming call dates in 2017 relating to three Tier 2 and one Tier 1 Hybrid instruments.

## Capital Adequacy

The following table sets forth the consolidated capital adequacy data of the Group as of the dates indicated. The consolidated data for the Group excludes the data for the Group's insurance companies. EnterCard Holding AB, an affiliated joint venture entity, and its subsidiaries were included according to the proportional consolidation method.

Capital adequacy, the Group, SEK million	As of December 31,		
	2016	2015	2014
<b>Common Equity Tier 1 capital</b> .....	<b>98,679</b>	<b>93,926</b>	<b>87,916</b>
Additional Tier 1 capital .....	14,281	10,624	4,998
<b>Tier 1 capital</b> .....	<b>112,960</b>	<b>104,550</b>	<b>92,914</b>
Tier 2 capital .....	12,229	13,269	12,674
<b>Total capital</b> .....	<b>125,189</b>	<b>117,819</b>	<b>105,588</b>
<b>Risk exposure amount</b> .....	<b>394,135</b>	<b>389,098</b>	<b>414,214</b>
<b>Common Equity Tier 1 capital ratio, %</b> .....	<b>25.0</b>	<b>24.1</b>	<b>21.2</b>
<b>Tier 1 capital ratio</b> .....	<b>28.7</b>	<b>26.9</b>	<b>22.4</b>
<b>Total capital ratio, %</b> .....	<b>31.8</b>	<b>30.3</b>	<b>25.5</b>

Capital adequacy SEK million	As of December 31,		
	2016	2015	2014
Shareholders' equity according to the Group's balance sheet .....	129,515	123,163	117,203
Non-controlling interests .....	78	54	46
Anticipated dividend .....	(14,695)	(11,828)	(12,511)
Deconsolidation of insurance companies .....	96	(1,249)	(692)
Associated companies consolidated according to purchase method .....	—	—	—
Value changes in own financial liabilities .....	(2)	31	74
Cash flow hedges .....	(77)	(17)	103
Additional value adjustments <sup>1</sup> .....	(598)	(474)	—
Goodwill .....	(12,497)	(11,387)	(11,724)
Goodwill in significant investments .....	—	(710)	(710)
Deferred tax assets .....	(114)	(95)	(166)
Intangible assets .....	(1,601)	(1,438)	(1,698)
Net provisions for reported IRB credit exposures .....	(1,376)	(1,089)	(1,599)
Shares deducted from CET 1 capital .....	(50)	(42)	(410)
Defined benefit pension fund assets <sup>2</sup> .....	—	(993)	—
<b>Common Equity Tier 1 capital</b> .....	<b>98,679</b>	<b>93,926</b>	<b>87,916</b>
Tier 1 capital contributions .....	14,281	10,624	4,998
Shares deducted from Tier 1 capital .....	—	—	—
<b>Total Tier 1 capital</b> .....	<b>112,960</b>	<b>104,550</b>	<b>92,914</b>
Tier 2 capital .....	12,229	13,269	12,674
Net provisions for reported IRB credit exposures .....	—	—	—
Shares deducted from Tier 2 capital .....	—	—	—
<b>Total Tier 2 capital</b> .....	<b>12,229</b>	<b>13,269</b>	<b>12,674</b>
<b>Total capital</b> .....	<b>125,189</b>	<b>117,819</b>	<b>105,588</b>
Capital requirement for credit risks, standardised approach .....	3,800	3,823	4,295
Capital requirement for credit risks, IRB .....	21,478	20,801	21,988
Capital requirement for credit risk, default fund contribution .....	34	4	3
Capital requirement for settlement risks .....	0	1	2
Capital requirement for market risks .....	754	858	1,525
Capital requirement for credit value adjustment .....	424	594	579
Capital requirement for operational risks .....	4,972	5,047	4,745
Additional minimum capital requirement, Article 3 CRR 2016 69 2015 69 .....	—	—	—
<b>Capital requirement</b> .....	<b>31,531</b>	<b>31,128</b>	<b>33,137</b>
Risk exposure amount credit risks .....	316,407	307,856	328,574
Risk exposure amount settlement risks .....	0	7	30
Risk exposure amount market risks .....	9,419	10,730	19,059
Risk exposure amount credit value adjustment .....	5,297	7,422	7,241
Risk exposure amount operational risks .....	62,152	63,083	59,310

Additional risk exposure amount, Article 3 CRR

<b>Risk exposure amount</b> .....	<b>394,135</b>	<b>389,098</b>	<b>414,214</b>
<b>Common Equity Tier 1 capital ratio, %</b> .....	<b>25.0</b>	<b>24.1</b>	<b>21.2</b>
<b>Tier 1 capital ratio, %</b> .....	<b>28.7</b>	<b>26.9</b>	<b>22.4</b>
<b>Total capital ratio, %</b> .....	<b>31.8</b>	<b>30.3</b>	<b>25.5</b>

**Capital buffer requirement<sup>4</sup>, %**

CET 1 capital requirement including buffer requirements .....	11.0	10.7	7.0
of which minimum CET 1 requirement 2016 4.5 2015 4.5 .....			
of which capital conservation buffer .....	2.5	2.5	2.5
of which countercyclical capital buffer .....	1.0	—	—
of which systemic risk buffer .....	3.0	—	—
CET 1 capital available to meet buffer requirements <sup>3</sup> .....	20.5	19.6	16.4

**Capital adequacy Basel I floor**

<b>SEK million</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Capital requirement Based I floor .....	75,749	68,577	69,557
Own funds Basel 3 adjusted according to rules for Basel I floor <sup>4</sup> .....	126,565	118,908	107,187
<b>Surplus of capital according to Basel I floor</b> .....	<b>50,816</b>	<b>50,331</b>	<b>37,630</b>

*Notes:*

<sup>1</sup> Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair value positions.

<sup>2</sup> Net pension assets.

<sup>3</sup> Buffer requirement according to Swedish implementation of CRD IV.

<sup>4</sup> CET 1 capital ratio as reported, less minimum requirement of 4.5 per cent (excluding buffer requirements) and less any CET 1 items used to meet the Tier 1 and total capital requirements.

### 8.15.9 Basel III

On December 16, 2010, the Basel Committee published its final framework for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (the so-called "Basel III" framework). The CET 1 capital ratio according to requirements under Basel III is now fully phased-in in Sweden. CET 1 capital in relation to the risk exposure amount for Swedbank consolidated situation was 25.0 per cent as of December 31, 2016 and 24.1 per cent as of December 31, 2015.

CET 1 capital increased by SEK 4.8 billion to 98.7 billion as of December 31, 2016. This change is mainly attributable to earnings, net of proposed dividend. The change in the accounting for employee benefits (IAS 19), which came into force in 2013, creates volatility in the estimated pension liabilities and decreased CET 1 capital by approximately SEK 1.5 billion during 2016. Subordinated debt included in the total capital increased by SEK 2.6 billion, mainly as a result of Swedbank's issuance of U.S.\$500 million in an Additional Tier 1 instrument in December 2016.

The risk exposure amount (the "REA") increased during 2016 by SEK 5.0 billion to SEK 394.1 billion as of December 31, 2016, compared to SEK 389.1 billion as of December 31, 2015. Credit risk REA increased by SEK 9.4 billion during 2016. There was an increase in exposure, mainly in corporate and private mortgage exposures in Swedish Banking and LC&I, which raised REA for credit risks by SEK 15.6 billion, of which FX effects accounted for SEK 3.6 billion. Negative rating migrations increased REA by a total of SEK 0.2 billion. REA decreased by SEK 7.9 billion due to improved loss given default (LGD) levels resulting from higher property values for private residential properties and from improved processes for handling collateral values. Changes in exchange rates increased REA for credit risks by SEK 3.6 billion due to depreciation of the Swedish krona.

In 2016, the REA for credit valuation adjustment decreased by SEK 2.1 billion, mainly driven by decreased exposures. The REA for market risks decreased by SEK 1.4 billion in 2016. In 2016, the REA for operational risks decreased by SEK 0.9 billion compared with 2015, mainly due to



Swedbank's revenue being lower in the rolling three-year period. This affects the capital requirement for operational risks, which is calculated based on a rolling three-year average of revenues.

The Basel I floor is a back-stop for the lowest level of the capital base requirement, which was introduced in connection with the transition from Basel I to Basel II. The Basel I floor has been prolonged under the implementation of CRR in Sweden, which, together with CRD IV, implemented the Basel III framework. As a result, the Basel I floor remains in effect in Sweden in the same way, meaning that the total capital must exceed the 80 per cent capital requirement calculated according to Basel I. As of December 31, 2016 Swedbank's total capital was 167 per cent of the Basel I floor capital requirements, exceeding the Basel I floor capital requirement by SEK 50.8 billion.

Since 2014, Swedish banks have been required to report their leverage ratio to regulators, and a formal disclosure requirement was introduced in the first quarter of 2015. According to EU regulations, the measure is expected to be evaluated by the authorities prior to the possible introduction of a minimum leverage ratio requirement in 2018. The leverage ratio can be used to ensure a minimum capital level in relation to the size of the balance sheet. Swedbank's leverage ratio (according to CRR) was 5.4 per cent as of December 31, 2016.

#### 8.15.10 Swedish Capital Requirements Regulation

Minimum CET 1 capital requirements, implemented and proposed capital buffers and Pillar 2 capital requirements that Swedbank is required to meet are set out in the table below:

**Capital Requirements: Fully Implemented Buffers and Pillar 2 Requirements<sup>1</sup>**

	<b>CET 1</b>	<b>AT1</b>	<b>T2</b>	<b>Total Capital</b>
<b>Pillar 1</b>				
Minimum CET 1 Requirement.....	4.5%	1.5%	2.0%	8.0%
Systemic Buffer <sup>2</sup> .....	3.0%	—	—	3.0%
Capital Conservation Buffer.....	2.5%	—	—	2.5%
Countercyclical Buffer <sup>3</sup> .....	1.3%	—	—	1.3%
<b>Total.....</b>	<b>11.3%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>14.8%</b>
<b>Pillar 2<sup>4</sup></b>				
Mortgage Floor.....	6.6%	0.7%	0.9%	8.2%
Systemic Buffer.....	2.0%	—	—	2.0%
Individual Pillar 2 Charge.....	2.0%	0.3%	0.4%	2.7%
of which Interest rate risk in the banking book.....	0.7%	0.1%	0.1%	0.9%
of which Credit-related concentration risk.....	0.6%	0.1%	0.1%	0.8%
of which Adjustment to corporate risk weights (probability of default).....	0.5%	0.1%	0.1%	0.6%
of which Maturity floor for corporate exposures.....	0.2%	0.0%	0.0%	0.3%
of which Pension risk.....	0.0%	0.0%	0.0%	0.0%
of which Other.....	0.1%	0.0%	0.0%	0.1%
<b>Total.....</b>	<b>10.6%</b>	<b>1.0%</b>	<b>1.3%</b>	<b>12.9%</b>
<b>Capital Requirements.....</b>	<b>21.9%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>27.7%</b>

**Notes:**

<sup>1</sup> Swedbank's estimate based on SFSA's announced capital requirements, including fully implemented buffers and Pillar 2 requirements.

<sup>2</sup> Other systemically important institution buffer (O-SII buffer) entered into force on January 1, 2016. The higher of the systemic buffer and the O-SII buffer applies. The O-SII buffer is 2 per cent.

<sup>3</sup> The estimate is based on Swedbank's relevant exposures and the calculation takes into account all impending increases in the countercyclical buffer rates published by ESRB as of January 17, 2017, such as the impending increase in the Swedish countercyclical buffer value to 2.0 per cent in March 2017.

<sup>4</sup> Mortgage floor and systemic buffer as of December 31, 2016. The other Pillar 2 items as of December 31, 2016, according to the SFSA's September 30, 2016 SREP report in relation to REA as of December 31, 2016.

In 2014, the SFSA decided which capital requirements would apply to Swedish banks beyond the minimum level of 7 per cent Common Equity Tier 1 capital (including the mandatory capital conservation buffer of 2.5 per cent) in accordance with the EU rules. As of January 1, 2015 the four major Swedish banks are required to maintain a systemic risk buffer of 3 per cent in Common Equity

Tier 1 capital within the framework of Pillar 1 and a further 2 per cent within the framework of Pillar 2. The countercyclical buffer rate for Swedish exposures is was set to 1.0 per cent from September 13, 2015, was increased to 1.5 per cent from June 27, 2016, and is expected to be further increased to 2.0 per cent from March 19, 2017.

Due to the increase in the risk weight floor for the Swedish mortgage portfolio from 15 per cent in 2013 to 25 per cent in 2014 and the countercyclical buffer rate of 2.0 per cent from March 2017, Swedbank is required to maintain additional Common Equity Tier 1 capital of SEK 25.9 billion for Swedish mortgages within the framework of Pillar 2, corresponding to 6.6 percentage points of the Common Equity Tier 1 ratio according to Pillar 1. In its internal controls Swedbank allocates capital to its mortgage business equivalent to a 25 per cent risk weight floor.

Since 2015, the SFSA has, in the course of its SREP, used standardised methods for assessing capital requirements within the framework of Pillar 2 for credit-related concentration risk, interest rate risk in the banking book and pension risk.

The total capital requirement for Swedbank, calculated as of December 31, 2016 on the basis set out in the table above, is equivalent to a CET 1 capital ratio of 21.9 per cent and a total capital requirement amounting to 27.7 per cent. Swedbank's actual CET 1 ratio and total capital ratio as of December 31, 2016 were 25.0 per cent and 31.8 per cent, respectively. It is therefore expected that the Group has an adequate buffer above the fully implemented capital requirement to manage volatilities in capital and the REA.

#### 8.16 Off-Balance Sheet Obligations

The Group has no significant off-balance sheet obligations other than those entered into in the ordinary course of business.

#### 8.17 Cash Flow

The tables below show the composition of the Group's cash flow for the years ended December 31, 2016, 2015 and 2014.

SEK million	For the year ended December 31,		
	2016	2015	2014
Cash and equivalents at the beginning of the year.....	186,312	113,768	59,382
Cash flow from operating activities .....	(53,645)	70,932	8,930
Cash flow from investing activities .....	306	(2,270)	(5,071)
Cash flow from financing activities .....	(13,949)	5,228	48,661
<b>Cash flow for the year .....</b>	<b>(67,288)</b>	<b>73,890</b>	<b>52,520</b>
Exchange rate differences on cash and cash equivalents.....	2,323	(1,346)	1,866
Cash and cash equivalents in acquired companies.....	0	0	0
<b>Cash and equivalents at end of the year .....</b>	<b>121,347</b>	<b>186,312</b>	<b>113,768</b>

##### 8.17.1 Operating Activities

Cash flow from operating activities is based on operating profit for the relevant year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow included interest receipts of SEK 35,042 million in 2016 compared to SEK 35,870 million in 2015 and interest payments of SEK 6,314 million in 2016 compared to SEK 11,964 million in 2015. Cash flow included interest receipts of SEK 35,870 million in 2015 compared to SEK 42,445 million in 2014 and interest payments of SEK 11,964 million in

2015 compared to SEK 16,773 million in 2014. Capital interest is included in such interest payments and receipts.

### **8.17.2 Investing Activities**

Investing activities consist of purchases and sales of businesses and other fixed assets such as owner occupied properties, investment properties and equipment and strategic financial assets. Strategic financial assets refers to holdings of interest-bearing securities held to maturity and strategic shareholdings in companies other than subsidiaries and associates. In 2016, other tangible assets were acquired for SEK 451 million, compared to 446 million in 2015. Holdings and outflows of matured bonds amounted to SEK (252) million compared to SEK 2,575 million in 2015.

In 2016, Swedbank acquired all shares in the Lithuanian fund management company UAB Danske Bank Capital investiciju valdymas for SEK 21 million. Capital contributions of SEK 7 million were paid to Getswish AB.

In 2015, Svensk Fastighetsförmedling AB was divested for SEK 245 million and Swedbank Juristbyrå AB for SEK 1 million. Capital contributions of SEK 10 million were paid to Getswish AB.

In 2014, the Group acquired Sparbanken Öresund AB for SEK 2,918 million, including cash and cash equivalents of SEK 20 million. Moreover, in 2014 Färs och Frosta Sparbank AB was transitioned into Sparbanken Skåne AB, which included Sparebanken 1826 and branches acquired from Sparbanken Öresund AB. In connection with the transition, Swedbank invested SEK 265 million in a new share issuance and acquired existing shares for SEK 549 million. Swedbank's ownership interest in the new Sparbanken Skåne AB is 22 per cent.

In 2014, Swedbank sold SIA Ektornet Kr Valdemara 27/29 for SEK 140 million, Imoniy grupé ALITA for SEK 184 million, Inedahl HB and condominium title certificates for SEK 13 million and branches of Sparbanken Öresund AB to Sparbanken Skåne AB for SEK 913 million. Svensk Fastighetsförmedling AB was acquired in 2013 for SEK 254 million through a subsidiary of the Group, Swedbank Franchise AB.

### **8.17.3 Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and balances with central banks, which correspond to the balance sheet item "Cash and balances with central banks". Cash and cash equivalents in the statement of cash flow are defined according to IAS 7 and do not correspond to what the Group considers liquidity.

## 9. Capitalisation and Indebtedness

The following table sets forth the capitalisation of the Group as of December 31, 2016. The table should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements of the Group incorporated by reference in this Base Prospectus.

### 9.1 Capitalisation and Indebtedness

	As of December 31, 2016	Total capitalisation and indebtedness
	(SEK million)	(%)
<b>Liabilities</b>		
Commercial paper .....	102,226	10.2
Covered bonds .....	558,297	55.9
Senior unsecured bonds .....	166,160	16.6
Structure retail bonds .....	14,989	1.5
<b>Total debt securities</b> .....	<b>841,673</b>	<b>84.3</b>
Subordinated liabilities .....	27,254	2.7
<b>Equity</b> .....		
Restricted shareholder equity .....	55,021	5.5
Non-restricted shareholder equity .....	74,494	7.5
of which Profit for the year .....	19,539	2.0
Minority .....	190	0.0
<b>Total shareholder’s equity</b> .....	<b>129,705</b>	<b>13.0</b>
<b>Total capitalisation and Indebtedness</b> .....	<b>998,631</b>	<b>100.0</b>

## 10. Selected Statistical and Other Information

The information below is unaudited and derived from the unaudited financial records of Swedbank and should be read in conjunction with the Group's consolidated financial statements and accompanying notes incorporated by reference in this Base Prospectus, as well as with the section "Presentation of Certain Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

### 10.1 Distribution of Assets, Liabilities and Shareholders' Equity

#### 10.1.1 Average Balance Sheet Information and Information on Interest Rates

The following tables set forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, other assets and liabilities, the interest generated from such assets and liabilities and average annualised return rate at each date presented. Average balances were calculated on the basis of monthly data.

