



# Landshypotek Bank

**LANDSHYPOTEK BANK AB (publ)**

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

**€3,500,000,000**

## **Euro Medium Term Note and S.O. Bond Programme**

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Under this €3,500,000,000 Euro Medium Term Note and S.O. Bond Programme (the **Programme**), Landshypotek Bank AB (publ) (the **Issuer**) may from time to time issue Euro medium term notes (the **Notes**) and covered bonds issued in accordance with the S.O. Act (as defined below) (the **S.O. Bonds**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes or S.O. Bonds may be issued in bearer form or uncertificated book form (the **VPS Notes** or **VPS S.O. Bonds**, as the case may be) cleared through the Norwegian Central Securities Depository, the Verdicapirsentralen ASA (the **VPS**).

The maximum aggregate nominal amount of all Notes and S.O. Bonds from time to time outstanding under the Programme will not exceed €3,500,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

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

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

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the **Prospectus Act 2005**) to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Offering Circular 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 all Notes and S.O. Bonds issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

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

Notice of the aggregate nominal amount of Notes and S.O. Bonds, interest (if any) payable in respect of Notes and S.O. Bonds, the issue price of Notes and S.O. Bonds and certain other information which is applicable to each Tranche (as defined under “Terms and Conditions of the Notes”, “Terms and Conditions of the VPS Notes”, “Terms and Conditions of the S.O. Bonds” and “Terms and Conditions of the VPS S.O. Bonds”) of Notes and S.O. Bonds will (other than in the case of Exempt Notes) be set out in a final terms supplement (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Notes and S.O. Bonds to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes or S.O. Bonds, interest (if any) payable in respect of Notes or S.O. Bonds, the issue price of Notes or S.O. Bonds and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

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

The Issuer has been rated F1 for short term and A+ for long term by Fitch Ratings Ltd. (**Fitch**). The Issuer has been rated A in respect of senior unsecured notes and A-1 in respect of short-term unsecured notes by Standard & Poor’s Credit Market Services Europe Limited (**S&P**). Notes and S.O. Bonds issued pursuant to the Programme may be rated or unrated. Where an issue of Notes or S.O. Bonds is rated, such rating will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) and its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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.

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*Arranger*

**The Royal Bank of Scotland**

*Dealers*

**Danske Bank**  
**SEB**  
**UBS Investment Bank**

**Handelsbanken Capital Markets**  
**The Royal Bank of Scotland**  
**UniCredit Bank**

The date of this Offering Circular is 28 May 2014

## **IMPORTANT INFORMATION**

**This Offering Circular comprises a base prospectus in respect of all Notes and S.O. Bonds other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/ EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the Prospectus Directive).**

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

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

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

**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 Offering Circular or any other information supplied in connection with the Programme or the Notes and the S.O. Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.**

**Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes or S.O. Bonds (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 Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes or S.O. Bonds should purchase any Notes or S.O. Bonds. Each investor contemplating purchasing any Notes or S.O. Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes or S.O. Bonds constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes or S.O. Bonds.**

**Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes or S.O. Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes or S.O. Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes or S.O. Bonds.**

### **IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES AND S.O. BONDS GENERALLY**

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

**Notes or S.O. Bonds denominated in NOK may not be offered, sold or delivered in Norway to or for the benefit of persons domiciled in Norway, unless in compliance with the regulations relating to the offer of VPS Notes or VPS S.O. Bonds and the registration of VPS Notes or VPS S.O. Bonds in the VPS.**

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes or S.O. Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes and S.O. Bonds may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes or S.O. Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which would permit a public offering of any Notes or S.O. Bonds outside the UK or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes or S.O. Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular 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 Offering Circular or any Notes or S.O. Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes or S.O. Bonds. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes and S.O. Bonds in the United States, the European Economic Area (including the United Kingdom and Norway) and Japan, see “*Subscription and Sale*”.

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes or S.O. Bonds, the merits and risks of investing in the Notes or S.O. Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes or S.O. Bonds and the impact the Notes or S.O. Bonds 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 or S.O. Bonds, including Notes or S.O. Bonds where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Notes or S.O. Bonds 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.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes and S.O. Bonds are legal investments for it, (2) Notes and S.O. Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes and S.O. Bonds. While the Issuer’s cover pool fully complies with the S.O. Act and eligibility criteria, the S.O. Bonds may not qualify under the Basel II (Annex VI, Part 1, Articles 68 to 70 of the Directive 2006/48/EC published on 14 June 2006-the Capital Requirement Directive – CRD) covered bonds definition but may be required to be treated as bank bonds for the purpose of calculating the applicable risk weightings for investors subject to the Basel II capital requirements. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes and S.O. Bonds under any applicable risk-based capital or similar rules.

## PRESENTATION OF INFORMATION

All references in this document to *U.S. dollars*, *U.S.\$* and *\$* refer to the United States dollars, to *Swedish krona* and to *SEK* refer to the currency of the Kingdom of Sweden (*Sweden*) and to *NOK* or *Norwegian Kroner* to the currency of the Kingdom of Norway (*Norway*). In addition, all references to *Sterling* and *£* refer to pounds sterling and to *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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## STABILISATION

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

## DESCRIPTION OF THE PROGRAMME

*The following description 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 Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes or S.O. Bonds, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). Words and expressions defined in “Form of the Notes” and “Form of the S.O. Bonds”, “Terms and Conditions of the Notes”, “Terms and Conditions of the VPS Notes”, “Terms and Conditions of the S.O. Bonds” and “Terms and Conditions of the VPS S.O. Bonds” below shall have the same meanings in this overview.*

<b>Issuer:</b>	Landshypotek Bank AB (publ)
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes and S.O. Bonds issued under the Programme. These are set out under “ <i>Risk Factors</i> ” below and include risks arising from the potential failure of the customers of the Issuer to meet their obligations in favour of the Issuer, interest rate risk, foreign currency risk, liquidity risk, operational risk and risks relating to business, political, regulatory and environmental issues. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes and S.O. Bonds issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include certain risks relating to the structure of particular Series of Notes and S.O. Bonds and certain market risks.
<b>Description:</b>	Euro Medium Term Note and S.O. Bond Programme
<b>Arranger:</b>	The Royal Bank of Scotland plc
<b>Dealers:</b>	Danske Bank A/S Skandinaviska Enskilda Banken AB (publ) Svenska Handelsbanken AB (publ) The Royal Bank of Scotland plc UBS Limited UniCredit Bank AG  and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	Each issue of Notes or S.O. Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.
<b>Issuing and Principal Paying Agent:</b>	Deutsche Bank AG, London Branch
<b>VPS Agent:</b>	DnB NOR Bank ASA
<b>VPS Trustee:</b>	Nordic Trustee ASA
<b>Programme Size:</b>	Up to €3,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes or S.O. Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.



<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Notes and S.O. Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes and S.O. Bonds:</b>	<p>The Notes and S.O. Bonds (other than VPS Notes or VPS S.O. Bonds) will be issued in bearer form as described in “<i>Form of the Notes</i>” and “<i>Form of the S.O. Bonds</i>”, respectively.</p> <p>The VPS Notes and VPS S.O. Bonds will be issued in uncertificated book entry form and will not be evidenced by any physical note or document of title. Entitlements to VPS Notes or VPS S.O. Bonds will be evidenced by the crediting of VPS Notes or VPS S.O. Bonds to accounts with the VPS. VPS Notes and VPS S.O. Bonds will not be exchangeable for bearer notes and <i>vice versa</i>. See “<i>Form of the Notes</i>” and “<i>Form of the S.O. Bonds</i>” below.</p> <p>The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will state whether or not the relevant Notes or S.O. Bonds are to be VPS Notes or VPS S.O. Bonds or neither.</p>
<b>Fixed Rate Notes and S.O. Bonds:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
<b>Floating Rate Notes and S.O. Bonds:</b>	<p>Floating Rate Notes and Floating Rate S.O. Bonds will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes or the S.O. Bonds of the relevant Series); or</li> <li>(ii) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes or Floating Rate S.O. Bonds.</p> <p>Floating Rate Notes and Floating Rate S.O. Bonds may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Floating Rate S.O. Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
<b>Zero Coupon Notes and Zero Coupon S.O. Bonds:</b>	Zero Coupon Notes and Zero Coupon S.O. Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

<b>Exempt Notes:</b>	<p>The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, Terms and Conditions of the VPS Notes, Terms and Conditions of the S.O. Bonds and Terms and Conditions of the VPS S.O. Bonds in which event the relevant provisions will be included in the applicable Pricing Supplement.</p>
<b>Redemption:</b>	<p>The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons, following a Capital Event or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>Early redemption of the Subordinated Notes will only be permitted to the extent specified in the applicable Final Terms and subject to all applicable laws and regulations.</p> <p>Early redemption of S.O. Bonds will only be permitted to the extent specified in the applicable Final Terms and subject to applicable laws and regulations.</p>
<b>Extendable Obligations:</b>	<p>Other than in respect of Subordinated Notes, the applicable Final Terms may also provide that the Issuer's obligations to pay the Final Redemption Amount of the applicable Series of Notes or Series of S.O. Bonds on their Maturity Date shall be deferred until the Extended Final Maturity Date, provided that any amount representing the amount due on the Maturity Date as set out in the applicable Final Terms (the <b>Final Redemption Amount</b>) due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Final Maturity Date. Such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Notes or S.O. Bonds on their Maturity Date. Interest will continue to accrue on any unpaid amount and will be payable on each Interest Payment Date falling after the Maturing Date up to (and including) the Extended Final Maturity Date.</p>
<b>Denomination of Notes and S.O. Bonds:</b>	<p>Notes and S.O. Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note or S.O. Bonds will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note or S.O. Bond (other than an Exempt Note) will be €100,000 (or, if the Notes or S.O. Bonds are denominated in a currency other than euro, the equivalent amount in such currency).</p>
<b>Taxation:</b>	<p>All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 8 of each of the Terms and Conditions of the Notes and the Terms and Conditions of the VPS Notes. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8 of each of the Terms and Conditions of the Notes other than VPS Notes and the Terms and Conditions of the VPS Notes, be required to pay additional amounts to cover the amounts so deducted.</p>

All payments in respect of the S.O. Bonds will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction unless the withholding or deduction of such taxes is required by law, in which case such deduction will be made by the Issuer.

**Negative Pledge:**

The terms of the Notes will contain a negative pledge provision as further described in Condition 3 of each of the Terms and Conditions of the Notes and the Terms and Conditions of the VPS Notes.

The terms of the Subordinated Notes will not contain a negative pledge provision.

The terms of the S.O. Bonds will not contain a negative pledge provision.

**Cross Default:**

The terms of the Notes will contain a cross default provision as further described in Condition 10(a) of the Terms and Conditions of the Notes and Condition 10 of the Terms and Conditions of the VPS Notes. The terms of the Subordinated Notes will not contain a cross default provision.

The terms of the S.O. Bonds will not contain a cross default provision or any other events of default.

**Status of the Notes:**

The unsubordinated Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 3 of each of the Terms and Conditions of the Notes and the Terms and Conditions of the VPS Notes, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding the (**Unsubordinated Notes**).

Notes or VPS Notes may be subordinated obligations of the Issuer (**Subordinated Notes**).

In the case of Subordinated Notes, the claims of Noteholders shall be subordinated to the claims of other creditors to the extent described in Condition 2(b) of each of the Terms and Conditions of the Notes and the Terms and Conditions of the VPS Notes.

**Status of S.O. Bonds:**

S.O. Bonds are issued on an unsubordinated basis and in accordance with the Swedish Act (2003:1223) on Issuance of Covered Bonds (*lagen (2003:1223) om utgivning av säkerställda obligationer*) (the **S.O. Act**). As such they have the benefit of priority to a matched pool of assets upon bankruptcy of the Issuer or any legal action to enforce payment by the Issuer, see also “*Summary of the Swedish legislation regarding covered bonds*” on pages 121 to 124.

**Rating:**

Series of Notes or S.O. Bonds issued under the Programme will be rated or unrated. Where a Series of Notes or S.O. Bonds is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.



**Listing:**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes and S.O. Bonds issued under the Programme to be listed on the Luxembourg Stock Exchange. Notes and S.O. Bonds may be listed or admitted to trading, as the case maybe, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to each Series.

Notes and S.O. Bonds which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will state whether or not the relevant Notes and S.O. Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Terms and Conditions:**

The Terms and Conditions applicable to each Tranche of Notes or S.O. Bonds will be as agreed between the Issuer and the relevant Dealer at or prior to the time of issuance of such Tranche, and will be specified in the relevant Final Terms. The Terms and Conditions applicable to each Tranche of Notes will be those set out on pages 47 to 89 hereof (pages 47 to 68 in the case of Notes other than VPS Notes, and pages 69 to 89 in the case of VPS Notes) as completed by the relevant Final Terms. The Terms and Conditions applicable to each Tranche of S.O. Bonds will be those set out on pages 90 to 120 hereof (pages 90 to 105 in the case of S.O. Bonds other than VPS S.O. Bonds, and pages 106 to 120 in the case of VPS S.O. Bonds) as completed by the relevant Final Terms.

