



Landshypotek Bank

LANDSHYPOTEK BANK AB (publ)

(incorporated with limited liability in the Kingdom of Sweden)

SEK 700,000,000 Floating Rate Perpetual Additional Tier 1 Capital Notes

Issue Price: 100.00 per cent.

The SEK 700,000,000 Floating Rate Perpetual Additional Tier 1 Capital Notes (the "**Notes**") will be issued by Landshypotek Bank AB (publ) (the "**Issuer**"). Subject as provided in the Terms and Conditions of the Notes (the "**Conditions**"), the Notes will constitute direct, unsecured and subordinated obligations of the Issuer, as described in Condition 3 (*Status*).

Subject to the right of the Issuer to cancel any payment of interest in respect of the Notes in accordance with Condition 5 (*Interest Cancellation*), from and including the Issue Date, the Notes will bear interest on their Prevailing Principal Amounts at a floating rate of interest equal to the Stockholm Inter-bank Offered Rate ("**STIBOR**") for three month deposits in Swedish krona, plus a margin of 4.40 per cent. per annum, payable quarterly in arrear on 29 March, 29 June, 29 September and 29 December in each year, subject to adjustment as described in Condition 4(a) (*Interest Payment Dates*) (each an "**Interest Payment Date**"), commencing on 29 June 2017.

The Notes are perpetual securities and have no fixed redemption date and Noteholders do not have the right to call for their redemption. Subject as provided herein and to obtaining the prior permission of the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**"), the Notes may be redeemed at the option of the Issuer in whole (but not in part) at their then Prevailing Principal Amounts, together with accrued interest (if any) thereon (i) on the Interest Payment Date falling in or nearest to March 2022 (the "**First Call Date**") or on any Interest Payment Date thereafter, and (ii) upon the occurrence of a Capital Event or a Tax Event.

The Issuer may elect, in its sole and absolute discretion, to cancel in whole or in part any payment of interest in respect of the Notes which is otherwise scheduled to be paid on an Interest Payment Date and payments of interest in respect of the Notes will also not be made in certain other circumstances as provided in Condition 5 (*Interest Cancellation*). Interest payments in respect of the Notes will be non-cumulative. Accordingly, if any payment of interest (or part thereof) is not made in respect of the Notes then the right of the Noteholders to receive the relevant interest payment (or part thereof) will be extinguished (and shall not accumulate) and the Issuer will have no obligation to make such interest payment (or part thereof), whether or not future interest payments on the Notes are paid. The cancellation or other non-payment of interest as provided in Condition 5 (*Interest Cancellation*) will not constitute an event of default or entitle any action to be taken by Noteholders.

In the event that the CET1 ratio of the Issuer is less than 5.125 per cent. or the CET1 ratio of the Landshypotek Consolidated Situation is less than 7.00 per cent. (each, a "**Trigger Event**"), in each case as calculated in accordance with the CRD IV requirements, the Issuer will reduce the Prevailing Principal Amount of each Note (such reduction, a "**Write-Down**" and "**Written-Down**" shall be construed accordingly) by the relevant Write-Down Amount. Following such Write-Down, the Issuer may, in certain circumstances, in its sole and absolute discretion, increase the Prevailing Principal Amount of each Note (a "**Write-Up**"). See Condition 6 (*Loss Absorption and Discretionary Reinstatement*).

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the "**Prospectus Act 2005**") to approve this document as a prospectus for the purposes of Article 5.3 of the Prospectus Directive (as defined below). The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. References in this Prospectus to Notes being "listed" (and all related references) shall mean that the Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg

Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Notes will be in bearer form and in the denominations of SEK 2,000,000 plus integral multiples of SEK 1,000,000 in excess thereof up to and including SEK 3,000,000. The Notes will initially be issued in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around the Issue Date with a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**", and together with the Temporary Global Note, the "**Global Notes**"), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denominations of SEK 2,000,000 plus integral multiples of SEK 1,000,000 in excess thereof up to and including SEK 3,000,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes are expected to be rated BB+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). The long-term/short-term ratings of the Issuer are A/F1 by Fitch Ratings Ltd. ("**Fitch**") and A-/A-2 by S&P. Each of Fitch and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of Fitch and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" on pages 14 to 31 herein.

The Notes are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" on page 4 of this Prospectus for further information.

Joint Lead Managers

DANSKE BANK

SEB

The date of this Prospectus is 27 March 2017.

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IMPORTANT INFORMATION

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes discussed in this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the UK Financial Conduct Authority (the "FCA") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the "PI Instrument"), which took effect on 1 October 2015. Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "PI Rules"):

- (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as securities having features substantially similar to the Notes, must not be sold to retail clients in the European Economic Area (the "EEA"); and
- (ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

By purchasing, or making or accepting an offer to purchase, any Notes (or the beneficial interest in such Notes) from the Issuer and/or any of Danske Bank A/S and Skandinaviska Enskilda Banken AB (publ) (together, the "Joint Lead Managers"), each prospective investor represents, warrants, agrees with, and undertakes to, the Issuer and the Joint Lead Managers that:

- (a) it is not a retail client in the EEA (as defined in the PI Rules);
- (b) whether or not it is subject to the PI Rules, it will not (i) sell or offer the Notes (or any beneficial interest therein) to retail clients in the EEA, or (ii) communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules), other than (A) in relation to any sale or offer to sell Notes (or any beneficial interest therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (B) in relation to any sale or offer to sell Notes (or any beneficial interest therein) to a retail client in any EEA member state other than the United Kingdom, where (x) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Notes and (y) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) ("MiFID") to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and
- (c) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes, including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and

undertakings will be given by and be binding upon both the agent and its underlying client. Investment in the Notes may be considered by eligible investors who are in a position to give the above representations, warranties, agreements and undertakings and to be able to satisfy themselves that the Notes would constitute an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

OTHER IMPORTANT INFORMATION

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive. "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

The Issuer accepts responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Joint Lead Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes.

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

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

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

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act (see "*Subscription and Sale*" below).

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

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor 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 Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this 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 Notes and the impact the Notes will have on its overall investment portfolio;**
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency in which such investor's financial activities are principally denominated is different from Swedish krona, the currency in which principal and interest payments on the Notes will be made;**
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of 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.**

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

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

PRESENTATION OF INFORMATION

All references in this Prospectus to "Swedish krona" and "SEK" refer to the currency of the Kingdom of Sweden ("Sweden") and all references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

STABILISATION

In connection with the issue of the Notes, Skandinaviska Enskilda Banken AB (publ) (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) 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 public disclosure of the terms of the offer of the 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 Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

USE OF WEBSITES

Any references to websites or uniform resource locators (URLs) in this Prospectus, except for the website www.bourse.lu where this Prospectus and documents incorporated by reference in this Prospectus may be accessed, 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 Prospectus.

OVERVIEW

The following description of the key features of the Notes is an overview and does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the Conditions or elsewhere in this Prospectus shall have the same meanings in this overview.

Issuer:	Landshypotek Bank AB (publ).
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain factors which are material for the purpose of assessing the risks associated with the terms, structure and features of the Notes. These are set out under " <i>Risk Factors</i> ".
Notes:	SEK 700,000,000 Floating Rate Perpetual Additional Tier 1 Capital Notes.
Landshypotek Consolidated Situation:	References herein to the " Landshypotek Consolidated Situation " mean Landshypotek Ekonomisk Förening (the " Parent "), the Issuer, the Issuer's subsidiaries and any other entities which are part of the Swedish prudential consolidated situation (as such term is used in the Capital Regulations) of which the Issuer is a part, from time to time.
Joint Lead Managers:	Danske Bank A/S and Skandinaviska Enskilda Banken AB (publ).
Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch.
Issue Price:	100.00 per cent. of the principal amount of the Notes.
Issue Date:	Expected to be on or about 29 March 2017.
First Call Date:	Interest Payment Date falling in or nearest to March 2022 (the " First Call Date ").
Maturity:	The Notes are perpetual securities and have no fixed redemption date. The Issuer may only redeem the Notes at its discretion in the circumstances described herein and subject always to satisfaction of the requirements of Condition 7(g) (<i>Conditions to Redemption, Purchase etc.</i>).
Status:	<p>The Notes on issue constitute Additional Tier 1 Capital of the Issuer and the Landshypotek Consolidated Situation under the CRD IV requirements.</p> <p>The Notes constitute direct, unsecured and subordinated obligations of the Issuer.</p> <p>In the event of the voluntary or involuntary liquidation (Sw. <i>likvidation</i>) or bankruptcy (Sw. <i>konkurs</i>) of the Issuer, the rights of the Noteholders to payments on or in respect of the Notes (which in the case of any payment of principal shall be to payment of the then Prevailing Principal Amounts only) shall rank:</p> <ul style="list-style-type: none">(a) <i>pari passu</i> without any preference among themselves;(b) at least <i>pari passu</i> with payments to holders of any other

Additional Tier 1 Instruments and claims of any other subordinated creditors the claims of which are expressed to rank *pari passu* with the Notes;

- (c) in priority to payments to holders of all classes of share capital of the Issuer in their capacity as such holders; and
- (d) junior in right of payment to the payment of any present or future claims of (i) depositors of the Issuer, (ii) other unsubordinated creditors of the Issuer and (iii) except as expressed in (b) above, any other subordinated creditors of the Issuer.

See Condition 3 (*Status*).

Interest:

Subject to "*Interest Cancellation*" below, the Notes will bear interest on their Prevailing Principal Amounts at the rate of interest equal to 4.40 per cent. above three month STIBOR, reset quarterly, payable quarterly in arrear on each Interest Payment Date.

The first Interest Payment Date will be 29 June 2017.

See Condition 4 (*Interest*).

Interest Cancellation:

The Issuer may elect, in its sole and absolute discretion, to cancel in whole or in part any payment of interest which is otherwise scheduled to be paid on an Interest Payment Date. Any payment of interest in respect of the Notes will also not be made in certain other circumstances as provided in Condition 5 (*Interest Cancellation*), including (a) if the Issuer has insufficient Distributable Items to make such payment; (b) if and to the extent that such payment would cause the Maximum Distributable Amount to be exceeded; and (c) if and to the extent that the SFSA requires the Issuer to cancel the relevant payment (in whole or in part). Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with the terms of the Notes.

Non-payment of any amount of interest scheduled to be paid on an Interest Payment Date will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

If any payment of interest (or part thereof) is cancelled by the Issuer, then the right of the Noteholders to receive the relevant interest payment (or part thereof) in respect of that Interest Period will be extinguished (and shall not accumulate) and the Issuer will have no obligation to pay such interest (or part thereof) or to pay any interest thereon, whether or not interest on the Notes is paid in respect of any future Interest Period.

Failure to pay such interest (or the cancelled part thereof) shall not constitute an event of default or the occurrence of any event related to the insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer.

See Condition 5 (*Interest Cancellation*).

Loss Absorption:

If a Trigger Event occurs at any time, the Issuer will:

- (a) cancel any accrued and unpaid interest in respect of the Notes to (but excluding) the Write-Down Date in accordance with Condition 5 (*Interest Cancellation*) (including if payable on the Write-Down Date); and
- (b) on the Write-Down Date (without any requirement for the consent or approval of Noteholders), reduce the then Prevailing Principal Amount of each Note by the relevant Write-Down Amount, *pro rata* with the other Notes and taking into account the write-down or other loss absorption of any Similar Loss Absorbing Instruments and the prior write-down or other loss absorption of any Prior Loss Absorbing Instruments, provided, however, that if for any reason the Issuer is unable to effect the concurrent (or substantially concurrent) write-down or other loss absorption of any given Prior Loss Absorbing Instruments and/or Similar Loss Absorbing Instruments within the period required by the SFSA, the Notes will be Written-Down notwithstanding that the relevant Prior Loss Absorbing Instruments and/or Similar Loss Absorbing Instruments are not also written down or otherwise absorbing losses.

A Write-Down will not constitute an event of default or the occurrence of any event related to the insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer.

For the purposes of determining whether a Trigger Event has occurred, the Issuer will (i) calculate the CET1 ratios of the Issuer and the Landshypotek Consolidated Situation based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for ensuring effective ongoing monitoring of the capital ratios of the Issuer and the Landshypotek Consolidated Situation and (ii) calculate and publish the CET1 ratios of the Issuer and the Landshypotek Consolidated Situation on at least a quarterly basis.

Whether or not a Trigger Event has occurred shall be determined by the Issuer and/or the SFSA.

See Condition 6 (*Loss Absorption and Discretionary Reinstatement*).

Discretionary Reinstatement:

If, at any time while any Note remains Written-Down, the Relevant Entity records a positive Net Profit, the Issuer may, in its sole and absolute discretion and subject to the Maximum Distributable Amount (when the amount of the Write-Up is aggregated together with other distributions of the Issuer or the Landshypotek Consolidated Situation, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive (or, if different, any provision of Capital Regulations implementing Article 141(2) of the CRD IV Directive)) not being exceeded thereby, Write-Up each Note to a maximum of the Initial Principal Amount, on a *pro rata* basis with the other Notes and with any Written-Down Additional Tier 1 Instruments of the Relevant Entity that have terms permitting a principal write-up to occur on a similar basis to that set out in these provisions in the circumstances existing on the date of the

relevant Write-Up, provided that the sum of:

- (a) the aggregate amount of the relevant Write-Up on all the Notes (out of the same Relevant Profits);
- (b) the aggregate amount of any payments of interest in respect of the Notes that were paid on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount at any time after the Reference Date;
- (c) the aggregate amount of the increase in principal amount of each such Written-Down Additional Tier 1 Instrument at the time of the relevant Write-Up (out of the same Relevant Profits); and
- (d) the aggregate amount of any interest payments or distributions in respect of each such Written-Down Additional Tier 1 Instrument that were calculated or paid on the basis of a prevailing principal amount that is lower than the principal amount it was issued with at any time after the Reference Date,

does not exceed the Maximum Write-Up Amount.

See Condition 6(g) (*Discretionary Reinstatement*).

Optional Redemption by the Issuer on the First Call Date and any Interest Payment Date thereafter:

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*), the Issuer may, in its sole and absolute discretion, upon the expiry of the appropriate notice, redeem all (but not some only) of the Notes on the First Call Date or any other Optional Redemption Date at an amount equal to the then Prevailing Principal Amounts of such Notes, together with accrued interest (if any) thereon (excluding any cancelled interest).

See Condition 7(b) (*Issuer Call*).

Optional Redemption by the Issuer upon the occurrence of a Tax Event or a Capital Event:

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*), upon the occurrence of a Tax Event or a Capital Event, the Issuer may, in its sole and absolute discretion, upon the expiry of the appropriate notice, on any Interest Payment Date redeem all (but not some only) of the Notes at an amount equal to the then Prevailing Principal Amounts of such Notes, together with accrued interest (if any) thereon (excluding any cancelled interest).

See Condition 7(c) (*Redemption upon Tax Event or Capital Event*).

Purchase:

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*), the Issuer, the Parent or any Subsidiary of the Issuer may, at any time following the First Call Date, purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the Agent for cancellation.

See Condition 7(d) (*Purchase*).

Substitution and Variation:

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*), upon the occurrence of a Tax Event or a Capital Event, the Issuer may (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall, save as provided in Condition 7(g) (*Conditions to Redemption, Purchase etc.*), be irrevocable) at any time either substitute all (but not some

only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem, substitute or vary the terms pursuant to Condition 7 (*Redemption and Purchase*) in relation to the Qualifying Securities so varied or substituted.

See Condition 7(f) (*Substitution or Variation instead of Redemption*).