SEK million	As of December 31, 2016		
	Average balance	Interest income/expense	Average annual interest rate, %
<b>Assets</b>			
Loans to credit institutions .....	89,523	64	0.07
Loans to the public .....	1,497,557	30,845	2.06
Interest-bearing securities .....	161,071	651	0.40
<b>Total interest-bearing assets</b> .....	<b>1,748,151</b>	<b>31,560</b>	<b>1.81</b>
Derivatives .....	95,730	1,093	—
Other assets .....	530,049	764	—
<b>Total assets</b> .....	<b>2,373,930</b>	<b>33,417</b>	<b>1.41</b>
<i>Deduction of trading interests reported in net gains/losses on financial items at fair value</i> .....	—	1,232	—
<b>Interest income, including negative yield on financial assets, according to income statement</b> .....	<b>—</b>	<b>32,185</b>	<b>—</b>
<b>Liabilities</b>			
Amounts owed to credit institutions .....	154,798	269	0.17
Deposits and borrowings from the public .....	907,906	1,100	0.12
<i>of which deposit guarantee fees</i> .....	—	466	—
Debt securities in issue .....	876,536	13,013	1.48
<i>Subordinated liabilities</i> .....	23,567	977	4.15
<b>Interest-bearing liabilities</b> .....	<b>1,962,807</b>	<b>15,359</b>	<b>0.78</b>
Derivatives .....	80,177	(7,638)	—
Other liabilities .....	207,461	689	—
<i>of which government stabilisation fund fee</i> .....	—	646	—
<b>Total liabilities</b> .....	<b>2,250,445</b>	<b>8,410</b>	<b>0.37</b>
<b>Equity</b> .....	<b>123,445</b>	<b>—</b>	<b>—</b>
<b>Total liabilities and equity</b> .....	<b>2,373,930</b>	<b>8,410</b>	<b>0.35</b>
<i>deduction of trading interests reported in net gains/losses on financial items at fair value</i> .....	—	(111)	—
<b>Interest expense, including negative yield on financial liabilities, according to income statement</b> .....	<b>—</b>	<b>8,521</b>	<b>—</b>
<b>Net interest income</b> .....	<b>—</b>	<b>23,664</b>	<b>—</b>
<b>Net interest margin before trading interest is deducted</b> .....	<b>—</b>	<b>—</b>	<b>1.05</b>

SEK million	As of December 31, 2015		
	Average balance	Interest income/expense	Average annual interest rate, %
<b>Assets</b>			
Loans to credit institutions .....	105,694	329	0.31
Loans to the public .....	1,427,467	33,144	2.32
Interest-bearing securities .....	154,321	1,237	0.80
<b>Total interest-bearing assets</b> .....	<b>1,687,482</b>	<b>34,710</b>	<b>2.06</b>
Derivatives .....	113,836	(27)	—
Other assets .....	521,568	925	—
<b>Total assets</b> .....	<b>2,322,886</b>	<b>35,608</b>	<b>1.53</b>
<i>deduction of trading interests reported in net gains/losses on financial items at fair value</i> .....	—	625	—
<b>Interest income according to income statement</b> .....	<b>—</b>	<b>34,983</b>	<b>—</b>
<b>Liabilities</b>			
Amounts owed to credit institutions .....	161,529	325	0.20
Deposits and borrowings from the public .....	836,646	1,256	0.15
<i>of which deposit guarantee fees</i> .....	—	563	—
Debt securities in issue .....	889,297	14,369	1.62
<i>of which commissions for funding with state guarantee Subordinated liabilities</i> .....	24,191	1,041	4.30
<b>Interest-bearing liabilities</b> .....	<b>1,911,663</b>	<b>16,991</b>	<b>0.89</b>
Derivatives .....	85,000	(5,688)	—
Other liabilities .....	209,909	748	—
<i>of which stability fee</i> .....	—	681	—
<b>Total liabilities</b> .....	<b>2,206,572</b>	<b>12,051</b>	<b>0.55</b>
<b>Equity</b> .....	<b>116,314</b>	<b>—</b>	<b>—</b>
<b>Total liabilities and equity</b> .....	<b>2,322,886</b>	<b>12,051</b>	<b>0.52</b>
<i>deduction of trading interests reported in net gains/losses on financial items at fair value</i> .....	—	61	—
<b>Interest expense according to income statement</b> .....	<b>—</b>	<b>11,990</b>	<b>—</b>
<b>Net interest income</b> .....	<b>—</b>	<b>22,993</b>	<b>—</b>
<b>Net interest margin before trading interest is deducted</b> .....	<b>—</b>	<b>—</b>	<b>1.01</b>

<u>SEK million</u>	As of December 31, 2014		
	Average balance	Interest income/expense	Average annual interest rate, %
<b>Assets</b>			
Loans to credit institutions .....	96,699	658	0.68%
Loans to the public .....	1,314,650	38,741	2.95%
Interest-bearing securities .....	163,632	2,274	1.39%
<b>Total interest-bearing assets</b> .....	<b>1,574,981</b>	<b>41,673</b>	<b>2.65%</b>
Derivatives .....	85,186	(199)	—
Other assets .....	387,607	764	—
<b>Total assets</b> .....	<b>2,047,774</b>	<b>42,238</b>	<b>2.06%</b>
<i>deduction of trading interests reported in net gains/losses on financial items at fair value</i> .....	—	1,186	—
<b>Interest income according to income statement</b> .....	—	<b>41,052</b>	—
<b>Liabilities</b>			
Amounts owed to credit institutions .....	143,222	479	0.33%
Deposits and borrowings from the public .....	722,339	3,191	0.44%
<i>of which deposit guarantee fees</i> .....	—	604	—
Debt securities in issue .....	801,892	16,901	2.11%
<i>of which commissions for funding with state guarantee</i> .....	—	31	—
Subordinated liabilities .....	17,175	671	3.91%
<b>Interest-bearing liabilities</b> .....	<b>1,684,628</b>	<b>21,242</b>	<b>1.26%</b>
Derivatives .....	66,330	(2,866)	—
Other liabilities .....	186,863	695	—
<i>of which stability fee</i> .....	—	616	—
<b>Total liabilities</b> .....	<b>1,937,821</b>	<b>19,071</b>	<b>0.98%</b>
<b>Equity</b> .....	<b>109,953</b>	—	—
<b>Total liabilities and equity</b> .....	<b>2,047,774</b>	<b>19,071</b>	<b>0.93%</b>
<i>deduction of trading interests reported in net gains/losses on financial items at fair value</i> .....	—	661	—
<b>Interest expense according to income statement</b> .....	—	<b>18,410</b>	—
<b>Net interest income</b> .....	—	<b>22,642</b>	—
<b>Net interest margin before trading interest is deducted</b> .....	—	—	<b>1.13%</b>

### 10.1.2 Changes in Interest Income; Volume and Rates Analysis

The following tables set forth the effect of changes in the Group's interest income resulting from fluctuations in the average volumes and average yield rate at each date presented.

<u>SEK million</u>	December 31, 2016 compared to December 31, 2015		
	Increase/(decrease) due to changes		
	Average volume	Average interest	Net change
<b>Assets</b>			
Loans to credit institutions .....	(16,171)	(265)	(16,346)
Loans to the public .....	70,090	(2,299)	67,791
Interest-bearing securities .....	6,750	(586)	6,164
<b>Total interest-bearing assets</b> .....	<b>60,669</b>	<b>(3,150)</b>	<b>57,519</b>
Derivatives .....	(18,106)	1,120	(16,986)
Other assets .....	8,481	(161)	8,320
<i>of which interest income reported in net gains/losses on financial items at fair value</i> .....	—	(607)	(607)
<b>Interest income according to income statement</b> .....	<b>51,044</b>	<b>(2,798)</b>	<b>48,246</b>
<b>Liabilities</b>			
Amounts owed to credit institutions .....	(6,731)	(56)	(6,787)
Deposits and borrowings from the public .....	71,260	(156)	71,104
Debt securities in issue .....	(12,761)	(1,356)	(14,117)
Subordinated liabilities .....	(624)	(64)	(688)
<b>Interest-bearing liabilities</b> .....	<b>51,144</b>	<b>(1,632)</b>	<b>49,512</b>

December 31, 2016 compared to December 31, 2015			
Increase/(decrease) due to changes			
SEK million	Average volume	Average interest	Net change
Derivatives .....	(4,823)	(1,950)	(6,773)
Other liabilities.....	(2,448)	(59)	(2,507)
of which interest income reported in net gains/losses on financial items at fair value .....	—	172	172
<b>Interest expense according to income statement .....</b>	<b>43,873</b>	<b>(3,469)</b>	<b>40,404</b>

December 31, 2015 compared to December 31, 2014			
Increase/(decrease) due to changes			
SEK million	Average volume	Average interest	Net change
<b>Assets</b>			
Loans to credit institutions .....	8,995	(329)	8,666
Loans to the public .....	112,817	(5,597)	107,220
Interest-bearing securities .....	(9,311)	(1,037)	(10,348)
<b>Total interest-bearing assets .....</b>	<b>112,501</b>	<b>(6,963)</b>	<b>105,538</b>
Derivatives .....	28,650	172	28,822
Other assets .....	133,961	161	134,122
of which interest income reported in net gains/losses on financial items at fair value .....	—	561	561
<b>Interest income according to income statement .....</b>	<b>275,112</b>	<b>(6,069)</b>	<b>269,043</b>
<b>Liabilities</b>			
Amounts owed to credit institutions.....	18,307	(154)	18,153
Deposits and borrowings from the public .....	114,307	(1,935)	112,372
Debt securities in issue.....	87,405	(2,532)	84,873
Subordinated liabilities.....	7,016	370	7,386
<b>Interest-bearing liabilities .....</b>	<b>227,035</b>	<b>(4,251)</b>	<b>222,784</b>
Derivatives .....	18,670	(2,822)	15,848
Other liabilities.....	23,046	53	23,099
of which interest income reported in net gains/losses on financial items at fair value .....	—	600	600
<b>Interest expense according to income statement .....</b>	<b>268,751</b>	<b>(6,420)</b>	<b>262,331</b>

### 10.1.3 Investment Portfolio

The following tables set forth information regarding the Group's investment portfolio of debt securities at the dates presented, together with information regarding when the instruments comprising the portfolio are due to mature:

Carrying amount			
As of December 31,			
SEK million	2016	2015	2014
<b>Treasury bills</b>			
Swedish central bank .....	85,005	—	—
Swedish government .....	9,909	61,421	32,791
Swedish municipalities .....	4,585	3,644	2,904
Foreign governments.....	7,224	9,542	7,308
Other non-Swedish issuers.....	848	1,945	3,222
<b>Total .....</b>	<b>107,571</b>	<b>76,552</b>	<b>46,225</b>
<b>Bonds</b>			
Swedish mortgage institutions .....	34,839	37,412	46,643
Swedish financial entities.....	11,815	20,664	26,336
Swedish non-financial entities.....	1,612	2,051	4,343
Foreign financial entities .....	18,398	20,067	36,227
Foreign non-financial entities .....	7,837	8,416	10,906
<b>Total .....</b>	<b>74,501</b>	<b>88,610</b>	<b>124,455</b>



<b>SEK million</b>	<b>Book value</b>			
	<b>As of December 31, 2016</b>			
	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>5 to 10 years</b>	<b>Over 10 years</b>
<b>Treasury bills</b>				
Swedish central bank .....	85,005	—	—	—
Swedish government .....	3	5,536	102	4,268
Swedish municipalities .....	62	4,452	—	71
Foreign governments.....	3,570	4,283	145	74
<b>Total .....</b>	<b>88,640</b>	<b>14,271</b>	<b>247</b>	<b>4,413</b>
<b>Bonds<sup>1</sup></b>				
Swedish mortgage institutions .....	8,453	24,849	327	1,210
Swedish financial entities.....	4,449	6,939	34	393
Swedish non-financial entities.....	234	1,216	153	9
Foreign financial entities .....	11,697	14,185	92	261
<b>Total .....</b>	<b>24,833</b>	<b>47,189</b>	<b>606</b>	<b>1,873</b>

*Note:*

<sup>1</sup>There are no issuers where the aggregated book value of the securities exceeds ten per cent of shareholders' equity.

## 10.2 Types of Loans

The following table sets forth a breakdown of the Group's loan portfolio at the dates presented:

SEK million	As of December 31,				
	2016	2015	2014	2013	2012
<b>Sector/industry</b>					
Private customers.....	932,520	864,725	831,442	775,762	757,552
Mortgage loans, private.....	783,528	723,481	697,308	656,031	640,756
Housing cooperatives .....	107,792	101,644	98,298	87,135	82,209
Other, private.....	41,200	39,600	35,836	32,596	34,587
Corporate customers	524,543	509,206	497,163	438,953	435,449
Agriculture, forestry, fishing.....	66,112	64,835	72,755	67,912	66,100
Manufacturing .....	45,312	42,969	42,733	37,676	46,065
Public sector and utilities.....	25,314	25,685	21,980	21,410	19,666
Construction.....	19,896	19,662	16,398	14,531	14,643
Retail .....	28,475	30,765	31,047	28,816	29,378
Transportation.....	15,278	12,678	12,003	12,190	14,339
Shipping and offshore .....	28,755	29,808	30,420	25,472	21,382
Hotels and restaurants.....	8,926	7,131	6,782	5,937	6,163
Information and communication .....	8,100	5,678	5,575	4,509	2,746
Finance and insurance.....	12,521	13,228	10,284	17,670	18,675
Property management .....	223,640	219,744	205,701	165,480	160,006
Professional services .....	23,565	21,464	17,083	14,548	11,973
Other corporate lending .....	18,640	15,559	24,402	22,802	64,307
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements .....</b>	<b>1,457,063</b>	<b>1,373,931</b>	<b>1,328,605</b>	<b>1,214,715</b>	<b>1,193,001</b>
<b>Loans to credit institutions excluding the Swedish National Debt Office .....</b>	<b>86,136</b>	<b>129,823</b>	<b>193,052</b>	<b>132,536</b>	<b>139,965</b>
<b>Loans to the public and credit institutions .....</b>	<b>1,543,199</b>	<b>1,503,754</b>	<b>1,521,657</b>	<b>1,351,262</b>	<b>1,332,966</b>
<b>Total provisions.....</b>	<b>3,755</b>	<b>3,381</b>	<b>3,330</b>	<b>4,074</b>	<b>8,622</b>
<b>Loans to the public and credit institutions, net.....</b>	<b>1,539,444</b>	<b>1,500,373</b>	<b>1,518,327</b>	<b>1,347,188</b>	<b>1,324,344</b>

## 10.3 Maturities of Loans

The following table sets forth maturities of the Group's loan portfolio as of December 31, 2016:

SEK million	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Fair value adjustments	Total on Balance Sheet
<b>Loans to credit institutions</b>						
Swedbank .....	24,075	5,349	1,044	95	1	30,564
of which repurchase agreements .....	852	—	—	—	—	852
Ölands Bank AB .....	12	—	—	—	—	12
Other .....	1,619	—	—	2	—	1,621
<b>Total .....</b>	<b>25,706</b>	<b>5,349</b>	<b>1,044</b>	<b>97</b>	<b>1</b>	<b>32,197</b>
<b>Loans to the public</b>						
Swedbank .....	169,149	206,226	41,685	12,750	—	429,810
of which repurchase agreements .....	48,860	—	—	—	—	48,860
Swedbank Mortgage .....	12,924	51,196	59,457	793,297	2,698	919,572
Ölands Bank AB .....	379	550	515	2,098	—	3,542
Other .....	29,740	59,194	21,418	29,955	14,016	154,323
<b>Total .....</b>	<b>212,192</b>	<b>317,166</b>	<b>123,075</b>	<b>838,100</b>	<b>16,714</b>	<b>1,507,247</b>

## 10.4 Risk Elements

### 10.4.1 Impaired Loans

The following tables set forth information regarding the amounts of impaired loans. Impaired loans are those loans in respect of which the Group has made an assessment that a customer will not be able to meet its financial obligations to the Group.

	As of December 31,				
<u>SEK million</u>	2016	2015	2014	2013	2012
Impaired loans .....	8,095	6,035	6,281	7,499	13,938

The following table sets out gross interest income that would have been recorded if the loan had been current:

	As of December 31,				
<u>SEK million</u>	2016	2015	2014	2013	2012
Gross interest income .....	114	124	185	301	463

The following table sets out interest income on those loans that were included in the profit for the year:

	For the year ended December 31,				
<u>SEK million</u>	2016	2015	2014	2013	2012
Interest income .....	95	93	132	194	372

### 10.4.2 Analysis of Credit Impairments for Loans

The following table sets out information regarding the Group's allowance for credit impairments as of the dates presented:

	As of December 31,				
<u>SEK million</u>	2016	2015	2014	2013	2012
Opening balance .....	3,381	3,330	4,074	8,622	15,256
New provisions .....	1,375	906	249	(113)	1,118
Utilisation of previous provisions .....	(850)	(501)	(344)	(387)	(5,385)
Reversal of previous provisions .....	(455)	(204)	(821)	(1,702)	(1,457)
Portfolio provisions for loans that are not impaired .....	97	(132)	(77)	(281)	(351)
Change in exchange rates .....	207	(18)	249	218	(559)
Discontinue operations .....	—	—	—	(2,283)	—
Closing balance .....	3,755	3,381	3,330	4,074	8,622
Total provision ratio for impaired loans, % .....	46%	56%	53%	54%	62%
Provision ratio for individually assessed impaired loans, % .....	33%	40%	35%	38%	51%

### 10.4.3 Allocation of the Allowance for Credit Impairments

The following tables set forth an analysis of the Group's allocation of its allowance for credit impairments as of the dates presented:

#### Provisions for loans to the public and credit institutions

SEK million	As of December 31,				
	2016	2015	2014	2013	2012
<b>Sector/industry</b>					
Private customers.....	850	991	1,284	1,576	2,761
Mortgage loans, private.....	556	679	910	1,186	1,872
Housing cooperatives .....	30	36	40	42	78
Other, private.....	264	276	334	348	811
Corporate customers .....	2,905	2,376	1,982	2,435	5,797
Agriculture, forestry, fishing.....	120	128	132	146	265
Manufacturing .....	372	1,027	398	439	1,068
Public sector and utilities.....	50	35	29	42	53
Construction.....	119	82	73	119	597
Retail .....	273	257	288	236	872
Transportation.....	22	39	77	70	194
Shipping and offshore .....	1,188	64	118	223	225
Hotels and restaurants .....	33	43	43	47	107
Information and communications .....	36	12	13	15	36
Finance and insurance.....	24	61	20	10	80
Property management .....	236	338	406	602	1,326
Professional services .....	344	195	216	289	379
Other corporate lending .....	88	95	169	197	595
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements .....</b>	<b>3,755</b>	<b>3,367</b>	<b>3,266</b>	<b>4,011</b>	<b>8,558</b>
<b>Loans to credit institutions excluding the Swedish National Debt Office .....</b>	<b>0</b>	<b>14</b>	<b>64</b>	<b>63</b>	<b>64</b>
<b>Loans to the public and credit institutions .....</b>	<b>3,755</b>	<b>3,381</b>	<b>3,330</b>	<b>4,074</b>	<b>8,622</b>

#### Per cent of loans in each category to total gross loans

%	As of December 31,				
	2016	2015	2014	2013	2012
<b>Sector/industry</b>					
Private customers.....	60.4	57.5	54.8	57.7	56.8
Mortgage loans, private.....	50.8	48.1	45.9	48.8	48.1
Housing cooperatives .....	7.0	6.8	6.5	6.5	6.2
Other, private.....	2.7	2.6	2.4	2.4	2.6
Corporate customers .....	34.0	33.9	32.4	32.5	32.7
Agriculture, forestry, fishing.....	4.3	4.3	4.8	5.1	5.0
Manufacturing .....	2.9	2.9	2.8	2.8	3.5
Public sector and utilities.....	1.6	1.7	1.4	1.6	1.5
Construction.....	1.3	1.3	1.1	1.1	1.1
Retail .....	1.8	2.0	2.0	2.2	2.2
Transportation.....	1.0	0.8	0.8	0.9	1.1
Shipping and offshore .....	1.9	2.0	2.0	1.9	1.6
Hotels and restaurants .....	0.6	0.5	0.4	0.4	0.5
Information and communications .....	0.5	0.4	0.4	0.3	0.2
Finance and insurance.....	0.8	0.9	0.7	1.3	1.4
Property management .....	14.5	14.6	13.5	12.3	12.0
Professional services .....	1.5	1.4	1.1	1.1	0.9
Other corporate lending .....	1.2	1.0	1.3	1.4	1.8
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements .....</b>	<b>94.4</b>	<b>91.4</b>	<b>87.2</b>	<b>90.2</b>	<b>89.5</b>
<b>Loans to credit institutions excluding the Swedish National Debt Office and repurchase agreements .....</b>	<b>5.6</b>	<b>8.6</b>	<b>12.8</b>	<b>9.8</b>	<b>10.5</b>
<b>Loans to the public and credit institutions .....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### 10.4.4 Short-Term Borrowings

The following table sets out information regarding the Group's short-term borrowings for the periods presented:

As of December 31, 2016					
SEK million	Period end balances	Average balance	Maximum month end balance	Average interest rate during the period (%)	Average interest rate at period end (%)
<b>Amounts owed to credit institutions</b>					
Swedish banks .....	23,788	67,520	84,135	—	—
Other Swedish credit institutions .....	1,216	1,560	2,599	—	—
Foreign banks .....	46,070	84,782	126,130	—	—
Other foreign credit institutions .....	757	937	2,738	—	—
<b>Total .....</b>	<b>71,831</b>	<b>154,798</b>	<b>215,604</b>	<b>0.17</b>	<b>0.37</b>
<b>Debt securities in issue</b>					
Debt securities in issue .....	841,673	876,536	919,334	—	—
<b>Total .....</b>	<b>841,673</b>	<b>876,536</b>	<b>919,334</b>	<b>—</b>	<b>1.55</b>
As of December 31, 2015					
SEK million	Period end balances	Average balance	Maximum month end balance	Average interest rate during the period (%)	Average interest rate at period end (%)
<b>Amounts owed to credit institutions</b>					
Swedish banks .....	93,235	66,983	88,053	—	—
Other Swedish credit institutions .....	1,990	1,993	2,695	—	—
Foreign banks .....	55,045	90,445	136,123	—	—
Other foreign credit institutions .....	223	2,108	2,800	—	—
<b>Total .....</b>	<b>150,493</b>	<b>161,529</b>	<b>229,671</b>	<b>0.20</b>	<b>0.22</b>
<b>Debt securities in issue</b>					
Debt securities in issue .....	826,535	889,297	950,795	—	—
<b>Total .....</b>	<b>826,535</b>	<b>889,297</b>	<b>950,795</b>	<b>—</b>	<b>1.74</b>
As of December 31, 2014					
SEK million	Period end balances	Average balance	Maximum month end balance	Average interest rate during the period (%)	Average interest rate at period end (%)
<b>Amounts owed to credit institutions</b>					
Swedish banks .....	98,664	58,246	98,660	—	—
Other Swedish credit institutions .....	3,277	2,874	5,356	—	—
Foreign banks .....	66,771	79,033	109,112	—	—
Other foreign credit institutions .....	2,741	3,069	4,673	—	—

As of December 31, 2014					
<b>SEK million</b>	<b>Period end balances</b>	<b>Average balance</b>	<b>Maximum month end balance</b>	<b>Average interest rate during the period (%)</b>	<b>Average interest rate at period end (%)</b>
<b>Total .....</b>	<b>171,453</b>	<b>143,222</b>	<b>217,801</b>	<b>0.33</b>	<b>0.28</b>
<b>Debt securities in issue</b>				—	—
Debt securities in issue .....	835,012	801,892	848,342	—	—
<b>Total .....</b>	<b>835,012</b>	<b>801,892</b>	<b>848,342</b>		<b>2.02</b>

## 10.5 Deposits

Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or pre-authorised transfers for the purpose of making payments to third persons or others.