**Governing Law:**

The Notes and S.O. Bonds and any non-contractual obligations arising out of or in connection with the Notes and S.O. Bonds will be governed by, and shall be construed in accordance with, English law, save for Condition 2(b) of each of the Terms and Conditions of the Notes and the Terms and Conditions of the VPS Notes and Condition 2 of the Terms and Conditions of the S.O. Bonds, which will be governed by, and construed in accordance with, Swedish law and Conditions 13, 14 and 15 of the Terms and Conditions of the VPS Notes and Conditions 11, 12 and 13 of the Terms and Conditions of the VPS S.O. Bonds, which will be governed by, and construed in accordance with Norwegian law.

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

**Selling Restrictions:**

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

## RISK FACTORS

*In purchasing Notes or S.O. Bonds, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes or S.O. Bonds. 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 or S.O. Bonds. 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 Offering Circular a number of factors which could materially adversely affect its business and ability to make payments due under the Notes or S.O. Bonds.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes and S.O. Bonds issued under the Programme are also described below.*

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

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes or S.O. Bonds issued under the Programme**

The principal risks that the Issuer manages are as follows:

- **Credit risk:** is the risk arising from the possibility that the Issuer does not receive payment as agreed and the risk that the value of the collateral is not adequate and therefore will not cover the outstanding claim.
- **Liquidity risk:** is the risk that the Issuer being unable to refinance maturing loans or being unable to meet demand for additional liquidity as well as needing to borrow at disadvantageous interest rates.
- **Market risk:** the Issuer's market risk is the risk that the value of assets, liabilities and/or financial contracts is negatively affected by changes in general economic conditions or events that affect a large part of the market as well as by company-specific events.
- **Operational risk:** is defined as the risk of loss due to inadequate or failed internal processes, human error, faulty systems, external events and legal risks.

### **Credit Risk**

At present, loans issued by the Issuer do not have any protection by the investment guarantee from the Swedish government (*statliga insättningsgarantin*). The Issuer may, however, issue bonds covered by a pool of assets in accordance with the Swedish Act (2003:1223) on Issuance of Covered Bonds *lagen (2003:1223) om utgivning av säkerställda obligationer*). An approval for that was obtained from the Swedish Financial Supervisory Authority (*Finansinspektionen*) in 2006.

The Issuer's financial performance is affected by borrower and counterparty credit quality and general economic conditions. Risk 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 economic conditions, or arising from systematic 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 exposure (or Concentration risks)**

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.

Under the rules of the Swedish Financial Supervisory Authority, credits in excess of 10 per cent. of the lender's capital base are classified as large exposures. These large exposures in the Group and each respective Group company are reported on a quarterly basis to the Financial Supervisory Authority.

As at 31 December 2013, the Group, with capital base MSEK 4,886.3, reported zero engagements as being large exposures. As at 31 March 2014 the Group reported two engagements as large exposures. These exposures (just above the 10 per cent. threshold) consist of market value in derivative contracts entered into as part of the Issuer's hedging policy and investments in bonds as part of the Issuer's liquidity policy. The counterparty is a highly rated Nordic bank.

### ***Liquidity risks***

The Issuer's borrowing strategy is one of deliberate diversification of borrowing, both in terms of different types of instruments and different geographical markets. From a risk point of view, this means that major disturbances in the financial markets are required within as well as outside Sweden for the Issuer's borrowing opportunities to be negatively affected.

In order to decrease the risk of it being unable to make payments, the Issuer holds a portfolio of liquid assets. The assets in the Issuer's liquid portfolio can be used as security for loans from the Riksbank (the Swedish central bank). In such a situation, the Riksbank is regarded as the "lender of last resort". The liquid assets portfolio consists of bonds and other interest-bearing securities issued by Swedish institutions with a high credit rating, primarily covered bonds.

As a response to recent turmoil the Issuer has increased its liquid asset portfolio. As at 31 December 2013 the liquid asset portfolio was MSEK 15,072.0.

### ***Market Risks***

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.

The Board of Directors establishes Landshypotek's market risk policy, which determines how the Group's market risks are to be measured and reported, and sets limits. Risks are continuously monitored and are reported to Landshypotek's financial committee as well as the Board of Directors. The Chief Financial Officer has the overall responsibility for management of the Group's financial risks. The Chief Risk Control Officer is responsible for independent control and reporting of compliance with the limits established by the Board of Directors in the market risk policy. In addition, the operations are supported by modern financial management systems with well developed routines for the day-to-day work as well as for risk calculations and analysis.

### ***Interest risk***

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

Due consideration is given to interest risks related to lending pursuant to the principle of matched borrowing. Any discrepancy is analysed on a current basis using so-called gap analysis. If matched borrowing cannot be obtained, interest rate swaps are utilised to ensure that actual risks incurred do not exceed the limits approved by the Board of Directors.

### ***Currency risks***

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

The Issuer's currency positions are hedged through currency swap agreements with approved counterparties to cover any currency mismatches between borrowings and loans made.

### ***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 Landshypotek Bank'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, errors by employees, equipment failures, natural disasters or failure of external systems. 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 will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the Financial Services Authority.

#### *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 oversight. Any significant regulatory developments could have an effect on how the Issuer conducts its business and on the Issuer's results of operations. The Issuer is subject to financial services laws, regulations, administrative actions and policies. This supervision and regulation if changed could materially affect the Issuer's business.

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 all 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), 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.

#### *Stress testing*

The impact of potential risks is estimated through stress tests and scenario analysis.

#### *Regulatory Risk*

The Issuer and its business are subject to substantial regulation – both Swedish and originating in the European Union (the **EU**) but with effect in Sweden – and supervision and may be adversely affected by adverse regulatory developments. Currently the financial sector is subject to increased governmental and regulatory intervention. Several new and revised regulations, including but not limited to on capital adequacy requirements, are in the process of being implemented and the final interpretation and application of them are not foreseeable. It is also not possible for the Issuer to foresee what regulations may become applicable in the future.

Since 1 January 2014 the Swedish capital adequacy framework has been based on CRR (the EU Capital Requirements Regulation (**CRR**)) and CRD IV (the EU Capital Requirements Directive (**CRD IV**)). CRR took direct effect in Sweden on 1 January 2014, while CRD IV is expected to be implemented during 2014 by new or amended Swedish legislation and SFSA regulations.

The new rules – including requirements which are more onerous than necessitated by the CRD IV if, and to the extent, such rules are implemented by the Swedish legislator or regulator – may affect the Issuer's ability to effectively manage its capital requirements. These and other changes to capital adequacy, solvency and liquidity requirements imposed on the Issuer may require the Issuer to raise core Tier 1, additional Tier 1 and Tier 2 capital by way of further issuance of securities. Any failure by the Issuer to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions. This may have a material adverse effect on the Issuer's profitability and results and may also impact the Issuer's financial performance and the pricing of the Notes and S.O. Bonds, both with or without the intervention by regulators or the imposition of sanctions.

A draft directive (the Bank Recovery and Resolution Directive – the **RRD**) is currently being progressed within the EU and is expected to enter into force before 1 January 2015. The stated aim of the RRD is to provide relevant national authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

In addition to the powers to write down or convert capital instruments and other eligible liabilities (including the Notes) as further discussed under “*The Notes may be subject to write-down or loss absorption at the point of non-viability of the Issuer and to bail-in provisions*”, the draft RRD provide that the relevant resolution authority be empowered to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with any procedural requirements that may otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a “bridge bank” (a publicly controlled entity) and (iii) transfer the impaired or problem assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time.

Prospective investors in the Notes and S.O. Bonds should consult their own advisers as to the consequences of the CRD IV and related regulations or the proposed RRD in Sweden.

### **Factors which are material for the purpose of assessing the market risks associated with Notes or S.O. Bonds issued under the Programme**

#### ***Risks related to the structure of a particular issue of Notes or S.O. Bonds***

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

#### ***Notes or S.O. Bonds subject to optional redemption by the Issuer***

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

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

Where Notes or S.O. Bonds are subject to redemption at the option of the Issuer, Noteholders do not have any right to require the Issuer to exercise any such optional redemption feature and should not invest in the Notes or S.O. Bonds, as applicable, in the expectation that any early redemption option will be exercised by the Issuer. In addition, in the case of Subordinated Notes, in order to exercise any such option the Issuer must, under currently applicable rules, obtain the prior consent of the Swedish Financial Supervisory Authority (Sw: *Finansinspektionen*) (the **SFSA**) and there is no guarantee that the exercise of any such early redemption option will be permitted by the SFSA. Accordingly, Noteholders should be aware that they may be required to continue to bear the financial risks of an investment in the Notes or S.O. Bonds beyond any date on which the Issuer is entitled to elect to redeem such Notes or S.O. Bonds under the terms and conditions.

#### ***Fixed/Floating Rate Notes and S.O. Bonds***

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



### *Notes and S.O. Bonds issued at a substantial discount or premium*

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

### *Extendable obligations under the Notes*

Following the failure by the Issuer to pay the Final Redemption Amount of a Series of Notes or a Series of S.O. Bonds on their Maturity Date, payment of such amounts shall be automatically deferred. This will occur if the Final Terms for a relevant Series of Notes or a Series of S.O. Bonds (the **relevant Series of Notes or S.O. Bonds**) provides that such Notes or S.O. Bonds are subject to an extended final maturity date on which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Maturity Date (the **Extended Final Maturity Date**).

Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer is not required to notify the Noteholders or holders of S.O. Bonds of such automatic deferral. The Extended Final Maturity Date will fall one year after the Maturity Date. Interest will continue to accrue on any unpaid amount and be payable on each Interest Payment Date falling after the Maturity Date up to (and including) the Extended Final Maturity Date. In these circumstances, failure by the Issuer to make payment in respect of the Final Redemption Amount on the Maturity Date shall not constitute a default in payment by the Issuer. However, failure by the Issuer to pay the Final Redemption Amount or the balance thereof on the Extended Final Maturity Date and/or interest on such amount on any Interest Payment Date falling after the Maturity Date up to (and including) the Extended Final Maturity Date shall constitute a default in payment by the Issuer.

Furthermore, in relation to all amounts constituting accrued interest due and payable on each Interest Payment Date falling after the Maturity Date up to (and including) the Extended Final Maturity Date, as provided in the applicable Final Terms, the Issuer may pay such interest pursuant to the Floating Rate set out in the applicable Final Terms notwithstanding that the relevant Note or S.O. Bond was a Fixed Rate Note or Fixed Rate S.O. Bond as at its relevant Issue Date.

In addition, following deferral of the Maturity Date, the Interest Payment Dates and Interest Periods may change as set out in the applicable Final Terms.

### ***Risks related to Notes and S.O. Bonds generally***

Set out below is a description of material risks relating to the Notes and S.O. Bonds generally:

#### *Meetings of Noteholders or S.O. Bondholders, modification and waivers*

The conditions of the Notes and the conditions of the S.O. Bonds each contain provisions for calling meetings of Noteholders or S.O. Bondholders, as the case may be, to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders or S.O. Bondholders including Noteholders or S.O. Bondholders who did not attend and vote at the relevant meeting and Noteholders or S.O. Bondholders who voted in a manner contrary to the majority.

In relation to the Notes and S.O. Bonds other than VPS Notes or VPS S.O. Bonds, the conditions of the Notes and the conditions of the S.O. Bonds also each provide that the Agent and the Issuer may agree, without the consent of the Noteholders or S.O. Bondholders or Couponholders, to:

- (a) certain modifications of the Notes or S.O. Bonds, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders or S.O. Bondholders; or
- (b) any modification of the Notes or S.O. Bonds, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

In relation to VPS Notes and VPS S.O. Bonds, the VPS Trustee Agreement provides that the VPS Trustee may, without the consent of the holders of VPS Notes or VPS S.O. Bonds, make certain

modifications to the Terms and Conditions of the VPS Notes and/or VPS S.O. Bonds, the VPS Trustee Agreement or the VPS Agency Agreement without the prior consent or sanction of the holders of VPS Notes or VPS S.O. Bonds, as further detailed in the conditions of the VPS Notes, the conditions of the VPS S.O. Bonds and the VPS Trustee Agreement. The VPS Trustee must notify the holders of VPS Notes and/or VPS S.O. Bonds of a proposal to effect such modification and the holders of VPS Notes and/or VPS S.O. Bonds then has at least five Business Days to protest. If a protest is made, then the relevant modification will not be made. If there is no protest, then the relevant modification will be made and will be binding on the holders of VPS Notes or VPS S.O. Bonds, as the case may be.

Any such modification shall be binding on the Noteholders or S.O. Bondholders and the Couponholders.

*The Notes may be subject to write-down or loss absorption at the point of non-viability of the Issuer and to bail-in provisions*

A draft directive (the RRD) is currently being progressed within the EU and is expected to enter into force before 1 January 2015. The stated aim of the RRD is to provide relevant national authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

Under the draft RRD the national resolution authorities will be required to permanently write-down or convert into common equity, capital instruments at the point of non-viability of the issuer (**RRD Non-Viability Loss Absorption**).

The point of non-viability under the RRD is the point at which the national resolution authority determines that the institution meets the condition for resolution, which is defined as:

- (a) the institution is failing or likely to fail, which means:
  - (i) the institution has incurred/is likely to incur in a near future losses depleting all or substantially all its own funds; and/or
  - (ii) its assets are/will be in the near future less than its liabilities; and/or
  - (iii) the institution is/will be in a near future unable to pay its obligations; and/or
  - (iv) the institution requires extraordinary public financial support; and
- (b) there is no reasonable prospect that a private action would prevent the failure.