Modification:

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*), the Agent and the Issuer may agree, without the consent of any of the Noteholders or Couponholders, to certain modifications to the Notes, the Coupons, the Deed of Covenant or the Agency Agreement, as further provided in Condition 14(b) (*Modification*).

Conditions to Redemption, Purchase, Substitution, Variation or Modification:

The Notes may only be redeemed, purchased, substituted, varied or modified as described above if:

- (i) in the case of any such redemption, purchase, substitution, variation or modification, the SFSA has given its prior permission; and
- (ii) in the case of any such redemption or purchase, the Trigger Event Redemption Restrictions do not apply to such redemption or to the redemption notice relating to such redemption (as applicable). The Trigger Event Redemption Restrictions will apply if (a) a Trigger Event Notice has been given pursuant to Condition 6 (*Loss Absorption and Discretionary Reinstatement*) until the Trigger Event to which such Trigger Event Notice relates has been cured or (b) a notice of redemption is given pursuant to Condition 7 (*Redemption and Purchase*) and prior to the relevant redemption date a Trigger Event occurs, in which event the relevant redemption notice shall be automatically rescinded and shall be of no force and effect.

See Condition 7(g) (*Conditions to Redemption, Purchase etc.*).

Taxation:

All payments of principal and interest in respect of the Notes and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by, or on behalf of, the Taxing Jurisdiction unless such withholding or deduction is required by law.

In that event, in the case of a payment of interest only, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders or Couponholders after such withholding or deduction shall equal the amount of interest which would otherwise have been receivable in respect of the Notes or Coupons in the absence of such withholding or deduction, subject to certain customary exceptions.

See Condition 9 (*Taxation*).

Bankruptcy or Liquidation:

If the Issuer is declared bankrupt or put into liquidation, a Noteholder may prove or claim in the bankruptcy or liquidation of the Issuer, whether in Sweden or elsewhere and instituted by the Issuer itself or by a third party, for payment in respect of the then Prevailing Principal Amount of such Note together with interest accrued to (but excluding) the date of commencement of the

relevant bankruptcy or liquidation proceedings to the extent not cancelled but subject to such Noteholder only being able to claim payment in respect of the Note in the bankruptcy or liquidation of the Issuer.

See Condition 10 (*Bankruptcy or Liquidation*).

Enforcement of the Notes in Global Form:

In the case of Global Notes, individual investors' rights against the Issuer will be governed by a deed of covenant dated 29 March 2017 executed by the Issuer (the "**Deed of Covenant**"), copies of which will be available for inspection at the specified offices of the Paying Agents.

Rating:

The Notes are expected to be rated BB+ by S&P. S&P is established in the European Union and is registered under the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

Form and Denomination:

The Notes will be issued in bearer form in the denominations of SEK 2,000,000 plus integral multiples of SEK 1,000,000 in excess thereof up to and including SEK 3,000,000. The Notes will be represented by one or more Global Notes deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg. Definitive Notes will only be available in certain limited circumstances. See "*Summary of Provisions Relating to the Notes in Global Form*" below.

Use of Proceeds:

The issue of the Notes will form part of the Issuer's capital base and the proceeds of the issue of the Notes will be applied by the Issuer to meet part of its general financing requirements. See "*Use of Proceeds*" below.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law, except for the provisions relating to subordination, and any non-contractual obligations arising out of or in connection with such provisions, all of which are governed by, and shall be construed in accordance with, Swedish law. Each of the Agency Agreement and the Deed of Covenant, and any non-contractual obligations arising out of or in connection with such documents, are governed by, and shall be construed in accordance with, English law.

Listing and Admission to Trading:

Applications have been made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

Clearing Systems:

Euroclear and Clearstream, Luxembourg.

Selling Restrictions:

There are restrictions on the transfer of the Notes prior to the expiration of the distribution compliance period, see "*Subscription and Sale*" below. For a description of additional restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the United Kingdom and Sweden, see "*Subscription and Sale*" below.

RISK FACTORS

In purchasing the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the risks associated with the Notes are also described below.

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

Words and expressions defined in the Conditions or elsewhere in this Prospectus have the same meanings in this section.

RISKS RELATING TO THE ISSUER

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

As a result of its business activities, the Issuer is exposed to a variety of risks, the most significant of which are systemic risk, credit risk, market risk, operational risk and liquidity risk. Failure to control these risks could result in a material adverse effect on the Issuer's financial performance and reputation.

Further, the Issuer's business could also be affected by competition and other factors such as general economic and business conditions, including changes in the economic climate, both nationally and internationally, changes regarding taxation, interest rate developments, inflation, political changes, regulatory changes and changes in the financial markets.

Systemic risk

Due to the high level of interdependence between financial institutions, the Issuer is subject to the risk of deterioration of the actual or perceived commercial and financial soundness of other financial institutions. A default or financial difficulties of one financial institution may have negative consequences for other financial institutions and may lead to liquidity problems, losses, defaults or worsening of general economic climate in the markets in which the Issuer operates.

Credit risk

The Issuer's financial performance is affected by borrower and counterparty credit quality and general economic conditions. Risks arising from the credit quality of borrowers and counterparties and the recoverability of loans and amounts due from counterparties in derivative transactions are inherent in the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties or a general deterioration in the Swedish, European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of its assets and require an increase in the Issuer's provision for bad and doubtful loans and other provisions.

The Issuer's business will also be affected during recessionary conditions when certain customers may face financial problems. Interest rate rises may also have an impact on the ability of customers to meet their loan obligations.

Large exposures (or concentration risk)

The Issuer is also subject to concentration risk, being risks related to large (connected) individual exposures and significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location, instrument type.

Market risk

The Issuer's funding may be influenced by several factors such as the liquidity of global financial markets, interest rates, investor sentiment, inflation and the availability and cost of funding which are related to the economic cycle.

Interest risk

Interest risks arise when interest fixing periods or interest bases for assets and liabilities are mismatched.

Currency risk

Currency risks arise when the present value of assets and liabilities, including derivative positions, in a foreign currency are mismatched.

Basis-spread risk and credit-spread risk

Basis-spread risk arises when the currency risk that arises in conjunction with borrowing in a foreign currency is reduced by swapping payments in foreign currency for payments in Swedish currency through cross-currency interest-rate swaps. Credit-spread risk arises from fluctuations in credit spreads in the Issuer's liquidity portfolio and its effect impact earnings.

Operational risk

The Issuer is dependent on the ability to process transactions efficiently and accurately. Operational risk and losses can result from fraud or other external or internal crime, errors by employees, equipment failures, natural disasters, failure of external systems or failure to comply with internal or external rules and regulations. Although such risks are reduced through active efforts relating to risk culture, compliance with regulations and corporate governance, it cannot be guaranteed that such procedures will be effective in controlling each of the operational risks.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group (as defined under "*Information Relating to the Issuer*") will be unable to comply with its obligations as a company with securities admitted to the Official List of the Luxembourg Stock Exchange or as a supervised firm regulated by the SFSA.

Liquidity risk

The inability of a financial institution, including the Issuer, to anticipate and provide for unforeseen decreases or changes in funding sources could have consequences on such institution's ability to meet its payment obligations when they fall due. As part of its funding, the Issuer accepts deposits from the general public which are repayable on demand and which may have an impact on the liquidity of the Issuer. Furthermore, if the Issuer's inability to meet its payment obligations when they fall due is not temporary it could mean that the Issuer might be considered as insolvent.

The Issuer is also subject to liquidity requirements in its capacity as a credit institution supervised by the SFSA, including a statutory requirement to maintain sufficient liquidity to enable it to discharge its obligations as they fall due. The SFSA has issued regulations on liquidity (including FFFS 2010:7 and FFFS 2012:6). Serious or systematic deviations from such regulations may lead to the SFSA determining that the Issuer's business does not satisfy the statutory soundness requirement for credit institutions and could result in the SFSA imposing sanctions against the Issuer.

Economic and business risks

Risks relating to the Swedish agriculture and forestry market

The Issuer and its borrowers are impacted by the trends and conditions in the agriculture and forestry sectors. Farmers have faced challenges including the Russian embargo on agricultural products and the weak economic trend in Europe, but have benefitted from continued low market interest rates. The Russian import restrictions had greatest impact on the dairy industry with a consequential fall in milk prices for dairy companies. The proposed changes in European agricultural policy discussed in 2014 have been decided and will result in changes. However, it remains uncertain how Swedish agriculture will be affected; any negative changes could in turn affect the Issuer's business and results of operations.

Risks relating to disruptions in the global credit markets and economy

Financial markets are subject to periods of historic volatility and the economic climate in the region is exposed to political risk, which may impact the Issuer's ability to raise debt in a similar manner, and at a similar cost, to the funding raised in the past. Challenging market conditions may result in greater volatility and reduced liquidity, widening of credit spreads and a lack of price transparency in credit markets, which may affect the Issuer. Changes in the investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may affect the financial performance of the Issuer. In addition, the financial performance of the Issuer could be adversely affected by a worsening of general economic conditions or political climate in the markets and regions in which it operates. There are uncertainties as to the current political climate globally, including (but not limited to) the recent change of administration in the United States and the United Kingdom voting in favour of leaving the European Union ("EU"). The possibility of an extended period of political uncertainty and financial market volatility as a result of such politically sensitive events may also adversely affect the financial performance of the Issuer and its ability to raise debt in the international capital markets.

Further business and operational risks

External risk

There is also a risk that the Issuer's reputation will be damaged if the Issuer fails to comply with current legislation and best practice or fails in another manner to meet its commitments.

The Issuer's business is subject to regulation and regulatory supervision pursuant to directives, laws, regulations and policies issued by, *inter alia*, the EU and Sweden. Any significant regulatory developments could have an effect on how the Issuer conducts its business and on the Issuer's results of operations. This supervision and regulation, in particular in the EU and Sweden, if changed, could materially affect the Issuer's business, the products and services it offers or the value of its assets. In the aftermath of the global economic crisis, many initiatives for regulatory changes have been taken and the impact of such initiatives is still difficult to predict in full.

The Issuer's performance is subject to substantial competitive pressures that could adversely affect its results of operations. There is substantial competition for the type of business that the Issuer provides. Such competition is affected by customers demand, technological changes, the impact of consolidation, regulatory actions and other factors.

The Issuer's customers are exposed to environmental risks. Environmental risk is defined as natural disasters such as droughts, storms, pollutions and animal diseases. An outburst of a disease or a natural disaster striking a specific land area, could adversely affect the value of the property or business, leading to deterioration of the collateral value and/or the customer migrating to less favourable credit classes.

Political risk

Since the Issuer's customers are mainly landowners they are inevitably exposed to international rules and agreements regarding agricultural policy. Political decisions regarding the community legislation – such as the Common Agricultural Policy (CAP), World Trade Organization (WTO) etc. – could have

an impact on the credit quality of the Issuer's customers in a long-term horizon, due to the level of state granted supports to that particular business or land type.

The Issuer'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, among other things, 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 Issuer to estimate, measure and manage risk are based on perceived historic market behaviour and may therefore prove to be inadequate for predicting future risk exposure. 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 Issuer. Such information has not always been and may not always be accurate or correctly evaluated or a reliable indicator of default and may therefore be inadequate for the purpose of risk management, which may in turn have a material adverse effect on the Issuer's financial condition and results of operations.

The Issuer's funding costs and its access to the debt capital markets depend significantly on its credit ratings

Any downgrade of the Issuer's credit ratings could increase its borrowing costs, adversely affect the liquidity position of the Issuer, limit its access to the capital markets, undermine confidence in and the competitive position of the Issuer, 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 Issuer. Any of the events above could have a material adverse effect on the Issuer's business and results of operations.

Risks relating to the Issuer's collateral

Given that a considerable part of the Issuer's loans are secured by mortgage certificates (Sw. *pantbrev*) in properties located in Sweden, the credit risk is partly related to the performance of the real estate and agricultural and forestry market in Sweden. There can be no guarantees regarding the future development of the value of the collateral. When collateral is enforced, a court order may be needed to establish the borrower's obligation to pay and to enable a sale by execution measures. The Issuer's ability to enforce the collateral without the consent of the borrower is thus dependent on the above-mentioned decisions from a court and the execution measures and on other relevant circumstances in the mortgage market and in the demand for the relevant real property. Should the prices of real property and the agricultural and forestry market substantially decline, this would affect the Issuer. There are many circumstances that affect the level of credit loss, early repayments, withdrawals and final payments of interest and principal amounts, such as changes in the economic climate, both nationally and internationally, changes regarding taxation, interest rate developments, inflation and political changes.

The Issuer is exposed to tax-related risks and risks of changes in tax legislation

On 1 January 2017, new legislation came into force in Sweden, abolishing the income tax deductibility for interest payments on capital instruments and subordinated loans qualifying as Additional Tier 1 capital and Tier 2 capital under the Capital Requirements Regulation (as defined below). Since the legislation came into effect very recently, it is currently not possible to predict the extent of the impact on the Issuer's business. However, it is likely that the rules will increase the overall tax burden for the Issuer which could adversely affect its business, financial condition and results of operations. The rules may also affect the overall financial stability of the Issuer and other institutions affected by the rules.

The Issuer's business and transactions are conducted in accordance with the Issuer's interpretation of applicable laws, tax treaties, regulations, case law and requirements of the tax authorities. However, there can be no assurances that its interpretation of applicable laws, tax treaties, regulations, case law or other rules or administrative practice is correct, or that such rules or practice will not change, possibly with retroactive effect. For example, on 7 November 2016, a government committee which was appointed in May 2015, presented its report "*Tax on financial services*" to the government. The committee was appointed under the assumption that the financial services sector, in comparison to other sectors, has a tax advantage due to financial services being exempt from VAT. The committee

proposed that a financial activity tax of 15 per cent. be introduced, designed as a form of additional salary tax. However, the proposal has been heavily criticised during the consultation for comments, mainly for being too broad in its scope, and on 24 February 2017, the government therefore announced that it will withdraw the proposal but begin drafting a new tax proposal that will be more narrowly directed at banks. It is currently not possible to predict if or when a new proposal will be presented or what it will look like. The Issuer's tax situation for previous, current and future years may change as a result of legislative changes such as that mentioned above, decisions made by the tax authorities or as a result of changed tax treaties, regulations, case law or requirements of the tax authorities. Such decisions or changes, potentially with retroactive effect, could adversely affect the Issuer's business, financial condition and results of operations.

Increased capital requirements

The implementation of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (the "**Capital Requirements Regulation**" or "**CRR**") and European Council Directive (Directive 2013/36/EU) on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**" and, together with CRR, "**CRD IV**") has resulted in higher capital requirements. CRR and the CRD IV Directive are also supported by a set of binding technical standards currently being developed by the European Banking Authority (the "**EBA**"). The regulatory framework will continue to evolve and any resulting changes could have a material impact on the Issuer's business.

The changes to the capital adequacy framework include, *inter alia*, stricter minimum capital requirements for the components in the capital base with the highest quality: common equity tier 1 ("**CET1**") capital must be at least 4.5 per cent. of risk weighted assets at all times and tier 1 capital 6.0 per cent. The minimum total capital (or 'own funds') requirement (tier 1 capital plus tier 2 capital) is 8.0 per cent. of the total risk exposure amount. In addition to the minimum capital requirements, CRD IV introduces further capital buffer requirements that are required to be satisfied with CET1 capital. Certain buffers may be applicable to the Issuer as determined by the SFSA. A breach of the combined buffer requirements will result in restrictions on certain capital distributions from the bank, for example, dividend and coupon payments on CET1 and tier 1 capital instruments. However, the Issuer is currently not considered as a systemically important institution and is thus not subject to the buffer requirement for systemically important institutions. The Issuer is also not subject to the systemic risk buffer requirements. There can, however, be no assurance that the Issuer will not be designated a systemically important institution or subject to systemic risk buffer requirements in the future.