Savings accounts are accounts with the primary purpose of accumulating funds over a period of time. With savings accounts customers may make withdrawals, but do not have the flexibility of using checks to do so. Some savings accounts require funds to be kept on deposit for a minimum length of time, but most permit unlimited access to funds.

Other deposits consist mainly of bank drafts and currency accounts.

The following tables set forth information regarding the Group's deposit base at the dates presented:

<b>SEK million</b>	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Interest paid to the customer .....	1,100	1,256	3,191
Volumes, average.....	907,906	836,646	722,339
Interest rate (%).....	0.12	0.15	0.44

<b>SEK million</b>	<b>As of December 31, 2016</b>					
	<b>Within 3 months</b>	<b>3 months- 1yr</b>	<b>1 to 5 yrs</b>	<b>5 to 10 yrs</b>	<b>Over 10 yrs</b>	<b>Without maturity date / change in value</b>
Maturity of deposits .....	44,796	33,636	2,088	150	42	712,212

## 10.6 Return on Equity and Assets

The following table sets out the Group's return on total assets, return on equity, dividend pay-out ratio and equity to assets ratio as of the dates presented:

	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Return on total assets.....	0.82%	0.67%	0.80%
Return on equity.....	15.8%	13.5%	15.0%
Dividend pay-out ratio.....	75%	75%	75%
Equity to assets ratio .....	6.0%	5.7%	5.5%

## 11. Risk Management

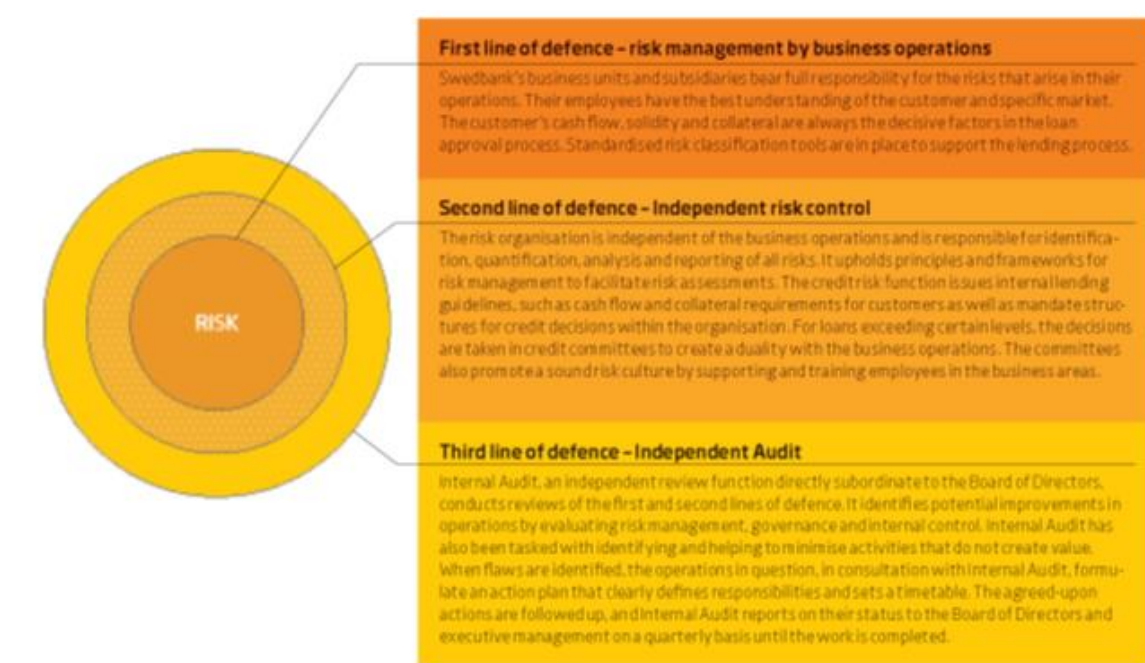
Swedbank defines risk as a potential negative impact on the value of the Group that may arise from current internal processes or from internal or external future events. The concept of risk combines the probability of an event occurring with the impact that such an event would have on profit and loss, equity and the value of the Group.

Risk arises in all financial operations, and managing it well is central for success. A strong common risk culture within Swedbank, with decision-making and responsibility kept close to the customer, serves as the foundation for efficient risk management and, consequently, a strong risk-adjusted return.

The Board of Directors has the ultimate responsibility for the Group's risk-taking and capital assessment. Through an Enterprise Risk Management Policy ("ERM Policy"), the Board of Directors provides guidelines for the CEO on risk management and risk control, and how these functions should support the business strategy. The ERM Policy specifies the risk appetite, the three lines of defence concept, the fundamental principles of risk management, as well as roles and responsibilities.

### 11.1 The Group's Risk Management Builds on Three Lines of Defence

Successful risk management requires a strong risk culture and a common approach that permeates the entire Group. Swedbank builds its approach to risk management on the three lines of defence concept, signifying a clear division of responsibilities between the risk owner (the business units), the control functions and Internal Audit.





## **11.2 Three levels of risk management**

### **11.2.1 First Line of Defence – Risk Management by Business Operations**

Each of Swedbank's business units and subsidiaries bear full responsibility for the risks that arise in their operations. Their employees have the best understanding of their customers and specific markets.

A customer's cash flow, solvency and collateral are always the decisive factors in the loan approval process and risk classification tools are in place to support and facilitate the lending process.

Continuous efforts are made to improve overall governance and risk control.

### **11.2.2 Second Line of Defence – Risk and Control Functions**

Group Risk is independent of the Group's business operations and is responsible for the identification, quantification, analysis and reporting of all risks. It upholds principles and the risk management framework in order to facilitate risk assessments. Group Risk is also responsible for providing operational guidance and support to the business organisation by promoting a sound risk culture within the Group.

Group Risk issues internal lending guidelines, such as cash flow and collateral requirements for customers, as well as structures used in making credit decisions within the organisation. For loans exceeding a certain level, decisions are also taken by credit committees, separately from the business organisation, in order to ensure prudent decision-making. Such committees also promote a sound risk culture by supporting and training employees in the business organisation.

### **11.2.3 Third Line of Defence – Internal Audit**

Internal Audit, an independent review function reporting directly to the Board of Directors, conducts reviews of the first and second lines of defence. It identifies potential improvements in operations by evaluating risk management, governance and internal controls.

When flaws are identified, the operations in question, in consultation with Internal Audit, formulate an action plan that clearly defines responsibilities and sets a timetable for implementing such action plan. The agreed-upon plan is implemented and Internal Audit reports on its status to the Board of Directors and executive management on a quarterly basis until the work is complete.

## **11.3 Credit Risk**

Credit risk is defined as the risk that a borrower fails to meet its obligations to the Group and the risk that pledged collateral does not cover the claims.

Counterparty risk and settlement risk are also part of Swedbank's credit risks. Swedbank maintains a well-diversified credit portfolio with a low risk profile. All credit activities strive towards long-term customer relationships and rest on sound business acumen with a goal of achieving solid profitability and avoiding credit expansion that may endanger long-term stability.

A basic principle in Swedbank's lending operations is that each business unit bears full responsibility for its transactions and its associated credit risks. Each business unit aims to develop and maintain a balanced credit risk, which is achieved by lending to customers with a high debt-service coverage ratio, maintaining a strong collateral position and having diversification within and between sectors and regions.

### 11.3.1 Lending

The Group believes it demonstrated good performance of its credit portfolio and asset quality in 2016. Swedbank's credit impairments in the oil-related sector were in line with expectations, while losses in other sectors remained low. This, in combination with a low number of impaired loans, helped maintain Swedbank's prudent risk profile and a strong overall portfolio quality.

Lending to private individuals in Sweden continued to grow in 2016, particularly in part due to Swedbank's acquisition of a SEK 16 billion loan portfolio from Sparbanken Öresund. Corporate lending in Sweden also increased, both to medium-sized companies and large corporates. Lending portfolios in the Baltic countries are stable and new lending increased, but from a low level. Although the Group's credit and asset quality has improved, macroeconomic uncertainty remained a concern throughout 2016. Uncertainty remained regarding the sovereign debt and fiscal situation in the Eurozone and in the U.S., which negatively affected economic growth in parts of Europe and other parts of the world. Meanwhile, the economies in Swedbank's four home markets have performed well, with low corporate default levels, balanced budgets, and low sovereign debt. However, the outlook remains uncertain for economic growth in the Group's home markets.

Risk reducing activities continued throughout the year. The Group's credit policy is conservative and goes beyond present regulatory requirements of the SFSA.

For new mortgages granted in Sweden during the fourth quarter of 2016, 98 per cent of the mortgages with an LTV ratio of over 70 per cent of their property's value are amortising. For the portfolio as a whole, 93 per cent of households with an LTV ratio exceeding 70 per cent were amortising their loans. On the Group level, impaired loans increased in 2016 by SEK 2,075 million to SEK 8,095 million at year-end as a result of the new impairments in the oil-related sector. In other sectors, the credit quality of both the corporate and private portfolios improved in 2015 and 2016.

Credit impairment in 2016 was SEK 1,367 million, compared to SEK 594 million in 2015. The increase in credit impairment was mainly due to oil-related companies in Norway.

The following table sets out the Group's carrying amount of loans to the public and credit institutions as of December 31, 2016:

SEK million	Loans which are not impaired				Impaired loans			
	Before portfolio provisions	Past due >5 days	Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	Total
	Performing							
<b>GEOGRAPHICAL DISTRIBUTION</b>								
Sweden.....	1,253,176	1,074	476	1,253,774	1,695	700	995	1,254,769
Estonia.....	63,985	714	177	64,522	1,146	451	695	65,217
Latvia.....	30,276	503	140	30,639	669	292	377	31,016
Lithuania.....	42,601	870	62	43,409	833	225	608	44,017
Norway.....	39,184	3	145	39,042	3,747	1,035	2,712	41,754
Denmark.....	2,115	—	—	2,115	5	4	1	2,116
Finland.....	11,428	—	4	11,424	—	—	—	11,424
USA.....	780	—	5	775	—	—	—	775
Other.....	2,259	—	39	2,220	—	—	—	2,220
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>1,445,804</b>	<b>3,164</b>	<b>1,048</b>	<b>1,447,920</b>	<b>8,095</b>	<b>2,707</b>	<b>5,388</b>	<b>1,453,808</b>
<b>SECTOR/INDUSTRY</b>								
Private customers.....	928,563	2,248	254	930,557	1,709	596	1,113	931,670

SEK million	Loans which are not impaired				Impaired loans			
	Before portfolio provisions	Past due >5 days	Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	Total
	Performing							
Mortgage loans, private .....	780,199	1,951	151	781,999	1,378	405	973	782,972
Housing cooperatives..	107,754	4	30	107,728	34		34	107,762
Other, private .....	40,610	293	73	40,830	297	191	106	40,936
Corporate customers .....	517,241	916	794	517,363	6,386	2,111	4,275	521,638
Agriculture, forestry, fishing.....	65,700	119	44	65,755	293	76	217	65,992
Manufacturing .....	44,852	82	203	44,731	378	169	209	44,940
Public sector and utilities .....	25,173	46	34	25,185	95	16	79	25,264
Construction .....	19,674	91	32	19,733	131	87	44	19,777
Retail .....	27,988	142	58	28,072	345	215	130	28,202
Transportation.....	15,166	82	6	15,242	39	16	23	15,265
Shipping .....	24,985		155	24,830	3,770	1,033	2,737	27,567
Hotels and restaurants.	8,827	16	20	8,823	83	13	70	8,893
Information and communications .....	8,041	11	10	8,042	48	26	22	8,064
Finance and insurance	12,469	16	15	12,497	9	9		12,497
Property management .	223,035	205	144	223,096	400	92	308	223,404
Professional services...	22,829	65	44	22,850	671	300	371	23,221
Other corporate lending.....	18,475	41	29	18,487	124	59	65	18,552
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>1,445,804</b>	<b>3,164</b>	<b>1,048</b>	<b>1,447,920</b>	<b>8,095</b>	<b>2,707</b>	<b>5,388</b>	<b>1,453,308</b>
Loans to credit institutions, repos and Swedish National Debt Office	86,136	—	—	86,136	—	—	—	86,136
Loans to the public and credit institutions	1,531,940	3,164	1,048	1,534,056	8,095	2,707	5,388	1,539,444

The following table sets out the Group's past due loans, as of December 31, 2016:

Past due loans that are not impaired, SEK thousand								
Valuation category, loans and receivables	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	USA	Total
Loans with past due amount.....	531	714	503	870	3	—	—	2,621
5-30 days .....	186	586	358	505	3	—	—	1,638
31-60 days .....	233	107	112	175	—	—	—	627
more than 60 days .....	112	21	33	190	—	—	—	356
<b>Valuation category, fair value through profit or loss</b>								
Loans with past due amount.....	543	—	—	—	—	—	—	543
5-30 days .....	130	—	—	—	—	—	—	130
31-60 days .....	230	—	—	—	—	—	—	230
more than 60 days .....	183	—	—	—	—	—	—	183
<b>Total .....</b>	<b>1,074</b>	<b>714</b>	<b>503</b>	<b>870</b>	<b>3</b>	<b>—</b>	<b>—</b>	<b>3,164</b>

## 11.4 The Group's Internal Risk Classification System

Swedbank's internal risk classification system is a central component in the credit process. It comprises working methods and decision-making processes for lending operations, credit monitoring and quantification of credit risk. The system aims to measure the risk that a customer or a contract will default and, in that case, what the consequences would be for Swedbank. The internal risk classification system is a proprietary system that is approved by the SFSA. The system and the results it produces are based on Swedbank's experience and expertise in assessing and managing credit risks. Swedbank's internal risk classification system serves as a basis for:

- risk assessment and credit decisions;
- calculating risk-adjusted profitability (including risk adjusted return on capital ("RAROC"));
- calculating portfolio provisions;
- monitoring and managing credit risk (including migrations);
- reporting credit risks to Swedbank's Board of Directors, CEO, senior management and other relevant stakeholders;
- developing credit strategy and risk management activities; and
- estimating capital requirements and capital allocation.

The Group's risk classification system is central to how the Group monitors individual credit exposures and regulates the monitoring process in various ways. The risk profile of the credit portfolio is continuously analysed. For segments of the portfolio and individual customers where the risk of default appears higher, the customers are reviewed more often. If a customer's risk profile has deteriorated, a number of different corrective measures are considered and implemented. Using the risk classification system, the Group can calculate risk-adjusted profitability at the level of the individual customer, the portfolio and the business area.

Swedbank's goal is to be as precise as possible in its risk calculations for each customer. It has developed a number of different models for rating counterparties, customers, and/or contracts in which each counterparty or contract is assigned a risk grade. For each risk grade, a risk value has been quantified and established. The PD indicates the risk that a counterparty or contract will default within a 12-month period. Of the total exposures assessed with the internal ratings based ("IRB") approach, 81 per cent are in risk grades 13–21, i.e. "investment grade", where the probability of default is considered low. More than 47 per cent of the exposures are assigned a risk grade of 18 or higher, corresponding to an A rating from the major rating agencies.

The table below describes the Group's risk classification and how it relates to the PD within 12 months as well as an indicated rating from Standard & Poor's.

Risk grade according to IRB methodology:

Internal rating	Risk grade	PD (%)	Standard & Poor's
Default.....	—	100	D
High risk .....	0-5	>5.7	C to B
Augmented risk .....	6-8	2.0-5.7	B+
Normal risk .....	9-12	0.5-2.0	BB- to BB+
Low risk .....	13-21	<0.5	BBB- to AAA

The following table sets out the Group's maximum credit risk exposure distributed by rating, as of December 31, 2016:

SEK million	Swedish Banking	Large Corporates & Institutions	Baltic Banking	Other	Total
<b>Exposure at Default</b>					
Low risk	964,429	229,267	73,178	53,464	1,320,338
Normal risk	134,918	28,835	40,644	175	204,572
Augmented risk	38,150	11,098	14,051	177	63,476
High risk	12,263	3,119	9,572	43	24,997
Defaults	2,085	5,716	2,429	—	10,230
Non-rated exposures	4,201	4,226	4,842	322	13,591
Standardised method	60,649	36,558	70,204	184,468	351,879
<b>Total</b>	<b>1,216,695</b>	<b>318,819</b>	<b>214,920</b>	<b>238,649</b>	<b>1,989,083</b>

Note:

<sup>1</sup> Standardised approach in Basel framework for calculating risk-weighted assets used.

## 11.5 Management of Credit Risks

### 11.5.1 Working with credit exposures

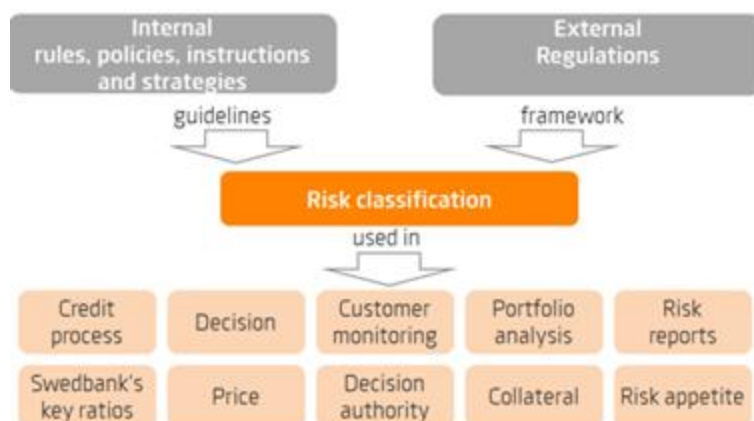
To maintain a well-diversified credit portfolio with a low risk profile and to find a favourable balance between risk and return, Swedbank works constantly to understand customers and their market conditions. Swedbank continuously monitors single credit exposures to identify potential increased risk and also conducts periodic credit reviews of corporate customers, financial institutions and sovereigns at least once per year.

For new customers a sustainability analysis is conducted for all large and medium-sized corporate customers and covers (i) social responsibility, (ii) human rights (including in the supply chain, among its employees, and in its local community), (iii) corruption and (iv) impact on the environment. The sustainability analysis is an integral part of Swedbank's credit analysis and aims to assess how the risks related to these areas could affect the customer's repayment capacity and Swedbank's profitability, reputation, and the value of its collateral.

Risk-adjusted profitability is an essential part of Swedbank's strategy. Each business unit bears full responsibility for its business and the risks associated with such business. Profitability, in terms of economic profit and RAROC, is measured on all levels, down to individual customers. This is possible through the use of various models that measure the risk of all individual credit exposures and by allocating capital adequately and comprehensively, with the objective of making it possible to put an accurate price on credit agreements. The overall risk appetite is broken down into detailed risk tolerance limits and target levels for different industries, geographies and products. To ensure that business performance remains within the desired risk appetite and that the Group maintains a well-diversified credit portfolio with a low risk profile, the CEO and the CRO establish risk limits for the credit portfolio. Risk limits are in place to avoid concentrations in any specific industry, name and/or country to high-risk segments.