Currently it is contemplated that the RRD Non-Viability Loss Absorption provisions will become effective in the member states, including Sweden, on 1 January 2015.

Further, more general "bail-in" powers for resolution authorities to write down the claims of unsecured creditors of a failing institution and/or to convert unsecured debt claims (including the Notes) is expected to be required to be implemented pursuant to the RRD as of 1 January 2016. It is expected that such write downs/conversions would, in principle, follow the claims ranking in an insolvency of the relevant institution.

The draft RRD also grants the relevant resolution authority the power to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

At present the RRD is the only official proposal for the implementation in the European Economic Area of the non-viability requirements set out in the press release dated 13 January 2011 issued by the Basel Committee on Banking Supervision (the **Basel Committee**) entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the **Basel III Non-Viability Requirements**).

It is currently unclear whether RRD Non-Viability Loss Absorption, when implemented, will apply to capital instruments (such as the Subordinated Notes) that are already in issue at that time or whether certain grandfathering rules will apply. If and to the extent that such provisions, when implemented, apply to the Subordinated Notes, and/or if the Basel III Non-Viability Requirements become applicable to the Subordinated Notes at any time, the Subordinated Notes may be subject to write down or conversion to Common Equity Tier 1 instruments upon the occurrence of the relevant trigger event, which may result in Noteholders losing some or all of their investment in the Subordinated Notes. The exercise of any such power or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the value of the Notes.

In addition to RRD Non-Viability Loss Absorption, the RRD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation) the replacement or substitution of the Issuer as obligor in respect of debt instruments, modifications to 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 discontinuing the listing and admission to trading of financial instruments.

It is not possible to assess the full impact of the RRD on the Issuer or the Notes. There can be no assurance that, once implemented, the availability of applicable loss absorption provisions or the taking of any actions currently contemplated or as finally reflected in such provisions would not adversely affect the price or value of a Noteholder's investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

#### *EU Savings Directive*

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

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

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

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

#### *No gross-up in respect of the S.O. Bonds*

Under the terms and conditions of the S.O. Bonds, all payments in respect of the S.O. Bonds will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction unless the withholding or deduction of such taxes is required by law, in which case such deduction will be made by or on behalf of the Issuer.

In the event that any such withholding or deduction is required by law, the terms and conditions of the S.O. Bonds do not require the Issuer to pay any additional amounts in respect of such withholding or deduction.

#### *Change of law*

The conditions of the Notes and the conditions of the S.O. Bonds are based on English law (save that the provisions of the Notes under Condition 2(b) of the Terms and Conditions of the Notes and the provisions of the S.O. Bonds under Condition 2 of each the Terms and Conditions of the S.O Bonds other

than VPS S.O. Bonds and the Terms and Conditions of the VPS S.O. Bonds are governed by the laws of Sweden and Conditions 13, 14 and 15 of the VPS Notes and Conditions 11, 12 and 13 of the VPS S.O. Bonds are governed by the laws of Norway) in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law, Swedish law or Norwegian law, as the case may be, or administrative practice after the date of this Offering Circular.

#### *Foreign Account Tax Compliance Withholding*

Whilst the Notes or S.O. Bonds are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, *société anonyme* (together the **ICSDs**), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the ICSDs (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 and S.O. Bonds are discharged once it has paid the common depository or common safekeeper for the ICSDs (as bearer of the Notes or S.O. Bonds) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

#### *Notes where denominations involve integral multiples: definitive Notes*

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

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

#### ***Risks relating to Subordinated Notes only***

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

Notes or VPS Notes may be subordinated, as specified in the applicable Final Terms (**Subordinated Notes**). As described under Condition 2(b) of each of the Terms and Conditions of the Notes and the Terms and Conditions of the VPS Notes, the rights of a Noteholder in respect of any Subordinated Notes shall, in the event of the liquidation or bankruptcy of the Issuer, be subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer.

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

##### *Redemption and Events of Default in relation to Subordinated Notes*

The only Events of Default in relation to the Subordinated Notes are set out in Condition 10(b) of each of the Terms and Conditions of the Notes and the Terms and Conditions of the VPS Notes. If a Subordinated Note has been declared due and payable under Condition 10(b) of such Notes the holder of

such Note may institute such steps, including the obtaining of a judgment against the Issuer for any amount due in respect of the relevant Subordinated Notes, as it thinks desirable with a view to having the Issuer declared bankrupt (*konkurs*) or put into liquidation (*likvidation*) but not otherwise and, consequently, if any Subordinated Notes become due and payable under Condition 10(b), the Issuer shall, except with the prior consent of the SFSA, only be required to make such payment after it has been declared bankrupt (*konkurs*) or put into liquidation (*likvidation*).

#### *No limitation on issuing debt*

There is no restriction on the amount of debt which the Issuer may issue which ranks senior to the Subordinated Notes or on the amount of securities which the Issuer may issue which ranks *pari passu* with the Subordinated Notes. As a result this may reduce the amount recoverable by holders of Subordinated Notes on the bankruptcy or any liquidation of the Bank.

#### ***Risks related to S.O. Bonds only***

S.O. Bonds have a priority right over assets in the Issuer's cover pool according to the S.O. Act and the Preferential Rights of Creditors Act (*förmånsrättslagen (1970:979)*). Under the S.O. Act, the holders of S.O. Bonds also have a right to receive payment at the times and in the amounts stated in the terms and conditions even if the Issuer should have entered into bankruptcy proceedings. There may however be situations when the S.O. Bonds would not have the expected priority right or when their priority right and right to timely payment would prove to be less extensive than expected. Such circumstances would be expected to have a negative impact on the market value of an S.O. Bond.

#### *Lacking compliance with matching requirements*

According to the S.O. Act, the Issuer must comply with certain matching requirements with respect to the cover pool and the covered bonds. In order to comply with these requirements, the Issuer may enter into derivative contracts. To do so, the Issuer is dependent on the availability of derivative counterparties with sufficient credit rating and also on such counterparties fulfilling their contractual obligations.

If the value of property which serves as collateral for a mortgage loan granted by the Issuer decreases substantially – and the Issuer does not take remedial actions to restore the ratio between the outstanding nominal claims under the covered bonds and the value of the assets in the cover pool – there is a risk that the Issuer will not be able to comply with the matching requirements.

If the Issuer is declared bankrupt and the administrator in bankruptcy determines that the matching requirements are not complied with (and such deviation is not only temporary and minor) the assets in the cover pool will no longer be separated, and ordinary bankruptcy procedures will be applied. Payments will then no longer be made in accordance with the terms and conditions of the S.O. Bonds, but in accordance with the provisions of the Bankruptcy Code (*Konkurslagen (1987:672)*). This may mean that a holder of S.O. Bonds will not receive full payment, and that any payment may be made in advance or in arrears. However, the priority right to the assets in the cover pool will remain. To the extent the cover pool does not suffice to satisfy the claims under the covered bonds and the relating derivative contracts, remaining claims will rank *pari passu* with other unsecured unsubordinated claims against the Issuer.

#### *Unavailability of funds in a bankruptcy*

Neither the Issuer nor an administrator in bankruptcy would be allowed to issue covered bonds in a bankruptcy of the Issuer. Consequently, there is a risk that in a bankruptcy of the Issuer it would not be possible to comply with the matching requirements. It may, however, be possible to sell mortgage loans and other assets in the cover pool in order to meet the Issuer's payment obligations under its covered bonds, thereby ensuring the continued compliance with the matching requirements.

Further, pursuant to amendments to the S.O. Act, which entered into force in 2010, the administrator in bankruptcy on behalf of the bankrupt estate is empowered, but not obliged, to raise loans, enter into derivative contracts, repurchase agreements and other agreements in order to achieve liquidity matching between the Issuer's payment obligations under covered bonds (and related derivative contracts) and the assets of the cover pool (and related derivative contracts).

#### *Overcollateralisation and maintenance of rating*

The Issuer will seek to ensure that the nominal value of the assets in the cover pool exceeds the outstanding nominal amount of the claims against the Issuer under covered bonds (having regard to derivatives agreements, if any) with a certain margin (**Overcollateralisation**). Credit ratings in respect of



S.O. Bonds and other covered bonds are based upon assumptions of certain Overcollateralisation. The amount of Overcollateralisation required to maintain a certain credit rating may vary during the life of an S.O. Bond and such credit rating may thus, for this and other reasons, become lower than at the time of issue of the S.O. Bond.

#### *Legal risks*

S.O. Bonds are mainly regulated in the S.O. Act and the Preferential Rights of Creditors Act (*förmånsrättslagen (1970:979)*). The S.O. Act entered into force in 2004 and there is no case law relating to it. At present, it is thus not established how certain rules of the S.O. Act should be construed and applied and whether future amendments to the S.O. Act will have an impact on the S.O. Bonds.

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

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

#### *The secondary market generally*

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

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

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

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

#### *Interest rate risks*

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

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

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit

rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms and is set out on the cover of this Offering Circular.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the auditors report and audited consolidated and non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2012 (including the information set out at the following pages of the Issuer's 2012 Annual Report in particular):

Balance Sheet .....	Page 21 of the 2012 Annual Report
Income Statement .....	Page 20 of the 2012 Annual Report
Statement of Comprehensive Income .....	Page 20 of the 2012 Annual Report
Cash-Flow Statement .....	Page 23 of the 2012 Annual Report
Statement of changes in Equity .....	Page 22 of the 2012 Annual Report
Accounting Principles and Notes .....	Pages 35 to 59 of the 2012 Annual Report
Audit Report .....	Page 61 of the 2012 Annual Report

- (b) the auditors report and audited consolidated and non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013 (including the information set out at the following pages of the Issuer's 2013 Annual Report in particular):

Balance Sheet .....	Page 33 of the 2013 Annual Report
Income Statement .....	Page 31 of the 2013 Annual Report
Statement of Comprehensive Income .....	Page 32 of the 2013 Annual Report
Cash-Flow Statement .....	Page 36 of the 2013 Annual Report
Statement of changes in Equity .....	Page 34 of the 2013 Annual Report
Accounting Principles and Notes .....	Pages 45 to 72 of the 2013 Annual Report
Audit Report .....	Page 74 of the 2013 Annual Report

- (c) the unaudited consolidated and non-consolidated interim financial statements of the Issuer for the three months ended 31 March 2014 (including the information set out at the following pages of the Issuer's Interim Report, January – March 2014 in particular):

Balance Sheet .....	Page 14 of the Interim Report, January – March 2014
Income Statement .....	Pages 12 to 13 Interim Report, January – March 2014
Accounting Principles and Notes .....	Pages 16 to 21 Interim Report, January – March 2014
Statement of Comprehensive Income .....	Pages 12 to 13 of the Interim Report, January – March 2014
Cash-Flow Statement .....	Page 14 of the Interim Report, January – March 2014
Statement of changes in Equity .....	Page 15 of the Interim Report, January – March 2014

- (d) the Terms and Conditions of the Notes and S.O. Bonds contained in previous Offering Circulars dated 5 July 2007 (pages 54 to 70 (inclusive)), 24 June 2008 (pages 75 to 108 (inclusive)), 17 June 2009 (pages 36 to 110 (inclusive)), 25 May 2010 (pages 38 to 120 (inclusive)), 31 May 2011 (pages 40 to 124 (inclusive)), 25 May 2012 (pages 42 to 127 (inclusive)) and 28 May 2013 (pages 46 to 116 (inclusive)) prepared by the Issuer in connection with the Programme.

Following the publication of this Offering Circular 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 Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg.

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

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 Offering Circular.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes and/or S.O. Bonds, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes or S.O. Bonds, as applicable. The Issuer has undertaken to the Dealers in the Programme Agreement (as defined in “*Subscription and Sale*”) that it will comply with section 87G of the Financial Services and Markets Act 2000.

## FORM OF THE NOTES

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

The Notes of each Series will be in either bearer form, with or without interest coupons and/or talons attached or, in the case of VPS Notes, uncertificated book entry form.

### BEARER NOTES

Each Tranche of Notes (other than VPS Notes) will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or if so specified in the applicable Final Terms a permanent Global Note (a **Permanent Global Note**) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

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

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

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10 of the Terms and Conditions of the Notes) has occurred and is continuing, (ii) 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 or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the Terms and Conditions of the Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such



exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

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

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

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

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

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10 of the Terms and Conditions of the Notes. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made on the due date in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such date. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 28 May 2014 executed by the Issuer.

## VPS NOTES

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

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

VPS Notes may not be exchanged for bearer Notes and *vice versa*.

## FORM OF THE S.O. BONDS

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

The S.O. Bonds of each Series will be in either bearer form, with or without interest coupons and/or talons attached, or in the case of VPS S.O. Bonds, uncertificated book entry form.