At its meeting on 10 January 2016, the Group of Central Bank Governors and Heads of Supervision (the "**GHOS**") published its final standard on market risk (the "*Fundamental Review of the Trading Book*" (the "**FRTB**")), which is now part of the European Commission's legislative package intended to apply to banks from 2021. When implemented, the FRTB will be subject to a phase-in period of three years during which banks will be allowed a 35 per cent. discount factor for the FRTB applying until 2024.

In November 2016, the European Commission proposed extensive changes to the EU regulatory framework, which included the FRTB, the Net Stable Funding Ratio ("**NSFR**"), the minimum requirements for own funds and eligible liabilities ("**MREL**"), the Pillar 2 framework, a leverage ratio of 3 per cent. and a phase-in of IFRS 9 capital effects. These changes are largely proposed to be implemented in 2021 (with a 35 per cent. discount factor for the FRTB applying until 2024).

The countercyclical buffer rate is a capital requirement which varies over time and is to be used to support credit supply in adverse market conditions. The countercyclical capital buffer for Sweden is currently 1.5 per cent. although, from 19 March 2017, the countercyclical capital buffer for Sweden will be raised to 2 per cent. Such measures and any other changes in the risk weighting of assets may cause reductions in the capital adequacy ratios and solvency levels of the Issuer and/or cause the applicable minimum capital requirements to increase.

There can be no assurance that the methods that the SFSA plans to use to evaluate the capital requirements as regards the three most important risk types within other Pillar 2 requirements (namely credit-related concentration risk, interest rate risk in the banking book and pension risk) will not change over time. The SFSA may also introduce additional methods for assessment of Pillar 2 risks. On 24 May 2016, the SFSA established new standards for assessing models applied for calculating the capital

requirement for credit risk, primarily for corporate exposures. These methods may increase the Issuer's capital requirements for credit risk, primarily for corporate exposures. On 24 May 2016, the SFSA also established new pillar 2 requirements for banks applying the advanced internal ratings based approach (A-IRB) for calculating credit risk. The Issuer currently uses an IRB approach for retail exposures and has applied for a permission to use an IRB approach for corporate exposures as well.

In November 2016, the European Commission published a package of proposed amendments to the Pillar 2 framework, which differ substantially from the approach currently applied by the SFSA and could lead to decreases in overall capital requirements for Swedish banks. The proposal makes a clear distinction between Pillar 2 capital requirements ("**P2R**") and Pillar 2 guidance ("**P2G**"). P2R will be mandatory, positioned above minimum requirements and below the combined buffer requirement, to address risks not covered or not sufficiently covered by Pillar 1 and capital buffer requirements. Capital add-ons for systemic risk and macro-prudential risk, such as the 2 per cent. systemic risk and the increase of the mortgage risk weight floor from 15 per cent. to 25 per cent. imposed on Swedish banks by the SFSA in January 2015 are explicitly excluded from P2R. P2G, on the other hand, refers to the ability of competent authorities to require institutions to hold capital in excess of Pillar 1 capital requirements, P2R and combined buffer requirements in order to address forward-looking or remote situations. As this guidance, according to the proposal, constitutes a capital target, it is positioned above the combined buffer requirement. In addition to risk-based capital ratio requirements, the Basel III framework also introduced a non-risk based leverage ratio as a supplement to the risk-based capital requirements. The leverage ratio has been reported to regulators since 1 January 2014 and publicly disclosed since 1 January 2015.

The conditions of the Issuer's businesses as well as external conditions are constantly changing and the full set of capital adequacy rules applicable to Swedish financial institutions continues to evolve. For the foregoing reasons, the Issuer may need to raise additional capital in the future. Such capital, whether in the form of debt financing, hybrid capital or additional equity, may not be available on attractive terms, or at all. The Issuer is unable to predict what regulatory requirements may be imposed in the future or accurately estimate the impact that any currently proposed regulatory changes may have on its business, the products and services that it offers or the values of its assets. For example, if the Issuer is required to make additional provisions, increase its reserves or capital, or exit or change its approach to certain businesses as a result of the initiatives to strengthen the regulation of credit institutions, this could adversely affect its results of operations or financial condition. Banks that are considered systemically important in the context of the Swedish banking system, which currently comprise the four major Swedish banks, are subject to more stringent requirements than other banks. The requirement for additional capital at a later stage could encompass more banks, including the Issuer.

In light of the structural developments, regulatory changes and following a dialogue with the SFSA, the Issuer has decided to change its customer classification. Swedish farmers conducting businesses as sole traders but with large enterprises will be reclassified and treated as corporates (rather than retail customers) from a regulatory capital perspective. This change means that the Issuer will be subject to an increased regulatory capital requirement. On 30 September 2016, the Issuer therefore applied for a permission to use an internal ratings based (IRB) model for these corporate exposures, in addition to its existing IRB model for retail exposures. As a consequence thereof, it also applied for certain changes to the existing IRB model for retail exposures. The approval process is in the discretion of the SFSA. The Issuer expresses no opinion on the likelihood of receiving a permission or of the timing for the approval process, and a non-approval or an extended approval process could have a material adverse effect of the Issuer's business, capitalisation and operations.

Bank Recovery and Resolution Directive

To complement the CRD IV legislative package, EU credit institutions are subject to a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (known as the Bank Recovery and Resolution Directive or "**BRRD**"). The BRRD establishes a framework for the recovery and resolution of credit institutions and, *inter alia*, requires EU credit institutions to produce and maintain recovery plans setting out the arrangements that may be taken to restore the long-term viability of the institution in the event of a material deterioration of its financial position. The BRRD has been implemented into Swedish law by the Resolution Act (Sw. *Lag (2015:1016) om resolution*) and the Precautionary Support Act (Sw. *Lag (2015:1017) om förebyggande statligt stöd till kreditinstitut*). The National Debt

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

The BRRD contains a number of resolution tools and powers which may be applied by the resolution authority upon certain conditions for resolution being fulfilled. These tools and powers may be used alone or in combination, and include, *inter alia*, a power to write-down all or a portion of the principal amount of, or interest on, certain other eligible liabilities (which could include the Notes), whether subordinated or unsubordinated, of an institution in resolution and/or to convert certain unsecured debt claims, including senior notes and subordinated notes (such as the Notes), into another security. This means that most of such failing institution's debt could be subject to bail-in, except for certain classes of debt, such as deposits and secured liabilities. Further, the BRRD provides for relevant authorities to have the further power, before any other resolution action is taken, to permanently write-down or convert into equity relevant capital instruments such as the Notes at the point of non-viability (see the risk factor "*Loss absorption at the point of non-viability of the Issuer*" below for further information).

One of the key principles in the BRRD is that the shareholders of a failing institution must bear the first losses in case of a failure. Prior to taking any resolution action that would result in losses for the creditors of the failing institution, the authorities must therefore impose losses on the shareholders by cancelling or severely diluting their shares. In general, shareholders' claims should be exhausted before those of subordinated creditors (such as the Noteholders) and only when those claims are exhausted can resolution authorities impose losses on senior claims.

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

Going forward, the BRRD also impacts on how large a capital buffer an institution will need, in addition to those set out in the CRR and the CRD IV Directive. To ensure that institutions always have sufficient loss-absorbing capacity, the BRRD requires institutions to maintain at all times a sufficient aggregate amount of own funds (as defined in Article 4(1)(118) of the CRR) and 'eligible liabilities' (namely, liabilities and other instruments that do not qualify as Tier 1 or Tier 2 capital and that may be bailed-in using the bail-in tool) - MREL - as referred to above under "*Increased capital requirements*". See "*EBA draft regulatory technical standards (RTS) on criteria for determining the minimum requirement for own funds and eligible liabilities under the BRRD*" below for further information regarding the determination of an institution's MREL under the BRRD. Eligible liabilities may be senior or subordinated, provided they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law or through contractual provisions.

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

On 23 February 2017, the National Debt Office presented the finalised model for the calculation of MREL, stating that systemically important institutions need to replace a portion of their existing bond holdings with subordinated bonds. Institutions which are not deemed as systemically important will not be affected by the framework presented by the National Debt Office; in a crisis, such institutions will be declared bankrupt or placed in liquidation rather than resolution. The model presented for the calculation of MREL will take effect from 1 January 2018 onwards and institutions must progressively build up the volume of subordinated liabilities required to meet the minimum requirement by 2022. Since it has not yet been determined whether the Issuer will be treated as a systemically important institution or not for these purposes, as at the date of this Prospectus it is not possible to say how the Issuer will be affected by the new framework.

It is not possible to predict exactly how the powers and tools of the National Debt Office provided in the BRRD and the Resolution Act will affect the Issuer. Accordingly, it is not possible to assess the full impact of the BRRD and the Resolution Act on the Issuer. The powers and tools given to the National Debt Office are numerous and may have a significant impact on the Issuer and the Notes.

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

Noteholders are subject to the risk that the Notes may be required to absorb losses as a result of statutory powers conferred on resolution and competent authorities in Sweden (the National Debt Office and the SFSA). As noted above, the powers provided to resolution and competent authorities (the National Debt Office and the SFSA for Sweden) in the BRRD include write-down/conversion powers to ensure that relevant capital instruments (such as the Notes) fully absorb losses at the point of non-viability of the issuing institution in order to allow it to continue as a going concern subject to appropriate restructuring. As a result, the BRRD contemplates that resolution authorities may require the permanent write-down of such capital instruments (which write-down may be in full) or the conversion of them into CET1 instruments at the point of non-viability (which CET1 instruments may also be subject to any application of the general bail-in tool described above) and before any other bail-in or resolution tool can be used. Measures ultimately adopted in this area may apply to any debt currently in issue, which will include the Notes.

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

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

EBA draft regulatory technical standards (RTS) on criteria for determining the minimum requirement for own funds and eligible liabilities under the BRRD

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

In determining an institution's MREL, the resolution authority must have regard to certain criteria specified in the BRRD and the MREL requirement for that institution will be comprised of a number of

key elements, including the required loss absorbing capacity of the institution (which will, as a minimum, equate to the institution's capital requirements under CRD IV, including applicable buffers), and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process.

Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRD IV), along with "eligible liabilities", meaning liabilities which, *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives. The MREL requirement may also have to be met partially through the issuance of contractual bail-in instruments, being instruments that are effectively subordinated to other eligible liabilities in a bail-in or insolvency of the relevant institution.

BRRD's provisions relating to MREL will be supplemented by regulatory technical standards ("RTS") drafted by the EBA with a view to be adopted by the European Commission. The key RTS relate to the assessment criteria for determining an institution's MREL under the BRRD, the current version of which are set out in the Annex to an EBA Opinion published in February 2016.

It should be noted that the Resolution Act, in line with BRRD, requires that all in-scope institutions have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied (see Chapter 4, section 3 of the Resolution Act).

On 10 November 2016, the National Debt Office communicated that it intends to publish a memorandum on the application of MREL during the first quarter of 2017. As stated above, on 23 February 2017, the National Debt Office presented the finalised model for the calculation of MREL, stating that systemically important institutions need to replace a portion of their existing bond holdings with subordinated bonds. However, it remains uncertain when the decision as to which institutions that are to be deemed as systemically important (and consequently what the MREL requirements for each institution will be) can be expected. The National Debt Office has stated that it intends to communicate such decision during 2017. Until then, broadly, the MREL will be set at a level equal to the institution's applicable capital requirements. It can be noted that not all institutions will be deemed systemically important for the purposes of the resolution regime. For institutions which are not so deemed, the MREL requirements will remain at the level of the institution's applicable capital requirements.

The extent and nature of the MREL requirements are currently being developed and so it is not possible to determine the exact impact that they will have on the Issuer once implemented. The proposals may require the Issuer to issue a significant amount of additional eligible liabilities in order to meet the new MREL requirements within the required timeframes. If the Issuer was to experience difficulties in raising eligible liabilities, it may have to reduce its lending or investments in other operations.

On 24 February 2017, the Swedish government presented a proposal on an increased annual fee to the resolution reserve. The government proposes that the fee be increased from 9 bps to 12.5 bps and the amendment is proposed to be effective from 1 January 2018. Should the proposal be implemented under Swedish law, it is likely to have a negative impact on the operating income of the Issuer.

RISKS RELATED TO THE NOTES

Noteholders are subject to credit risk on the Issuer

Noteholders take a credit risk on the Issuer. A Noteholder's ability to receive payment under the Notes is dependent on the Issuer's ability to fulfil its payment obligations, which in turn is dependent upon the financial condition and viability of the Issuer.

The Issuer's obligations under the Notes are deeply subordinated. An investor in the Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency

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

- (a) *pari passu* without any preference among themselves;

- (b) at least *pari passu* with payments to holders of any other Additional Tier 1 Instruments and claims of any other subordinated creditors the claims of which are expressed to rank *pari passu* with the Notes;
- (c) in priority to payments to holders of all classes of share capital of the Issuer in their capacity as such holders; and
- (d) junior in right of payment to the payment of any present or future claims of (i) depositors of the Issuer, (ii) other unsubordinated creditors of the Issuer and (iii) except as expressed in (b) above, any other subordinated creditors of the Issuer.

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

Although the Notes may pay a higher rate of interest than comparable Notes which are not subordinated or which are subordinated but not so deeply, there is a significant risk that an investor in the Notes will lose all or some of his investment in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer. See Condition 3 (*Status*) for a description of the ranking of the Notes.

The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Notes

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

Interest payments on the Notes may be cancelled by the Issuer (in whole or in part) at any time and, in certain circumstances, the Issuer will be required to cancel such interest payments

Interest on the Notes will be payable only out of the Issuer's Distributable Items, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with the terms of the Notes. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

Any cancellation of interest (in whole or in part thereof) carried out in accordance with Condition 5 (*Interest Cancellation*) shall in no way limit or restrict the Issuer from making any payment of interest or equivalent payment or other distribution in connection with any instrument ranking junior to the Notes (including, without limitation, any CET1 capital) of the Issuer or the Landshypotek Consolidated Situation or in respect of any other Additional Tier 1 Instruments. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

Subject to the extent permitted in the following paragraph in respect of partial interest payments, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if the Issuer has insufficient Distributable Items to make any payment of interest in respect of the Notes scheduled for payment in the then current financial year and any other interest payments paid and/or required and/or scheduled to be paid out of Distributable Items in such financial year in accordance with Capital Regulations (in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Issuer). The Issuer's Distributable Items will depend to a large extent on the net income earned by the Issuer.

Although the Issuer may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, it may only do so to the extent that such partial interest payment may be made without breaching the restriction in the preceding paragraph.

In circumstances where the Capital Buffers Act (Sw. *Lag (2014:966) om kapitalbuffertar*) implementing Article 141 of the CRD IV Directive (or, as the case may be, any other provision of Swedish law transposing or implementing such Article) applies, no payments will be made on the Notes (whether by way of principal, interest, or otherwise) if and to the extent that such payment would cause the maximum distributable amount (if any), determined in accordance with the Capital Buffers Act (Sw. *Lag (2014:966) om kapitalbuffertar*) (or, as the case may be, any other provision of Swedish law transposing or implementing such Article) then applicable to either the Issuer and/or the Landshypotek Consolidated Situation (as the case may be) to be exceeded. The maximum distributable amount is a novel concept, and its determination is subject to considerable uncertainty. See "*CRD IV introduces capital requirements that are in addition to the minimum capital ratio*" below.