The Credit Risk Organisation, which is a division within Group Risk, participates in credit risk decisions made by credit committees as a proactive part of its role in independent internal control. These credit committees are normally chaired by the Credit Risk Organisation in order to ensure prudent decision-making. The Credit Risk Organisation also guides the business organisation by setting the framework for taking credit risk and for qualitative standards.

### 11.5.2 Classification of risks in the credit portfolio



At least once per year, Swedbank conducts a comprehensive stress test of Swedbank (through the internal capital adequacy assessment process ("ICAAP")), which includes the entire credit portfolio. In addition, specific stress tests, portfolio analyses or ad hoc analysis are conducted to further evaluate Swedbank's credit risk. These tests provide further understanding and information on specific segments or types of exposures which may be perceived as having a material risk or potential impact on Swedbank. By identifying increased risk levels at an early stage, Swedbank can take swift and appropriate action in response to problematic exposures. Credit portfolio trends and results from stress tests add important value to the risk reports, which were delivered to Swedbank's Board of Directors twelve times in 2016 on or near to a monthly basis.

### 11.5.3 Repayment capacity and collateral

When Swedbank considers a credit request, it carefully analyses the counterparty's capacity to repay the new credit and all other existing credits, and the sustainability of this increased capacity. As a risk mitigating arrangement, Swedbank aims to obtain adequate and satisfactory collateral for credit. This applies to mortgage loans to private customers and property management companies, as well as to securities lending, factoring, lease agreements and all other types of financing.

Collateral for granted credits varies depending on the assessed risk and the product. The valuation of collateral is based on a thorough review and analysis of the pledged assets. Since collateral is not generally seized and used unless a borrower faces serious repayment difficulties, the valuation of collateral needs to take into consideration the expected value in the case of insolvency.

Credit without collateral is mainly granted in the case of small loans to private customers, or loans to large companies with very sound repayment capacity. For the latter, special loan covenants are commonly drawn up which entitle Swedbank to renegotiate or terminate the credit agreement if the borrower's repayment capacity deteriorates or if the conditions are otherwise breached.

In special circumstances Swedbank may buy credit derivatives or financial guarantees in order to hedge the credit risk in loan receivables, but this is not part of its normal lending operations.

### 11.5.4 Working with distressed credits

Each business unit is responsible for monitoring conditions and indications that suggest the level of credit risk in an individual exposure has increased, and in such situations a series of standardised and customised actions are immediately taken in order to minimise Swedbank's risk or loss. One option, if certain criteria are met, is to contact the Financial Restructuring and Recovery ("FR&R")

unit. FR&R is a special unit within Group Risk which supports the business units and is used in complex cases and when risk has increased past a certain threshold on an exposure. FR&R provides expertise in managing insolvency and restructuring cases. This organisation has developed expertise from experience with previous crises. One of the group's tasks is to educate the business organisation in managing distressed credits and recognising early signals of distress.

#### **11.6 Counterparty Risk**

Counterparty risk refers to the risk that a counterparty to a trading transaction will not meet its financial obligations towards Swedbank and that collateral held will not be enough to cover their claims. This definition encompasses repurchase agreements, derivatives and securities financing.

#### **11.7 Measuring Counterparty Risks**

Counterparty risk arises as a result of hedging Swedbank's own market risk and from customer trading activities. Depending on the instrument type, the Group uses different techniques for calculating its counterparty exposure; for derivative instruments and security financing, where the future exposure is unknown and a function of the market value of the underlying instrument, the exposure value is equal to the current market value of the contract plus an add-on for potential future market movements; for other instruments such as money market loans and placement holdings, the exposure value is equal to the nominal value of the transaction.

The Group uses mathematical models for estimating the add-ons; based on a model of the underlying risk factors, a conservative estimate of the derivative's possible fluctuation in value and future exposure is calculated. Risk measurement and evaluation is an ongoing process and the Group makes regular assessments, for example through specifying detailed internal add-ons for a number of different risk types and their maturities. The internal risk add-on factors are reviewed annually or more often if deemed necessary and are based on valuations such as simulations of various asset price volatilities. These assessments facilitate the monitoring of risks and help to ensure that limits are relevant to individual counterparties. The follow-up and measurement of counterparty risk exposure against approved limits is performed in a system specific to the task.

In addition to traditional counterparty exposure measurements, the Group uses ad-hoc stress tests to estimate the effects of negative outcomes not captured by the regular add-on methodology.

#### **11.8 Mitigating Counterparty Risks**

The Group uses a variety of methods to mitigate counterparty risk, the most important of which are netting and collateral management, as outlined below. The Group restricts the size of its counterparty risk exposure by setting limits on the exposure to each counterparty, taking a number of factors into account, such as product/product group, duration and foreign exchange settlement. The limits are set in Swedbank's regular credit process, which is designed to support Swedbank's strategy of maintaining a well-diversified risk profile with a balance between risk and return.

The Group continuously mitigates counterparty risk by means of, *inter alia*, netting, portfolio compression activities, and use of collateral and steering exposure and risk to clearing houses.

##### **11.8.1 Netting and Collateral Management**

The Group actively minimises its counterparty risk by establishing netting agreements with counterparties. A netting agreement contemplates that when a counterparty defaults, only the net exposure of all derivative contracts entered into with that counterparty will be affected.

The Group strives to have the International Swaps and Derivatives Association Master Agreements with Credit Support Annexes in place, in particular with financial counterparties and larger corporate counterparties. For counterparties with whom such agreements have been entered into, exposures can be off-set and reduced to pre-determined threshold levels by making collateral calls on a daily basis.

To reduce the potential market risk embedded in the collateral management, the Group applies rating-based and tenor-based haircuts and mainly accepts cash as collateral (over 90 per cent of the collateral received is cash). The credit committee will pre-determine the acceptable form of collateral as part of the credit review process. Financial collateral is subject to a daily independent valuation.

The threshold levels are agreed bilaterally, based on an assessment of the creditworthiness of each counterparty. The thresholds are normally set to zero in order to limit the uncollateralised exposure.

### **11.8.2 Credit Derivatives**

A minor part of counterparty risk is reduced by credit derivatives. Rather than using credit derivatives to mitigate counterparty risk in its trading operations, the Group prefers to make use of collateral arrangements.

### **11.8.3 CVA**

The Credit Value Adjustment ("CVA") is an adjustment made to the value of derivatives in order to take into account the possibility of a counterparty's default. The fair value of derivatives, therefore, is the risk neutral price adjusted by the CVA. Two types of CVA are recognised at Swedbank: regulatory CVA and economic CVA. The former is an additional regulatory capital charge to account for potential credit migration due to a downgrade in the Group's derivative counterparties' ratings, while the latter is an estimation of the expected loss from derivative counterparty defaults. Economic CVA is a reservation made against Swedbank's profits.

## **11.9 Liquidity Risk**

Liquidity risk refers to the risk of not being able to meet payment obligations at maturity or when they fall due.

### **11.9.1 Funding and Liquidity Strategy**

In accordance with the Board of Directors' liquidity risk framework, Group Treasury has the overall responsibility to centrally manage the Group's liquidity risks according to the principles and limits outlined by the Board of Directors and the CEO.

Swedbank's funding strategy is based on the structure of its assets. More than half of Swedbank's lending consists of Swedish mortgages, which are primarily financed through covered bonds. Deposit volumes, together with covered bonds and shareholder equity, nearly cover Swedbank's total funding requirements. This means that Swedbank has limited structural need for senior unsecured funding.

The share of unsecured funding is mainly determined by Swedbank's desire to maintain a conservative stable funding profile and a diversified set of funding sources.

In terms of limiting and managing liquidity risk, the most important metric in Swedbank's funding strategy is the internal "survival horizon" measure, which is a stress test which measures how long Swedbank can meet its contractual cash flows without access to capital market financing.



Swedbank's funding strategy is also closely linked to the credit quality of the assets on the balance sheet. One of Swedbank's focus areas for managing liquidity risk is to ensure that it retains very good quality in all lending. Swedbank strives to match unsecured funding against assets of an equivalent amount and maturity.

The table below outlines the Group's liquidity reserve, using a template defined by the Swedish Bankers Association as of December 31, 2016.

<b>Liquidity reserve<sup>1</sup></b>	<b>Total SEK million</b>
Cash and holdings in central banks <sup>2</sup> .....	126,426
Deposits in other banks available overnight.....	14
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks <sup>1</sup> .....	118,211
Securities issued or guaranteed by municipalities or public sector entities <sup>1</sup> .....	6,171
Covered bonds <sup>1</sup> .....	74,030
<i>of which issued by other institutions</i> .....	67,525
<i>of which own issued</i> .....	6,505
Securities issued by non-financial corporates <sup>1</sup> .....	526
Securities issued by financial corporate (excl. covered bonds) <sup>1</sup> .....	1,092
<b>Total</b> .....	<b>326,470</b>

*Note:*

<sup>1</sup> 95 per cent of the securities in the liquidity reserve as included in the table above per Q4 2016 are rated AAA.

<sup>2</sup> Including loans to the Swedish National Debt Office.

The Group holds a liquidity reserve containing a portfolio of liquid and pledgeable assets and liquidity placed with central banks and in the overnight market. The reserve serves the purpose of lowering the Group's liquidity risk. However, the liquidity reserve needs to be adjusted over time to meet changing refinancing requirements.

### **11.9.2 Management of Liquidity Risk**

In alignment with the risk appetite set by the Board of Directors, limits for liquidity risk in terms of a minimum survival period and a lowest level of over-collateralisation have been established. Liquidity risk, being an integral part of the Group's business operation, is continually measured, monitored, forecasted and analysed on different time horizons, aiming to ensure that the Group has adequate cash or cash-equivalents in order to meet its obligations in a timely manner, without incurring substantially higher cost.

The objective of the liquidity risk framework is to ensure that the Group is always able to meet its daily liquidity obligations as well as to secure the continuity of operations during a period of liquidity stress. The risk control unit, as part of the framework, monitors and analyses liquidity risk exposure across the Group. The Group's liquidity risk taking is governed by different cash flow limits, established on different levels for individual currencies and combined currencies.

The Group has special continuity plans to manage any serious disruption in the liquidity situation at the Group level and locally in the countries where the Group has significant business operations. The Group conducts liquidity stress tests frequently in order to increase readiness and ensure that the Group is able to manage distressed situations, such as impaired access to various funding sources.

### **11.9.3 Measurement**

As part of the ERM Policy set by the Board of Directors, a survival horizon limit has been established. This internal metric measures the amount of days with positive cumulative net cash flows considering the Group's total cash flows if it had no access to wholesale market financing. The model assumes that the liquidity-generating capacity of the Group's liquid assets is still intact. In addition, severe stress tests are run regularly with an aim to increase readiness for liquidity disturbances on the debt market. The stress tests take both idiosyncratic and market-related problems into account, whereas analyses encompass the effect of a combination of the two. Specific sensitivity analyses of the effect of house price declines on the cover pool are run regularly.

In addition, liquidity risks are monitored through additional measures including LCR, NSFR and over collateralisation level.

The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high quality assets (a liquidity reserve) to meet its liquidity needs for the next 30-day horizon under the assumption of a severe liquidity stress scenario. In January 2013, the SFSA introduced a new LCR requirement, FFFS 2012:6, that requires all Swedish credit institutions (including Swedbank) with a balance sheet exceeding SEK 100 billion to maintain a 100 per cent LCR for all currencies combined, and in USD and EUR, respectively. The Group's LCR metric has been well above 100 per cent during 2016, on total level, as well as in USD and EUR, indicating that Swedbank has a sufficient amount of highly liquid assets to withstand stressed cash flows for a time horizon of 30 days.

The NSFR shows a bank's ability to manage stressed liquidity situations over a one-year horizon. NSFR ensures that a bank's long-term illiquid assets are funded with a minimum amount of stable long-term funding. An NSFR of above 100 per cent means that the long-term illiquid assets are adequately funded with stable funding. As of December 31, 2016, LCR for the Group according to FFFS 2012:6 amounted to 156 per cent and NSFR to 108 per cent under Basel III. As stipulated in the ERM Policy, the Group's covered bond pool shall be overcollateralised to such level that the highest rating from at least one rating agency shall be in compliance with the minimum legal requirement even under a scenario that contemplates a real estate price drop of 20 per cent.

For more information relating to liquidity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources".

### **11.10 Market Risks**

Market risks refers to the risk that changes in interest rates, exchange rates and share prices will lead to a decline in the value of the Group's net assets, including derivatives.

#### **11.10.1 Interest Rate Risk**

Interest rate risk refers to the risk that the value of the Group's assets, liabilities and interest-related derivatives may be negatively affected by changes in interest levels.

The Group's interest rate risks arise when interest fixing periods on assets and liabilities, including derivatives, do not coincide. The Group's fixed-rate assets consist primarily of loans. The interest rate risk in these assets is largely eliminated either through fixed-term funding or through the use of interest rate swap contracts. The vast majority of the Group's fixed interest rate loans have credit agreements that do not permit borrowers to repay a loan early without compensating the Group via a prepayment fee for any losses that may arise due to changes in interest rates since loan origination. On the liabilities side, some demand deposit accounts with floating interest rates can also be

considered to have fixed interest exposure. A cut in key interest rates may not necessarily translate into the same cut in rates for certain accounts which are already set with low interest.

Interest rate risk is measured in the Group for all positions, including those recorded at fair value and those recorded at accrued value.

**Change in value of assets and liabilities, including derivatives,  
if the market interest rate rises by one percentage point, as of December 31, 2016**

	<3	3-6	6-12	1-2	2-3	3-4	4-5	5-10	>10	
SEK million	mths.	mths.	mths.	yrs.	yrs.	yrs.	yrs.	yrs.	yrs.	Total
SEK	(333)	(1)	(250)	(327)	(121)	28	(148)	(121)	119	(1,154)
Foreign currency	651	(82)	88	88	(97)	(10)	(112)	(106)	83	503
<b>Total</b>	<b>318</b>	<b>(83)</b>	<b>(162)</b>	<b>(239)</b>	<b>(218)</b>	<b>18</b>	<b>(260)</b>	<b>(227)</b>	<b>202</b>	<b>(651)</b>

**Of which financial instruments at fair value measured at fair value through profit and loss**

SEK.....	147	216	(109)	(578)	(461)	47	(615)	300	(73)	(204)
Foreign currency ...	465	(17)	54	122	(7)	61	(79)	(39)	90	650
<b>Total .....</b>	<b>612</b>	<b>200</b>	<b>(55)</b>	<b>(456)</b>	<b>454</b>	<b>107</b>	<b>(693)</b>	<b>261</b>	<b>17</b>	<b>446</b>

### 11.10.2 Currency Risk

Currency risk refers to the risk that the value of the Group's assets, liabilities and derivatives may be negatively affected as a consequence of changes in exchange rates.

Currency risk arises mainly due to the strategic holding of foreign operations and deposits and lending that take place in different currencies. Moreover, a considerable share of currency risk pertains to the Group's holdings in foreign subsidiaries. The majority of currency risk in these strategic holdings is limited by liabilities in local currencies within each foreign unit. Currency risks also exist in the trading operations due to the facilitation of client related activities. In general, the Group manages currency risks by maintaining a desired level of assets and liabilities, including derivatives, using derivatives such as cross-currency interest rate swaps and currency forwards.

The table below outlines the Group's currency positions as of December 31, 2016. A considerable share of the currency positions detailed in the table pertains to Swedbank's holdings in foreign subsidiaries; changes in value in these positions do not affect net income. A 5 per cent decrease in exchange rates of all foreign currencies against the Swedish Krona as of December 31, 2016 would increase the Group's reported profit by SEK 17 million compared to an increase of profit by SEK 77 million as of December 31, 2015. A 5 per cent increase in exchange rates would increase profit by SEK 18 million compared to an increase of profit of SEK 17 million as of December 31, 2015.

### Currency Positions

SEK million	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
<b>Assets</b>								
Cash and balances with central banks.....	18,379	84,634	17,441	48	75	601	169	121,347
Loans to credit institutions.	2,272	9,784	5,087	162	112	4,767	10,013	32,197
Loans to the public .....	1,263,150	167,196	38,432	892	5,541	4,837	27,199	1,507,247
Interest-bearing securities.	149,668	10,216	12,400	672	268	8,848	—	182,072
Other assets, not distributed .....	311,340	—	—	—	—	—	—	311,340
<b>Total .....</b>	<b>1,744,809</b>	<b>271,830</b>	<b>73,360</b>	<b>1,774</b>	<b>5,996</b>	<b>19,053</b>	<b>37,381</b>	<b>2,154,203</b>
<b>Liabilities</b>								

<b>SEK million</b>	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Amounts owed to credit institutions .....	25,328	12,085	26,977	1,009	1,327	3,855	1,250	71,831
Deposits and borrowings from the public .....	592,359	172,751	20,694	1,198	1,368	1,639	2,915	792,924
Debt securities in issue and Subordinated liabilities, .....	421,944	193,634	194,521	35,085	—	9,355	14,388	868,927
Other liabilities, not distributed .....	290,816	—	—	—	—	—	—	290,816
Equity .....	129,705	—	—	—	—	—	—	129,705
<b>Total .....</b>	<b>1,460,152</b>	<b>378,470</b>	<b>242,192</b>	<b>37,292</b>	<b>2,695</b>	<b>14,849</b>	<b>18,553</b>	<b>2,154,203</b>
Other assets and liabilities, including positions in derivatives .....	—	116,495	168,714	35,591	(3,309)	(4,036)	(18,818)	—
Net position in currency .....	—	9,855	(118)	73	(2)	168	10	9,986

### 11.10.3 Share Price Risk

Share price risk refers to the risk that the value of the Group's equity holdings and equity-related derivatives may be affected negatively as a consequence of changes in share prices.

Exposure to share price risk arises in the Group due to holdings in equities and equity-related derivatives. The Group's equity trading operation is primarily customer driven and for the purpose of providing liquidity to the customer base. Positions in the trading operations are normally such that only small losses can arise from large share price movements. The Group measures and limits share price through a risk matrix that maps the outcome of 80 different scenarios where share prices are changed by a maximum of +/- 20 per cent and volatilities by a maximum of +/- 30 per cent. There is a limit in place for the worst outcome from this matrix. As of December 31, 2016, the worst outcome would have entailed a decline in the value of the trading operation's positions by SEK 15 million as compared to SEK 11 million as of December 31, 2015.

### 11.10.4 Credit Spread Risk

Credit spread risk refers to the risk that the value of the Group's assets and liabilities, including derivatives, may fluctuate due to changes in the issuer-specific interest mark-up (i.e. the credit spread). The Group's credit spread risks are concentrated in operations that hold coupon-bearing securities issued by sovereign states, financial companies or other corporations. These activities are conducted mainly in client-related businesses within the trading operations and in the Group's liquidity portfolio.

As of December 31, 2016, an increase in all issuer-specific spreads by 1 basis point would have reduced the value of the Group's interest-bearing assets, including derivatives, by SEK 11 million as compared to a reduction of SEK 12 million as of December 31, 2015.

### 11.10.5 Risk Measurement

The Group measures market risks by using Value-at-Risk ("VaR"), a model-based risk measure. The VaR model employs movements in factors such as interest rates, stock prices, exchange rates and implicit volatilities to estimate a probability distribution for the value change of the Group's total portfolio. The probability distribution is estimated daily using a Monte Carlo simulation based on historical market data over the past year. The VaR levels are produced using a 99 per cent confidence level over a one-day time horizon.

For trading operations, the Group's VaR model is in full compliance with regulatory requirements and is used for official capital charge calculations. The SFSA requires stringent monitoring of the accuracy and relevance of the model. As a consequence, Swedbank conducts both 'actual' and 'hypothetical' back-testing daily; 'actual' back-testing compares the VaR model to actual daily trading results while 'hypothetical' back-testing compares the model to changes in market value of the prior day's positions given overnight market movements. If the model is appropriately configured for a 99

per cent confidence level over a one-day horizon, breaches can be expected to occur in one out of 100 observations. Any breach in the 'hypothetical' back-testing is reported to the SFSA.

In addition to regular VaR described above, the Group also has a stressed VaR model. The stressed VaR model is similar to regular VaR except that it uses a period of significant financial stress to estimate the probability distribution of the portfolio's returns. The Group uses both regular and stressed VaR to calculate market risk capital for the trading book, as per the CRR. This is designed to reduce the procyclicality of the capital requirement for market risk.