### BEARER NOTES

Each Tranche of S.O. Bonds (other than VPS S.O. Bonds) will be in bearer form and will be initially issued in the form of a temporary global S.O. Bond (a **Temporary Global S.O. Bond**) or if so specified in the applicable Final Terms a permanent Global S.O. Bond (a **Permanent Global S.O. Bond**) which, in either case, will:

- (i) if the Global S.O. Bonds are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear and Clearstream Luxembourg; and
- (ii) if the Global S.O. Bonds are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

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

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

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

The applicable Final Terms will specify that a Permanent Global S.O. Bond will be exchangeable (free of charge), in whole but not in part, for definitive S.O. Bonds with, where applicable, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global S.O. Bond) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) 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 or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the S.O. Bonds represented by the Permanent Global S.O. Bond in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 12 of the Terms and Conditions of the S.O. Bonds if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global S.O. Bond) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as

described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all S.O. Bonds which have an original maturity of more than one year and on all interest coupons relating to such S.O. Bonds:

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

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

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

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

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

Where any S.O. Bond is still represented by a Global S.O. Bond and the Global S.O. Bond (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such S.O. Bonds and payment in full of the amount due has not been made on the due date in accordance with the provisions of the Global S.O. Bond then the Global S.O. Bond will become void at 8.00 p.m. (London time) on such date. At the same time, holders of interests in such Global S.O. Bond credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 28 May 2014 executed by the Issuer.

## **VPS S.O. BONDS**

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

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

VPS S.O. Bonds may not be exchanged for bearer S.O. Bonds and *vice versa*.

## APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes or, as the case may be, S.O. Bonds which are not Exempt Notes issued under the Programme.*

[Date]

### Landshypotek Bank AB (publ)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes/S.O. Bonds]  
under the €3,500,000,000  
Euro Medium Term Note and S.O. Bond Programme**

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Relevant Conditions set forth in the Offering Circular dated 28 May 2014 [and the supplement to it dated [ ]] which constitutes a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the [Notes/S.O. Bonds] described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the [Notes/ S.O. Bonds] is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Luxembourg Stock Exchange.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Relevant Conditions set forth in the Offering Circular dated [5 July 2007/24 June 2008/17 June 2009/25 May 2010/31 May 2011/25 May 2012/28 May 2013] which are incorporated by reference in the Offering Circular dated 28 May 2014 and are attached hereto. This document constitutes the Final Terms of the [Notes/S.O. Bonds] described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 28 May 2014 [and the supplement to the Offering Circular dated [ ]] which constitutes a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Relevant Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the offer of the [Notes/S.O. Bonds] is only available on the basis of the combination of these Final Terms and the Offering Circular [as so supplemented]. The Offering Circular has been published on the website of the Luxembourg Stock Exchange.]

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

1. Relevant Conditions: [Terms and Conditions of the Notes as set out in Part 1 of Schedule 2 to the Agency Agreement dated 28 May 2014/Terms and Conditions of the VPS Notes as set out in the Offering Circular dated 28 May 2014/Terms and Conditions of the S.O. Bonds as set out in Part 2 of Schedule 2 to the Agency Agreement dated 28 May 2014/Terms and Conditions of the VPS S.O. Bonds as set out in the Offering Circular dated 28 May 2014]
2. (i) Series Number: [ ]  
(ii) Tranche Number: [ ]  
(iii) Date on which the [Notes/S.O. Bonds] will be consolidated and form a single Series: [The [Notes/S.O. Bonds] will be consolidated and form a single Series with [Provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [ ]][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
– Tranche: [ ]  
– Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [ ]  
(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))  
(Note – where multiple denominations above [€100,000] or equivalent are being used, the following sample wording should be followed:  
“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes or S.O.Bonds in definitive form will be issued with a denomination above [€199,000].”)  
(b) Calculation Amount: [ ]  
(If only one Specified Denomination, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations)
7. (i) Issue Date: [ ]  
(ii) Interest Commencement Date: [ ]  
(specify)/Issue Date/Not Applicable  
(N.B. An Interest Commencement Date will not be relevant for certain Notes or S.O. Bonds, for example Zero Coupon Notes or Zero Coupon S.O. Bonds)



8. Maturity Date: *[Fixed rate – specify date/  
Floating rate – Interest Payment Date falling in/  
on or closest to [specify month/ date]]*
9. Extended Final Maturity Date: *[Fixed rate – specify date/Floating rate – Interest  
Payment Date falling in or nearest to [specify  
month]; in each case falling one year after the  
Maturity Date]*  
  
*[If an Extended Final Maturity Date is specified  
and the Final Redemption Amount is not paid  
in full on the Maturity Date, payment of the  
unpaid amount will be automatically deferred  
until the Extended Final Maturity Date,  
provided that any amount representing the Final  
Redemption Amount due and remaining unpaid  
on the Maturity Date may be paid by the Issuer  
on any Interest Payment Date occurring  
thereafter up to (and including) the relevant  
Extended Final Maturity Date. See [Condition  
7(a) of the Terms and Conditions of the Notes/  
Condition 7(a) of the Terms and Conditions of  
the VPS Notes/Condition 6(a) of the Terms and  
Conditions of the S.O. Bonds/Condition 6(a) of  
the Terms and Conditions of the  
VPS S.O. Bonds]]*  
*(N.B. If the Notes are Subordinated Notes there  
will be no Extended Fixed Maturity Date)*
10. Interest Basis: *[[ ] per cent. Fixed Rate]  
[[[ ] month [LIBOR/EURIBOR/STIBOR/  
NIBOR]] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
(see paragraph [15] [16] [17])*
11. Redemption Basis: *Subject to any purchase and cancellation or  
early redemption, the [Notes/S.O. Bonds] will  
be redeemed on the Maturity Date at  
[100][ ] per cent. of their nominal amount.  
  
(N.B. In the case of Notes other than Zero  
Coupon Notes or S.O. Bonds other than Zero  
Coupon S.O. Bonds redemption must be at 100  
per cent. of their nominal amount)*
12. Change of Interest Basis: *[Specify the date when any fixed to floating rate  
change occurs or cross reference to paragraphs  
15 and 16 below and identify there][Not  
Applicable]*
13. Put/ Call Options: *[Investor Put]<sup>1</sup>  
[Issuer Call]  
[(see paragraph [18] [19])]*
14. [(i)] Status of the Notes: *[Unsubordinated/Subordinated<sup>1</sup>]*  
[(ii)] Date Board approval of [Notes/S.O.  
Bonds] obtained: *[ ]  
(N.B. Only relevant where Board (or similar)  
authorisation is required for the particular  
tranche of Notes or S.O. Bonds)*

<sup>1</sup>Not applicable to issues of S.O. Bonds.

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate [Note/S.O. Bonds] Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date]
  - (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date or the Extended Final Maturity Date, as applicable  
*(N.B.: Amend appropriately in the case of irregular coupons)*
  - (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes and S.O. Bonds in definitive form)*
  - (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]  
*(Applicable to Notes and S.O. Bonds in definitive form)*
  - (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
  - (vi) [Determination Date(s): [[ ] in each year] [Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA))* Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.
  - (vii) Other terms relating to the method of calculating interest for Fixed Rate [Notes/S.O. Bonds]: [None/Give details]
16. Floating Rate [Note/S.O. Bonds] Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]  
*(NB: Specify the Specified Period(s)/Specified Interest Payment Date(s) up to and including the Extended Final Maturity Date, if applicable)*
  - (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
  - (iii) Additional Business Centre(s): [ ]
  - (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
  - (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
  - (vi) Screen Rate Determination:
    - Reference Rate: [ ] month [LIBOR/EURIBOR/STIBOR/NIBOR]
    - Interest Determination Date(s): [ ]  
*(Second London Business Day prior to the start of each Interest Period if LIBOR (other than*

*Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, second day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Stockholm prior to the start of each Interest Period if STIBOR or second day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Oslo prior to the start of each Interest Period if NIBOR)*  
*(NB: Specify the Interest Determination Date(s) up to and including the Extended Final Maturity Date, if applicable)*

– Relevant Screen Page: [ ]

– Financial Centre Time: [ ]  
*(11.00 a.m. (London time, in the case of LIBOR, Brussels time, in the case of EURIBOR or Stockholm time, in the case of STIBOR) or 12.00 noon (Oslo time, in the case of NIBOR))*

(vii) ISDA Determination:

– Floating Rate Option: [ ]

– Designated Maturity: [ ]

– Reset Date: [ ]  
*(the first day of the relevant Interest Period, if the applicable Floating Rate Option is based on LIBOR or on EURIBOR)*

(viii) Linear Interpolation:

[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

(ix) Margin(s): [+/-] [ ] per cent. per annum

(x) Minimum Rate of Interest: [ ] per cent. per annum

(xi) Maximum Rate of Interest: [ ] per cent. per annum

(xii) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]

[Actual/365 (Fixed)]

[Actual/365 (Sterling)]

[Actual/360]

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

[30E/360][Eurobond Basis]

[30E/360 (ISDA)]

*(See Condition 5 of the Terms and Conditions of the Notes/Condition 5 of the Terms and Conditions of the VPS Notes or Condition 4 of the Terms and Conditions of the S.O. Bonds/Condition 4 of the Terms and Conditions of the VPS S.O. Bonds for alternatives)*

17. Zero Coupon [Note/S.O. Bond] Provisions<sup>1</sup> [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

## PROVISIONS RELATING TO REDEMPTION

18. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Higher Redemption Amount: [ ]
- (iv) Notice periods: [ ]  
*(N.B. When setting notice periods the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing systems' business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
19. Investor Put: [Applicable/Not Applicable]<sup>2</sup>  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s): [ ] per Calculation Amount
- (iii) Notice periods: [ ]  
*(N.B. When setting notice periods the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing systems' business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
20. Final Redemption Amount: [ ] per Calculation Amount
21. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount [Not Applicable]

<sup>1</sup>Zero Coupon Notes and Zero Coupon S.O. Bonds not to be issued with an Extended Final Maturity Date unless otherwise agreed with the Dealers.

<sup>2</sup>Select "Not Applicable" in the case of S.O. Bonds.

22. Capital Event Redemption: [Applicable/Not Applicable]  
*(Include this item 22 only in the case of Subordinated Notes)*
- (i) Capital Event Redemption Amount: [Specify the amount payable on redemption for a Capital Event]
- (ii) Variation or Substitution instead of Redemption: [Applicable – Condition 7(k) applies/Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE [NOTES/S.O. BONDS]**

23. Form of [Notes/S.O. Bonds]:
- (a) Form: [Temporary Global [Note/S.O. Bond] exchangeable for a Permanent Global [Note/S.O. Bond] which is exchangeable for Definitive [Notes/S.O. Bonds] [on 60 days' notice given at any time/only upon an Exchange Event].]  
 [Temporary Global [Note/S.O. Bond] exchangeable for Definitive [Notes/S.O. Bonds] on and after the Exchange Date.]  
 [Permanent Global [Note/S.O. Bond] exchangeable for Definitive [Notes/S.O. Bonds] [on 60 days' notice given at any time/only upon an Exchange Event].]  
 [VPS [Notes/S.O. Bonds] issued in uncertificated book entry form.]  
*(N.B. The exchange event upon notice should not be expressed to be applicable if the Specified Denominations of the Notes and S.O. Bonds in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes or S.O. Bonds which is to be represented on issue by a Temporary Global Note or Temporary Global S.O. Bond exchangeable for Definitive Notes or S.O. Bonds)*
- (b) New Global [Note/S.O. Bond] [Yes][No]  
*(If VPS Notes or VPS S.O. Bonds, must be "No".)*
24. Additional Financial Centre(s): [Not Applicable/give details]  
*(Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub-paragraph 16(iii) relates)*
25. Talons for future Coupons to be attached to Definitive [Notes/S.O. Bonds]: [Yes, as the [Notes/S.O. Bonds] have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/ No.]



### **THIRD PARTY INFORMATION**

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

Signed on behalf of Landshypotek Bank AB (publ):

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the [Notes][S.O. Bonds] to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the [Notes][S.O. Bonds] to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market with effect from [ ].]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: The [Notes/S.O. Bonds] to be issued have been rated [ ] by [Standard & Poor's Credit Market Services Europe Limited] [Fitch Ratings Ltd.]
- (The above disclosure should reflect the rating allocated to Notes/S.O. Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)
- [Insert the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

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

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

### 4. YIELD (Fixed Rate Notes/S.O. Bonds only)

Indication of yield: [ ]

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)] [Verdipapirsentralen, Norway] VPS Identification number [ ]
- The Issuer shall be entitled to obtain information from the register maintained by the VPS for the purpose of performing its obligations under the VPS Notes]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]

- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes (*If VPS Notes or VPS S.O. Bonds, must be “No”.*)

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

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

## 6. DISTRIBUTION

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

## APPLICABLE PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes or, as the case may be, S.O. Bonds, issued under the Programme.*

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

[Date]

### LANDSHYPOTEK BANK AB (publ)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes/S.O. Bonds]  
under the €3,500,000,000  
Euro Medium Term Note and S.O. Bond Programme**

### PART A – CONTRACTUAL TERMS

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

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

Terms used herein shall be deemed to be defined as such for the purposes of the Relevant Conditions (the **Conditions**) set forth in the Offering Circular [dated [original date] which are incorporated by reference in the Offering Circular]. Any reference in the Conditions to “applicable Final Terms” shall be deemed to include a reference to “applicable Pricing Supplement”, where relevant.