In addition, no payment of interest will be made in respect of the Notes if and to the extent that the SFSA requires the Issuer to cancel the relevant payment (in whole or in part).

Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Notes shall constitute a default in payment or otherwise under the Notes or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer. The Issuer is entitled to cancel payments of interest in its sole discretion and it is permitted to do so even if it could make such payments without exceeding the limits described in the paragraphs above.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The Notes are perpetual and have no scheduled redemption

The Notes have no fixed final redemption date and Noteholders have no rights to call for the redemption of the Notes. Although the Issuer may redeem the Notes in the circumstances described in Condition 7 (*Redemption and Purchase*), there are limitations on its ability to do so, in particular obtaining the prior permission of the SFSA and certain other limitations set out in Condition 7(g) (*Conditions to Redemption, Purchase etc.*). Noteholders should not invest in the Notes in the expectation that the Issuer will redeem the Notes should it become entitled to do so under Condition 7 (*Redemption and Purchase*). Any decision by the Issuer as to whether it will exercise calls in respect of the Notes will be taken at the absolute discretion of the Issuer with regard to factors such as the economic impact of exercising such calls, the capital requirements of the Issuer and/or the Landshypotek Consolidated Situation at the relevant time and prevailing market conditions. The Issuer expresses no intention whether it will or will not redeem the Notes in such circumstances.

In assessing whether or not to permit a redemption or repurchase of the Notes under Condition 7 (*Redemption and Purchase*), the SFSA must take into account the capital position of the Issuer and the Landshypotek Consolidated Situation at such time as well as a number of other technical rules and standards relating to regulatory capital requirements applicable to the Issuer. It is uncertain how the SFSA will apply these criteria in practice and such rules and standards may change during the life of the Notes. It is therefore difficult to predict whether at any time, and on what terms, the SFSA will permit any redemption or repurchase of the Notes.

Noteholders should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

The Issuer has the right to redeem the Notes on any Optional Redemption Date or upon the occurrence of a Tax Event or a Capital Event. This may limit the market value of the Notes and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

Condition 7 (*Redemption and Purchase*) provides that the Issuer may call the Notes on the First Call Date or on any other Optional Redemption Date at an amount equal to the then Prevailing Principal Amounts of the Notes, together with accrued interest thereon insofar as it has not been cancelled. In addition, the Issuer may also call the Notes if a Tax Event or a Capital Event (each as defined in Condition 1 (*Definitions and Interpretation*)) occurs, also at an amount equal to the then Prevailing Principal Amounts of the Notes, together with accrued interest thereon insofar as it has not been cancelled. In each case, any such redemption of the Notes may only be made if the requirements of Condition 7(g) (*Conditions to Redemption, Purchase etc.*) are met, in particular obtaining the prior permission of the SFSA, and subject to compliance with certain regulatory conditions set out in the Capital Regulations.

It should also be noted that the Issuer may redeem the Notes as described above even if (i) the Prevailing Principal Amounts of the Notes have been reduced by means of a Write-Down in accordance with the Conditions and (ii) the principal amount of the Notes has not been fully reinstated to the Initial Principal Amount of the Notes.

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

The Issuer may be expected to redeem the 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.

Substitution or Variation of the Notes without Noteholder consent

Upon the occurrence of a Tax Event or a Capital Event, the Issuer may, at its option, subject to the requirements of Condition 7(g) (*Conditions to Redemption, Purchase etc.*) which includes obtaining the permission of the SFSA, but without any requirement for the consent or approval of the Noteholders, substitute or vary the terms of the Notes so that they remain, or become, Qualifying Securities, as provided in Condition 7(f) (*Substitution or Variation instead of Redemption*) (provided that such substitution or variation does not itself give rise to any right of the Issuer to redeem, substitute or vary the terms pursuant to Condition 7 (*Redemption and Purchase*) in relation to the Qualifying Securities so substituted or varied).

Any such substitution or variation may have adverse consequences for Noteholders, dependent on a number of factors, including the nature and terms and conditions of the relevant Qualifying Securities and the tax laws to which a particular holder of the Notes is subject.

CRD IV introduces capital requirements that are in addition to the minimum capital ratio

Under CRD IV, institutions are required to hold a minimum amount of regulatory capital of 8 per cent. of risk weighted assets. In addition to these so-called "own funds" requirements under CRD IV, supervisory authorities may impose additional capital requirements to cover other risks (thereby increasing the regulatory minimum required under CRD IV), which could include further capital requirements such as the additional CET1 capital requirements imposed by the SFSA under the Swedish Pillar 2 framework. The Issuer may also decide to hold additional capital. See also the risk factor "*Increased capital requirements*" above.

CRD IV further imposes five new capital buffers that are in addition to the minimum capital requirement and are required to be satisfied with CET1 capital: (i) the capital conservation buffer, (ii) the countercyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Some or all of these buffers

may be applicable to the Issuer and/or the Landshypotek Consolidated Situation as determined by the SFSA. See also the risk factor "*Increased capital requirements*" above.

Under Article 141 of the CRD IV Directive, Member States must require that institutions that fail to meet the "combined buffer requirement" (which, as implemented in Sweden, involves for the Issuer the combination of the capital conservation buffer, the countercyclical buffer and the systemic risk buffer) will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV as payments relating to CET1 capital, variable remuneration and payments on Additional Tier 1 Instruments such as the Notes). On 14 March 2016, the SFSA resolved that the countercyclical capital buffer for Sweden would be further increased and that the rate would be raised to 2 per cent. with effect from 19 March 2017. See also the risk factor "*Increased capital requirements*" above.

Where any such restrictions are to apply they will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "maximum distributable amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement (including where additional capital requirements are imposed by the SFSA that have the result of increasing the regulatory minimum required under CRD IV) it may be necessary to reduce discretionary payments, including in respect of the Notes as required by Condition 5(c) (*Interest Cancellation - Maximum Distributable Amount*) and the potential exercise by the Issuer of its discretion to cancel (in whole or in part) interest payments in respect of the Notes.

Loss Absorption following a Trigger Event

The principal amount of the Notes may be reduced to absorb losses

If at any time the CET1 ratio of the Issuer or the Landshypotek Consolidated Situation, as calculated in accordance with Capital Regulations, is less than 5.125 per cent., in the case of the Issuer, or 7.00 per cent., in the case of the Landshypotek Consolidated Situation, this shall constitute a "Trigger Event" for the purposes of the Conditions and the Notes will be utilised to absorb any losses of the Issuer and/or the Landshypotek Consolidated Situation. In such circumstances, the Issuer shall cancel any accrued and unpaid interest (including if payable on the Write-Down Date) and, on the Write-Down Date, reduce the then Prevailing Principal Amount of each Note by the relevant Write-Down Amount. Noteholders may lose all or some of their investment as a result of a Write-Down.

The Issuer and/or the SFSA may determine that a Trigger Event has occurred on more than one occasion and the then Prevailing Principal Amount of each Note may be reduced on more than one occasion, provided that the Prevailing Principal Amount of a Note may never be reduced to below SEK 0.01.

In addition, in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer prior to the Notes being written up in full, Noteholders' claims for principal will be based on the reduced Prevailing Principal Amounts of the Notes. Further, during any period when the Prevailing Principal Amount of a Note is less than the Initial Principal Amount, interest will accrue on the then Prevailing Principal Amount of the Note and the Notes will be redeemable on any Optional Redemption Date or upon a Tax Event or a Capital Event at the Prevailing Principal Amount, which will be lower than the Initial Principal Amount.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, including those discussed in greater detail in the following paragraphs, any of which may be outside the Issuer's control

The circumstances surrounding a Trigger Event are unpredictable, and there are a number of factors that could affect the CET1 ratio.

The CET1 ratio may fluctuate. The calculation of such ratio could be affected by one or more factors, including, among other things, changes in the mix of the Landshypotek Consolidated Situation's business, major events affecting the Landshypotek Consolidated Situation's earnings, dividend payments by the Issuer, regulatory changes (including changes to definitions and calculations of

regulatory capital ratios and their components, including CET1 capital and risk weighted assets) and the Landshypotek Consolidated Situation's ability to manage risk weighted assets in both its ongoing businesses and those which it may seek to exit. In addition, the Landshypotek Consolidated Situation could have capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in SEK equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the CET1 ratio is exposed to foreign currency movements.

Due to the inherent uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, a Write-Down may occur. Accordingly, the trading behaviour of the Notes is not necessarily expected to follow the trading behaviour of other types of security. Any indication that a Trigger Event may occur can be expected to have a material adverse effect on the market price of the Notes.

The CET1 ratio will be affected by the Issuer's business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the Noteholders

As discussed, the CET1 ratio could be affected by a number of factors. It will also depend on the Landshypotek Consolidated Situation's decisions relating to its businesses and operations, as well as the management of its capital position. The Issuer will have no obligation to consider the interests of the Noteholders in connection with the strategic decisions of the Landshypotek Consolidated Situation, including in respect of capital management. Noteholders will not have any claim against the Issuer or any other member of the Landshypotek Consolidated Situation relating to decisions that affect the business and operations of the Landshypotek Consolidated Situation, including its capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause Noteholders to lose all or part of the value of their investment in the Notes.

The CET1 ratio shall be calculated by the Issuer and shall be binding on the Noteholders

For the purposes of determining whether a Trigger Event has occurred and if a Write-Down of the Notes is required, the Issuer must (and the SFSA (or any agent appointed for such purpose by the SFSA) may) calculate the CET1 ratio of the Issuer or the Landshypotek Consolidated Situation, as the case may be, based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for ensuring effective ongoing monitoring of the capital ratios of the Issuer and the Landshypotek Consolidated Situation. The Issuer will calculate and publish the relevant CET1 ratio on at least a quarterly basis.

The Issuer's and/or the SFSA's calculation of the CET1 ratios of the Issuer and the Landshypotek Consolidated Situation, and therefore its determination of whether a Trigger Event has occurred, shall be binding on the Noteholders, who shall have no right to challenge the published figures detailing the CET1 ratios of the Issuer or the Landshypotek Consolidated Situation, as the case may be.

Any Write-Up of the Notes is at the sole and absolute discretion of the Issuer and may require unanimous shareholder approval

Any Write-Up shall apply at the sole and absolute discretion of the Issuer. However, the Issuer's ability to Write-Up the Prevailing Principal Amount of the Notes is subject to the Maximum Distributable Amount (when the amount of the Write-Up is aggregated together with other distributions of the Issuer or the Landshypotek Consolidated Situation, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive (or, if different, any provision of Capital Regulations implementing Article 141(2) of the CRD IV Directive)) not being exceeded thereby. In addition, any such Write-Up may constitute a "transfer of value" (*värdeöverföring*) for the purposes of the Swedish Companies Act which would require the unanimous approval of the shareholders of the transferor (i.e. the Issuer) at the time of the transfer. As at the date of this Prospectus, the Issuer's sole shareholder is Landshypotek Ekonomisk Förening (the "**Parent**"). No assurance can be given that the Issuer's shareholder will approve any such Write-Up at the relevant time nor that the Issuer will continue to be owned solely by the Parent.

Furthermore, the Issuer will not in any circumstances be obliged to write up the Prevailing Principal Amount of the Notes, but any Write-Up must be undertaken on a *pro rata* basis with the other Notes and with any other Written-Down Additional Tier 1 Instruments of the Relevant Entity that have terms

permitting a principal write-up to occur on a similar basis to that set out in these provisions in the circumstances existing on the date of the relevant Write-Up.

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

With regard to risks applying to Noteholders in the context of loss absorption at the point of non-viability of the Issuer and resolution and further risks in connection with regulatory aspects concerning financial institutions in general, please see "*Bank Recovery and Resolution Directive*" and "*Loss absorption at the point of non-viability of the Issuer*" above.

There are no events of default in relation to the Notes

Noteholders have no ability to require the Issuer to redeem their Notes. The terms of the Notes do not, therefore, provide for any events of default. The Issuer is entitled to cancel the payment of any interest payments in whole or in part at any time and as further contemplated in Condition 5 (*Interest Cancellation*) and such cancellation will not constitute any event of default or similar event or entitle Noteholders to take any related action against the Issuer.

Notwithstanding that the Notes are perpetual securities and have no fixed date for redemption, Noteholders may prove or claim payment under the laws of Sweden and as further provided in Condition 10 (*Bankruptcy or Liquidation*) in the bankruptcy or liquidation of the Issuer in respect of the then Prevailing Principal Amounts of the Notes together with any accrued and unpaid interest on the Notes that has not been cancelled. However, these are the only circumstances in which any such claim for payment may be made by the Noteholders.

If the Issuer exercised its right to redeem or purchase the Notes in accordance with Condition 7 (*Redemption and Purchase*) but failed to make payment of the relevant Prevailing Principal Amounts to redeem the Notes when due, such failure would not constitute an event of default but may entitle Noteholders to bring a claim for breach of contract against the Issuer, which, if successful, could result in damages. Following any such failure to pay amounts in respect of the Notes when due, Noteholders may also institute proceedings with a view to having the Issuer declared bankrupt and to prove or claim in the bankruptcy of the Issuer but may only otherwise claim payment in respect of the Notes in the bankruptcy or liquidation of the Issuer.

Interest rate risks

The Notes will bear interest at a floating rate from and including the Issue Date. The floating rate will be payable quarterly, and will be set immediately prior to any Interest Period to the then prevailing STIBOR rate plus the Margin.

Noteholders should be aware that the floating rate interest income is subject to changes to the STIBOR rate and therefore cannot be anticipated. Hence, Noteholders are not able to determine a definite yield of the Notes at the time of purchase, so that their return on investment cannot be compared with that of investments in simple fixed rate (i.e. fixed rate coupons only) instruments.

In addition, Noteholders are exposed to reinvestment risk with respect to proceeds from coupon payments or redemptions by the Issuer. If the market yield declines, and if Noteholders want to invest such proceeds in comparable transactions, Noteholders will only be able to reinvest such proceeds in comparable transactions at the then prevailing lower market yields.

Risks related to the Notes generally

Meetings of Noteholders: the Conditions permit defined majorities to bind all Noteholders

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including those Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Modifications

The Agent and the Issuer may agree, subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*) which includes obtaining the permission of the SFSA, but without the consent of any of the Noteholders or Couponholders, to:

- (a) certain modifications to the Agency Agreement which are not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes (including the Conditions), the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification will be determined in the opinion of the Issuer and will be binding on the Noteholders and Couponholders.

The value of the Notes could be adversely affected by a change in English or Swedish Law or administrative practice

The Conditions of the Notes are based on English law (save that the provisions of the Notes under Condition 3 (*Status*) are governed by the laws of Sweden) in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English or Swedish law or administrative practice after the Issue Date and any such change could materially adversely impact the value of the Notes.

Foreign Account Tax Compliance Act withholding

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

The denominations of the Notes involve integral multiples

The Notes have denominations consisting of a minimum denomination of SEK 2,000,000 plus integral multiples of SEK 1,000,000 in excess thereof. It is possible that the Notes may be traded in amounts in excess of SEK 2,000,000 that are not integral multiples of SEK 2,000,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than SEK 2,000,000 in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of SEK 2,000,000 such that its holding amounts to a denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than SEK 2,000,000 in his account with the relevant clearing system at the relevant time may not

receive Notes in definitive form ("**Definitive Notes**") in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of the Notes at or in excess of SEK 2,000,000 such that its holding amounts to a denomination.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of SEK 2,000,000 may be illiquid and difficult to trade.