Occasionally, historical correlations used in the VaR calculation do not apply, for example in a stressed financial markets situation. Therefore, the Group also applies complementary risk measures and has established limits based on sensitivity to changes in specific market prices. In addition, the Group carries out both regular and ad-hoc stress tests throughout the year to estimate potential losses in case of extraordinary market conditions.

The total VaR of the Group was SEK 43 million for the year ended December 31, 2016 compared to the total VaR of SEK 80 million for the year ended December 31, 2015. In June 2015, Swedbank received approval for a VaR model change due to low and negative interest rates. As a result of this change, the VaR figures for 2015 and 2016 are not comparable.

SEK million	As of or for the period ended December 31,							
	2016				2015			
	Max	Min	Average	Year end	Max	Min	Average	Year end
<b>VaR</b>								
Interest rate risk	131	44	80	46	112	53	81	82
Currency risk	13	2	6	4	15	3	7	7
Share price risk	12	2	5	2	24	4	7	5
Diversification	—	—	(13)	(9)	—	—	(15)	(14)
<b>Total</b>	<b>128</b>	<b>43</b>	<b>79</b>	<b>43</b>	<b>113</b>	<b>56</b>	<b>80</b>	<b>80</b>

#### 11.10.6 Management of Market Risks

The Board of Directors is the governing body for all of the Group's activities that could give rise to market risks. Only risk-taking units (i.e. units assigned a risk mandate by the CEO) are permitted to take market risks. Each risk-taking unit has limits for different types of risks, and runs daily procedures to monitor these risks systematically. Furthermore, on a daily basis, Group Risk measures, analyses and controls market risk-taking activities performed by the Group. Group Risk is also responsible for reporting such activities to the CEO and senior executives of the Group.

The dominant market risks within the Group are structural or strategic in nature and are managed centrally by Group Treasury, which is responsible for minimising possible negative impacts on the Group's net income and equity. Relative to other risk factors (e.g. credit risk), the Group's market risks are low. For the purpose of capital adequacy calculation, market risks accounted for approximately 2.4 per cent of the total risk exposure amount as of December 31, 2016.

#### 11.10.7 Derivatives

Derivatives are financial instruments whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index. Derivatives are used throughout the Group to manage both interest rate risk and currency risk. The trading operation uses derivatives to meet customer needs and, as part of market-maker activities, to cover and take market risk positions. Other units use derivatives primarily to reduce interest rate, currency and credit spread risks associated with services offered to customers or with funding its operations.

## 11.11 Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes and systems, human error or external events. The definition includes legal risk and information risk.

### *Channel and Service Disruptions*

IT and system risk related to lifecycle issues in legacy systems, IT stability and availability of the Group's services to its customers remain key risk areas. Work to modernise, consolidate and improve efficiency of the Group's IT infrastructure has been continuous over the past few years, along with proactive risk management. However, in recent years, the Group has, on occasion, experienced system disruptions that have affected customer access to services.

### *Cyber-threats*

The changing technological paradigm also entails emerging digital threats against the Group and our customers (such as large-scale distributed denial of service attacks, ransomware attacks and other types of malicious attacks). The increased exposure to these kinds of threats follows the industry's increasing dependence on online channels as well as always-available communication links for providing digitalised services to customers. Historically, Swedbank has been successful and proactive in mitigating these kinds of threats, but the digital threats are evolving fast, and attackers are becoming more and more sophisticated and resourceful.

### *Information Security*

Information is a key component in the Group's business; the Group cannot function without it. Availability, integrity and confidentiality of information are therefore of paramount importance. It is crucial for Swedbank to protect its own and its customers' information, and information security breaches have reputational as well as financial impact.

### *Staff capacity*

Staff-related risks are difficult to measure in terms of tangible impact on the business. In general, staff risks occur when there is a mismatch between the workforce and deliverables. New risks related to staff capacity and competence are emerging within Swedbank due to a high workload and complex planning of resources, where there is a need to prioritise between business driven development and regulatory-driven development while simultaneously managing day-to-day operations. In 2016, the amount of operational risk loss remained at a normal level with accumulated losses below the expected annual loss.

### **11.11.1 Management of Operational Risks**

Operational risks are inherent in the Group's business activities and are typical of any financial institution. It is not cost-efficient to attempt to eliminate all operational risks, nor is it possible to do so. Swedbank seeks to maintain the lowest possible level of operational risks, taking into account the market sentiment and regulations, as well as our strategy, rating ambitions and capacity to absorb operational risk losses.

Larger losses of material significance are rare, and Swedbank seeks to reduce the likelihood of such losses through operational risk control, continuity management and compliance, to maintain readiness for events that could cause financial losses, reputational damage or impact the availability of our services.

**Risk-based Planning:** The risk-based planning process aims to ensure the relevance of risk management and risk control activities and to secure the allocation of adequate resources to carry them out. During 2016, risk-based planning was centralised and merged with overall operational planning; business areas now are required to compile a risk-based plan as part of their operational planning.

**Reporting:** Operational risk reporting takes place in the form of regular reporting and immediate escalation. Comprehensive reports are sent to the Board and the CEO on a quarterly basis (and if there is any deviation, such deviation is reflected in the monthly report of the Chief Risk Officer that is presented to the board of directors). During 2016, the reporting structure was reviewed and restructured to clarify roles and responsibilities between the risk management function, within the first line of defence, and the risk control function, within the second line of defence.

**Risk and Control Self-Assessments:** Risk control self-assessments ("RCSA") are performed by all business areas and group functions. The same methodology is used to evaluate operational risks across the Group, and to ensure that adequate measures are taken to address any issues. The RCSA process is designed to identify current exposures and, as part of the New Product Approval Process ("NPAP"), to gain a more complete view of risks relating to changes. RCSA also focuses on control effectiveness and allows for consistent tracking of risk mitigation activities in order to proactively manage operational risks. Swedbank is constantly revising its risk-assessment techniques to meet the requirements across the organisation so that they are effective Group-wide risk management tools.

**New Product Approval Process:** NPAP encompasses not only new products and services, but also markets, processes and IT systems, as well as major operational and organisational changes. The goal of NPAP is to ensure product and process quality, safeguard customer interests and ensure that risks associated with any changes are within the risk limits.

NPAP is designed to emphasise the responsibility of a business area for risk identification, analysis and mitigation. During 2016, NPAP was reviewed and aligned with Swedbank's purchasing process and the Swedbank Agile Development Process. The risk control unit approves all changes before they are implemented. The risk control unit can also halt implementation of a change if the change entails risks that exceed the Group's risk limit framework.

**Business Continuity Management:** Swedbank's principles for business continuity management are defined in the Group-level framework. Crisis management teams are available both on the Group and local level to coordinate and communicate internally and externally. In addition, business continuity plans are in place for all business critical processes, for IT systems supporting these systems and for services that are critical for countries in which Swedbank operates. The plans are implemented on the Group and local level and describe how Swedbank is to operate in the event of a severe business disruption or potential crisis situation. Swedbank's business continuity and crisis management models are derived from the international standard ISO 22301:2012 Societal security - business continuity management systems.

**Processes and controls:** Swedbank has established a group level framework for process and control management. This is an integrated framework for assessment of all types of process controls. Specific control frameworks have been established for internal control over financial reporting and for credit process control.

Swedbank has commenced integration of a process governance model into Swedbank's operating model in collaboration with the CEO's office. To achieve a process-based approach for risk management, the governance model will be used as a basis for all risk management activities performed across the Group.

The purpose of the governance model is to emphasise responsibility for critical processes within the Group, as well as responsibility for control activities within each process and for assessment of the effectiveness of these controls.

**Incident management:** An incident is defined as a deviation in business processes resulting in unexpected business outcome caused by events such as crime, errors, disputes, service inability, delayed services, or loss of control of the business process. To ensure that operational risk losses are consistently reported and monitored at the Group level, all Group companies are required to report individual losses when the net loss is expected to exceed SEK 25,000. Losses are entered into the operational risk loss database and reported to the Group Operational Risk function on a quarterly basis as part of regular reporting.

**Risk management maturity assessment:** The risk management maturity assessment scorecard (the "RMMA") is a tool used by Second Line Control to assess each business area's risk management maturity levels. A high risk-management maturity level within each business area indicates a strong risk culture and risk awareness which reduces the threat of unforeseen losses and keeps business assets secure. The RMMA has proven to be efficient in clarifying expectations, steering and evolving risk management forward, and establishing risk ownership where it is best suited. In 2016, the RMMA was re-introduced as a bi-annual assessment according to a four-point scale (up from three points) with minimum requirements for documenting the basis of assessment more clearly.

**Recovery Planning:** The Group has established a Group-level recovery plan in accordance with the BRRD regulatory framework complemented by the guidelines and technical standards issued by the EBA. The recovery plan describes a set of measures that can be applied in distress in order to restore the sound financial position of the Group and to ensure the continuity of critical financial services provided by the Group in all its home markets. The recovery plan describes a wide range of recovery indicators along with trigger levels that can be easily monitored to capture potential stress in a timely manner. Further, in the corporate governance structure, the rules for escalation and decision-making to be used under stressful conditions are described.

**Information risk and Information Security:** Swedbank defines information risk as the risk of compromising the confidentiality, integrity or availability of its primary information assets. Cyber risk and IT risks are a subset of information risk. Swedbank has an internal regulation, based on the Information Security Forums Standard of Good Practice, that describes how to protect information. The Group is continuously working to improve and redefine processes in order to strengthen its information security management system. Several cybercrime-mitigating activities, combined with an in-house organisation targeting these threats, have made it possible to lower the success rate of cyber criminals and consequently reduce the Group's losses.

**Legal:** The CEO has established Group Legal for governing, controlling and supporting the proper handling of legal matters.

The Group has lawyers in all major business areas with specialisation in all core areas of Swedbank. Lawyers provide legal services by supporting, understanding and acting upon the needs of the particular business. Internal rules on escalation, information-sharing and reporting legal risks and lawsuits are also in place. Each business area has implemented appropriate overall processes and procedures for effectively handling legal risks within its area of responsibility in order to mitigate potential threats. Regular reviews are carried out to identify and follow up on actual and/or potential legal risks, so that practices can be modified to ensure compliance with local regulatory requirements.



**Insurance policies:** Swedbank has insurance protection for significant parts of its operations and maintains several insurance programs to mitigate operational and other types of risks. These insurance programs consist of external insurance solutions, internal solutions and externally reinsured solutions. The external programs cover crime, professional liability, directors' and officers' liability and property insurance.

**Upcoming Regulatory Changes:** In March 2016, the Basel Committee issued the first consultation paper regarding the Standardized Measurement Approach for Operational Risk, the new method for calculating the operational risk capital requirement that is set to replace all existing methods. The method combines a simple standardised measure of operational risk exposure with bank-specific loss data to produce a capital requirement. We expect a long implementation timeframe, with the new operational risk capital rules not set to come into force until January 2021, according to reports.

**Compliance:** The Compliance Function area is responsible for providing assurance to the CEO and the Board that the Group's business is being conducted in accordance with relevant regulatory requirements applicable to the Bank's licensed operations. Compliance activities are planned and prioritised through a structured and documented process aimed at identifying the key compliance risks in the Group.

## 12. Management

### 12.1 Board of Directors

The Swedbank Board of Directors (the “Board”) has overall responsibility for managing the Group’s affairs in the interest of both Swedbank and the shareholders. The Board consists of ten members elected at the AGM. The majority of members elected at the AGM are independent in relation to Swedbank and the Group Executive Committee and independent in relation to Swedbank’s major shareholders. The Board also includes two employee representatives in accordance with special agreements with the Financial Sector Union of Sweden and Akademikerföreringen.

The members of the Board, their year of birth, the year of their initial election as a director and the year of their initial appointment as an employee representative, their position and whether or not they are independent according to the requirements set out in the Swedish Code of Corporate Governance (the “SCCG”), are set forth in the table below.

Name	Year of birth	Board member since	Position	Independent/dependent
Lars Idermark	1957	2010	Chair	Independent
Ulrika Francke	1956	2002	Deputy Chair	Independent
Göran Hedman	1954	2010	Member	Dependent in relation to Swedbank due to employment and independent in relation to Swedbank’s major shareholders
Bodil Eriksson	1963	2016	Member	Independent
Peter Norman	1958	2016	Member	Independent
Pia Rudengren	1965	2009	Member	Independent
Karl-Henrik Sundström	1960	2009	Member	Independent
Siv Svensson	1957	2010	Member	Independent
Camilla Linder	1968	2015	Employee Representative	—
Roger Ljung	1967	2015	Employee Representative	—

Details as to the education and experience of the Board members are listed below:

**Lars Idermark:** Mr. Idermark has been a member of the Board for sixteen years and has been involved in the operations of the Group for ten years. He earned his Masters of Business Administration. Mr. Idermark is the President and a board member of Södra Skogsägarna AB. Before that, he was the President and CEO of PostNord AB, the President and CEO of KF/Coop (the Swedish Cooperative Union), President of the Second Swedish National Pension Fund, Deputy President and CEO of Capio AB, Executive Vice President, Deputy President and CEO of FöreningsSparbanken, which is part of the Group, Chief Financial Officer and Executive Vice President of Föreningsbanken AB and President and CEO of LRF Holding AB. He was elected as Chairman of the Board at the 2016 AGM.

**Ulrika Francke:** Ms. Francke has been a member of the Board for twenty-two years. She completed her university studies. Ms. Francke is the President and CEO of Tyréns AB. Prior to that, she was President and CEO of SBC Sveriges Bostadsrättscentrum AB, the Head of Administration of the City of Stockholm and President and CEO of Fastighets AB Brommstaden. Ms. Francke is also a board member of Hexagon AB, Chair of BIM Alliance, board member of IQ Samhällsbyggnad, board member of Almega Tjänsteförbunden and a board member of Stockholms Stadsteater AB.

**Göran Hedman:** Mr. Hedman has been a member of the Board for fifteen years and has been involved in the operations of the Group for forty-two years. Mr. Hedman is the CEO of Sparbanken in Enköping. Before that, he was the Head of Research at Group Credit Förenings-Sparbanken AB, which is part of Swedbank, the Deputy Chief Credit Officer and held various other leading management positions at Föreningsbanken AB. Mr. Hedman is also a board member of Sparbanken in Enköping and the Uppsala Chamber of Commerce.

**Bodil Eriksson:** Ms. Eriksson has been a member of the Board since 2016. Ms. Eriksson studied French literature at Uppsala University, Foreign Correspondance at the University in Lausanne and Brighton, and she also studied at RMI-Berghs. Previously, she was Senior Vice President at Volvo Car Group, Vice President at Apotek Hjärtat, Senior Vice President at SCA, as well as Vice President at Axfood.

**Peter Norman:** Mr. Norman has been a member of the Board since 2016. Mr Norman earned his Bachelor's degree in Economics at Stockholm University. Previously he has been active within Stockholm University, the Swedish Central Bank, Alfred Berg and the seventh National Pension Fund, as well as Minister for Financial Markets. Mr. Norman is also the chair of Ambrosia Asset Management AB, COIN- Investment Consulting Group AB, Pepins Group AB and Svenska Taxiförbundet. Mr. Norman is also a board member of Stockholm Resilience Center.

**Pia Rudengren:** Ms. Rudengren has been a member of the Board for eight years. She earned her Bachelor of Science in Business and Economics. Ms. Rudengren is a full-time Board member. Previously, she was the Vice President of W Capital Management AB and the Chief Financial Officer of Investor AB. Ms. Rudengren is also a board member of Duni AB, Kappahl, Tikkurila Oyj, and Social Initiative AB.

**Karl-Henrik Sundström:** Mr. Sundström has been a member of the Board for eight years. He earned his Bachelor of Science in Business and Administration. Mr. Sundström is CEO of Stora Enso AB. Previously, Mr. Sundström was the Chief Financial Officer and Vice President of Stora Enso AB, Chief Financial Officer and Vice President of NXP Semiconductors and served in various roles at Telefonaktiebolaget LM Ericsson, including as its Chief Financial Officer and Vice President, Head of Global Services and as Head of Australia and New Zealand. Mr. Sundström is also a board member of the Swedish Securities Council.

**Siv Svensson:** Ms. Svensson has been a member of the Board for seven years and has been involved in the operations of the Group for twenty-eight years. She earned her Bachelor of Science in International Economics. Ms. Svensson is a full-time board member. Previously, she was the President of Sefina Finance AB and Sefina Svensk Pantbelåning AB, held several positions at Nordea AB including Vice President, Regional Head, Group Controller and Nordic Head of Global Operation Services, was Group Controller of Merita Nordbanken AB and Administrative Head at PK Fondkommission AB. Ms. Svensson is also a board member of SJ AB, Alba Holding AB, Karolinska Sjukhuset, InlandsInnovation AB and Forum Syd.

**Camilla Linder:** Ms. Linder has been an employee representative to the Board since 2015 and has been involved in the operations of the Group for twenty-two years. Ms. Linder has previously worked at Sparbanken Alfa, Föreningssparbanken and Sparbanken Sweden. Ms. Linder is also the Chair of Finansförbundets koncernklubb and board member of SPK.

**Roger Ljung:** Mr. Ljung has been an employee representative to the Board since 2015 and has been involved in the operations of the Group for thirty years. Mr. Ljung is a Business advisor at Swedbank. Previously he was a retail advisor, branch manager and business advisor in Swedish Banking at Swedbank. Mr. Ljung is also member of Finansförbundets förbundsstyrelse, deputy chair

of Finasförbundets koncernklubb at Swedbank, member of Finans och Försäkringsbranchens A-kassa and deputy chair of SPK.

On February 9, 2016, Michael Wolf stepped down as President and CEO of the Group pursuant to an agreement with the Board of Directors. The change was made on the Board of Director's initiative. On April 22, 2016, Swedbank's Board appointed Birgitte Bonnesen as President and CEO.

The office address of the members of the Board is c/o Swedbank (publ), Landsvägen 40, SE-172 63 Sundbyberg Stockholm, Sweden. None of the Board members have any family relationship with any other Board member or any members of the Group Executive Committee.

During the last five years none of the members of the Board have been involved in any bankruptcies, receiverships or liquidations in any capacity as a member of the board of directors of a company or members of the management of a company. None of the members of the Board have been convicted in relation to fraudulent offences during the last five years or been subject to any public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies), and none of the directors have been disqualified by a court from acting as members of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the last five years.

There are no potential conflicts of interest between any duties owed to Swedbank by any member of the Board of Swedbank, listed above, and their private interests or other duties.

Some or all of the members of the Board are customers of Swedbank and accordingly have ordinary customer relationships with Swedbank.

The members of the Board are not entitled to any benefits upon retirement from the Board.

## 12.2 Group Executive Committee

The table below sets forth the name, year of birth, current position and years of employment of the members of the Group Executive Committee.

Name	Year of birth	Position	Employed Since
Birgitte Bonnesen	1956	President and CEO	1987
Ģirts Bērziņš	1973	Head of Strategy within Digital Banking	2011
Elisabeth Beskow	1967	Head of Large Corporates & Institutions	2011
Mikael Björknert	1966	Chief Strategy and Head of CEO's Office	2010
Lars-Erik Danielsson	1962	Chief Credit Officer	1990
Anders Ekedahl	1960	Head of Group IT	1987
Björn Elfstrand	1964	Head of Group Savings	1989
Cecilia Hernqvist	1960	Head of Compliance	1990
Anders Karlsson	1966	Chief Financial Officer	1999
Leif Karlsson	1966	Head of Lending & Payments	1990
Ola Laurin	1971	Head of Large Corporates & Institutions	2000
Lars Ljungälv	1969	Head of Large Corporates	2014
Lotta Lovén	1967	Head of Digital Banking	2004
Helo Meigas	1965	Chief Risk Officer	2004
Priit Perens	1964	Head of Baltic Banking	2003
Christer Trädgårdh	1963	Head of Eastern region	2014

**Birgitte Bonnesen:** Ms. Bonnesen earned her Masters of Arts in Economics and Modern Languages.

**Girts Bērziņš:** Mr. Bērziņš earned his Master of Economics.

**Elisabeth Beskow:** Ms. Beskow earned her Master of Business Administration.

**Mikael Björknert:** Mr. Björknert earned his Bachelors of Science in Business and Economics.

**Lars-Erik Danielsson:** Mr. Danielsson earned his Master of Science in Economics.

**Anders Ekedahl:** Mr. Ekedahl earned his Masters in Economics and Business.

**Björn Elfstrand:** Mr. Elfstrand earned his Bachelors of Science in Business and Economics.

**Cecilia Hernqvist:** Ms. Hernqvist earned her Masters of Law.

**Anders Karlsson:** Mr. Karlsson earned his Bachelors of Science in Business and Economics.

**Leif Karlsson:** Mr. Karlsson earned his Bachelor of Economics.

**Ola Laurin:** Mr. Laurin earned his Master of Science in Business Administration.

**Lars Ljungälv:** Mr. Ljungälv earned his Bachelors of Science in Business Administration and Economics.

**Lotta Lovén:** Ms. Lovén earned her Bachelor in Market Economy.

**Helo Meigas:** Ms. Meigas earned her Masters of Arts in Law and Diplomacy with a focus on International Business Law and Finance.