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

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

1. Issuer: Landshypotek Bank AB (publ)
2. Relevant Conditions: [Terms and Conditions of the Notes as set out in Part 1 of Schedule 2 to the Agency Agreement dated 28 May 2014/ Terms and Conditions of the VPS Notes as set out in the Offering Circular dated 28 May 2014/Terms and Conditions of the S.O. Bonds as set out in Part 2 of Schedule 2 to the Agency Agreement dated 28 May 2014/Terms and Conditions of the VPS S.O. Bonds as set out in the Offering Circular dated 28 May 2014]
3. (i) Series Number: [            ]  
(ii) Tranche Number: [            ]

- (iii) Date on which the [Notes/S.O. Bonds] will be consolidated and form a single Series: The [Notes/S.O. Bonds] will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about *[date]*][Not Applicable]
4. Specified Currency or Currencies: [ ]
5. Aggregate Nominal Amount:
- (i) Series: [ ]
- (ii) Tranche: [ ]
6. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
7. (i) Specified Denominations: [ ]
- (ii) Calculation Amount: [ ]  
(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
8. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]  
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
9. Maturity Date: [*Fixed rate – specify date*/Floating rate – Interest Payment Date falling in or nearest to *[specify month]*]
10. Extended Final Maturity Date: [*Fixed rate – specify date*/Floating rate – Interest Payment Date falling in or nearest to *[specify month]*]; in each case falling one year after the Maturity Date]
- [If an Extended Final Maturity Date is specified and the Final Redemption Amount is not paid in full on the Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date. See [Condition 7(a) of the Terms and Conditions of the Notes/Condition 7(a) of the Terms and Conditions of the VPS Notes/Condition 6(a) of the Terms and Conditions of the S.O. Bonds/Condition 6(a) of the Terms and Conditions of the VPS S.O. Bonds]]
- (N.B. If the Notes are Subordinated Notes there will be no Extended Fixed Maturity Date)



11. Interest Basis: [[ ] per cent. Fixed Rate]  
[[ ] month [LIBOR/EURIBOR/STIBOR/  
NIBOR]] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[specify other]  
(further particulars specified below)
12. Redemption Basis: Subject to any purchase and cancellation or early redemption, the [Notes/S.O. Bonds] will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
13. Change of Interest Basis or Redemption/  
Payment Basis: [Specify details of any provision for change of  
[Notes/S.O. Bonds] into another Interest Basis or  
Redemption/Payment Basis][Not Applicable]
14. Put/Call Options: [Not Applicable]  
[Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
15. (i) Status of the Notes: [Unsubordinated/Subordinated<sup>1</sup>]  
(ii) Date Board approval of [Notes/S.O.  
Bonds] obtained: [ ]  
(N.B. Only relevant where Board (or similar)  
authorisation is required for the particular  
tranche of Notes or S.O. Bonds)

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

16. Fixed Rate [Note/S.O. Bonds] Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining  
subparagraphs of this paragraph)
- (i) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date or the Extended Final Maturity Date, as applicable.  
(Amend appropriately in the case of irregular coupons)
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes and S.O. Bonds in definitive form.)
- (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]  
(Applicable to Notes and S.O. Bonds in definitive form.)
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/specify other]
- (vi) [Determination Date(s): [ ] in each year][Not Applicable]  
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate [Notes/S.O. Bonds] which are Exempt Notes: [None/Give details]

<sup>1</sup>Not Applicable to issue of S.O. Bonds

17. Floating Rate [Note/S.O. Bonds] Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [       ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]]
- (iii) Additional Business Centre(s): [       ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [       ]
- (vi) Screen Rate Determination:
- Reference Rate: [       ] month [LIBOR/EURIBOR/STIBOR/NIBOR/*specify other Reference Rate*].
  - Interest Determination Date(s): [       ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, second day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Stockholm prior to the start of each Interest Period if STIBOR or second day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Oslo prior to the start of each Interest Period if NIBOR)*  
*(NB: Specify the Interest Determination Date(s) up to and including the Extended Final Maturity Date, if applicable)*
  - Relevant Screen Page: [       ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
  - Financial Centre Time: [       ]  
*(11.00 a.m. (London time, in the case of LIBOR, Brussels time, in the case of EURIBOR or Stockholm time, in the case of STIBOR) or 12.00 noon (Oslo time, in the case of NIBOR))*

- (vii) ISDA Determination:
- Floating Rate Option: [       ]
  - Designated Maturity: [       ]
  - Reset Date: [       ]  
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (viii) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (ix) Margin(s): [+/-] [    ] per cent. per annum
- (x) Minimum Rate of Interest: [       ] per cent. per annum
- (xi) Maximum Rate of Interest: [       ] per cent. per annum
- (xii) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA) Other]  
(See Condition 5 of the Terms and Conditions/ Condition 5 of the Terms and Conditions of the VPS Notes or Condition 4 of the Terms and Conditions of the S.O. Bonds/Condition 4 of the Terms and Conditions of the VPS S.O. Bonds for alternatives)
- (xiii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [       ]
18. Zero Coupon [Note/S.O. Bond] Provisions<sup>2</sup> [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: [    ] per cent. per annum
  - (ii) Reference Price: [       ]
  - (iii) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [       ]
  - (iv) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

<sup>2</sup>Zero Coupon Notes and Zero Coupon S.O. Bonds not to be issued with an Extended Final Maturity Date unless otherwise agreed with the Dealers

## PROVISIONS RELATING TO REDEMPTION

19. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/ see Appendix]
- (iii) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Higher Redemption Amount: [ ]
- (iv) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing systems' business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
20. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/ see Appendix]
- (iii) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing systems' business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
21. Final Redemption Amount: [[ ] per Calculation Amount/specify other/ see Appendix]
22. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e) of the Terms and Conditions of the Notes or, as applicable, Condition 7(b) of the Terms and Conditions of the VPS Notes): [[ ] per Calculation Amount/specify other/ see Appendix]

23. Capital Event Redemption: [Applicable/Not Applicable]
- (Include this item 23 only in the case of Subordinated Notes)*
- (i) Capital Event Redemption Amount: [Specify the amount payable on redemption for a Capital Event]
- (ii) Variation or Substitution instead of Redemption: [Applicable – Condition 7(k) applies/Not Applicable]

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

24. Form of [Notes/S.O. Bonds]:
- (i) [Form:]
- [Temporary Global [Note/S.O. Bond] exchangeable for a Permanent Global [Note/S.O. Bond] which is exchangeable for Definitive [Notes/S.O. Bonds] [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global [Note/S.O. Bond] exchangeable for Definitive [Notes/S.O. Bonds] on and after the Exchange Date]
- [Permanent Global [Note/S.O. Bond] exchangeable for Definitive [Notes/S.O. Bonds] [on 60 days' notice given at any time/only upon an Exchange Event]]
- [VPS [Notes/S.O. Bonds] issued in uncertificated book entry form]
- (N.B. The exchange event upon notice should not be expressed to be applicable if the Specified Denominations of the Notes and S.O. Bonds in paragraph 7 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes or S.O. Bonds which is to be represented on issue by a Temporary Global Note or Temporary Global S.O. Bond exchangeable for Definitive Notes or S.O. Bonds)*
- (ii) [New Global Note: [Yes][No]
- (If VPS Notes or VPS S.O. Bonds, must be “No”.)*
25. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub-paragraph 17(iii) relates)*
26. Talons for future Coupons to be attached to Definitive [Notes/S.O. Bonds]: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
27. Other terms or special conditions: [Not Applicable/give details]



## RESPONSIBILITY

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

Signed on behalf of Landshypotek Bank AB (publ):

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING

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

### 2. RATINGS

Ratings:

[The [Notes/S.O. Bonds] to be issued [[have been]/[are expected to be]] rated *[insert details]* by [Standard & Poor's Credit Market Services Europe Limited] [Fitch Ratings Ltd.].

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

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

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

### 4. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

[Verdipapirsentralen, Norway VPS Identification number [ ]]

The Issuer shall be entitled to obtain information from the register maintained by the VPS for the purpose of performing its obligations under the VPS Notes]

(iv) Delivery: Delivery [against/free of] payment

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

(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. (If VPS Notes or VPS S.O. Bonds, must be “No”.) Note that the designation “yes” simply means that the [Notes/S.O. Bonds] are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the [Notes/S.O. Bonds] will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the [Notes/S.O. Bonds] are capable of meeting them the [Notes/S.O. Bonds]

may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the [Notes/S.O. Bonds] will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 5. DISTRIBUTION

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

## TERMS AND CONDITIONS OF THE NOTES

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

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

This Note is one of a Series (as defined below) of Notes issued by Landshypotek Bank AB (publ) (the **Issuer**) pursuant to the Agency Agreement (as defined below).

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

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28 May 2014 and made between the Issuer, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

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

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

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the

same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 28 May 2014 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg.

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

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

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

## **1. Form, Denomination and Title**

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

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

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

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

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

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.



## 2. Status of the Notes

Notes may be unsubordinated or subordinated as specified in the applicable Final Terms.

### (a) Status – Unsubordinated Notes

- (i) This Condition 2(a) is applicable in relation to Notes specified in the applicable Final Terms as being unsubordinated or not specified therein as being subordinated and references to **Notes** in this Condition 2(a) shall be construed accordingly.
- (ii) The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### (b) Status – Subordinated Notes

- (i) This Condition 2(b) is applicable in relation to Notes specified in the applicable Final Terms as being subordinated (**Subordinated Notes**) and references to **Notes** in this Condition 2(b) shall be construed accordingly.
- (ii) Notes specified as being subordinated constitute subordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The rights of a Noteholder in respect of any Subordinated Note shall, in the event of the voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer, be subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer but shall rank at least *pari passu* with all other subordinated indebtedness of the Issuer. The Issuer reserves the right to issue further subordinated notes and other subordinated obligations in the future, which may rank *pari passu* with the Subordinated Notes.
- (iii) No Holder of Notes who in the event of the liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer shall be indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the Notes held by such Holder.

As used herein:

**subordinated indebtedness** means any obligation, whether dated or perpetual/undated, of the Issuer which by its terms is, or is expressed to be, subordinated in the event of liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer to the claims of depositors and all other unsubordinated creditors of the Issuer.

## 3. Negative Pledge

This Condition 3 shall apply only to the Unsubordinated Notes and references to **Notes** shall be construed accordingly.

So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and shall procure that no member of the Group (as defined below) shall, create or permit to subsist any encumbrance over all or any of its present or future revenues or assets to secure any Debt Obligations, without at the same time securing the outstanding Notes or procuring that the outstanding Notes are secured equally and rateably therewith by the same security or by such other security as the Noteholders may by Extraordinary Resolution (as defined in the Agency Agreement) approve.

In these Terms and Conditions:

an **encumbrance** shall be construed as a reference to (a) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person, (b) any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set-off or made subject to a combination of accounts so as to effect payment of sums owed or payable to any person or (c) any other type of preferential arrangement (including title transfer and retention arrangements) having a similar effect;

**Group** means the Issuer and its Subsidiaries for the time being;

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

- (a) which is controlled, directly or indirectly, by the first-mentioned company or corporation;

- (b) 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
- (c) 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; and

**Debt Obligations** means any indebtedness, which is in the form of, or represented by, notes, bonds or other securities which are, or are to be, quoted, listed or dealt in or on any stock exchange or over-the-counter market, other than Debt Obligations issued in accordance with the Swedish Act (2003: 1223) on Issuance of Covered Bonds (*Lag (2003: 1223) om utgivning av säkerställda obligationer*), as amended from time to time, (the **S.O. Act**).

#### **4. This Condition 4 has been left blank intentionally**

#### **5. Interest**

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

Each Fixed Rate Note bears interest from and including the Interest Commencement Date to (but excluding) the Maturity Date or, if the applicable final terms specifies that an Extended Final Maturity Date applies, the Extended Final Maturity Date or any earlier Interest Payment Date occurring after the Extended Final Maturity Date on which the Notes are redeemed in full, provided that any amounts representing interest payable after the Maturity Date shall be paid at such rate and on such dates as specified in the Final Terms.

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

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

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

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

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

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

- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if **30/360** is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

In these Terms and Conditions:

**Determination Period** means the period from (and including) a Determination Date to but excluding the next Determination Date;

**Fixed Interest Period** means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date; and

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

(b) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

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

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

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

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

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

next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

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

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

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

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR, STIBOR or NIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Financial Centre Time specified in the applicable Final Terms on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such

highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

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

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

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

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

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

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



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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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



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

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

(v) **Linear Interpolation**

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

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

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

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

(vii) **Certificates to be final**

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

(c) *Accrual of interest*

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

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

## 6. Payments

### (a) *Method of payment*

Subject as provided below:

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

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

### (b) *Presentation of definitive Notes and Coupons*

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

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

(c) *Payments in respect of Global Notes*

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

(d) *General provisions applicable to payments*

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

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

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

(e) *Payment Day*

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation;
  - (B) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(f) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;

- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

## **7. Redemption and Purchase**

### **(a) *Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at (i) if the Notes are not Zero Coupon Notes, 100 per cent. of its nominal amount, or (ii) if the Notes are Zero Coupon Notes, its Final Redemption Amount specified in the applicable Final Terms, in each case, in the relevant Specified Currency on the Maturity Date, subject as provided below if an Extended Final Maturity Date is specified in the applicable Final Terms.