Reliance on Euroclear and Clearstream, Luxembourg

The Notes will be represented on issue by one or more Global Notes that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Definitive Notes. Each of 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.

Risks related to the market generally

The secondary market generally

The Notes constitute the first issue of this type of security by the Issuer and the Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. If a market does develop, it may not be liquid or may become illiquid at a later stage. 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. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Although applications have been made for the Notes to be admitted to the Official List and to trading on the Luxembourg Stock Exchange, there can be no assurances that the application will be accepted, that the Notes will be so admitted or that an active trading market will develop. Accordingly, there can be no assurances as to the development or liquidity of any trading market for the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Swedish krona. This presents certain risks relating to currency conversions if an investor's financial activities are predominantly denominated in a currency or currency unit (the "**Investor's Currency**") other than Swedish krona. These include the risk that exchange rates may significantly change (including changes due to a devaluation of Swedish krona 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 Swedish krona would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

Credit ratings may not reflect all risks

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

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

European Monetary Union (EMU).

In the event that Sweden joins the EMU while the Notes are outstanding, this could adversely affect investors. If the euro becomes the legal currency in Sweden, the Notes will be paid in euro. Furthermore, the Issuer may be allowed or required by law to convert the Notes, and any other outstanding securities denominated in Swedish krona, to euro and to take certain other measures. A transition to euro may be followed by an interest rate disturbance which may have an adverse effect on an investment in the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the auditor's report and audited consolidated and non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016 (including the information set out at the following pages of the Issuer's 2016 Annual Report (the "**2016 Annual Report**") in particular):

Income Statement.....	Page 42
Statement of Comprehensive Income.....	Page 43
Balance Sheet.....	Page 44
Statement of Changes in Equity.....	Pages 45 and 46
Cash-flow Statement.....	Page 47
Notes.....	Pages 49 to 85
Auditor's Report.....	Pages 86 to 88

- (b) the auditor's report and audited consolidated and non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2015 (including the information set out at the following pages of the Issuer's 2015 Annual Report (the "**2015 Annual Report**") in particular):

Income Statement.....	Page 30
Statement of Comprehensive Income.....	Page 31
Balance Sheet.....	Page 32
Statement of Changes in Equity.....	Pages 33 and 34
Cash-flow Statement.....	Page 35
Notes.....	Pages 43 to 74
Auditor's Report.....	Page 76

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

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

Copies of documents incorporated by reference in this Prospectus can be obtained from (i) the registered office of the Issuer, (ii) the specified offices of the Paying Agents for the time being in London and Luxembourg, and (iii) on the website of the Luxembourg Stock Exchange, www.bourse.lu.

Any documents themselves incorporated by reference in any document incorporated by reference in this Prospectus shall not form part of this Prospectus.

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

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The SEK 700,000,000 Floating Rate Perpetual Additional Tier 1 Capital Notes (the "**Notes**") of Landshypotek Bank AB (publ) (the "**Issuer**") are issued subject to and with the benefit of an agency agreement dated 29 March 2017 (as amended and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression includes any successor agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and a deed of covenant dated 29 March 2017 (as amended and/or supplemented from time to time, the "**Deed of Covenant**") made by the Issuer in favour of the holders of the Notes (the "**Noteholders**"). The Noteholders and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Deed of Covenant which are applicable to them. The statements in these Terms and Conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents.

1. Definitions and Interpretation

(a) Definitions

In these Conditions the following expressions have the following meanings:

"**Accounting Currency**" means SEK or such other primary currency used in the presentation of the Landshypotek Consolidated Situation's accounts from time to time;

"**Additional Tier 1 Capital**" means Additional Tier 1 capital (Sw. *Primärkapital*) as defined in Part 2 Chapter 3 of the CRR or in any other Capital Regulations, in each case as amended or replaced;

"**Additional Tier 1 Instruments**" means any instruments of the Issuer that at the time of issuance comply with the then current requirements under Capital Regulations in relation to Additional Tier 1 Capital;

"**Bail-in Power**" shall have the meaning provided in Condition 17 (*Swedish Statutory Bail-in Powers*);

"**BRRD**" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms dated 15 May 2014 and published in the Official Journal of the European Union on 12 June 2014, as amended or replaced from time to time;

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Stockholm;

"**Capital Event**" means, at any time, a change in the regulatory classification of the Notes pursuant to the Capital Regulations that results, or would be likely to result, in:

- (i) their exclusion in whole or in part from the regulatory capital of the Issuer and/or the Landshypotek Consolidated Situation; or
- (ii) reclassification in whole or in part as a lower quality form of regulatory capital of the Issuer and/or the Landshypotek Consolidated Situation,

in each case, provided that (A) the Competent Authority considers such change in the regulatory classification of the Notes to be sufficiently certain, and (B) the Issuer satisfies the

Competent Authority that such change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date;

"Capital Regulations" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Sweden including, without limitation to the generality of the foregoing, CRD IV, and those regulations, requirements, guidelines and policies relating to capital adequacy adopted by the Competent Authority from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or to the Landshypotek Consolidated Situation);

"CET1 Capital" means, at any time, the common equity tier 1 capital of the Issuer or the Landshypotek Consolidated Situation, respectively, as calculated by the Issuer in accordance with Chapter 2 (*Common Equity Tier 1 capital*) of Title II (*Elements of own funds*) of Part Two (*Own Funds*) of the CRR and/or any other Capital Regulations at such time;

"CET1 ratio" means, at any time:

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

in each case, as calculated by the Issuer in accordance with the CRD IV requirements and any applicable transitional arrangements under the CRD IV requirements;

"Code" shall have the meaning provided in Condition 8(c) (*Payments subject to fiscal laws*);

"Competent Authority" means, in relation to the Issuer or the Landshypotek Consolidated Situation, as the case may be, the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) and any successor or replacement thereto, and/or such other authority which has the primary responsibility for the prudential oversight and supervision of the Issuer or the Landshypotek Consolidated Situation, as applicable;

"CRD IV" means, as the context requires, any or any combination of the CRD IV Directive, the CRR and/or any CRD IV Implementing Measures;

"CRD IV Directive" means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013 and published in the Official Journal of the European Union on 27 June 2013, as amended or replaced from time to time;

"CRD IV Implementing Measures" means any regulatory capital rules or regulations or other requirements, which are applicable to the Issuer and/or the Landshypotek Consolidated Situation and which prescribe (alone or in conjunction with any other rules or regulations or requirements) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer and/or the Landshypotek Consolidated Situation to the extent required by the CRD IV Directive or the CRR, including, for the avoidance of doubt and without limitation, any regulatory technical standards, guidelines, recommendations and/or opinions released from time to time by the European Banking Authority (or any successor or replacement thereof) or the Competent Authority, as the case may be;

"CRR" means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms dated 26 June 2013 and published in the Official Journal of the European Union on 27 June 2013, as amended or replaced from time to time;

"Distributable Items" means the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to

holders of own funds instruments (excluding, for the avoidance of doubt, distributions to holders of any Tier 2 instruments), less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer's Articles of Association and sums allocated to non-distributable reserves in accordance with applicable Swedish law or the Issuer's Articles of Association, those losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of the consolidated accounts, or any successor provision thereto, or as otherwise prescribed by the CRR from time to time;

"First Call Date" means the Interest Payment Date falling in or nearest to March 2022;

"Initial Principal Amount" means, in respect of each SEK 1,000,000 in nominal amount of each Note as at the Issue Date, SEK 1,000,000;

"Interest Amount" shall have the meaning provided in Condition 4(c) (*Determination of Rate of Interest and Interest Amount*);

"Interest Determination Date" means the second day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in Stockholm prior to the start of each Interest Period;

"Interest Payment Date" shall have the meaning provided in Condition 4(a) (*Interest Payment Dates*);

"Interest Period" means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date;

"Issue Date" means 29 March 2017;

"Landshypotek Consolidated Situation" means the Parent, the Issuer, the Issuer's Subsidiaries and any other entities which are part of the Swedish prudential consolidated situation (as such term is used in the Capital Regulations) of which the Issuer is a part, from time to time;

"Margin" means 4.40 per cent. per annum;

"Maximum Distributable Amount" means any maximum distributable amount required to be calculated in accordance with the Capital Buffers Act (Sw. *Lag (2014:966) om kapitalbuffertar*) implementing Article 141 of the CRD IV Directive;

"Maximum Write-Up Amount" means the Relevant Profits multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the Relevant Entity, and divided by the total Tier 1 Capital of such Relevant Entity as at the date of the relevant Write-Up, or any higher amount permissible pursuant to the Capital Regulations in force on the date of the relevant Write-Up, as determined by the Issuer;

"Net Profit" means, at any time, (i) with respect to the Issuer, the non-consolidated net profit (excluding minority interests) of the Issuer as calculated and set out in the most recent published audited annual non-consolidated accounts of the Issuer and (ii) with respect to the Landshypotek Consolidated Situation, the consolidated net profit (excluding minority interests) of the Landshypotek Consolidated Situation, as calculated and set out in the most recent published audited annual consolidated accounts of the Landshypotek Consolidated Situation;

"Optional Redemption Date" means the First Call Date and any Interest Payment Date thereafter;

"Parent" means Landshypotek Ekonomisk Förening (Reg. No. 769600-5003);

"Payment Business Day" means 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 Stockholm and in the relevant place of presentation;

"Prevailing Principal Amount" means, in respect of a Note at any time, the Initial Principal Amount of that Note as reduced (on one or more occasions) by any Write-Down (as defined in Condition 6 (*Loss Absorption and Discretionary Reinstatement*) below) and increased (on one or more occasions) by any Write-Up (as defined below), in each case at or prior to such time and **"Prevailing Principal Amounts"** means the aggregate of the Prevailing Principal Amounts of each Note;

"Prior Loss Absorbing Instrument" means, at any time, any instrument (other than the Notes) issued directly or indirectly by the Issuer or any member of the Landshypotek Consolidated Situation which has a loss absorption trigger which has been breached as a result of the CET1 ratio of the Issuer or the Landshypotek Consolidated Situation falling below a level that is higher than 5.125 per cent., in the case of the Issuer, or 7.00 per cent., in the case of the Landshypotek Consolidated Situation and as a result of which, all or some of its principal amount may be written-down (whether on a permanent or temporary basis) or may otherwise absorb losses (in each case in accordance with its terms);

"Qualifying Securities" means securities, whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to a Noteholder than the terms of the Notes, as certified by the Issuer acting reasonably following consultation with an independent investment bank or financial adviser of international standing;
- (ii) include a ranking at least equal to that of the Notes;
- (iii) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes;
- (iv) have the same redemption rights as the Notes (although they need not contain all of the rights of the Issuer under Condition 7(c) (*Redemption upon Tax Event or Capital Event*));
- (v) comply with the then current requirements of the Capital Regulations in relation to Additional Tier 1 Capital;
- (vi) preserve any existing rights under the Notes to any accrued interest which has not been paid but which has not been cancelled in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation (or, if the date of substitution or variation falls before the first Interest Payment Date, the Issue Date);
- (vii) are assigned (or maintain) the same or higher credit ratings as were assigned to the Notes immediately prior to such substitution or variation; and
- (viii) are listed on a recognised stock exchange if the Notes were listed immediately prior to such substitution or variation;

"Rate of Interest" shall have the meaning provided in Condition 4(b) (*Interest Rate*);

"Reference Banks" means the principal Stockholm office of each of four major banks engaged in the Stockholm interbank market selected by the Agent (or, if the Agent is unable to make such selection, the Issuer or its duly appointed agent), provided that, once a Reference Bank has been selected by the Agent (or the Issuer or its duly appointed agent as aforesaid), that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;

"Reference Date" means the accounting date as at which the applicable Relevant Profits were determined;

"Relevant Amounts" means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and any other amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in Power by the Relevant Resolution Authority;

"Relevant Date" shall have the meaning provided in Condition 9 (*Taxation*);

"Relevant Entity" means (a) if a Write-Down has occurred following the breach of the relevant CET1 ratio by the Issuer, the Issuer; (b) if a Write-Down has occurred following the breach of the relevant CET1 ratio by the Landshypotek Consolidated Situation, the Landshypotek Consolidated Situation; and (c) if a Write-Down has occurred following the breach of the relevant CET1 ratio by both the Issuer and the Landshypotek Consolidated Situation, the Issuer and the Landshypotek Consolidated Situation;

"Relevant Profits" means the lowest of the Net Profit of the Issuer and the Landshypotek Consolidated Situation;

"Relevant Resolution Authority" means the Swedish National Debt Office (Sw. *Riksgäldskontoret*) and any successor or replacement thereto and/or such other authority which has the ability to exercise any Bail-in Power in relation to the Issuer;

"Representative Amount" means, in relation to any quotation of a rate for which a Representative Amount is relevant, an amount that is representative for a single transaction in the relevant market at the relevant time;

"Risk Exposure Amount" means, at any time, with respect to the Issuer or the Landshypotek Consolidated Situation, as the case may be, the aggregate amount (in the Accounting Currency) of the risk weighted assets or equivalent of the Issuer or the Landshypotek Consolidated Situation, respectively, calculated in accordance with the Capital Regulations at such time;

"Screen Rate" means the Stockholm Inter-bank Offered Rate ("**STIBOR**") for three month deposits in Swedish krona which appears on Reuters Screen SIDE page under the heading "FIXINGS" (or such replacement page or pages on that service which displays the information);

"SEK" means Swedish krona, being the currency of Sweden;

"Similar Loss Absorbing Instrument" means, at any time, any instrument (other than the Notes) issued directly or indirectly by the Issuer or any member of the Landshypotek Consolidated Situation which at such time has terms pursuant to which all or some of its principal amount may be written-down (whether on a permanent or temporary basis) or may otherwise absorb losses (in each case in accordance with its terms) on the occurrence, or as a result, of a Trigger Event;

a "**Subsidiary**" of a company or corporation shall be construed as a reference to any company or corporation:

- (i) which is controlled, directly or indirectly, by the first-mentioned company or corporation;
- (ii) more than half the equity or issued share capital of which is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or
- (iii) which is a Subsidiary of another Subsidiary of the first-mentioned company or corporation,

and, for these purposes, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

"Tax Event" means, as a result of any change in, or amendment to, the laws or regulations of the Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*), provided that the Issuer satisfies the Competent Authority that such change in tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date;

"Tax Jurisdiction" means the Kingdom of Sweden ("**Sweden**") or any political subdivision or any authority thereof or therein having power to tax;

"Tier 1 Capital" means, at any time, with respect to the Issuer or the Landshypotek Consolidated Situation, as the case may be, the Tier 1 capital of the Issuer or the Landshypotek Consolidated Situation, respectively, as calculated by the Issuer in accordance with Chapters 1, 2 and 3 (*Tier 1 capital, Common Equity Tier 1 capital and Additional Tier 1 capital*) of Title II (*Elements of own funds*) of Part Two (*Own Funds*) of the CRR and/or the Capital Regulations at such time, including any applicable transitional, phasing in or similar provisions;

"Trigger Event" means if, at any time, the CET1 ratio of the Issuer or the Landshypotek Consolidated Situation, as calculated in accordance with the Capital Regulations, is less than 5.125 per cent., in the case of the Issuer, or 7.00 per cent., in the case of the Landshypotek Consolidated Situation, in each case as determined by the Issuer and/or the Competent Authority (or any agent appointed for such purpose by the Competent Authority);

"Trigger Event Redemption Restrictions" shall have the meaning provided in Condition 6(c) (*Trigger Event redemption restrictions*);

"Write-Down Amount" means, with respect to each Note, the lower of (a) and (b) below (in each case, as determined by the Issuer):

- (a) the amount of such Prevailing Principal Amount that (together with (i) the concurrent *pro rata* Write-Down of the other Notes and (ii) the prior write-down or other loss absorption to the extent possible of any Prior Loss Absorbing Instruments and (iii) the concurrent (or substantially concurrent) *pro rata* write-down or other loss absorption to the extent possible of any Similar Loss Absorbing Instruments) would be sufficient to restore the CET1 ratio of the Issuer and/or the Landshypotek Consolidated Situation, as the case may be, to 5.125 per cent., in the case of the Issuer, and 7.00 per cent., in the case of the Landshypotek Consolidated Situation (but without taking into account for these purposes any further write-down or other loss absorption of any Similar Loss Absorbing Instruments in accordance with their terms by any amount greater than the *pro rata* amount necessary to so restore such CET1 ratios); or
- (b) the amount necessary to reduce the Prevailing Principal Amount of each Note to SEK 0.01.