**Priit Perens:** Mr. Perens earned his Master in Economics.

**Christer Trädgårdh:** Mr. Trädgårdh earned his Masters of Business Administration.

The office address of the members of the Group Executive Committee is c/o Swedbank (publ) Landsvägen 40, 172 63 Sundbyberg, Sweden. None of the members of the Group Executive Committee has any family relationship with any other member of the Group Executive Committee or member of the Board of Directors.

None of the members of the Group Executive Committee have, during the past five years, been involved in any bankruptcies, receiverships or liquidations in any capacity as a member of the Board of Directors of a company or members of the management of a company. None of the members of the Group Executive Committee have been convicted in relation to fraudulent offences during the last five years or been subject to any public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies), and none of the members of the Group Executive Committee have been disqualified by a court from acting as members of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the last five years.

The Board of Directors have adopted a Conflict of Interest Policy that sets the Group's approach as regards conflicts of interest. The Policy defines the key conflicts of interest that impact the Group as well as detailing its mitigating actions. A key function related to this is the process for disclosure of ancillary assignments.

Some or all of the members of the Group Executive Committee are customers of Swedbank and accordingly have ordinary customer relationships with Swedbank.

### 12.3 The Board's Organisation and Work

The Board sets operational goals and strategies; appoints, dismisses and evaluates the CEO; ensures that effective systems are in place to monitor and control operations and that laws and regulations are followed; and ensures that the information released to the public is transparent and accurate. The Board appoints/dismisses the head of Internal Audit and makes the final decision on the appointment/dismissal of the Chief Financial Officer and the Chief Risk Officer. The delegation between the Board, the Chair of the Board and the CEO is determined annually in the Board's instruction for the CEO. Special instructions are also in place for the Board's committees. For further information on the Board's work and organisation, refer to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2016 which are incorporated by reference in this Prospectus. More information on the work of the Board's committees can be found below.

### 12.4 Risk and Capital Committee

The Board's Risk and Capital Committee supports the Board in ensuring that routines are in place to identify and define risks relating to business activities as well as to measure and control risk-taking. Each month the Risk and Capital Committee receives a special risk report from Group Risk. The CEO is not a member of the Risk and Capital Committee but normally attends its meetings, as do the Chief Financial Officer and Chief Risk Officer. The members of the committee have special competence and experience working with risks.

The Risk and Capital Committee covers the following:

- ICAAP and the Group's capitalisation;
- the Group's limits and exposures, including its largest exposures and reserves;
- stress tests of various credit portfolios and other analyses of the credit portfolios, especially the Swedish mortgage portfolio's composition and its importance to the Group's funding;
- the size of the Group's liquidity portfolio and other liquidity issues; and
- funding-related issues and strategies, especially with regard to covered bonds.

### 12.5 Remuneration Committee

The Board's Remuneration Committee ensures that remuneration systems in the Group generally encourage effective risk management and are designed to reduce excessive risk-taking. Remuneration systems must comply with all applicable governance rules, such as those of the SCCG and the SFSA. The chair and members of the Remuneration Committee must have the knowledge and experience in risk analysis required to make an independent evaluation of the suitability of the Group's remuneration policy. Also, Remuneration Committee members must be independent from the Group and its executive management. Since the launch of the Group's new remuneration programme in 2011, the Remuneration Committee's work has consisted of dealing with various issues in connection with the new programme. The work of the Remuneration Committee includes:

- salary, pension, variable remuneration and other benefits for the Group Executive Committee (in accordance with the guidelines adopted by the AGM) and the Head of Internal Audit;
- the Board's proposal to the AGM regarding remuneration guidelines for senior executives;

- allocation and evaluation of Swedbank's performance and share-based remuneration programs and other issues associated with such programs;
- Swedbank's remuneration policy;
- decisions pursuant to or deviations from policies in the remuneration area;
- annual review and evaluation of the effectiveness of the remuneration instructions;
- preparation and recommendation to the Board on remuneration to consultants in cases where total remuneration exceeds SEK 20 million;
- review of wage differentials to ensure that they are not arbitrary; and
- succession planning.

## 12.6 Audit Committee

The Audit Committee, through its work with the external auditor, the Head of Internal Audit and the Group Executive Committee, provides the Board with access to information on business activities. Its purpose is to identify any deficiencies in routines and the organisation, in terms of governance, risk management and control.

The purpose of the Audit Committee's work is to ensure that the Group's executive management establishes and maintains effective procedures for internal governance, risk management and control. The procedures are designed to provide reasonable assurance with respect to reporting, such as financial reporting and operational risk reporting, and compliance with laws, regulations and internal rules. They also aim to ensure appropriate and efficient administrative processes and protection of the Group's assets.

The Audit Committee also reviews the work of internal and external auditors to ensure that such work has been conducted effectively, impartially and satisfactorily. The committee proposes measures that are decided on by the Board as needed. The Head of Internal Audit is a co-opted member of the Audit Committee. The majority of the members of the Audit Committee must be independent from the Group and its executive management. At least one member must also be independent from the Group's major shareholders. In addition, at least one member must have special competence in accounting or auditing.

The work of the Audit Committee includes:

- reviewing and evaluating the Group's financial reporting process;
- responsibility for the quality of the Group's reporting;
- responsibility for ensuring that the interim reports and year-end reports are audited or reviewed by the external auditor;
- meeting the external auditor on each reporting date;
- staying informed of accounting standards;
- evaluating the Head of Internal Audit;
- approving consulting services by the external auditor that exceed a certain amount;

- reviewing and approving Internal Audit's budget, instruction and annual plan;
- reviewing Internal Audit's annual plan and strategic priorities;
- following up Internal Audit's quarterly reports and suggested improvements; and
- following up External Audit's plan and risks in the financial reporting.

## **12.7 Remuneration of the Board and Senior Executives**

For 2016, total annual board fees of SEK 2,745,000 to the Chair, SEK 1,345,000 to the Deputy Chair and SEK 4,690,000, in the aggregate, to the ordinary members were approved by the AGM. Furthermore, the AGM approved a fee of SEK 215,000 to each member of the Risk and Capital Committee (formerly named Credit Committee), SEK 290,000 to the Chair of the Audit Committee, SEK 215,000 to each ordinary member of the Audit Committee and SEK 100,000 to each member of the Remuneration Committee. Board fees are not paid to Employee Representatives or persons having an employment contract with Swedbank; due to limitations regarding board fees due to agreement with the Swedish National Debt Office. In 2016, total compensation paid to members of Swedbank's Board and Chair, the President and other members of the Group Executive Committee (key management personnel) was SEK 170 million, compared to SEK 158 million in 2015. For additional information on compensation, severance payments, benefits and pension commitments for the members of the Board and Group Executive Management, see note G13 'Staff costs' in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2016 incorporated by reference in this Base Prospectus.

## **12.8 Auditor**

The Auditor is appointed by the AGM after being nominated by the Nomination Committee. Auditing duties are normally for four years, although a decision may be made to replace the Auditor before the conclusion of the four-year period. At the 2016 AGM, Svante Forsberg was re-elected as the chief Auditor. The Auditor presented his review and comments to the Board five times in 2016. On one of these occasions, no one from the executive management was present. In addition, the Auditor regularly meets with the Chair of the Board, the Chair of the Audit Committee, the executive management and other operating managers. The Group's interim reports are reviewed by its Auditor.

In accordance with its Articles of Association, Swedbank shall have no less than one or more than two authorised public accountants. The appointed Auditor is Deloitte AB, Sweden, with Authorised Public Accountant Svante Forsberg as Chief Auditor. Svante Forsberg has supervised auditing duties for the Group since 2010.

## **12.9 Corporate Governance**

Swedbank's corporate governance policies are designed to create a sound and effective corporate culture that fosters trust as well as customer and shareholder value. To be successful, Swedbank's governance requires that our employees are familiar with, and work together to achieve, its common goals. For this purpose, the Group's Board of Directors prepares a corporate governance report in accordance with the SCCG.

Swedbank considers good corporate governance, risk management and internal control to be key elements for a successful business. They are prerequisites for maintaining the trust of customers, shareholders, governmental or regulatory authorities and other stakeholders. Swedbank defines



corporate governance as the relationship between shareholders, executive management, employees, the Group and other stakeholders.

Swedbank's governance model and operational structure are designed to ensure that all employees work towards Swedbank's common goals that support its purpose: achieving sound and sustainable financial situations for households and businesses.

#### **12.10 Annual General Meeting**

The AGM is the Group's highest decision-making body, where the shareholders exercise their rights. The AGM is normally held before the end of April, or under special circumstances not later than June 30. The AGM is normally held in Stockholm. The time and location are published in the Group's year-end report and on its website. The notice of the AGM is usually published five weeks in advance in Post och Inrikes Tidningar (the Official Swedish Gazette) and on the Group's website. An announcement that the notice has been posted is also placed in the Swedish daily Dagens Nyheter.

The 2016 AGM was held in Stockholm on Tuesday, April 5, 2016. A total of 1,789 shareholders attended personally or by proxy. They represented 61 per cent of the votes in Swedbank. The 2016 AGM was attended by all members of the Board of Directors, and a majority of the members of the Group Executive Committee as well as the Chief Auditor. The 2017 AGM is scheduled to take place on March 30, 2017 in Stockholm.

#### **12.11 Nomination Committee**

The Nomination Committee is the shareholders' governing body, which nominates Board members and the Auditor and proposes their fees, among other things.

In early 2016, the Nomination Committee proposed Mats Granryd, Bo Johansson, Annika Poutiainen and Magnus Uggla as new members of the Board. The Nomination Committee further proposed re-election of Board members Lars Idermark, Ulrica Francke, Siv Svensson, Bodil Eriksson and Peter Norman. Göran Hedman, Pia Rudengren and Karl-Henrik Sundström have declared that they are not available for re-election. The Nomination Committee also proposed an increase of the number of the Board members elected by the Annual General Meeting from eight to nine. Lars Idermark was nominated to be Chair of the Board of Directors.

The duties of the Nomination Committee, where applicable, are to submit proposals to the following AGM for decisions regarding:

- the election of a Chair of the AGM;
- remuneration of the Board members and Auditors;
- the election of the Board members, Chair and Auditors;
- principles for appointing the Nomination Committee at the next AGM; and
- number of Board members.

## 12.12 Shareholders

Largest shareholders as of January 31, 2017, owner grouped\*

<b><u>% of capital and votes</u></b>	<b><u>2017</u></b>
Sparbanks-Gruppen – Members	9.40
Folksam	9.26
Swedbank Robur Funds	4.45
ALECTA PENSION INSURANCE	4.43
AMF – Insurance and Funds	4.09
Savings bank foundations – not Sparbanks-Gruppen	3.94
JPM CHASE NA	2.04
SWEDBANK AB	1.88
STATE STREET BANK & TRUST COM	1.69
SEB Investment Management	1.60
<b>10 largest shareholders</b>	<b>42.79</b>
Number of shareholders	296,891

\*Owner names in lower case letters are grouped owners. Owner names in upper case letters are non-grouped owners.

## 13. Banking Regulation and Supervision in Sweden

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### 13.1 The Banking and financing business

Banks and other companies in the financial sector are subject to extensive regulation in Sweden. This section briefly describes some of the more important regulations governing Swedbank and its Swedish subsidiaries as well as the most important supervisory authorities. The information herein is current as of the date of this Prospectus. Many regulations, particularly in the areas of capital adequacy, large exposures, liquidity and measures in case of a credit institution's financial difficulties are presently undergoing substantial changes, or have recently undergone such changes with resulting lack of foreseeability as to how they will be applied by the authorities. Some of these changes are referred to in the section titled "Risk Factors".

### 13.2 General

Banking, mortgage lending, leasing and other financing business in Sweden is regulated by the Swedish Banking and Financing Business Act (Sw: *Lagen (2004:297) om bank- och finansieringsrörelse*) (the "BFBA"), which sets out the fundamental requirements for obtaining a licence, principal rules for the operations and certain modifications from the companies act that are applicable to banks and credit market companies.

Swedbank is a public limited liability bank company and has been granted a licence from the SFSA to conduct banking business under the BFBA as well as, *inter alia*, licences to carry out a securities business under the Swedish Securities Markets Act (Sw: *Lagen (2007:528) om värdepappersmarknaden*) and a pension savings business under the Individual Pension Savings Act (Sw: *Lagen (1993:931) om individuellt pensionssparande*). Furthermore, in addition to Swedbank Mortgage, many of Swedbank's other subsidiaries are regulated under Swedish or foreign laws regulating financial institutions and insurance companies, and are also subject to the supervision of the SFSA or the corresponding authority in other jurisdictions.

### 13.3 Capital adequacy, large exposures and liquidity

On December 16, 2010, the Basel Committee published its final framework for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (the so-called "Basel III" framework). In addition, on January 13, 2011, the Basel Committee published minimum requirements for regulatory capital to ensure loss absorbency at the point of non-viability.

Following the Basel III guidelines, on July 20, 2011, the European Commission published corresponding proposed changes at the EU level to replace the amended Capital Requirement Directive with two legislative instruments: a Regulation establishing prudential requirements institutions are required to respect and a Directive (through an amendment of Directive 2002/87/EC) governing the access to deposit-taking activities. The CRD IV legislative package was published in the Official Journal of the European Union on June 27, 2013. CRD IV was required to be implemented by the EU Member States so as to apply from January 1, 2014 and the CRR applied directly in the EU Member States from January 1, 2014, in each case, with certain exceptions. Beginning January 1, 2014 the Swedish capital adequacy framework is based on CRR and CRD IV. As from January 1, 2014 CRR became Swedish law, while CRD IV was implemented in Sweden in 2014 through amendments to Swedish legislation and SFSA regulations. CRR and CRD IV are complemented by a set of technical standards developed by the EBA and adopted by the European Commission.

The key theme of Basel III is more and better capital. CRR and CRD IV introduced significant changes in the prudential regulatory regime applicable to banks, including: increased minimum capital ratios; changes to the definition of capital and the calculation of risk exposure amount ("REA"); and the introduction of new measures relating to leverage, liquidity and funding. CRR and CRD IV permit a transitional period for certain of the enhanced capital requirements and certain other measures. The Swedish authorities decided however that the higher capital requirements resulting from the implementation of CRR and CRD IV would be implemented without any phasing-in period, with the only exception that capital instruments not fully compliant with CRR may be included in the total capital during a limited grandfathering period. Starting in 2014, Swedish banks have been required to report the leverage ratio to the regulator, and a formal disclosure requirement was introduced in the first quarter of 2015. According to the EU's regulations, the measure is expected to be evaluated by the authorities prior to the possible introduction of a minimum requirement in 2018.

In early September 2014, the SFSA decided which capital requirements would apply to Swedish banks beyond the minimum level of 7 per cent Common Equity Tier 1 capital (including the mandatory capital conservation buffer of 2.5 per cent) in accordance with the EU rules. As of January 1, 2015 the four major Swedish banks are required to maintain a systemic risk buffer of 3 per cent in Common Equity Tier 1 capital within the framework of Pillar 1 and a further 2 per cent within the framework of Pillar 2. The countercyclical buffer rate for Swedish exposures was set to 1.0 per cent from September 13, 2015, was increased to 1.5 per cent from June 27, 2016 and is expected to further increase to 2.0 per cent beginning March 19, 2017.

In January 2016, the SFSA reiterated that it does not intend to make formal decisions on the capital requirement for individual institutions in Pillar 2. As long as a formal decision has not been made, the capital requirement under Pillar 2 does not affect the level at which automatic restrictions on dividend and coupon payments on certain subordinated securities take effect (due to a breach of the combined buffer requirements).

Since CRR became law, the SFSA has had the authority to allow banks exemptions from the current Basel I floor. The SFSA decided however that the Basel I floor is to be applied in Sweden. The buffer requirements in CRR/CRD IV, including the systemic risk buffers for the systemically important Swedish banks, is however calculated without taking the Basel I floor rules into account. The floor is only a parallel back-stop for the lowest level of own funds. Swedbank's total capital exceeded the legal capital requirement under the Basel I floor by SEK 50.8 billion as of year-end 2016.

Supervisory authorities in Sweden and at the European level have made note of the major differences among the average risk weights institutions calculate their credit risk exposure under the IRB approach (a basis for calculating capital requirements for credit risk) especially as regards mortgage lending within the retail exposure class. In May 2013, the SFSA announced its decision to introduce a risk-weight floor of 15 per cent for the Swedish mortgage portfolio, which was then increased to 25 per cent in September 2014. The risk-weight floor was introduced as part of the SFSA's overall capital assessment under the supervisory measures in Pillar 2. Therefore, Swedbank's reported capital ratios are not affected because they are calculated under the regulatory framework of Pillar 1. The risk-weight floor means that institutions must hold more capital insofar as they themselves do not already set aside capital exceeding the floor level for Swedish mortgages.

The leverage ratio is a new non-risk-adjusted solvency requirement introduced in Basel III. It is described as a backstop to the risk-based capital measures. It is intended to limit the leverage effects in the balance sheet of volumes that are overly large in relation to the Group's own capital and to provide an extra layer of protection against model risk and measurement error. Under CRR, banks have been required to calculate and report their leverage ratio to regulators since January 1, 2014 and to disclose extensive information about the ratio publicly since January 1, 2015. The

regulators' ambition is to introduce the leverage ratio as a complementary Pillar 1 requirement by January 1, 2018.

For a further discussion relating to how the CRR and CRD IV may affect Swedbank, see "Risk Factors – Risks relating to the Group – Swedbank or its financial institution subsidiaries may need additional capital and other eligible liabilities in the future to maintain capital adequacy ratios or for other reasons, and it may be difficult to obtain such capital and liabilities".

The Basel III guidelines also include liquidity standards which comprise an LCR and a NSFR. The LCR will require banks to hold a reserve of liquid assets sufficient to withstand a 30-day period of liquidity stress. The NSFR rules set minimum requirements for matching the maturities of a bank's funding to the maturity of its assets.

The CRR contains provisions regarding the components of LCR and, in October 2014, the Delegated Regulation, which supplements the LCR, was released. As of January 1, 2016, the European regulatory minimum requirement for the Delegated Regulation with regard to the LCR was set to 70 per cent and as of January 1, 2017 is 80 per cent. Swedbank regularly calculates and monitors the LCR according to the Delegated Regulation. The CRR also contains provisions for the NSFR, but the details required for the calculations have not been finalised. Swedbank regularly calculates and monitors the NSFR both according to the Basel standard and the preliminary CRR version.

Under the SFSA regulation on Management of Liquidity Risk in Credit Institutions and Securities Companies, credit institutions and securities companies must have proper procedures for identifying, measuring and controlling liquidity risk and must also keep a liquidity reserve adapted to the size and the needs of the company. The Swedish version of the LCR, implemented ahead of the European LCR, requires a minimum LCR of 100 per cent in EUR, USD and currencies combined. The metric measures the stressed net cash outflows over a 30-day period (the denominator of the ratio) and the liquid assets held to mitigate the outflows (the numerator of the metric).

European legislation also focuses on liquidity and funding risks in addition to the introduction of the LCR and the NSFR. There are separate reporting requirements on asset encumbrance, funding plans and additional liquidity monitoring metrics to further strengthen the information provided to supervisors. Furthermore, the Internal Liquidity Adequacy Assessment Process is submitted to regulators as an additional report on systemic and institution specific risks related to liquidity and funding.

#### **13.4 Covered bond issuance**

Banks and credit market companies may be licensed to issue covered bonds under the Swedish Covered Bond Issuance Act (Sw: *Lagen (2003:1223) om utgivning av säkerställda obligationer*), which sets out the requirements for issuance of covered bonds in terms of permitted assets in the cover pool, valuation of real property and matching between assets and liabilities. Swedish law grants a priority right for the covered bond holders and derivatives counterparties over the assets in the pool.