If an Extended Final Maturity Date is specified as applicable in the Final Terms for a Series of Notes and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the Final Terms, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer shall confirm to the Rating Agencies, any relevant swap provider and the Agent as soon as reasonably practicable and in any event at least four business days in London prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of Notes on that Maturity Date. Any failure by the Issuer to notify such parties (other than the Agent) shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

Where the applicable Final Terms for a relevant Series of Notes provides that such Notes are subject to any Extended Final Maturity Date, such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment.

If the maturity of a Series of Notes is extended to the Extended Final Maturity Date, in accordance with this Condition 7(a), for so long as such Notes remain in issue, the Issuer shall not issue any further Notes unless the proceeds of such further issue of Notes are applied by the Issuer in redeeming, in whole or in part, such Notes in accordance with the terms hereof.

For the purposes of these Conditions:

**Extended Final Maturity Date** means, in relation to any Series of Notes, the date if any specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Maturity Date.

### **(b) *Redemption for tax reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or

regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

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

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

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

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

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

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

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



concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

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

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

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at the Early Redemption Amount thereof;

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

Early Redemption Amount =  $RP \times (1 + AY)^x$  where:

**RP** means the Reference Price;

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

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

(f) *Purchases*

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation.

(g) *Cancellation*

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



(h) *Late payment on Zero Coupon Notes*

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

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

(i) *Redemption at the option of the Issuer in case of a Capital Event*

This Condition 7 (i) applies only in the case of Notes specified in the applicable Final Terms as being Subordinated Notes in respect of which Capital Event Redemption applies.

If a Capital Event occurs, the Issuer may, within 90 calendar days of the occurrence of the relevant Capital Event, at its option, but subject to obtaining the prior consent of the SFSA (unless such prior consent is not required under the rules of the SFSA at the relevant time), give notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable) that all (but not some only) of the outstanding Notes comprising the relevant Series shall be redeemed:

- (i) in the case of all Notes other than Floating Rate Notes, at any time within the period of not less than 30 nor more than 60 days from the date of such notice; or
- (ii) in the case of Floating Rate Notes, (1) on any Interest Payment Date falling within the period of not less than 30 nor more than 60 days from the date of such notice or (2) if there is no Interest Payment Date falling within (1) above, on the first Interest Payment Date to occur after the expiry of 60 days from the date of such notice,

in each case, at the Capital Event Redemption Amount specified in the applicable Final Terms, together with accrued interest (if any) thereon. Upon the expiry of such notice, the Issuer shall redeem the Notes.

In these Conditions:

**Applicable Capital Adequacy 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, CRR and those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the SFSA (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).

A **Capital Event** means the determination by the Issuer, after consultation with the SFSA (if required by the SFSA) that by reason of the non-compliance of the Notes with the criteria for Tier 2 capital (*Sw: supplementärt kapital*) as a result of a change in Swedish law or Applicable Capital Adequacy Regulations or any change in the official application or interpretation thereof becoming effective on or after the Issue Date of the first Tranche of the Notes, the Notes are fully excluded from Tier 2 capital.

**CRD IV** means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as amended or replaced, (the **Directive**) and any implementing regulatory capital rules or regulations, or other requirements, which are applicable to the Issuer and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer to the extent required by the Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof).

**CRR** means the regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as amended or replaced.

**SFSA** means the Swedish Financial Supervisory Authority (Sw: *Finansinspektionen*) or any successor entity primarily responsible for the prudential supervision of the Issuer.

**Tier 2 capital** means Tier 2 capital (Sw: *supplementärt kapital*) for the purposes of the Applicable Capital Adequacy Regulations.

(j) *Redemption and Purchase of Subordinated Notes only with Prior Approval*

In the case of Notes specified in the applicable Final Terms as being Subordinated, no early redemption or purchase as contemplated by this Condition 7 of such Notes may be made without the prior consent of the SFSA (unless such prior approval is not required under the rules of the SFSA at the relevant time).

(k) *Variation or Substitution instead of Redemption*

This Condition 7(k) is applicable in relation to Notes specified in the applicable Final Terms as Subordinated Notes and where this Condition 7(k) is specified as being applicable in the applicable Final Terms and references to **Notes** in this Condition 7(k) shall be construed accordingly.

The Issuer may, subject to the approval of the SFSA (unless such prior approval is not required under the rules of the SFSA at the relevant time), 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 14 (which notice shall 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 (as defined below), provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities that are inconsistent with the redemption provisions of the Notes.

**Qualifying Securities** means, for the purpose of this Condition 7(k), securities, whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

- (A) have terms not materially less favourable to a holder of the Notes, certified by the Issuer acting reasonably (which certification shall be binding on the Noteholders), than the terms of the Notes, provided that they shall (1) include a ranking at least equal to that of the Notes, (2) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes, (3) have the same redemption rights as the Notes (although they need not contain all of the rights of the Issuer under Condition 7(i)), (4) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation and (5) are assigned (or maintain) the same or higher credit ratings, if any, as were assigned to the Notes immediately prior to such variation or substitution; and
- (B) are listed on a recognised stock exchange if the Notes were listed immediately prior to such variation or substitution.

For the avoidance of doubt, any terms of Qualifying Securities which are required by rules implementing The Basel Committee on Banking Supervision's press release of 13 January 2011 in relation to loss-absorption at the point of non-viability shall never be deemed materially less favourable to a holder of the Notes.

## 8. 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, 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 respective amounts of principal and 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 a Tax Jurisdiction other than the mere holding of such Note or Coupon;

- (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 Day (as defined in Condition 6(e));
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) **Tax Jurisdiction** means the Kingdom of Sweden (**Sweden**) or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

## 9. Prescription

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

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

## 10. Events of Default

### (a) *Events of Default – Unsubordinated Notes only*

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing in relation to the Notes of any series of Unsubordinated Notes (and references to **Notes** in this Condition 10(a) shall be construed accordingly):

#### (i) *Failure to pay*

The Issuer fails to pay any amount of principal or interest in respect of the Notes in the Specified Currency on the due date for payment thereof and, if such failure is due to a technical or administrative reason, such failure is not remedied within five Swedish Business Days; or

#### (ii) *Other Obligations*

The Issuer fails duly to perform or comply with any other obligation under or in respect of the Notes and Coupons and such failure, if capable of remedy, is not remedied within 20 Business Days after written notice thereof, addressed to the Issuer by any Noteholder or Couponholder has been delivered to the Issuer or to the Agent; or

#### (iii) *Cross Default*

Any indebtedness for borrowed money of the Issuer or any of its Subsidiaries becomes, or is declared, due and payable prior to the scheduled maturity as a result of a default thereunder or any such indebtedness for borrowed money or interest thereon is not paid when due or within any applicable grace period therefor or any guarantee or indemnity given by the Issuer or any of its Subsidiaries in respect of any borrowed money is not honoured when due and called upon or within any applicable grace period therefor provided that any such event shall not constitute an Event of Default unless the indebtedness for borrowed money or the liability of the Issuer or any of its Subsidiaries under the guarantee or indemnity concerned exceeds U.S.\$10,000,000 (or its equivalent in other currencies); or

(iv) *Insolvency and Rescheduling*

The Issuer or any of its Subsidiaries is unable to pay its debts as they fall due, commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors; or

(v) *Winding-up*

Save in connection with a Permitted Merger, the Issuer or any of its Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, dissolution, administration or re-organisation or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any or all of its revenues and assets; or

(vi) *Execution or Distress*

Any execution or distress is levied against, or an encumbrancer takes possession of, the whole or any part of, the property, undertaking or assets of the Issuer or any of its Subsidiaries; or

(vii) *Analogous Events*

Any event occurs which under the laws of any jurisdiction has a similar or analogous effect to any of these events mentioned in paragraphs (iv) (*Insolvency and Rescheduling*); (v) (*Winding-up*) or (vi) (*Execution or Distress*); or

(viii) *Repudiation*

The Issuer repudiates its obligations in respect of the Notes or does or causes to be done any act or thing evidencing an intention to repudiate such obligations; or

(ix) *Validity and Admissibility*

At any time any act, condition or thing required to be done, fulfilled or performed in order (i) to enable the Issuer lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it under and in respect of the Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable or (iii) to make the Notes and the Coupons admissible in evidence in Sweden is not done, fulfilled or performed; or

(x) *Illegality*

At any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Notes or any of the obligations of the Issuer thereunder are not or cease to be legal, valid and binding,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or the Agent, effective upon the date of receipt thereof by the Issuer or the Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at the Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

As used above:

**Permitted Merger** means:

- (a) a reconstruction or amalgamation while solvent of any member or members of the Group other than the Issuer;
- (b) a voluntary solvent winding-up or dissolution either in connection with, or following and as a result of, the transfer of the business, undertaking and assets of any member of the Group other than the Issuer to another member or members of the Group, in each case, where Net Worth is not reduced; or
- (c) a voluntary merger of the Issuer with the Landshypotek Ekonomisk Förening or another company provided such company is a financial institution as set out in the Act on Banking and Financing Activities (2004:297) as amended or replaced; and

**Net Worth** means the aggregate, immediately prior to a Permitted Merger, of the amounts paid up or credited as paid up on the issued share capital of the Group (other than any redeemable shares) and the aggregate amount of the reserves of the Group including:

- (a) any amount credited to share premium account;
- (b) any capital redemption reserve fund; and
- (c) any balance standing to the credit of the profit and loss account of the Group, but deducting:
  - (i) any debit balance on the consolidated profit and loss account of the Group;
  - (ii) any dividend or distribution declared, recommended or made by any member of the Group to the extent payable to a person who is not a member of the Group and such distribution is not provided for in the most recent financial statements,

and so that no amount shall be included or excluded more than once; and

**Swedish Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Sweden.

(b) *Events of Default – Subordinated Notes only*

- (i) If any one or more of the following events (each an **Event of Default**) shall occur and be continuing in relation to the Notes of any Series of Subordinated Notes (and references to **Notes** in this Condition 10(b) shall be construed accordingly):

- (A) the Issuer shall default in the payment of principal in respect of any Note due and payable in accordance with these Conditions or the Issuer shall default in the payment of interest due on any Notes on an Interest Payment Date or any other date on which the payment of interest is compulsory and any such default continues for five Swedish Business Days (as defined in Condition 10(a) above);

- (B) a court or agency or supervisory authority in the Kingdom of Sweden (having jurisdiction in respect of the same) shall have instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or

- (C) the Issuer shall file a petition to take advantage of any insolvency statute or voluntarily suspends payment of its obligations,

then any Note may, by written notice addressed by the holder thereof to the Issuer, and delivered to the Issuer or the Agent, effective upon the date of receipt thereof by the Issuer or the Agent, be declared due and payable, whereupon it, subject as set out below, shall become due and payable at the Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any).

If a Note becomes due and payable under this Condition 10(b)(i), the Noteholder may institute such steps, including the obtaining of a judgment against the Issuer for any amount due in respect of the Notes, as it thinks desirable with a view to having the Issuer declared bankrupt (*konkurs*) or put into liquidation (*likvidation*) but not otherwise and consequently if the Notes become due and payable under this Condition 10(b)(i) the Issuer shall, except with the prior consent of the SFSA, only be required to make such payment after it has been declared bankrupt (*konkurs*) or put into liquidation (*likvidation*).

- (ii) The holder of a Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to Condition 10(b)(i)) above, any obligation for the payment of any principal or interest in respect of the Notes) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.
- (iii) No remedy against the Issuer, other than as provided in Condition 10(b)(i) and 10(b)(ii) above or proving or claiming in the bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer in



the Kingdom of Sweden or elsewhere, shall be available to the holders of 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 under the Notes.

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

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

#### **12. Paying Agents**

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

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

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange, 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); and
- (c) there will at all times be a Paying Agent in an EU Member State (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(d). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders in accordance with Condition 14.

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

#### **13. Exchange of Talons**

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

#### **14. Notices**

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. 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 other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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



be published in a daily newspaper of general circulation in the place or places required by that stock exchange or any other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

#### **15. Meetings of Noteholders, Modification and Waiver**

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

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

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

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

#### **16. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

#### **17. Third Party Rights**

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

#### **18. Governing Law and Submission to Jurisdiction**

- (a) *Governing law*

The Agency Agreement, the Deed of Covenant, the Notes 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 2(b) shall be governed by, and construed in accordance with, the laws of Sweden.

(b) *Submission to jurisdiction*

Subject to Condition 18(d) 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) For the purposes of this Condition 18, 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) This Condition 18(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) *Appointment of Process Agent*

The Issuer appoints Business Sweden-The Swedish Trade & Invest Council at its registered office at 259-269 Old Marylebone Road, London NW1 5RA 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.