To the extent the prior write-down or other loss absorption of any Prior Loss Absorbing Instrument or write-down or other loss absorption of any Similar Loss Absorbing Instrument for the purposes of paragraphs (a) and (b) above is not possible for any reason, this shall not in any way impact on any Write-Down of the Notes. The only consequence shall be that the Notes will be Written-Down and the Write-Down Amount determined as provided above without taking into account any such write-down or other loss absorption of such Prior Loss Absorbing Instrument or Similar Loss Absorbing Instrument, as the case may be; and

"Written-Down Additional Tier 1 Instruments" means, at any time, any instrument (other than the Notes) issued directly or indirectly by the Issuer or, as applicable, any member of the Landshypotek Consolidated Situation, which qualifies as Additional Tier 1 Capital of the Issuer or, as applicable, the Landshypotek Consolidated Situation and which, immediately prior to the relevant Write-Up, has a prevailing principal amount lower than the principal amount that it was issued with due to such principal amount having been written down on a temporary basis pursuant to its terms.

(b) *Interpretation*

In these Conditions:

- (i) references to Coupons shall be deemed to include references to Talons (as defined below);
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 (*Taxation*); and
- (iii) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

2. **Form, Denomination and Title**

The Notes are in bearer form, serially numbered, in the denominations of SEK 2,000,000 and integral multiples of SEK 1,000,000 in excess thereof up to and including SEK 3,000,000, each with Coupons and talons (each, a "**Talon**") for further Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) 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 other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. **Status**

The Notes on issue constitute Additional Tier 1 Capital of the Issuer and the Landshypotek Consolidated Situation under the CRD IV requirements.

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

- (a) *pari passu* without any preference among themselves;
- (b) at least *pari passu* with payments to holders of any other Additional Tier 1 Instruments and claims of any other subordinated creditors the claims of which are expressed to rank *pari passu* with the Notes;
- (c) in priority to payments to holders of all classes of share capital of the Issuer in their capacity as such holders; and
- (d) junior in right of payment to the payment of any present or future claims of (i) depositors of the Issuer, (ii) other unsubordinated creditors of the Issuer and (iii) except as expressed in (b) above, any other subordinated creditors of the Issuer.

The Issuer reserves the right to issue or incur other Additional Tier 1 Instruments in the future, provided, however, that any such Additional Tier 1 Instruments may not in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, rank ahead of the Notes.

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

4. **Interest**

(a) **Interest Payment Dates**

Subject to Condition 5 (*Interest Cancellation*) and Condition 6 (*Loss Absorption and Discretionary Reinstatement*) below, the Notes bear interest on their Prevailing Principal Amounts from and including the Issue Date, payable (subject as provided below) quarterly in arrear on 29 March, 29 June, 29 September and 29 December in each year from and including 29 June 2017 (each an "**Interest Payment Date**"). If any Interest Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event such Interest Payment Date shall be the first preceding day that is a Business Day.

Interest shall be calculated on the basis of the actual number of days in the relevant period divided by 360 and otherwise in accordance with Condition 4(c) (*Determination of Rate of Interest and Interest Amount*) below.

(b) **Interest Rate**

The rate of interest payable from time to time in respect of the Notes (the "**Rate of Interest**") will be determined on the basis of the following provisions:

- (i) on each Interest Determination Date, the Agent will determine the Screen Rate at approximately 11.00 a.m. (Stockholm time) on that Interest Determination Date. If the Screen Rate is unavailable, the Agent (or, if the Agent is unable to make such request, the Issuer or its duly appointed agent) will request each of the Reference Banks to provide the Agent with the rate at which deposits in SEK are offered by it to prime banks in the Swedish interbank market for three months at approximately 11.00 a.m. (Stockholm time) on the Interest Determination Date in question and for a Representative Amount;
- (ii) the Rate of Interest for the relevant Interest Period shall be the relevant Screen Rate plus the Margin or, if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Agent of such rates, plus the Margin; and
- (iii) if fewer than two rates are provided as requested, the Rate of Interest for that Interest Period will be the arithmetic mean of the rates quoted by major banks in Stockholm selected by the Agent (or, if the Agent is unable to make such selection, the Issuer or its duly appointed agent), at approximately 11.00 a.m. (Stockholm time) on the first day of such Interest Period for loans in SEK to leading Swedish banks for a period of three months commencing on the first day of such Interest Period and for a Representative Amount, plus the Margin. If the Rate of Interest cannot be determined in accordance with the above provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date.

(c) **Determination of Rate of Interest and Interest Amount**

In respect of each Interest Period, the Agent shall at or as soon as reasonably practicable after 11.00 a.m. (Stockholm time) on each Interest Determination Date determine the SEK amount (the "**Interest Amount**") payable in respect of interest on each Note for the relevant Interest Period. The Interest Amount shall be determined by applying the Rate of Interest to the Prevailing Principal Amount of such Note, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest SEK 0.01 (SEK 0.005 being rounded upwards), or otherwise in accordance with applicable market convention.

(d) **Publication of Rate of Interest and Interest Amount**

The Agent shall cause the Rate of Interest and the Interest Amount for each Interest Period and the relative Interest Payment Date to be notified to the Issuer and the Paying Agents and

to any stock exchange or other relevant authority on which the Notes are at the relevant time listed (by no later than the first day of each Interest Period) and to be published in accordance with Condition 15 (*Notices*) as soon as possible after their determination, and in no event later than the second Business Day thereafter. The Interest Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(e) **Notifications, etc. to be final**

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

5. **Interest Cancellation**

The provisions of Condition 4 (*Interest*) above shall be subject to this Condition 5.

(a) *Cancellation of interest*

The Issuer may elect, in its sole and absolute discretion, to cancel in whole or in part any payment of interest which is otherwise scheduled to be paid on an Interest Payment Date. Non-payment of any amount of interest scheduled to be paid on an Interest Payment Date will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer.

(b) *Restriction on interest payments*

Payments of interest in respect of the Notes in any financial year of the Issuer shall be made only out of Distributable Items of the Issuer. To the extent that the Issuer has insufficient Distributable Items to make any payment of interest in respect of the Notes scheduled for payment in the then current financial year and any other interest payments and/or distributions paid and/or required and/or scheduled to be paid out of Distributable Items in such financial year in accordance with the Capital Regulations, in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Issuer, then the Issuer will, without prejudice to the right above to cancel all such payments of interest in respect of the Notes, make partial or, as the case may be, no such payment of interest in respect of the Notes.

(c) *Maximum Distributable Amount*

No payment of interest will be made in respect of the Notes if and to the extent that such payment would cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Landshypotek Consolidated Situation to be exceeded.

(d) *Competent Authority*

No payment of interest will be made in respect of the Notes if and to the extent that the Competent Authority requires the Issuer to cancel the relevant payment (in whole or in part).

(e) *Interest non-cumulative*

If any payment of interest (or part thereof) is cancelled in accordance with this Condition 5, then the right of the Noteholders to receive the relevant interest payment (or part thereof) in respect of that Interest Period will be extinguished (and shall not accumulate) and the Issuer will have no obligation to pay such interest (or part thereof)

or to pay any interest thereon, whether or not interest on the Notes is paid in respect of any future Interest Period.

(f) *No default*

Failure to pay such interest (or the cancelled part thereof) in accordance with this Condition 5 shall not constitute an event of default or the occurrence of any event related to the insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer.

(g) *Notice of Interest Cancellation*

The Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Noteholders and the Agent as soon as possible. If reasonably practicable, the Issuer shall provide such notice at least five (5) Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Noteholders any rights as a result of such failure.

6. **Loss Absorption and Discretionary Reinstatement**

(a) *Write-Down*

If a Trigger Event occurs at any time, the Issuer will:

- (i) cancel any accrued and unpaid interest in respect of the Notes to (but excluding) the Write-Down Date (as defined below) in accordance with Condition 5 (*Interest Cancellation*) above (including if payable on the Write-Down Date); and
- (ii) on the Write-Down Date (without any requirement for the consent or approval of Noteholders), reduce the then Prevailing Principal Amount of each Note by the relevant Write-Down Amount (such reduction, a "**Write-Down**" and "**Written-Down**" shall be construed accordingly), *pro rata* with the other Notes and taking into account the write-down or other loss absorption of any Similar Loss Absorbing Instruments and the prior write-down or other loss absorption of any Prior Loss Absorbing Instruments, provided, however, that if for any reason the Issuer is unable to effect the concurrent (or substantially concurrent) write-down or other loss absorption of any given Prior Loss Absorbing Instruments and/or Similar Loss Absorbing Instruments within the period required by the Competent Authority, the Notes will be Written-Down notwithstanding that the relevant Prior Loss Absorbing Instruments and/or Similar Loss Absorbing Instruments are not also written down or otherwise absorbing losses.

(b) *Trigger Event Notice*

Upon the occurrence of a Trigger Event, the Issuer shall immediately inform the Competent Authority and shall give a notice to the Noteholders and to the Agent, which notice, in addition to specifying that a Trigger Event has occurred, shall specify (i) the date on which the Write-Down shall occur (the "**Write-Down Date**"), which shall be as soon as practicable and in any event not later than one month following (or such other period as the Capital Regulations may require) the occurrence of the Trigger Event and (ii) if then determined, the Write-Down Amount (together, a "**Trigger Event Notice**"). If the Write-Down Amount has not been determined when the Trigger Event Notice is given, the Issuer shall, as soon as reasonably practicable following such determination, notify Noteholders and the Agent of the Write-Down Amount.

Such notice should be given as soon as practicable following the occurrence of a Trigger Event and in any event not later than five (5) Business Days following such occurrence, although any failure by the Issuer to give any such notice to or otherwise to so notify Noteholders will not in any way impact on the effectiveness of, or otherwise invalidate, any Write-Down, or give Noteholders any rights as a result of such failure.

(c) *Trigger Event Redemption Restrictions*

If a Trigger Event Notice has been given pursuant to this Condition 6, no notice of redemption may be given pursuant to Condition 7(b) (*Issuer Call*) or Condition 7(c) (*Redemption upon Tax Event or Capital Event*) until the Trigger Event to which such Trigger Event Notice relates has been cured. If any notice of redemption of the Notes is given pursuant to Condition 7(b) (*Issuer Call*) or Condition 7(c) (*Redemption upon Tax Event or Capital Event*) and prior to the relevant redemption date a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, there shall be no redemption of the Notes on such redemption date and, instead, a Write-Down shall occur as provided under this Condition 6(c). The redemption restrictions described in this Condition 6(c) are together referred to as the "**Trigger Event Redemption Restrictions**".

(d) *Write-Down may occur on one or more occasion; No default*

A Write-Down may occur on more than one occasion and the Notes may be Written-Down on more than one occasion. A Write-Down will not constitute an event of default or the occurrence of any event related to the insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer.

(e) *CET1 ratios*

For the purposes of determining whether a Trigger Event has occurred, the Issuer will (i) calculate the CET1 ratios of the Issuer and the Landshypotek Consolidated Situation based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for ensuring effective ongoing monitoring of the capital ratios of the Issuer and the Landshypotek Consolidated Situation and (ii) calculate and publish the CET1 ratios of the Issuer and the Landshypotek Consolidated Situation on at least a quarterly basis.

(f) *Interest accrual on Prevailing Principal Amount*

Following a reduction of the Prevailing Principal Amounts of the Notes as described above, interest will accrue on the reduced Prevailing Principal Amount of each Note from (and including) the relevant Write-Down Date, and (for the avoidance of doubt) such interest will be subject to Condition 5 (*Interest Cancellation*) and this Condition 6.

(g) *Discretionary Reinstatement*

If, at any time while any Note remains Written-Down, the Relevant Entity records a positive Net Profit, the Issuer may, in its sole and absolute discretion and subject to the Maximum Distributable Amount (when the amount of the Write-Up is aggregated together with other distributions of the Issuer or the Landshypotek Consolidated Situation, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive (or, if different, any provision of the Capital Regulations implementing Article 141(2) of the CRD IV Directive)) not being exceeded thereby, increase the Prevailing Principal Amount of each Note (a "**Write-Up**") up to a maximum of the Initial Principal Amount, on a *pro rata* basis with the other Notes and with any other Written-Down Additional Tier 1 Instruments of the Issuer (in the case where the Relevant Entity is the Issuer) and any Written-Down Additional Tier 1 Instruments of any members of the Landshypotek Consolidated Situation (in the case where the Relevant Entity is the Landshypotek Consolidated Situation) that have terms permitting a principal write-up to occur on a similar basis to that set out in these provisions in the circumstances existing on the date of the relevant Write-Up, provided that the sum of:

- (i) the aggregate amount of the relevant Write-Up on all the Notes (out of the same Relevant Profits);
- (ii) the aggregate amount of any payments of interest in respect of the Notes that were paid on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount at any time after the Reference Date;

- (iii) the aggregate amount of the increase in principal amount of each such Written-Down Additional Tier 1 Instrument at the time of the relevant Write-Up (out of the same Relevant Profits); and
- (iv) the aggregate amount of any interest payments or distributions in respect of each such Written-Down Additional Tier 1 Instrument that were calculated or paid on the basis of a prevailing principal amount that is lower than the principal amount it was issued with at any time after the Reference Date,

does not exceed the Maximum Write-Up Amount.

The Issuer will not reinstate the principal amount of any Written-Down Additional Tier 1 Instruments of the Issuer or any member of the Landshypotek Consolidated Situation that have terms permitting a write-up of such principal amount to occur on a similar basis to that set out in these provisions unless it does so on a *pro rata* basis with a Write-Up of the Notes.

A Write-Up may be made on more than one occasion in accordance with these provisions until the Prevailing Principal Amount of the Notes has been reinstated to the Initial Principal Amount.

Any decision by the Issuer to effect or not to effect any Write-Up pursuant to these provisions on any occasion shall not preclude it from effecting or not effecting any Write-Up on any other occasion pursuant to these provisions.

If the Issuer decides to Write-Up the Notes pursuant to these provisions, a notice (a "**Write-Up Notice**") of such Write-Up shall be given to the Noteholders and to the Agent specifying the amount of any Write-Up (as a percentage of the Initial Principal Amount of a Note that results in a *pro rata* increase in the Prevailing Principal Amount of each Note) and the date on which such Write-Up shall take effect. Such Write-Up Notice shall be given at least five (5) Business Days prior to the date on which the relevant Write-Up is to become effective.