#### **13.5 Foreign exchange and credit control**

The Swedish Act on Foreign Exchange and Credit Controls (Sw: *Lagen (1992:1602) om valuta- och kreditreglering*) empowers the Swedish Government, following consultation with the Swedish Central Bank, to implement foreign exchange controls if Sweden is at war, or if there are exceptional conditions prevailing on account of war, risk of war, serious accident or exceptionally heavy short-term capital movements. If foreign exchange controls have been introduced, the Swedish

Government is also entitled to implement credit controls upon request by the Swedish Central Bank. Any resolution implementing such controls is required to be submitted to the Swedish Parliament for approval within one month from the resolution. Should this not be done within the stipulated time, the resolution ceases to be valid.

### **13.6 Payment services**

The Swedish Payment Services Act (Sw: *Lagen (2010:751) om betaltjänster*) regulates the provision of payment services to the public and contains, *inter alia*, rules on information to customers and time limits for payment transactions.

### **13.7 Deposit guarantees and other consumer protection**

In order to protect depositors, Sweden has a deposit guarantee scheme regulated by the Swedish Act on Deposit Guarantees (Sw: *Lagen (1995:1571) om insättningsgaranti*). The guaranteed amount per saver per institution is SEK 950,000 (or EUR 100,000, or the local currency equivalent thereof, for deposits with branches of Swedish institutions located within the EEA). Under the state-provided guarantee, the Swedish Government will compensate customers for money that they have deposited with Swedish banks and certain other institutions if the institution fails. The scheme is managed by the Swedish National Debt Office (Sw: *Riksgälden*), (the “NDO”). The Noteholders claims under the Notes will not benefit from the deposit guarantee scheme.

Loans and other credit granted to individuals and intended for consumer purposes, including home loans, are covered by the Swedish Consumer Credit Act (Sw: *Konsumentkreditlagen (2010:1846)*). Some of the more important features of the act are restrictions on a lender’s right to raise interest rates and fees on an existing credit, restrictions on a lender’s right to terminate the loan early, and a right for the consumer to prepay the loan.

Financial advice to consumers is governed by the Swedish Act on Financial Advice to Consumers (Sw: *Lagen (2003:862) om finansiell rådgivning till konsumenter*), which sets out certain requirements regarding competence of advisers and documentation of given advice as well as liability in case of careless advice.

### **13.8 Money laundering and financing of terrorism**

All banks and credit market institutions based in Sweden are subject to Swedish legislation designed to prevent money laundering and financing of terrorism. The Swedish Act on Measures against Money Laundering and Financing of Terrorism (Sw: *Lagen (2009:62) om åtgärder mot penningtvätt och finansiering av terrorism*) prohibits banks and credit institutions from engaging in money laundering activities or financing terrorism and requires those institutions to report transactions suspected of violating this law to the Swedish Police Authority.

### **13.9 Securities trading**

Securities trading is regulated by the Swedish Securities Markets Act (Sw: *Lagen (2007:528) om värdepappersmarknaden*). In addition to stipulating requirements for obtaining a licence to conduct securities business, the act contains rules for investor protection and rules governing the operations of the securities company as well as rules on transaction reporting and trading platforms. Certain of the regulations mentioned under the headline “The Banking and financing business” above are applicable to securities companies as well.

### 13.10 Asset management

Fund management is governed by the Swedish Securities Funds Act (Sw: *Lagen (2004:46) om värdepappersfonder*) which contains basic requirements to obtain a fund management licence as well as extensive regulation regarding management of the assets of a fund. Certain of the regulations mentioned under the headline “The Banking and financing business” above are applicable to fund managers as well.

### 13.11 Insurance

Insurance business is governed by the Swedish Insurance Business Act (Sw: *Försäkringsrörelselagen (2010:2043)*), which sets out the rules under which a licence can be obtained to conduct insurance business. This act also contains corporate rules and regulations pertaining to the operations. Swedbank’s insurance business is also subject to capital requirements under the Solvency II Directive (2009/138/EC).

### 13.12 Supervision

The SFSA is the supervisory authority for financial and insurance institutions in Sweden. The SFSA issues regulations and supervises the operations of financial institutions with regard to, *inter alia*, capital adequacy and large exposures, liquidity, accounting, governance structures, risk control, consumer protection and procedures for the prevention of money laundering and terrorism financing. The SFSA is empowered with a range of tools to facilitate its supervision, including the right to perform site visits and to interview the employees of an institution under its supervision. Should the SFSA conclude that the operations of an institution are not sound or that the institution is otherwise breaching laws or regulations, it may impose administrative sanctions on the institution, such as disciplinary reprimands, warnings, fines and ultimately revoking its licence to operate.

The Swedish Central Bank, which is accountable to the Swedish Parliament, sets monetary policy, is responsible for the execution of Sweden’s foreign exchange rate policy, administers Sweden’s currency reserves and, under certain circumstances, is empowered and ready to act as lender of last resort to the banks. It also handles the clearing arrangements between the banks.

### 13.13 The Resolution Act and the Act on Preventative Government Support to Credit Institutions

On July 2, 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms entered into force, the “BRRD”. The BRRD is intended to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions, while minimising the impact of an institution’s failure on the economy and financial system. On February 1, 2016, the BRRD was implemented in Sweden by the entry into force of the Resolution Act (Sw. *lagen (2015:1016) om resolution*).

A credit institution can be placed into resolution by the Swedish National Debt Office (the “resolution authority”) if (a) the SFSA has determined that the institution is failing or likely to fail, (b) there are no alternative measures which would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is necessary in the public interest. The Resolution Act contains four resolution tools and powers which may be used alone or in combination. The resolution tools are: (i) sale of business, which enables the resolution authority to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) in order to enable continuation of critical businesses, transfer all or part of the assets or liabilities of the institution to a “bridge institution” (an entity created for this purpose that is wholly or partially publicly owned); (iii) asset separation, which enables the resolution authority to transfer assets, rights or liabilities to one or more asset

management vehicles, wholly or partially publicly owned, to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this tool may only be used together with another resolution tool); and (iv) bail-in, which gives the resolution authority the power to write down certain claims of unsecured creditors (including the Notes) of a failing institution and to convert certain unsecured debt claims, including the Notes, in to equity (the “general bail-in tool”), which equity could also be subject to any future cancellation, transfer or dilution. In addition, the resolution authority has, amongst others, the power to: (i) stop payments from the institution under resolution; (ii) take action to prevent creditors and other counterparties of the institution from terminating contracts early or executing set-off or netting arrangements; and (iii) to vary the maturity, the interest rate and the interest payment date of the relevant unsecured debt claims (including the Notes).

An institution will be considered as failing or likely to fail when it is, or is likely in the near future to be, in breach of its obligations to the extent that its authorisation should be withdrawn; the value of its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires public financial support (with some exceptions listed in the Resolution Act).

For a discussion on how the Resolution Act may affect the Group and the Notes, see Risk Factors – “Risks relating to the Group – Swedbank or its financial institution subsidiaries may need additional capital and other eligible liabilities in the future to maintain capital adequacy ratios or for other reasons, and it may be difficult to obtain such capital and liabilities” – “The Group’s business is subject to substantial regulation and can be adversely affected by regulatory and governmental developments” and “Risk Factors – Risks relating to the Notes – General Risks relating to Notes – The Notes may be subject to write down or conversion into ordinary shares of Swedbank”.

Also on February 1, 2016, the Act on Preventative Government Support to Credit Institutions (*Sw. lagen (2015:1017) om förebyggande statligt stöd till kreditinstitut*) entered into force. This act enables the authorities to give government support to credit institutions at an earlier stage than a point in time when the Resolution Act would apply. In addition, this act stipulates the setting up of a stability fund for the purpose of financing preventive action under the act as well as actions taken under the Resolution Act.



## 14. Taxation

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### 14.1 United States Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below) (other than “FATCA Withholding” which applies to all holders). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, such as Notes with a term of more than 30 years or with certain contingent payment features, and additional or modified disclosure concerning certain U.S. federal income tax consequences relevant to such type of Note may be provided, as appropriate. This summary deals only with purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws (including estate or gift tax, the alternative minimum tax or Medicare tax on net investment income). This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof including the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### **14.1.1 Payments of Interest**

#### **14.1.1.1 General**

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount – General”) and subject to any reduction on account of amortisable bond premium (as discussed below under “Notes Purchased at a Premium”, will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder’s method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes and original issue discount (“OID”), if any, accrued with respect to the Notes (as described below under “Original Issue Discount”) generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

### **14.1.2 Original Issue Discount**

#### **14.1.2.1 General**

The following is a summary of certain U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes.

A Note, other than a Note with a term of one year or less (a “Short-Term Note”), will be treated as issued with OID (a “Discount Note”) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25 per cent of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “instalment obligation”) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest”. A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with

respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The “adjusted issue price” of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

#### *14.1.2.2 Acquisition Premium*

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “acquisition premium”) and that does not make the election described below under “Election to Treat All Interest as Original Issue Discount”, is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Note immediately after its purchase over the Note’s adjusted issue price and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note’s adjusted issue price.

#### *14.1.2.3 Short-Term Notes*

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the Internal Revenue Service (the “IRS”).

#### 14.1.2.4 *Fungible Issue*

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, among other things, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

#### 14.1.2.5 *Market Discount*

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "de minimis market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the sale or retirement of a Market Discount Note (including any payment on a Note that is not qualified stated interest) generally will be treated as ordinary income to the extent of the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may avoid such treatment by electing to include market discount in income currently over the life of the Note. This election applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS.

A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently may be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note. Such interest is deductible when paid or incurred to the extent of interest (including OID) from the Note for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Note was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

#### 14.1.2.6 *Variable Interest Rate Notes*

Notes that provide for interest at variable rates ("Variable Interest Rate Notes") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under United States Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified de minimis amount, (b) it provides for stated interest, paid or compounded at least

annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “qualified floating rate” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An “objective rate” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note’s term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “current value” of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that

qualifies as a “variable rate debt instrument” generally will not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a “true” discount (i.e., at a price below the Note’s stated principal amount) equal to or in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from “true” discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. Additional or modified disclosure concerning proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be provided, as applicable.

#### **14.1.3 Notes Purchased at a Premium**

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as “amortisable bond premium”, in which case the amount required to be included in the U.S. Holder’s income each

year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount – Election to Treat All Interest as Original Issue Discount".

#### **14.1.4 Election to Treat All Interest as Original Issue Discount**

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount — General," with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium (described above under "Notes Purchased at a Premium") or acquisition premium. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "Original Issue Discount – Market Discount" to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

#### **14.1.5 Sale or Retirement of Notes**

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "Original Issue Discount — Market Discount" or "Original Issue Discount — Short Term Notes" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

#### **14.1.6 Foreign Currency Notes**

##### **14.1.6.1 Interest**

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### 14.1.6.2 *OID*

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### 14.1.6.3 *Market Discount*

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the sale or retirement of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

#### 14.1.6.4 *Bond Premium*

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income (or OID) in units of the foreign currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may



recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

#### **14.1.6.5      *Sale or Retirement***

As discussed above under “Purchase, Sale and Retirement of Notes”, a U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder’s tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase, or, in the case of Notes traded on an established securities market (within the meaning of the applicable United States Treasury Regulations) that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or, in the case of Notes traded on an established securities market (within the meaning of the applicable United States Treasury Regulations) sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder’s purchase price for the Note (as adjusted for amortized bond premium, if any) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest or OID).

#### **14.1.6.6      *Disposition of Foreign Currency***

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

#### **14.1.7      *Backup Withholding and Information Reporting***

In general, payments of principal and interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, by a U.S. paying agent or other U.S. intermediary, will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain foreign financial assets.

#### **14.1.8 Reportable Transactions**

A U.S. taxpayer that participates in a “reportable transaction” will be required to disclose its participation to the IRS. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases generally is imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

#### **14.1.9 FATCA Withholding**

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. The issuer believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including Sweden) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments prior to January 1, 2019 and Notes that have a fixed term and are not treated as equity for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding on foreign passthru payments unless materially modified after such date. However, if additional notes (as described under “Terms and Conditions—Further Issues”) that are not distinguishable from these Notes are issued after the expiration of the grandfather period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered hereby, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

#### **14.2 Swedish Taxation**

*The following summary outlines certain Swedish tax consequences to holders of Notes who are not residents of Sweden for income tax purposes. Purchasers are urged to consult their professional advisers as to the tax consequences of acquiring, holding or transferring Notes.*

Under Swedish law as presently in effect, payments of any principal or any amount that is considered to be interest for Swedish tax purposes to the holder of any Note will not be subject to Swedish income tax, provided that such holder is neither (i) resident in Sweden for tax purposes nor (ii) engaged in trade or business in Sweden through a permanent establishment to which the Notes are effectively connected.

Swedish law, as presently in effect, does not provide for deduction or withholding for or on account of taxes on payments of any principal or interest to the holder of any Notes, except on payment of

interest, and any other yield on any Notes which is paid at the same time as interest, to a holder of Notes who is a private individual (or an estate of a deceased individual) with tax residence in Sweden.

#### 14.3 **The Proposed Financial Transactions Tax ("FTT")**

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## 15. ERISA Considerations

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The Notes are generally eligible for purchase by employee benefit plans subject to the fiduciary responsibility and prohibited transaction provisions of Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and/or the prohibited transaction rules of section 4975 of the Code (collectively, “Plans”) and by governmental or church plans or non-U.S. employee benefit plans that are subject to federal, state or local laws of the United States or non-U.S. laws that are substantially similar to such provisions of ERISA or section 4975 of the Code (“Similar Law”), subject to consideration of the issues described in this section.

Section 406 of ERISA and section 4975 of the Code prohibit certain transactions involving the assets of a Plan and any fiduciary, service provider or other person having certain relationships to such Plan (each is referred to as a party in interest or disqualified person), unless a statutory or administrative exemption applies to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and section 4975 of the Code.

The Issuer, the Dealers or any other party to the transactions contemplated by this Base Prospectus as completed by any Final Terms may be parties in interest or disqualified persons with respect to many Plans from time to time. Prohibited transactions under ERISA or section 4975 of the Code may arise if any of the Notes is acquired or held by a Plan with respect to which the Issuer, the Trustee, the Dealers or any other party to such transactions is a party in interest or a disqualified person. The Notes should not be acquired or held by any such Plan unless an exemption from such prohibited transaction rules applies, or by any governmental, church or non-U.S. plan subject to Similar Law unless the acquisition, holding and disposition of a Note will not result in any violation of Similar Law.

Certain exemptions from the prohibited transaction provisions of ERISA and section 4975 of the Code may apply, depending in part on the Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are section 408(b)(17) of ERISA and section 4975(d)(20) of the Code (relating to a transaction in which a Plan pays no more and receives no less than adequate consideration and involving a party in interest solely by reason of services provided to the Plan and neither it nor any of its affiliates is acting as a fiduciary with respect to assets involved in the transaction), Prohibited Transaction Class Exemption (“PTCE”) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). There are no assurances that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in section 3(33) of ERISA) and non-U.S. plans (as described in section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

The U.S. Department of Labor has promulgated a regulation, 29 C.F.R. section 2510.3-101, as modified by section 3(42) of ERISA (the “Plan Asset Regulation”) describing what constitutes the assets of a Plan for purposes of ERISA and section 4975 of the Code. Under the Plan Asset

Regulation, if a Plan invests in an equity interest of an entity, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless the Issuer qualifies as an "operating company" or another exception described in the Plan Asset Regulation applies. An "operating company" is a company that is primarily engaged in the production or sale of a product or service (other than the investment of capital) directly or through one or more majority-owned subsidiaries. Further, a security which is in the form of debt may be considered an equity interest under the Plan Asset Regulation if it has substantial equity features. If any of the Notes have substantial equity features and the Issuer was deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in such Notes, the Issuer and an undivided interest in its underlying assets would be subject to the fiduciary standards of ERISA and the prohibited transaction rules of ERISA and section 4975 of the Code. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Notes should not be treated as equity interests for the purposes of the Plan Asset Regulation and the Issuer currently qualifies as an operating company.

Each fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes with assets of any Plan or any governmental, church or non-U.S. plan should consult with its counsel to confirm that such investment will not result in a non-exempt prohibited transaction and will satisfy the other applicable requirements of ERISA, the Code or Similar Law.

Each purchaser and subsequent transferee of any Note will be deemed by such purchase or acquisition of any such Note to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Note through to and including the date on which the purchaser or transferee disposes of such Note, either that (a) it is not a Plan or a governmental, church or non-U.S. plan subject to Similar Law, or an entity whose underlying assets include the assets of any such plan for purposes of ERISA, section 4975 of the Code or Similar Law, or (b) its acquisition, holding and disposition of such Note will not result in a non-exempt prohibited transaction under ERISA or section 4975 of the Code, or a violation of any Similar Law.

The sale of any Notes to a Plan is in no respect a representation by the Issuer, the Trustee, the Dealers or any other party to the transactions that such an investment is appropriate and meets all relevant legal requirements for investment by Plans generally or any particular Plan, or any governmental, church or non-U.S. plan.

## 16. Subscription and Sale and Transfer and Selling Restrictions

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Notes may be sold from time to time by the Issuer to any one or more of the Dealers or to any other person or institution. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated February 24, 2015 and made between the Issuer, the Arranger and the Dealers named therein (as amended and restated or supplemented from time to time, the “Dealer Agreement”). Any such arrangements will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

A Dealer may sell Notes it has purchased from the Issuer as principal to certain other dealers less a concession equal to all or any portion of the discount received in connection with such purchase. The Dealer may allow, and such dealers may re-allow, a discount to certain other dealers. After the initial offering of Notes, the offering price (in the case of Notes to be resold at a fixed offering price), the concession and the reallowance may be changed. The Notes may also be sold at variable prices.

The Issuer may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase Notes in whole or in part.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in accordance with applicable laws and rules.

These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes. If the Dealer creates or the Dealers create, as the case may be, a short position in the Notes, that is, if it sells or they sell Notes in an aggregate principal amount exceeding that set forth in the applicable Final Terms, such Dealer(s) may reduce that short position by purchasing Notes in the open market. In general, purchase of Notes for the purpose of stabilisation or to reduce a short position could cause the price of the Notes to be higher than it might be in the absence of such purchases.

Neither the Issuer nor any of the Dealers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, neither the Issuer nor any of the Dealers makes any representation that the Dealers will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

Under the Dealer Agreement, the Issuer has agreed to indemnify the Dealers against certain liabilities (including liabilities under the Securities Act) they may incur or to contribute to payments the Dealers may be required to make in respect thereof in connection with the issue of Notes under

the Programme. The Issuer has also agreed to reimburse the Dealers for certain other expenses in connection with the establishment and any future updates of the Programme and the issue of Notes under the Programme.

No Notes will have an established trading market when issued. From time to time, each of the Dealers may make a market in the Notes, but no Dealer is obligated to do so and may discontinue any market-making activity at any time, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. The offering of the Notes by the Dealers is subject to receipt and acceptance and subject to the Dealers' right to reject any order in whole or in part.

It is expected that delivery of Notes will be made against payment therefore on the relevant Issue Date, which may be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within three business days ("T+3"), unless the parties to any such trade expressly agree otherwise. Accordingly, if an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. If an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include, among others, securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Dealers and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Issuer. The Dealers have not provided any legal, accounting, regulatory or tax advice with respect to any offering contemplated hereby and the Issuer has consulted its own legal, accounting, regulatory and tax advisers to the extent it deemed appropriate. Certain of the Dealers and their respective affiliates have, directly or indirectly, performed investment and commercial banking or financial advisory services for the Issuer and/or its affiliates for which they have received customary fees and commissions, and they may provide these services to the Issuer and/or its affiliates in the future, for which they also expect to receive customary fees and commissions. In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially Notes offered under the Programme. Any such short positions could adversely affect future trading prices of the Notes offered under the Programme. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## 16.1 Transfer Restrictions

*As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

Each purchaser of Registered Notes or person wishing to transfer an interest from one Registered Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware, and each beneficial owner of such Notes has been advised, that any sale to it is being made in reliance on Rule 144A; or (b) it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in an Unrestricted Registered Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (iv) that either (A) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to section 4975 of the Code, (iii) an entity whose underlying assets are deemed for purposes of ERISA or section 4975 of the Code to include the assets of any such employee benefit or other plan described in clause (i) or (ii) above, or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state or local law or non-U.S. law, that is substantially similar to the fiduciary responsibility and prohibited transactions provisions of Title I of ERISA or section 4975 of the Code, or (B) its acquisition, holding and disposition of a Note (or any interest therein) will not constitute or result in a prohibited transaction under ERISA or section 4975 of the Code for which an exemption is not available, or a violation of any U.S. federal, state or local law or non-U.S. law substantially similar to the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA or section 4975 of the Code;
- (v) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (vi) that Notes initially offered in the United States to QIBs will be represented by one or more Restricted Registered Global Notes and that Notes offered outside the United States in



reliance on Regulation S will be represented by one or more Unrestricted Registered Global Notes;

- (vii) that the Restricted Registered Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS NOTE CANNOT BE EXCHANGED FOR A BEARER NOTE.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE (THE “AGENCY AGREEMENT”) OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THE SECURITIES

REPRESENTED BY THIS CERTIFICATE AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS ACQUISITION AND HOLDING OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE THE ASSETS OF ANY SUCH PLAN SUBJECT TO ERISA OR SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE SECURITIES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY SIMILAR LAW.