## TERMS AND CONDITIONS OF THE VPS NOTES

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

*The following are the Terms and Conditions of the VPS Notes. VPS Notes will not be evidenced by any physical note or document of title other than a statement of account made by the VPS. Ownership of VPS Notes will be recorded and transfer effected only through the book entry system and register maintained by the VPS. The applicable Pricing Supplement in relation to any Tranche of VPS Notes, that are Exempt Notes, may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such VPS Notes. Reference should be made to “Applicable Final Terms” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant VPS Notes.*

Each VPS Note will be one of a Series (as defined below) of Notes issued by the Issuer under the Programme and each VPS Note will be issued in accordance with and subject to the trust agreement (such trust agreement as modified and/or supplemented and/or restated from time to time, the **VPS Trustee Agreement**) dated 28 May 2014 made between the Issuer and Nordic Trustee ASA (the **VPS Trustee**, which expression shall include any successor as Trustee).

References herein to the VPS Notes shall be references to the VPS Notes of this Series and shall mean notes cleared through the Norwegian Central Securities Depository, the Verdipapirsentralen (**VPS Notes** and the **VPS**, respectively).

The VPS Notes have the benefit of the VPS Agency Agreement dated 24 June 2008 as amended by the VPS Agency Amendment Agreements dated 17 June 2009, 25 May 2010, 31 May 2011 and 29 May 2013 (together, the **VPS Agency Agreement**) between the Issuer and DnB NOR Bank ASA (the **VPS Agent**).

Each Tranche of VPS Notes will be created and held in uncertificated book entry form in accounts with the VPS. The VPS Agent will act as agent of the Issuer in respect of all dealings with the VPS in respect of VPS Notes as detailed in the VPS Agreement.

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

The VPS Trustee acts for the benefit of the holders for the time being of the VPS Notes (the **VPS Noteholders** and the **holders of VPS Notes**), in accordance with the provisions of the VPS Trustee Agreement and these VPS Conditions.

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

Copies of the VPS Agency Agreement and the VPS Trustee Agreement are available for inspection during normal business hours at the specified office of the VPS Agent and at the registered office for the time being of the VPS Trustee at 28 May 2014 at Haakon VII Gate 1, 0161, Oslo, Norway. The VPS Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the VPS Agency Agreement, the VPS Trustee Agreement and the Final Terms which are applicable to them.

The statements in these VPS Conditions include summaries of, and are subject to, the detailed provisions of the VPS Agency Agreement and the VPS Trustee Agreement.

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

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

## **1. Form, Denomination and Title**

The VPS Notes are in uncertificated book entry form in the denomination of NOK 500,000 and/or such other currency and Specified Denomination(s) as shown in Part A of the relevant Final Terms provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) and will be registered with a separate securities identification code in the VPS.

VPS Notes of one Specified Denomination may not be exchanged for Notes, VPS or otherwise, of another Specified Denomination. VPS Notes will be registered with a separate securities identification code in the VPS.

VPS Notes may not be exchanged for Notes other than VPS Notes, issued by the Issuer, and *vice versa*.

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

The holder of a VPS Note will be the person evidenced as such by a book entry in the records of the VPS. The Issuer and the VPS Trustee may rely on a certificate of the VPS or one issued on behalf of the VPS by an account-carrying institution as to a particular person being a VPS Noteholder.

Title to the VPS Notes will pass by registration in the VPS between the direct or indirect accountholders at the VPS in accordance with the rules and procedures of the VPS that are in force from time to time. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant VPS Note.

Each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of the VPS as the holder of a particular nominal amount of such VPS Notes shall be treated by the Issuer, the VPS Trustee and the VPS Agent, as the holder of such nominal amount of such VPS Notes for all purposes. VPS Notes will be transferable only in accordance with the rules and procedures for the time being of the VPS.

## **2. Status of the VPS Notes**

VPS Notes may be unsubordinated or subordinated as specified in the applicable Final Terms.

### **(a) Status – Unsubordinated VPS Notes**

- (i) This Condition 2(a) is applicable in relation to VPS Notes specified in the applicable Final Terms as being unsubordinated or not specified therein as being subordinated and references to **VPS Notes** in this Condition 2(a) shall be construed accordingly.
- (ii) Each Tranche of VPS Notes will constitute unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

(b) *Status – Subordinated VPS Notes*

- (i) This Condition 2(b) is applicable in relation to VPS Notes specified in the applicable Final Terms as being subordinated (**Subordinated VPS Notes**) and references to **VPS Notes** in this Condition 2(b) shall be construed accordingly.
- (ii) Notes specified as being subordinated constitute subordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The rights of a Noteholder of any Subordinated VPS Note shall, in the event of the voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer, be subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer but shall rank at least *pari passu* with all other subordinated indebtedness of the Issuer. The Issuer reserves the right to issue further subordinated notes and other subordinated obligations in the future, which may rank *pari passu* with the Subordinated VPS Notes.
- (iii) No Noteholder who in the event of the liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer shall be indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the VPS Notes held by such Noteholder.

As used herein:

**subordinated indebtedness** means any obligation, whether dated or perpetual/undated, of the Issuer which by its terms is, or is expressed to be, subordinated in the event of liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer to the claims of depositors and all other unsubordinated creditors of the Issuer.

### 3. Negative Pledge

This Condition 3 shall apply only to the Unsubordinated VPS Notes and references to **VPS Notes** shall be construed accordingly.

So long as any of the VPS Notes remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and shall procure that no member of the Group (as defined below) shall, create or permit to subsist any encumbrance over all or any of its present or future revenues or assets to secure any Debt Obligations, without at the same time securing the outstanding VPS Notes or procuring that the outstanding VPS Notes are secured equally and rateably therewith by the same security or by such other security as the VPS Noteholders may approve (in accordance with the meeting provisions of the VPS Trustee Agreement).

In these VPS Conditions:

an **encumbrance** shall be construed as a reference to (a) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person, (b) any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set-off or made subject to a combination of accounts so as to effect payment of sums owed or payable to any person or (c) any other type of preferential arrangement (including title transfer and retention arrangements) having a similar effect;

**Group** means the Issuer and its Subsidiaries for the time being;

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

- (a) which is controlled, directly or indirectly, by the first-mentioned company or corporation;
- (b) 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
- (c) 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; and

**Debt Obligations** means any indebtedness, which is in the form of, or represented by, notes, bonds or other securities which are, or are to be, quoted, listed or dealt in or on any stock exchange or over-the-counter market, other than Debt Obligations issued in accordance with the Swedish Act (2003:1223) on



Issuance of Covered Bonds (*Lag (2003:1223) om utgivning av säkerställda obligationer*), as amended from time to time, (the **S.O. Act**).

**4. This Condition 4 has been left blank intentionally**

**5. Interest**

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from and including the Interest Commencement Date to (but excluding) the Maturity Date or, if the applicable final terms specifies that an Extended Final Maturity Date applies, the Extended Final Maturity Date or any earlier Interest Payment Date occurring after the Extended Final Maturity Date on which the Notes are redeemed in full, provided that any amounts representing interest payable after the Maturity Date shall be paid at such rate and on such dates as specified in the Final Terms.

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

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

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these VPS Conditions:

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

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

**Determination Period** means the period from (and including) a Determination Date to but excluding the next Determination Date; and



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

(b) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

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

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

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

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

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

In these VPS Conditions, **Business Day** means a day which is both:

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

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

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

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

If the Relevant Screen Page is not available or if, in the case of Condition 5(b)(ii)(B)(1), no offered quotation appears or, in the case of Condition 5(b)(ii)(B)(2), fewer than three offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which

the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is the London inter-bank offered rate (LIBOR)) or the Euro-zone inter-bank market (if the Reference Rate is the Euro-zone inter-bank offered rate (EURIBOR)) or the Stockholm inter-bank market (if the Reference Rate is the Stockholm inter-bank offered rate (STIBOR)) or the Norwegian inter-bank market (if the Reference Rate is the Norwegian inter-bank offered rate (NIBOR)) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Norwegian inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(C) In these VPS Conditions:

- (1) **Reference Banks** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm inter-bank market and, in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Oslo inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Final Terms; and
- (2) **Specified Time** means 11.00 a.m. (London time, in the case of a determination of LIBOR, Brussels time, in the case of a determination of EURIBOR or Stockholm time, in the case of a determination of STIBOR) or 12.00 noon (Oslo time, in the case of a determination of NIBOR).

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(v) Linear Interpolation

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

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

(vi) Notification of Rate of Interest and Interest Amounts

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the VPS Agent, the VPS Trustee and the VPS and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way



of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the VPS Noteholders in accordance with Condition 12. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London. The notification of any rate or amount, if applicable, shall be made to the VPS in accordance with and subject to the VPS rules and regulations for the time being in effect.

(vii) *Certificates to be final*

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

(c) *Accrual of interest*

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

- (1) the date on which all amounts due in respect of such VPS Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such VPS Note has been received by the Agent and notice to that effect has been given to the VPS Noteholders in accordance with Condition 12.

(d) The Issuer shall procure that there shall at all times be one or more Calculation Agent if provision is made for them in respect of the VPS Notes and for so long as any VPS Note is outstanding (as defined below). Where more than one Calculation Agent is appointed in respect of the VPS Notes, references in these VPS Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the VPS Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the VPS Trustee) appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

For the purpose hereof, **outstanding** means, in relation to the VPS Notes of any Series, all such VPS Notes issued other than:

- (a) those VPS Notes which have been redeemed and cancelled pursuant to the VPS Conditions;
- (b) those VPS Notes in respect of which the date for redemption in accordance with the VPS Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under the VPS Conditions after that date) have been duly paid to or to the order of the VPS Agent (and where appropriate notice to that effect has been given to the VPS Noteholders in accordance with the Conditions) and remain available for payment against presentation of the relevant VPS Notes;
- (c) those VPS Notes which have been purchased and cancelled in accordance with the Conditions; and
- (d) those VPS Notes in respect of which claims have become prescribed under the Conditions.



## 6. Payments

### (a) *Method of payment*

Subject as provided below:

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

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

### (b) *Payment of Principal and Interest*

Payments of principal and interest in respect of VPS Notes and notification thereof to VPS Noteholders will be made to the VPS Noteholders shown in the records of the VPS and will be effected through and in accordance with and subject to the VPS Agency Agreement and the rules and regulations from time to time governing the VPS. The VPS Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any VPS Noteholder. The Issuer reserves the right at any time with the approval of the VPS Trustee to vary or terminate the appointment of the VPS Agent or the Calculation Agent and to appoint additional or other agents, provided that the Issuer shall at all times maintain (a) a VPS Agent authorised to act as an account operating institution with the VPS, (b) one or more Calculation Agent(s) where the VPS Conditions so require, and (c) such other agents as may be required by any other stock exchange on which the VPS Notes may be listed in each case.

Notice of any such change or of any change of any specified office shall promptly be given to the VPS Noteholders in accordance with Condition 12.

### (c) *Payment Day*

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

### (d) *Interpretation of principal and interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 8;

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

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

## 7. Redemption and Purchase

### (a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each VPS Note will be redeemed by the Issuer at (i) if the Notes are not Zero Coupon Notes, 100 per cent. of its nominal amount, or (ii) if the Notes are Zero Coupon Notes, its Final Redemption Amount specified in the applicable Final Terms, in each case, in the relevant Specified Currency on the Maturity Date, subject as provided below if an Extended Final Maturity Date is specified in the applicable Final Terms.

If an Extended Final Maturity Date is specified as applicable in the Final Terms for a Series of VPS Notes and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the Final Terms, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer shall confirm to the Rating Agencies, the VPS Trustee, the VPS Agent and any relevant swap provider as soon as reasonably practicable and in any event at least four business days in London prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of Notes on that Maturity Date. Any failure by the Issuer to notify such parties (other than the VPS Agent) shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

Where the applicable Final Terms for a relevant Series of VPS Notes provides that such VPS Notes are subject to any Extended Final Maturity Date, such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment.

If the maturity of a Series of VPS Notes is extended to the Extended Final Maturity Date, in accordance with this Condition 7(a), for so long as such VPS Notes remain in issue, the Issuer shall not issue any further Notes unless the proceeds of such further issue of Notes are applied by the Issuer in redeeming, in whole or in part, such VPS Notes in accordance with the terms hereof.

For the purposes of these Conditions:

**Extended Final Maturity Date** means, in relation to any Series of VPS Notes, the date if any specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Maturity Date.

### (b) *Redemption for tax reasons*

The VPS Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if such VPS Note is not a Floating Rate Note) or on any Interest Payment Date (if such VPS Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the VPS Agent and, in accordance with Condition 14, the VPS Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the VPS Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in

Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the VPS Notes; and

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the VPS Notes then due.

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

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

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

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

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the VPS Agent; (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the VPS Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of VPS Notes, the VPS Notes to be redeemed will be selected in accordance with the rules of the VPS not more than 30 days prior to the date fixed for redemption.

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

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any VPS Note giving to the Issuer not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such VPS Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of the VPS Notes the holders of the VPS Notes must, within the notice period, give notice (the **Put Notice**) to the VPS Agent of such exercise in accordance with the standard procedures of the VPS from time to time.

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

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, each VPS Note will be redeemed at the Early Redemption Amount thereof;

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

Early Redemption Amount =  $RP \times (1 + AY)^x$  where:

**RP** means the Reference Price;

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

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

(f) *Purchases*

The Issuer or any Subsidiary of the Issuer may at any time purchase VPS Notes at any price in the open market or otherwise.

(g) *Cancellation*

All VPS Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be cancelled by causing such VPS Notes to be deleted from the records of the VPS.