Following a Write-Up in respect of the Notes, interest will accrue on the increased Prevailing Principal Amount of each Note from (and including) the date on which the relevant Write-Up takes effect, and (for the avoidance of doubt) such interest will be subject to Condition 5 (*Interest Cancellation*) and this Condition 6.

The Issuer may not effect a Write-Up in respect of the Notes (i) if a Trigger Event has occurred and is continuing, or (ii) in circumstances where such Write-Up, together with the *pro rata* reinstatement of the principal amount of any Written-Down Additional Tier 1 Instruments of the Issuer or any member of the Landshypotek Consolidated Situation, as the case may be, would cause a Trigger Event to occur.

(h) *No Liability of Paying Agents*

None of the Paying Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Trigger Event or any consequent Write-Down and cancellation of the Notes or any claims in respect thereof, and none of the Paying Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the foregoing.

7. **Redemption and Purchase**

(a) *No scheduled redemption*

The Notes are perpetual securities and have no fixed redemption date. The Issuer may only redeem the Notes at its discretion in the circumstances described in this Condition 7. The Notes are not redeemable at the option of the Noteholders at any time.

(b) *Issuer Call*

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*) below, the Issuer may, in its sole and absolute discretion, upon the expiry of the appropriate notice, redeem all (but not some only) of the Notes on any Optional Redemption Date at an amount equal to the then Prevailing Principal Amounts of such Notes, together, if appropriate, with interest accrued (if any) to (but excluding) the relevant Optional Redemption Date (excluding any cancelled interest).

The appropriate notice referred to in this Condition 7(b) is a notice given by the Issuer to the Agent and the Noteholders, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

- (i) that the Notes are subject to redemption; and
- (ii) the due date for such redemption, which shall be an Optional Redemption Date which is not more than 60 days and not less than 30 days after the date on which such notice is validly given.

Any such notice shall, subject to the Trigger Event Redemption Restrictions, be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

(c) *Redemption upon Tax Event or Capital Event*

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*) below, upon the occurrence of a Tax Event or a Capital Event, the Issuer may, in its sole and absolute discretion, upon the expiry of the appropriate notice, on any Interest Payment Date redeem all (but not some only) of the Notes at an amount equal to the then Prevailing Principal Amounts of such Notes, together, if appropriate, with interest accrued (if any) to (but excluding) the date of redemption (excluding any cancelled interest).

The appropriate notice referred to in this Condition 7(c) is a notice given by the Issuer to the Agent and the Noteholders, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

- (i) that the Notes are subject to redemption pursuant to a Tax Event or a Capital Event, as the case may be; and
- (ii) the due date for such redemption, which shall be a date which is not more than 60 days and not less than 30 days after the date on which such notice is validly given.

Any such notice shall, subject to the Trigger Event Redemption Restrictions, be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

(d) *Purchase*

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*) below, the Issuer, the Parent or any Subsidiary of the Issuer may, at any time following the First Call Date, purchase Notes at any price in the open market or otherwise, provided that all unmatured Coupons and unexchanged Talons are purchased therewith. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the Agent for cancellation.

(e) *Cancellation*

All Notes purchased by or on behalf of the Issuer, then Parent or any Subsidiary of the Issuer may be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Agent and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(f) *Substitution or Variation instead of Redemption*

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*) below, upon the occurrence of a Tax Event or a Capital Event, the Issuer may (without any requirement for the consent or approval of the Noteholders), and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall, save as provided in the final paragraph of Condition 7(g) (*Conditions to Redemption, Purchase etc.*), be irrevocable) at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities provided that such substitution or variation does not itself give rise to any right of the Issuer to redeem, substitute or vary the terms pursuant to this Condition 7 in relation to the Qualifying Securities so substituted or varied.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Noteholders can inspect or obtain copies of the new terms and conditions of the Qualifying Securities. Such substitution or variation will be effected without any cost or charge to the Noteholders.

(g) *Conditions to Redemption, Purchase etc.*

The Notes may only be redeemed, purchased, substituted, varied or modified (as applicable) pursuant to Condition 7(b) (*Issuer Call*), Condition 7(c) (*Redemption upon Tax Event or Capital Event*), Condition 7(d) (*Purchases*), Condition 7(f) (*Substitution or Variation instead of Redemption*) or Condition 14(b) (*Modification*), as the case may be, if:

- (i) in the case of any such redemption, purchase, substitution, variation or modification, the Competent Authority has given its prior permission to such redemption, purchase, substitution, variation or modification (as applicable); and
- (ii) in the case of any such redemption or purchase, the Trigger Event Redemption Restrictions do not apply to such redemption or to the redemption notice relating to such redemption (as applicable).

In addition, if the Issuer has elected to substitute or vary the Notes pursuant to Condition 7(f) (*Substitution or Variation instead of Redemption*) and gives notice of such election to the Noteholders, but prior to the relevant substitution or variation, as the case may be, a Trigger Event occurs, the relevant notice shall be automatically rescinded and shall be of no force and effect.

8. **Payments**

- (a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of the Note at the specified office of any Paying Agent outside the United States by SEK cheque drawn on, or by transfer to a SEK account maintained by the payee with, a bank in Stockholm.
- (b) *Interest*: Payments of interest shall, subject to Condition 8(f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 8(a) (*Principal*) above.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement thereto).

- (d) *Unmatured Coupons void:* On the due date for redemption of any Note pursuant to Condition 7 (*Redemption and Purchase*) or Condition 10 (*Bankruptcy or Liquidation*), all unmatured Coupons (if any) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (e) *Payments on Payment Business Days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.
- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the specified office of any Paying Agent outside the United States.
- (g) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.
- (h) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the specified office of the Agent for a further Coupon Sheet including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 11 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

9. **Taxation**

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, in the case of a payment of interest only, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the amount of interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day.

In these Conditions, "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*).

10. **Bankruptcy or Liquidation**

If the Issuer is declared bankrupt or put into liquidation, in each case by a court or agency or supervisory authority in Sweden having jurisdiction in respect of the same, a Noteholder may prove or claim in the bankruptcy or liquidation of the Issuer, whether in Sweden or elsewhere and instituted by the Issuer itself or by a third party, for payment in respect of the then Prevailing Principal Amount of such Note together with interest accrued to (but excluding) the date of commencement of the relevant bankruptcy or liquidation proceedings to the extent not

cancelled but subject to such Noteholder only being able to claim payment in respect of the Note in the bankruptcy or liquidation of the Issuer.

No remedy against the Issuer, other than as provided above, shall be available to the Noteholders in respect of the Notes, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Notes.

11. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

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

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. **Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

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

Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders in accordance with Condition 15 (*Notices*).

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

14. **Meetings of Noteholders; Modification**

(a) *Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than ten per cent. of the Prevailing Principal Amounts of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. of the Prevailing Principal Amounts of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the Prevailing Principal Amounts of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons as described in the Agency Agreement, the quorum shall be one or more persons holding or

representing not less than two-thirds of the Prevailing Principal Amounts of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the Prevailing Principal Amounts of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Prevailing Principal Amounts of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent) by or on behalf of the holders of not less than 75 per cent. of the Prevailing Principal Amounts of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

(b) *Modification*

Subject to Condition 7(g) (*Conditions to Redemption, Purchase etc.*), the Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Agency Agreement which is not, in the opinion of the Issuer, prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes (including the Conditions), the Coupons, the Deed of Covenant or the Agency Agreement which is, in the opinion of the Issuer, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

15. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

16. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law except that the provisions in the Notes under Condition 3 (*Status*) shall be governed by, and construed in accordance with, the laws of Sweden.
- (b) *Submission to jurisdiction:* Subject to Condition 16(d) (*Rights of the Noteholders to take proceedings outside England*) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a "**Dispute**") and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

- (c) *Appropriate forum:* For the purposes of this Condition 16 each of the Issuer and any Noteholders or Couponholders in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (d) *Rights of the Noteholders to take proceedings outside England:* This Condition 16(d) is for the benefit of the Noteholders and the Couponholders only. To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.
- (e) *Service of process:* The Issuer appoints Business Sweden – The Swedish Trade & Invest Council at its registered office at 5 Upper Montagu Street, London W1H 2AG as its agent for service of process, and undertakes that, in the event of Business Sweden – The Swedish Trade & Invest Council ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.
- (f) *Other documents:* The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

17. **Swedish Statutory Bail-in 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 Noteholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Noteholder acknowledges, accepts and agrees to be bound by the exercise of, any Bail-in Power by the Relevant Resolution Authority that may result in the write-down or cancellation of all, or a portion, of the Relevant Amounts of, or distributions on, the Notes and/or the conversion of all, or a portion, of the Relevant Amounts of, or distributions on, the Notes into shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the Relevant Resolution Authority of such Bail-in Power. Each Noteholder further acknowledges and agrees that the rights of the Noteholders are subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Bail-in Power by the Relevant Resolution Authority.

For the avoidance of doubt, the potential write-down or cancellation of all, or a portion, of the Relevant Amounts of, or distributions on, the Notes or the conversion of the Notes into shares, other securities or other obligations in connection with the exercise of any Bail-in Power by the Relevant Resolution Authority is separate and distinct from a Write-Down following a Trigger Event although this event may occur consecutively.

For these purposes, a "**Bail-in Power**" means any statutory 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 relating to the resolution of credit institutions, investment firms and/or group entities in effect and applicable in Sweden, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of the BRRD, the Resolution Act (Sw. *Lag (2015:1016) om resolution*) and/or the Precautionary Support Act (Sw. *Lag (2015:1017) om förebyggande statligt stöd till kreditinstitut*) as amended or replaced from time to time and any instruments, rules and standards created thereunder, pursuant to which liabilities of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified and/or converted into shares or other securities or obligations of the Issuer or any other person.

Upon the Issuer being informed or notified by the Relevant Resolution Authority of the actual exercise of the Bail-in Power or the date from which the Bail-in Power shall be effective with respect to the Notes, the Issuer shall notify the Noteholders in accordance with Condition 15 (*Notices*) without delay. Any delay or failure by the Issuer to give such notice

shall not affect the validity and enforceability of the Bail-in Power nor the effects on the Notes described in this Condition.

The exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Notes shall not constitute an event of default or the occurrence of any event related to the insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer. In such circumstances, these Conditions shall continue to apply in relation to the Relevant Amounts in respect of the Notes, subject to any modification of the amount of distributions payable to reflect the reduction of the Relevant Amounts, and any further modification of these Conditions that the Relevant Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or group entities in effect and applicable in Sweden.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Bail-in Power to the Notes.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be issued in the form of a temporary global note (the "**Temporary Global Note**") which will be delivered on or prior to the Issue Date to a common depository for Euroclear and Clearstream, Luxembourg.

The Temporary Global Note will be exchangeable in whole or in part for interests in a permanent global note (the "**Permanent Global Note**") not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership (such certification to be provided in the form required by Euroclear and/or Clearstream, Luxembourg). No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

In the event that the Temporary Global Note (or any part of it) has become due and payable in accordance with the Conditions and payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment then, unless within the period of 7 days commencing on the relevant due date payment in full of the amount due in respect of the Temporary Global Note is received by the bearer in accordance with the provisions of the Temporary Global Note, the Temporary Global Note will become void at 5.00 p.m. (London time) on such seventh day and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the deed of covenant dated 29 March 2017 executed by the Issuer (the "**Deed of Covenant**"). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Notes in definitive form ("**Definitive Notes**") in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

The Permanent Global Note will become exchangeable in whole, but not in part, for Definitive Notes in the denominations of SEK 2,000,000 plus integral multiples of SEK 1,000,000 in excess thereof up to and including SEK 3,000,000 each at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Agent only upon the occurrence of an Exchange Event. An "**Exchange Event**" shall occur if the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions and payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment then, unless within the period of 7 days commencing on the relevant due date payment in full of the amount due in respect of the Permanent Global Note is received by the bearer in accordance with the provisions of the Permanent Global Note,

the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such seventh day (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Conditions as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Payments on business days: In the case of all payments made in respect of the Global Notes, "**business day**" means any day which is a day on which dealings in foreign currencies may be carried on in Stockholm.

Notices: Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes, except that such notices shall also be published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Write-Down and Discretionary Reinstatement: For so long as all of the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg, any Write-Down of the Notes will be effected in Euroclear and/or Clearstream, Luxembourg in accordance with their operating procedures by way of a reduction in the pool factor and any Write-Up in respect of the Notes will be effected in Euroclear and/or Clearstream, Luxembourg in accordance with their operating procedures by way of an increase in the pool factor.

USE OF PROCEEDS

The proceeds of the issue of the Notes will be SEK 700,000,000. The issue of the Notes will form part of the Issuer's capital base and the proceeds of the issue of the Notes will be applied by the Issuer to meet part of its general financing requirements.

INFORMATION RELATING TO THE ISSUER

Introduction

Landshypotek Bank AB (publ) (the "**Issuer**" or "**Landshypotek**") was incorporated in Stockholm on 3 November 1994 as a public limited liability company under Swedish law, with the business name Landshypotek AB (publ) and Swedish organisation number 556500-2762. The incorporation was part of the re-organisation of the General Mortgage Bank (Sw. *Sveriges Allmänna Hypoteksbank*) ("**GMB**") and the county mortgage bank associations (the "**mortgage associations**").

GMB was formed in 1861 as part of a government policy to increase the supply of capital to the agricultural sector. GMB's role was to fund its owners, the associations, through the issuance of bonds and debentures. The mortgage associations in turn provided funding for agricultural, forestry and horticultural purposes and their history goes back to 1836.

The mortgage associations were re-organised as an economic co-operative on 1 January 1995 under the name Landshypotek Ekonomisk Förening (the "**Association**" or "**Parent**"). At the same time, the business activities formerly carried out by GMB and the mortgage associations were transferred into the Issuer.

Organisational Structure

The Issuer is a public limited liability company incorporated in Sweden and regulated under the Swedish Companies Act. In addition, the Issuer is a regulated banking company under the Swedish Act on Banking and Financing Activities (Sw. *Lag (2004: 297) om bank- och finansieringsrörelse*) and is subject to the supervision of the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**"). The Issuer has been granted a licence by the SFSA to issue covered bonds in accordance with the Swedish Act (2003:1223) on Issuance of Covered Bonds (Sw. *Lag (2003:1223) om utgivning av säkerställda obligationer*).

The Issuer is wholly-owned by the Association, which is an economic co-operative whose members are the Issuer's loan customers in the farming and forestry sector. At the end of 2016, the Association had approximately 41,000 members. The ownership structure is expected to produce a loyal ownership and customer group with a strong incentive in the performance of the Issuer.

All business operations are conducted in the Issuer and, except for two dormant companies, the Issuer has no subsidiaries. However, as used herein, references to the "**Group**" are to the Issuer and the two dormant subsidiaries. The Issuer is dependent upon the Association which is the sole owner of the Issuer. The Issuer is not dependent on any other entity within the Group.

Activities

The Issuer is specialised in offering financial services to Swedish agriculture and forestry with real estate property as collateral. The Issuer's core business is to offer mortgage loans to customers in the farming and forestry sector and to customers living on farms. The lending may also be secured by other collateral than real estate property, such as a personal guarantee, floating charge or with EU-support as collateral (EU loans). In 2017, the Issuer will also launch an offering of mortgage loans to homeowners in Sweden, i.e. secured with other real estate property than agricultural or forest.

In addition to the above, the Issuer also offers products in co-operation with other companies, such as certain insurance products (in partnership with Gjensidige Forsikring ASA Norge, Svensk Filial) and certain finance products (in partnership with DNB Bank ASA, Filial Sverige).

Since 2014, the Issuer has also offered saving products through a digital service to the general public in Sweden.