[FOR PURPOSES OF APPLYING THE ORIGINAL ISSUE DISCOUNT RULES UNDER THE INTERNAL REVENUE CODE OF 1986 (1) THE ISSUE DATE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS [ ], [ ]; (2) THE YIELD TO MATURITY IS [ ] (COMPOUNDED SEMI-ANNUALLY); (3) THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT IN THE AMOUNT OF [ ] PER [ ] PRINCIPAL AMOUNT; (4) THE [ ] METHOD SPECIFIED IN THE PROPOSED TREASURY REGULATIONS HAS BEEN USED TO DETERMINE YIELD; AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO THE SHORT INITIAL ACCRUAL PERIOD BEGINNING [ ] AND ENDING [ ]; [AND] (5) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO SUCH ACCRUAL PERIOD IS U.S.\$[ ] PER U.S.\$[ ] PRINCIPAL AMOUNT.]<sup>19</sup> [AND (6) THE COMPARABLE YIELD IS [ ]; AND (7) THE PROJECTED PAYMENT SCHEDULE IS [ ].]<sup>20</sup>

- (viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Notes of which such Notes are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Unrestricted Registered Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY

<sup>19</sup> Include for any Definitive Registered Note issued with "original issue discount" for U.S. federal income tax purposes and issued under Rule 144A.  
<sup>20</sup> Include if the Note is a contingent payment debt instrument.

AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE (THE "AGENCY AGREEMENT") AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE A PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS UNLESS MADE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE SECURITIES ACT.

BY ITS ACQUISITION AND HOLDING OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE THE ASSETS OF ANY SUCH PLAN SUBJECT TO ERISA OR SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE SECURITIES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY SIMILAR LAW.

[FOR PURPOSES OF APPLYING THE ORIGINAL ISSUE DISCOUNT RULES UNDER THE INTERNAL REVENUE CODE OF 1986 (1) THE ISSUE DATE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS [ ], [ ]; (2) THE YIELD TO MATURITY IS [ ] (COMPOUNDED SEMI-ANNUALLY); (3) THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT IN THE AMOUNT OF [ ] PER [ ] PRINCIPAL AMOUNT; (4) THE [ ] METHOD SPECIFIED IN THE PROPOSED TREASURY REGULATIONS HAS BEEN USED TO DETERMINE YIELD; AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO THE SHORT INITIAL ACCRUAL PERIOD BEGINNING [ ] AND ENDING [ ]; [AND] (5) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO SUCH ACCRUAL PERIOD IS U.S.\$[ ] PER U.S.\$[ ] PRINCIPAL AMOUNT.]<sup>21</sup> [AND (6) THE COMPARABLE YIELD IS [ ]; AND (7) THE PROJECTED PAYMENT SCHEDULE IS [ ].]<sup>22</sup>, and

- (ix) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such

<sup>21</sup> Include for any Definitive Registered Note issued with "original issue discount" for U.S. federal income tax purposes and issued under Rule 144A.  
<sup>22</sup> Include if the Note is a contingent payment debt instrument.

acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent in another Specified Currency).

To the extent that the Issuer is not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of the Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

## **16.2 United States**

*Regulation S Category 2, unless otherwise specified in the applicable Final Terms; Rule 144A Eligible if so specified in the applicable Final Terms*

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by United States Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder.

In connection with Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver such Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer and its affiliates will have sent to each Dealer to which it sells Notes during the distribution compliance period relating thereto, other than for resales pursuant to Rule 144A, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate

principal amount of Notes that may be purchased by a QIB pursuant to Rule 144A will be U.S.\$200,000.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act (if available).

### **16.3 Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

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

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

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **16.4 The United Kingdom**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## 16.5 Japan

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

## 16.6 Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571) of Hong Kong and rules made thereunder or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Chapter 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued, or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571) of Hong Kong and any rules made thereunder.

## **16.7**    **General**

Each Dealer acknowledges that, other than with respect to the admission of the Notes to the Official List and to trading on the Main Securities Market, no action has been or will be taken in any jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

## 17. Form of Final Terms

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

**Final Terms dated [       ]**

**SWEDBANK AB (publ)**

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

under the U.S.\$15,000,000,000  
Medium Term Note Programme

### **PART A - CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated March 1, 2017 (the “Base Prospectus”) [as supplemented by the supplement[s] dated [   ] [and [   ]]] [which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended including by Directive 2010/73/EU and any relevant implementation measures in a relevant Member State) (for the purposes of these Final Terms, the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]]<sup>23</sup>. Full information on Swedbank AB (publ) (the “Issuer”) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s]] [has] [have] been published on the website of the Central Bank of Ireland at [www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx](http://www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx) [and on the website of the Irish Stock Exchange at [www.ise.ie](http://www.ise.ie)] and copies may be obtained during normal business hours, free of charge, from the registered office of the Issuer at SE-105 34 Stockholm, Sweden and from the specified office of the Principal Paying Agent at [   ].]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the [Base] Prospectus dated [September 3, 2012/March 1, 2013/February 19, 2014/February 24, 2015/March 2, 2016] which are incorporated by reference in the Base Prospectus dated March 1, 2017 (the “Base Prospectus”). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (as amended including by Directive 2010/73/EU and any relevant implementation measures in a relevant Member State) (for the purposes of these Final Terms, the “Prospectus Directive”) and must be read in conjunction with the Base Prospectus [as supplemented by the supplement[s] dated [   ] [and [   ]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive.]<sup>1</sup> Full information on Swedbank AB (publ) (the “Issuer”) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s]] [has] [have] been published on the website of the Central Bank of Ireland at [www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx](http://www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx) [and on the website of the Irish Stock Exchange at [www.ise.ie](http://www.ise.ie)] and copies may be obtained during normal business hours, free of charge, from the registered office of the Issuer at SE-105 34 Stockholm, Sweden and from the specified office of the Principal Paying Agent at [   ].]

<sup>23</sup> Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.



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

*[When completing any final terms, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*<sup>24</sup>

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

1. **Issuer:** Swedbank AB (publ)
2. (i) **Series Number:** [ ]
- (ii) **Tranche Number:** [ ]
- (iii) **Date on which the Notes will be consolidated and form a single Series:** [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [ ]]] [Not Applicable]
3. **Specified Currency or Currencies:** [ ]
4. **Aggregate Nominal Amount:** [ ]
  - (i) **Series:** [ ]
  - (ii) **Tranche:** [ ]
5. **Issue Price:** [ ] per cent of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (i) **Specified Denomination(s):** [ ]
 

*(N.B. Where multiple denominations above €100,000 or its equivalent in other currencies are being used the following sample wording should be followed: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)* <sup>25</sup>

- (ii) **Calculation Amount:** [ ]

*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or*

<sup>24</sup> Not relevant where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

<sup>25</sup> Not applicable if Notes are being issued in registered form.

*more Specified Denominations)*

7. (i) **Issue Date:** [ ]
- (ii) **Interest Commencement Date:** [[ ]/Issue Date/Not Applicable]
8. **Maturity Date:** *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9. **Interest Basis:** [[ ] per cent Fixed Rate]  
[[Reference Rate] +/- [ ] per cent Floating Rate]  
[Zero Coupon]
10. **Redemption/Payment Basis:** Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent of their nominal amount
11. **Change of Interest Basis:** *[Specify details of any provision for conversion of Notes into another interest basis by cross-referring to paragraphs 14, 15 or 16 below]/[Not Applicable]*
12. **Put/Call Options:** [Issuer Call]/[Investor Put]/[Not Applicable]
13. **Date Board approval for issuance of Notes obtained:** [ ]/[Not Applicable]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)*

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

14. Fixed Rate Note Provisions (Condition 4(a)):
- [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] [and [ ]] in each year, from and including [ ], up to and including the Maturity Date
- (N.B. consider form of language in the case of long or short coupons)*
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Dates: [Not Applicable] / [ ] in each year] *(insert regular*

*interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*

15. **Floating Rate Note Provisions:**

Condition 4(b))

[Applicable/Not Applicable]

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

(i) Specified Period(s)/Specified Interest Payment Dates:

[ ], subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]

(ii) Business Day Convention:

[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]

(iii) Business Centre(s):

[ ]

(iv) Manner in which the Rate(s) of Interest is/are to be determined:

[Screen Rate Determination/ISDA Determination]

(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent):

[[ ] shall be the Calculation Agent] [Not Applicable]

(vi) Screen Rate Determination:

Reference Rate, Relevant Time and Relevant Financial Centre:

Reference Rate: [ ] month  
[LIBOR/EURIBOR/STIBOR/  
NIBOR/CIBOR/TIBOR/HIBOR]

Relevant Time: [[ ] in the Relevant Financial Centre/As per Condition 4(b)(ii)]

Relevant Financial Centre:  
[London/Brussels/Stockholm/Oslo/Copenhagen/Tokyo/  
Hong Kong]

Interest Determination Date(s):

[Second London business day prior to the start of each Interest Period]  
[First day of each Interest Period]  
[Second day on which the TARGET2 System is open prior to the start of each Interest Period]  
[Second Stockholm business day prior to the start of each Interest Period]  
[Second Oslo business day prior to the start of each Interest Period]  
[First day of each Interest Period]

[Second Tokyo business day prior to the start of each Interest Period]

[First day of each Interest Period]

[[ ] days prior to the start of each Interest Period]

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

Relevant Screen Page:

[ ]

*(In the case of EURIBOR, if not Reuters Screen EURIBOR01 ensure it is a page which shows a composite rate)*

(vii) ISDA Determination:

Floating Rate Option:

[ ]

Designated Maturity:

[ ]

Reset Date:

[ ]

(viii) Linear Interpolation:

[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)

(ix) Margin(s):

[+/-] [ ] per cent per annum

(x) Minimum Rate of Interest:

[ ] per cent per annum

(xi) Maximum Rate of Interest:

[ ] per cent per annum

(xii) Day Count Fraction:

[Actual/Actual (ISDA)] [Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]

**16. Zero Coupon Note Provisions:**

[Applicable/Not Applicable]

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

(i) Accrual Yield:

[ ] per cent per annum

(ii) Reference Price:

[ ]

(iii) Day Count Fraction in relation to Early Redemption Amounts:

[30/360]  
[Actual/360]

[Actual/365]

## PROVISIONS RELATING TO REDEMPTION

17. **Issuer Call:** [Applicable/Not Applicable]

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

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s): [ ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ]
  - (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)*

18. **Investor Put:** [Applicable/Not Applicable]

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

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s): [ ] per Calculation Amount
- (iii) Notice period (if other than as set out in the Conditions): [ ]

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

19. **Final Redemption Amount:** Each Note will be redeemed at its principal amount
20. **Early Redemption Amount:**
- Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default: ☐ per Calculation Amount/Condition 5(e) applies]
- (N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. **Form of Notes:**
- (i) Form: **[Registered Notes:**
- The Notes will be represented on issue by one or more [Restricted Registered Global Notes registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]] [and by one or more] [Unrestricted Registered Global Notes registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]]
- [Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note on and after the Exchange Date which is exchangeable for definitive Notes [upon 45 days' written notice (expiring after the Exchange Date)] [only upon the occurrence of an Exchange Event].]<sup>26</sup>
- [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date.]<sup>27</sup>
- (ii) New Global Notes / held under New Safekeeping Structure: [Yes]/[No]
22. **Financial Centre(s):** [ ]/[Not Applicable]

<sup>26</sup> The exchange upon notice at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: [€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].

<sup>27</sup> This option must not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: [€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].

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

23. **Talons for future Coupons to be attached to definitive Notes:** [Yes]/[No]

24. **THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

Signed on behalf of the Issuer:

By: .....  
*Duly authorised*

## PART B - OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Official List of the Irish Stock Exchange/Not Applicable]
- (ii) Date on which admission to trading to be effective: [Application has been made for the Notes to be admitted to trading on [the Main Securities Market of the Irish Stock Exchange]/[ ] with effect from, or from around, [ ]]
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [Not Applicable]/[The Notes to be issued [have been]/[are expected to be] assigned the following ratings:
- [ ] by Standard & Poor's Credit Market Services Europe Limited
- [ ] by Moody's Investors Service Ltd.
- [ ] by Fitch Ratings Ltd.]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- [[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]*

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

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

### 4. [USE OF PROCEEDS

Reason for the offer: [ ]]

### 5. [FIXED RATE NOTES ONLY – YIELD

Indication of yield: [ ]]



## 6. OPERATIONAL INFORMATION

- (i) CUSIP Number: [ ]
- (ii) ISIN: [ ]
- (iii) Common Code: [ ]
- (iv) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg (together with the address of such clearing system) and the relevant identification number(s): [Not Applicable/[give name(s) and number(s)]]
- (v) Delivery: Delivery [against/free of] payment  
[Not Applicable/[ ]]
- (vi) Names and addresses of additional Transfer Agents and/or Paying Agent(s) (if any):
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] *[include this text for Registered Notes which are to be held under the NSS]* and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/  
  
[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS *[include this text for Registered Notes which are to be held under the NSS]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon

the ECB being satisfied that Eurosystem eligibility criteria have been met.]

**7. DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of Subscription Agreement: [       ]
- (iv) Stabilising Manager(s) (if any): [Not Applicable/*give name(s)*]
- (v) If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- (vi) Rule 144A Eligible: [Yes/No]
- (vii) Whether TEFRA D rules applicable  
or TEFRA rules not applicable: [TEFRA D/TEFRA not applicable]

## 18. Definitions

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**Common equity Tier 1 capital (CET 1 Capital):** Capital consisting of capital instruments, related share premium accounts, retained earnings and other comprehensive income after considering regulatory adjustments.

**Common equity Tier 1 capital ratio (CET 1 capital ratio):** Common Equity Tier 1 capital in relation to risk exposure amount.

**Cost/income ratio:** Total expenses in relation to total income.

**Credit impairments:** Established losses and provisions for the year less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

**Credit impairment ratio:** Credit impairment on loans and other credit risk provisions, net, in relation to the opening balance of loans to credit institutions and loans to the public after provisions.

**Duration:** The average weighted maturity of payment flows calculated at present value and expressed in number of years.

**Earnings per share before dilution:** Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included.

**Equity per share:** Shareholders' equity in relation to the number of shares outstanding.

**Impaired loans:** Loans where there is, on an individual level, objective evidence of a loss event, and where this loss event has an impact on the cash flow of the exposure. Impaired loans, gross, less specific provisions for loans assessed individually constitute impaired loans, net.

**Interest fixing period:** Contracted period during which interest on an asset or liability is fixed.

**Net interest margin:** Net interest income in relation to average (calculated on month-end figures) total assets.

**Number of employees:** The number of employees at year-end, excluding long-term absences, in relation to the number of hours worked expressed in terms of full-time positions.

**Probability of Default (PD):** The probability of default (PD) indicates the risk that a counterparty or contract will default within a twelve-month period.

**Provision ratio for impaired loans:** Provisions for impaired loans assessed individually in relation to impaired loans, gross.

**Return on equity:** Profit for the financial year allocated to shareholders in relation to average (calculated on month-end figures) shareholders' equity.

**Return on total assets:** Profit for the year in relation to average (calculated on month-end figures) total assets.

**Risk exposure amount:** Risk weighted exposure value i.e. the exposure value after considering the risk inherent in the asset.

**Tier 1 capital:** The sum of Common Equity Tier 1 capital and Additional Tier 1 capital according to Article 25 in CRR.

**Tier 1 capital ratio:** Tier 1 capital in relation to the total risk exposure amount.

**Tier 2 capital:** Capital instruments and subordinated loans and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

**Total capital ratio:** Own funds in relation to the total risk exposure amount.

**Total provision ratio for impaired loans:** All provisions (individually assessed and portfolio) for loans in relation to impaired loans, gross.

**Yield:** Dividend per share in relation to the share price at year-end.

## 19. General Information

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- 19.1 Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID.

It is expected that each Tranche which is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Registered Global Note initially representing the Notes of such Tranche or, as the case may be, the relevant Temporary Global Note.

Any Series of Notes intended to be admitted to the Official List and admitted to trading on the Main Securities Market will be so admitted upon submission to the Central Bank and the Irish Stock Exchange of the applicable Final Terms and any other information required by the Central Bank and the Irish Stock Exchange, subject in each case to the issue of the relevant Notes.

The update of the Programme was duly authorised by the Issuer on February 21, 2017. Notes issued under the Programme will be authorised by the Issuer at the time of issuance.

Except as described on pages 80-81 in “Swedbank – Legal Proceedings”, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.

- 19.2 Since December 31, 2016, there has been no material adverse change in the financial position or prospects of the Issuer or the Group and there has been no significant change in the financial or trading position of the Issuer or the Group.

- 19.3 Deloitte AB (Authorised Public Accountants) of Rehnsgatan 11, SE-113 79 Stockholm, Sweden, have audited the financial statements of the Issuer for the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014.

Deloitte AB is a member of FAR, the professional institute for authorised public accountants (Sw: *auktoriserade revisorer*), approved public accountants (Sw: *godkända revisorer*) and other highly qualified professionals in the accountancy sector in Sweden.

- 19.4 The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The common code and International Securities Identification Number in relation to the Notes of each Tranche allocated by Euroclear and/or Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer will make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP number for each Tranche of Registered Notes, together with the relevant common code and International Securities Identification Number, will be specified in the applicable Final Terms. Euroclear, Clearstream, Luxembourg and DTC are the entities in charge of keeping book-entry records. If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue J.F. Kennedy L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, NY 10041-0099, USA.

- 19.5 For so long as Notes are listed on the Irish Stock Exchange, hard copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered office of the Issuer and the specified office of the Principal Paying Agent in London and the Registrar:
- (i) Certificate of Registration and Articles of Association of the Issuer;
  - (ii) the Trust Deed;
  - (iii) the Agency Agreement;
  - (iv) the Issuer-ICSDs Agreement;
  - (v) the audited consolidated annual financial statements of the Issuer in respect of each of the financial years ended December 31, 2016, December 31, 2015 and December 31, 2014 in each case together with the audit reports prepared in connection therewith;
  - (vi) the most recently published audited consolidated annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case together with any audit or review reports prepared in connection therewith; and
  - (vii) this Base Prospectus, any supplement to this Base Prospectus, any documents incorporated by reference and, save as provided below, any Final Terms issued in respect of any Notes issued under the Programme.

The Articles of Association of the Issuer referred to in paragraph (i) above and the audited consolidated annual financial statements referred to in paragraph (v) above are translated from the Swedish originals. The Issuer confirms that each of those documents is a direct and accurate translation from the Swedish original.

In addition, a copy of this Base Prospectus, any supplement to this Base Prospectus, any documents incorporated by reference and each Final Terms will also be available for viewing on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) or otherwise published in accordance with Article 14 of the Prospectus Directive.

- 19.6 The Issuer has not entered into any material contracts outside the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Holders of Notes issued under the Programme.
- 19.7 The issue price and principal amount of Notes of any Tranche to be issued will be determined at the time of offering of such Tranche in accordance with then prevailing market conditions.
- 19.8 In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.
- 19.9 The Trust Deed provides that the Trustee may rely on any certificate or report from an expert or any other person in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee in connection therewith contains any limit on the liability of such expert or such other person.

- 19.10 The following Alternative Performance Measures (as such term is defined in the ESMA Guidelines on Alternative Performance Measures) are included in this Base Prospectus:
- NSFR (as defined on page 36 and 83 of the Group's 'Annual Report 2016'); and
  - Net interest margin before trading interest are deducted (as defined on page 100 of the Group's 'Annual Report 2016').
- 19.11 Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Programme and is not itself seeking admission of Notes issued under the Programme to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.
- 19.12 The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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