The Issuer mainly uses the capital market as its funding source and achieves the desired flexibility by offering a variety of borrowing instruments that attract different types of investors. The main funding source is by issuing covered bonds.

Accounting principles

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") and interpretations of the above as published by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the EU. Furthermore, the SFSA's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25, including amendments), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies ("ÅRKL") and the recommendations of the Swedish Financial Reporting Board, RFR 1, Supplementary Accounting Rules for Groups are also applied.

The Issuer applies statutory IFRS, which means that the legal entity's financial statements must apply all of the IFRSs and statements adopted by the EU, in so far as this is possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and after taking into account the relationship between accounting and taxation. Permissible exceptions and supplements to IFRS are stated in the Swedish Financial Reporting Board's recommendation *RFR 2, Accounting for Legal Entities*, and ÅRKL as well as the SFSA's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25). The main differences in accounting policies between the Group and the Issuer are described on pages 49-53 of the 2016 Annual Report, where a more detailed description of the accounting policies in general also can be found.

2016 Annual Report

Unless stated otherwise, the financial information relating to 2016 in this section "*Information Relating to the Issuer*" is based on the 2016 Annual Report, which is the most recently published annual report of the Issuer.

Liquidity

The Issuer has a substantial liquidity portfolio of interest-bearing securities, valued at SEK 12,615 million at 31 December 2016. The Issuer's liquidity portfolio comprises liquid, interest-bearing securities, primarily Swedish covered bonds with the highest credit rating and bonds issued by Swedish municipalities. At 31 December 2016, the liquidity portfolio was 1.4 times larger than refinancing requirements for the next six months. The ratio is affected by the allocation of maturing debt for longer than six months and can, therefore, change between measurement periods.

Lending

At 31 December 2016, the Issuer's lending to the public amounted to SEK 66,518 million (SEK 64,501 million, at 31 December 2015). All lending is domestic and made in Swedish krona.

Loan losses and provisions

As at 31 December 2016, net loan losses for the Group totalled SEK 14.8 million (SEK 45.9 million, at 31 December 2015). The Issuer has continued to focus its work on the credit portfolio, thereby enabling earlier identification of companies with weak profitability and low liquidity. The losses pertain to a few individual commitments.

The table below shows the loan loss level as a percentage for the Group at the end of each year for each of the years 2012 to 2016.

<i>Years ended 31 December</i>	<i>Loan loss level</i>
2012	0.04 per cent.
2013	0.09 per cent.
2014	0.13 per cent.
2015	0.07 per cent.
2016	0.02 per cent.

Savings

Total deposits from the public have continued to increase and amounted to SEK 11,731 million at 31 December 2016 (SEK 10,310 million 31 December 2015).

Funding

Short-term funding

The Issuer mainly finances its short-term funding needs through a Swedish commercial paper programme. The Issuer is also active in the repo- and deposit markets for short term liquidity needs on a regular basis.

Long-term funding

The Issuer issues its long-term non-covered debt through a Euro Medium Term Note and S.O. Bond Programme (the "**EMTN and S.O. Bond Programme**") and may also issue on a stand-alone basis or under additional programmes from time to time. The Issuer's covered bond funding is made either through the EMTN and S.O. Bond Programme or through its Swedish MTN-programme and may also be made on a stand-alone basis or under additional programmes from time to time.

Competitors

The Issuer's main competitors are the savings banks and the commercial banks, which have shown an increasing interest in expanding their agricultural and forestry customer bases.

Capital Situation

Capital Requirements

At 31 December 2016, the total capital ratio for the Landshypotek Consolidated Situation (as defined in the Conditions) under the Basel III approach was 39.9 per cent. (26.1 per cent., at 31 December 2015). Own funds for the Landshypotek Consolidated Situation amounted to SEK 6,455 million and the own funds requirement was SEK 1,295 million. The capital quotient under the transitional rules related to the Basel I requirements was 1.51.

SFSA Capital Assessment

As referred to below under "*Recent Developments*", the Issuer has applied for a permission to use an internal ratings based (IRB) approach for exposures to corporates. In light of this, among other things, the SFSA has, as of 31 December 2016, assessed the Issuer's common equity tier 1 capital requirements to be 20.8 per cent. (including Pillar 2) of the risk exposure amount and the Issuer's total common equity tier 1 capital to be 29.4 per cent. of the risk exposure amount.

Recent Developments

In 2016, the Issuer changed its organisation to better meet more customers and varying customer needs in both the retail and corporate sector. The changes include the creation of separate internal market departments for retail and corporate customers. A new operations department was also created.

In 2017, customers will be able to apply for mortgage loans for houses from the Issuer. The Issuer is targeting a market outside the major cities and offering brand new lending possibilities.

As disclosed in a press release dated 29 March 2016, the Issuer has decided to change its exposure classes and to apply for a permission to use an IRB model for exposures to corporates, in addition to its existing IRB model for retail exposures. This is to better reflect the market developments for lending to agricultural and forestry customers as well as new regulations. As a result of structural developments, some farmers now conduct their business in larger enterprises. In light of such structural developments, regulatory changes and following a dialogue with the SFSA, the Issuer decided to change its customer classification. Swedish farmers conducting businesses as sole traders but with large enterprises will be reclassified and treated as corporates (rather than retail customers) from a regulatory capital perspective. This change means that the Issuer will be subject to an increased regulatory capital requirement. On 30 September 2016, the Issuer thus submitted an application to the SFSA for a new IRB-f model for calculating capital adequacy for corporate exposures, and consequently also applied for certain changes to the existing IRB model for retail exposures.

During 2016 the Issuer has worked systematically on continuing to strengthen its risk awareness and credit activities, including changes of the organisation and improved systematics, including the dialogue with customers experiencing financial difficulties. The Issuer has also maintained a continued focus on governance and control of its internal processes, for reasons including the SFSA's ongoing inspections of Swedish credit institutions. The SFSA's inspections include an examination of the Issuer's internal methods for measuring credit risk (IRB approach) and credit processes.

BOARD OF DIRECTORS AND MANAGEMENT

The members of the Board of Directors and Executive Management, whose business addresses are at the registered address of the Issuer, are as of the date of this Prospectus:

Board of Directors	Position	Other principal activities
Henrik Toll	Chairman	Chairman of Tham Invest AB and Fallda AB
Anna-Karin Celsing	Board Member	Executive Director of Wall Beijerstiftelserna, Chairman of Sveriges Television AB, director of Kungliga Operan AB, Lannebo Fonder, Seven Day Finance AB
Hans Heuman	Board Member	Chairman of Marsvinsholms Gods AB, director of Landshypotek Ekonomisk Förening
Nils-Fredrik Nyblaeus	Board Member	Chairman of Bankgirot and of Upplysningscentralen (UC) AB, director of Euroclear SA/Plc
Johan Trolle-Löwen	Board Member	Director of Bergvik Skog AB, Firefly AB, Hargs Bruk AB, Boo Egendom AB, Limmersvik AB and Sjösa Förvaltnings AB
Synnöve Trygg	Board Member	Director of Volvo Finans Bank AB, Intrum Justitia AB and Nordax Bank AB
Charlotte Önnestedt	Board Member	Owner and manager of Åby Storgård and Hässelby Gård
Helena Andersson	Board Member, Employee Representative	
Hans Broberg	Board Member, Employee Representative	
Senior Management	Position	
Liza Nyberg	Chief Executive Officer	
Annelie von Dahn	HR Manager	
Martin Kihlberg	Head of Public Affairs and CSR	
Jan Lilja	Chief Risk Officer	
Margareta Lindahl	Corporate Sales Officer	
Annika Lindström	Chief Operations Officer	
Fredrik Sandberg	Chief Financial Officer	
Tomas Uddin	Chief Market and Communications Officer	
Daniel Wahlström	Chief Business Development Officer	
Catharina Åbjörnsson Lindgren	General Counsel	

The Issuer has its registered address and postal address at P.O. Box 14092, SE-104 41 Stockholm, Sweden. The visiting address is Regeringsgatan 48, SE-111 56 Stockholm, Sweden and the telephone number is +46 8 459 04 00.

There are no potential conflicts of interest between the duties to the Issuer of the persons listed under the headings "*Board of Directors*" and "*Senior Management*" above and their private interests or other duties.

Auditors

Öhrlings PricewaterhouseCoopers AB, represented by Ulf Westerberg (Authorised Public Accountant) and Helena Kaiser de Carolis (Authorised Public Accountant).

TAXATION

Swedish Taxation

*The following summary outlines certain Swedish tax consequences of the acquisition, ownership and disposal of the Notes. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary is not exhaustive and does thus not address all potential aspects of Swedish taxation that may be relevant for a potential investor in the Notes and is neither intended to be nor should be construed as legal or tax advice. In particular, the summary does not address the rules regarding reporting obligations for, among others, payers of interest. Specific tax consequences may be applicable to certain categories of corporations, e.g. investment companies and life insurance companies. Specific tax consequences may also apply when Notes are held by partnerships and as trading assets in a business. Such tax consequences are not described below. Neither does the summary cover Notes which are placed on an investment savings account (Sw. *Investeringssparkonto*). Investors should consult their professional tax advisors regarding the Swedish and foreign tax consequences (including the applicability and effect of tax treaties) of acquiring, owning and disposing of the Notes in their particular situation.*

Non-resident holders of Notes

As used herein, a non-resident holder means a holder of Notes who is (a) an individual who is not a resident of Sweden for tax purposes and who has no connection to Sweden other than his/her investment in the Notes, or (b) an entity not organised under the laws of Sweden.

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a non-resident holder of any Notes should not be subject to Swedish income tax provided that such holder does not carry out business activities from a permanent establishment in Sweden to which the Notes are effectively connected. Under Swedish tax law, no withholding tax is imposed on payments of principal or interest to a non-resident holder of Notes.

Individuals who are not resident in Sweden for tax purposes may be liable to capital gains taxation in Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in Sweden or have lived permanently in Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption. Taxation may, however, be limited by an applicable tax treaty.

Resident holders of Notes

As used herein, a resident holder means a holder of Notes who is (a) an individual who is a resident in Sweden for tax purposes or (b) an entity organised under the laws of Sweden.

Generally, for Swedish corporations and individuals (and estates of deceased individuals) that are resident holders of Notes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on the Notes) will be taxable. A capital gain or capital loss is calculated as the difference between the sales proceeds, after deduction for sales expenses, and the acquisition cost for tax purposes. The acquisition cost for all Notes of the same kind is determined according to the "average method" (Sw. *genomsnittsmetoden*).

An individual's capital income such as capital gains and interest is subject to a 30 per cent. tax rate. Limited liability companies and other legal entities are taxed on all income, including capital gains and interest, as business income at the tax rate of 22 per cent.

Losses on listed Notes (Sw. *marknadsnoterade fordringsrätter*) should generally be fully deductible for limited liability companies and for individuals in the capital income category. Certain deduction limitations may apply for individuals and limited liability companies with respect to losses on financial instruments deemed share equivalents (Sw. *deläggarrätter*) for Swedish tax purposes, not described further herein.

Under Swedish tax law, no withholding tax is imposed on payments of principal or interest to a resident holder of Notes. However, if amounts that are considered to be interest for Swedish tax purposes are paid to a private individual (or an estate of a deceased individual) that is a resident holder

of Notes, Swedish preliminary taxes (Sw. *preliminärskatt*) are normally withheld at a rate of 30 per cent.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The European Commission were expected to present draft legislation for consideration by the participating Member States by the end of 2016, but this has not yet been provided. The FTT proposal remains subject to negotiation between the 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.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**") (or any regulations thereunder or official interpretations thereof), an agreement described in Section 1471(b) of the Code or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement thereto) ("**FATCA**") impose a reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors and is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer is classified as an FFI.

In general, the withholding applies currently to certain payments from sources within the United States and will apply to certain payments from sources outside the United States (more specifically, "**foreign passthru payments**" (a term not yet defined)) no earlier than 1 January 2019. This withholding would not apply to payments in respect of non-U.S. obligations characterised as debt for U.S. federal tax purposes that are issued on or prior to the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are published, and which obligations are not materially modified after such date. Obligations characterised as equity or which do not have a fixed term for U.S. federal tax purposes are not eligible for grandfathering. The Notes are not expected to be eligible for grandfathered status.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). The United States and Sweden have entered into such an agreement (the "**U.S.-Sweden IGA**") based on the Model 1 IGA. Under the U.S.-Sweden IGA, an FFI in Sweden would not be subject to withholding under FATCA on any payments it receives, unless the FFI is specifically identified by the IRS as not in compliance with the requirements of the U.S.-Sweden IGA and any implementing Swedish legislation. An FFI subject to the US-Sweden

IGA is required to report certain information in respect of its account holders and investors to the Swedish Tax Authority but currently is not required to withhold under FATCA (any such withholding being "**FATCA Withholding**") from payments it makes (unless it has separately agreed to do so in respect of certain U.S. source income). Notwithstanding the foregoing, there can be no assurances that the Issuer or financial institutions through which payments on the Notes are made will not be required to withhold under FATCA if (i) any FFI through or to which payments on such Notes are made is not a Participating FFI, an FFI in an IGA jurisdiction, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, a non-FATCA compliant holder could be subject to FATCA Withholding. However, Definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex. The above description is based in part on regulations, official guidance and the U.S.-Sweden IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

SUBSCRIPTION AND SALE

Danske Bank A/S and Skandinaviska Enskilda Banken AB (publ) (together, the "**Joint Lead Managers**") have, in a subscription agreement dated 27 March 2017 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers, upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 100.00 per cent. of their principal amount. The Issuer will pay a commission to the Joint Lead Managers pursuant to the Subscription Agreement. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken that:

- (a) 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 Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the 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
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Sweden

Each Joint Lead Manager has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Sw. *Lag (1991:980) om handel med finansiella instrument*).

General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the other Joint Lead Manager shall have any responsibility therefor.

None of the Issuer and the Joint Lead Managers represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The issue of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated 26 January 2017.

Listing and Admission to Trading

Application has been made to the CSSF to approve this document as a prospectus for the purposes of Article 5.3 of the Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The total expenses related to the admission to trading are expected to be €5,600 (comprising the prospectus approval fee and listing fee) plus a maintenance fee of €9,000.

Documents Available

Copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (i) the Articles of Association and the Certificate of Registration (with an English translation thereof) of the Issuer;
- (ii) the 2015 Annual Report and the 2016 Annual Report (in each case, with an English translation thereof);
- (iii) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Definitive Notes, the Coupons and the Talons; and
- (iv) a copy of this Prospectus.

In addition, copies of this Prospectus, any supplements to this Prospectus and any documents incorporated by reference will also be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN of the Notes is XS1587840098 and the common code is 158784009.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Group since 31 December 2016 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2016.

Material Contracts

The Issuer has not entered into any material contracts outside the ordinary course of its business.

Litigation

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of

which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditors of the Issuer are Öhrlings PricewaterhouseCoopers AB, represented by Ulf Westerberg (Authorised Public Accountant) and Helena Kaiser de Carolis (Authorised Public Accountant). Öhrlings PricewaterhouseCoopers AB have audited the Issuer's accounts in accordance with generally accepted auditing standards in Sweden for each of the two financial years ended 31 December 2016 and 31 December 2015 and issued unqualified audit reports thereon. Ulf Westerberg and Helena Kaiser de Carolis are members of FAR, the professional institute for authorised public accountants, approved public accountants and other highly qualified professionals in the accountancy sector in Sweden.

The auditors of the Issuer have no material interest in the Issuer.

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