All VPS Notes which are redeemed will forthwith be cancelled in the same manner. Any VPS Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such VPS Notes shall be discharged.

(h) *Late payment on Zero Coupon Notes*

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

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the VPS Agent and notice to that effect has been given to the VPS Noteholders in accordance with Condition 12.

(i) *Redemption at the option of the Issuer in case of a Capital Event*

This Condition 7 (i) applies only in the case of VPS Notes specified in the applicable Final Terms as being Subordinated Notes in respect of which Capital Event Redemption applies.

If a Capital Event occurs, the Issuer may, within 90 calendar days of the occurrence of the relevant Capital Event, at its option, but subject to obtaining the prior consent of the SFSA (unless such

prior consent is not required under the rules of the SFSA at the relevant time), give notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable) that all (but not some only) of the outstanding VPS Notes comprising the relevant Series shall be redeemed:

- (i) in the case of all VPS Notes other than Floating Rate Notes, at any time within the period of not less than 30 nor more than 60 days from the date of such notice; or
- (ii) in the case of Floating Rate Notes, (1) on any Interest Payment Date falling within the period of not less than 30 nor more than 60 days from the date of such notice or (2) if there is no Interest Payment Date falling within (1) above, on the first Interest Payment Date to occur after the expiry of 60 days from the date of such notice,

in each case, at the Capital Event Redemption Amount specified in the applicable Final Terms, together with accrued interest (if any) thereon. Upon the expiry of such notice, the Issuer shall redeem the VPS Notes.

In these Conditions:

**Applicable Capital Adequacy 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, CRR and those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the SFSA (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).

**A Capital Event** means the determination by the Issuer, after consultation with the SFSA (if required by the SFSA) that by reason of the non-compliance of the VPS Notes with the criteria for Tier 2 capital (*Sw: supplementärt kapital*) as a result of a change in Swedish law or Applicable Capital Adequacy Regulations or any change in the official application or interpretation thereof becoming effective on or after the Issue Date of the first Tranche of the VPS Notes, the VPS Notes are fully excluded from Tier 2 capital.

**CRD IV** means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as amended or replaced, (the **Directive**) and any implementing regulatory capital rules or regulations, or other requirements, which are applicable to the Issuer and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer to the extent required by the Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof).

**CRR** means the regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as amended or replaced.

**SFSA** means the Swedish Financial Supervisory Authority (*Sw: Finansinspektionen*) or any successor entity primarily responsible for the prudential supervision of the Issuer.

**Tier 2 capital** means Tier 2 capital (*Sw: supplementärt kapital*) for the purposes of the Applicable Capital Adequacy Regulations.

(j) *Redemption and Purchase of Subordinated Notes only with Prior Approval*

In the case of VPS Notes specified in the applicable Final Terms as being Subordinated, no early redemption or purchase as contemplated by this Condition 7 of such VPS Notes may be made without the prior consent of the SFSA.

(k) *Variation or Substitution instead of Redemption*

This Condition 7(k) is applicable in relation to VPS Notes specified in the applicable Final Terms as subordinated Notes and where this Condition 7(k) is specified as being applicable in the applicable Final Terms and references to **VPS Notes** in this Condition 7(k) shall be construed accordingly.

The Issuer may, subject to the approval of the SFSA (unless such prior consent is not required under the rules of the SFSA at the relevant time), without any requirement for the consent or approval of the VPS Noteholders and having given not less than 30 nor more than 60 days' notice to the VPS Noteholders in accordance with Condition 12 (which notice shall be irrevocable), at any



time either substitute all (but not some only) of the VPS Notes for, or vary the terms of the VPS Notes so that they remain or, as appropriate, become, Qualifying Securities (as defined below), provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities that are inconsistent with the redemption provisions of the VPS Notes.

**Qualifying Securities** means, for the purpose of this Condition 7(k), securities, whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

- (A) have terms not materially less favourable to a holder of the VPS Notes, certified by the Issuer acting reasonably (which certification shall be binding on the VPS Noteholders), than the terms of the VPS Notes, provided that they shall (1) include a ranking at least equal to that of the VPS Notes, (2) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the VPS Notes, (3) have the same redemption rights as the VPS Notes (although they need not contain all of the rights of the Issuer under Condition 7(i)), (4) preserve any existing rights under the VPS Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation and (5) are assigned (or maintain) the same or higher credit ratings, if any, as were assigned to the VPS Notes immediately prior to such variation or substitution; and
- (B) are listed on a recognised stock exchange if the VPS Notes were listed immediately prior to such variation or substitution.

For the avoidance of doubt, any terms of Qualifying Securities which are required by rules implementing The Basel Committee on Banking Supervision's press release of 13 January 2011 in relation to loss-absorption at the point of non-viability shall never be deemed materially less favourable to a holder of the VPS Notes.

## 8. Taxation

All payments of principal and interest in respect of the VPS Notes 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, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the VPS Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the VPS Notes 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 VPS Note the holder of which is liable for such taxes or duties in respect of such VPS Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such VPS Note.

As used herein:

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

## 9. Prescription

The VPS Notes will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

As used herein, **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 VPS 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 VPS Noteholders in accordance with Condition 12.

## 10. Events of Default

(a) *Events of Default – Unsubordinated VPS Notes only*

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing in relation to the VPS Notes of any series of VPS Unsubordinated Notes (and references to **VPS Notes** in this Condition 10(a) shall be construed accordingly):



(i) *Failure to pay*

The Issuer fails to pay any amount of principal or interest in respect of the VPS Notes in the Specified Currency on the due date for payment thereof and, if such failure is due to a technical or administrative reason, such failure is not remedied within five Swedish Business Days; or

(ii) *Other Obligations*

The Issuer fails duly to perform or comply with any other obligation under or in respect of the VPS Notes and such failure, if capable of remedy, is not remedied within 20 Business Days after written notice thereof, addressed to the Issuer by any VPS Noteholder has been delivered to the Issuer or to the VPS Agent; or

(iii) *Cross Default*

Any indebtedness for borrowed money of the Issuer or any of its Subsidiaries becomes, or is declared, due and payable prior to the scheduled maturity as a result of a default thereunder or any such indebtedness for borrowed money or interest thereon is not paid when due or within any applicable grace period therefor or any guarantee or indemnity given by the Issuer or any of its Subsidiaries in respect of any borrowed money is not honoured when due and called upon or within any applicable grace period therefor provided that any such event shall not constitute an Event of Default unless the indebtedness for borrowed money or the liability of the Issuer or any of its Subsidiaries under the guarantee or indemnity concerned exceeds U.S.\$10,000,000 (or its equivalent in other currencies); or

(iv) *Insolvency and Rescheduling*

The Issuer or any of its Subsidiaries is unable to pay its debts as they fall due, commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors; or

(v) *Winding-up*

Save in connection with a Permitted Merger, the Issuer or any of its Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, dissolution, administration or re-organisation or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any or all of its revenues and assets; or

(vi) *Execution or Distress*

Any execution or distress is levied against, or an encumbrancer takes possession of, the whole or any part of, the property, undertaking or assets of the Issuer or any of its Subsidiaries; or

(vii) *Analogous Events*

Any event occurs which under the laws of any jurisdiction has a similar or analogous effect to any of these events mentioned in paragraphs (iv) (*Insolvency and Rescheduling*); (v) (*Winding-up*) or (vi) (*Execution or Distress*); or

(viii) *Repudiation*

The Issuer repudiates its obligations in respect of the VPS Notes or does or causes to be done any act or thing evidencing an intention to repudiate such obligations; or

(ix) *Validity and Admissibility*

At any time any act, condition or thing required to be done, fulfilled or performed in order (i) to enable the Issuer lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it under and in respect of the VPS Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable or (iii) to make the VPS Notes admissible in evidence in Sweden is not done, fulfilled or performed; or

(x) *Illegality*

At any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the VPS Notes or any of the obligations of the Issuer thereunder are not or cease to be legal, valid and binding,

then any VPS Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or the VPS Agent, effective upon the date of receipt thereof by the Issuer or the VPS Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at the Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

As used above:

**Permitted Merger** means:

- (a) a reconstruction or amalgamation while solvent of any member or members of the Group other than the Issuer;
- (b) a voluntary solvent winding-up or dissolution either in connection with, or following and as a result of, the transfer of the business, undertaking and assets of any member of the Group other than the Issuer to another member or members of the Group, in each case, where Net Worth is not reduced; or
- (c) a voluntary merger of the Issuer with the Landshypotek Ekonomisk Förening or another company provided such company is a financial institution as set out in the Act on Banking and Financing Activities (2004:297) as amended or replaced; and

**Net Worth** means the aggregate, immediately prior to a Permitted Merger, of the amounts paid up or credited as paid up on the issued share capital of the Group (other than any redeemable shares) and the aggregate amount of the reserves of the Group including:

- (a) any amount credited to share premium account;
- (b) any capital redemption reserve fund; and
- (c) any balance standing to the credit of the profit and loss account of the Group, but deducting:
  - (i) any debit balance on the consolidated profit and loss account of the Group;
  - (ii) any dividend or distribution declared, recommended or made by any member of the Group to the extent payable to a person who is not a member of the Group and such distribution is not provided for in the most recent financial statements,

and so that no amount shall be included or excluded more than once; and

**Swedish Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Sweden.

(b) *Events of Default – Subordinated VPS Notes only*

- (i) If any one or more of the following events (each an **Event of Default**) shall occur and be continuing in relation to the VPS Notes of any Series of Subordinated VPS Notes (and references to VPS Notes in this Condition 10(b) shall be construed accordingly):
  - (A) the Issuer shall default in the payment of principal in respect of any VPS Note due and payable in accordance with these Conditions or the Issuer shall default in the payment of interest due on any VPS Notes on an Interest Payment Date or any other date on which the payment of interest is compulsory and any such default continues for five Swedish Business Days (as defined in Condition 10(a) above);
  - (B) a court or agency or supervisory authority in the Kingdom of Sweden (having jurisdiction in respect of the same) shall have instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or

- (C) the Issuer shall file a petition to take advantage of any insolvency statute or voluntarily suspends payment of its obligations,

then any VPS Note may, by written notice addressed by the holder thereof to the Issuer, and delivered to the Issuer or the Agent, effective upon the date of receipt thereof by the Issuer or the Agent, be declared due and payable, whereupon, subject as set out below, it shall become due and payable at the Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any).

If a Note becomes due and payable under this Condition 10(b)(i), the Noteholder may institute such steps, including the obtaining of a judgment against the Issuer for any amount due in respect of the VPS Notes, as it thinks desirable with a view to having the Issuer declared bankrupt (*konkurs*) or put into liquidation (*likvidation*) but not otherwise and consequently if the VPS Notes become due and payable under this Condition 10(b)(i) the Issuer shall, except with the prior consent of the SFSA, only be required to make such payment after it has been declared bankrupt (*konkurs*) or put into liquidation (*likvidation*).

- (ii) The holder of a VPS Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the VPS Notes (other than, without prejudice to Condition 10(b)(i) above, any obligation for the payment of any principal or interest in respect of the VPS Notes) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.
- (iii) No remedy against the Issuer, other than as provided in Condition 10(b)(i) and 10(b)(ii) above or proving or claiming in the bankruptcy (*konkurs*) or liquidation (*likvidation*) of the Issuer in the Kingdom of Sweden or elsewhere, shall be available to the holders of VPS Notes, whether for the recovery of amounts owing in respect of the VPS Notes or in respect of any breach by the Issuer of any of its obligations or undertakings under the VPS Notes.

## **11. Transfer and Exchange of VPS Notes**

### **(i) *Transfers of Interests in VPS Notes***

Settlement of sale and purchase transactions in respect of VPS Notes will take place three Oslo Business Days after the date of the relevant transaction. VPS Notes may be transferred between accountholders at the VPS in accordance with the procedures and regulations, for the time being, of the VPS. A transfer of VPS Notes which is held in the VPS through Euroclear or Clearstream, Luxembourg is only possible by using an account operator linked to the VPS. For the purpose of this Condition, Oslo Business Day means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Oslo.

### **(ii) *Registration of transfer upon partial redemption***

In the event of a partial redemption of VPS Notes under Condition 7, the Issuer shall not be required to register the transfer of any VPS Note, or part of a VPS Note, called for partial redemption.

### **(iii) *Costs of registration and administration of the VPS Register***

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

## **12. Notices**

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

### **13. Meetings of Noteholders, Modification and Waiver**

#### *Provisions with respect to Holders of VPS Notes*

The VPS Trustee Agreement contains provisions for convening meetings of the VPS Noteholders to consider any matter affecting their interests, including sanctioning by a majority of votes (as more fully set out in the VPS Trustee Agreement) a modification of the VPS Notes or any of the provisions of the VPS Trustee Agreement (or, in certain cases, sanctioning by a majority of two thirds of votes). Such a meeting may be convened by the Issuer, the VPS Trustee, Oslo Børs or by VPS Noteholders holding not less than 10 per cent. of the Voting VPS Notes. (For the purpose of this Condition, **Voting VPS Notes** means the aggregate nominal amount of the total number of VPS Notes not redeemed or otherwise deregistered in the VPS, less the VPS Notes owned by the Issuer, any party who has decisive influence over the Issuer or any party over whom the Issuer has decisive influence.)

The quorum at a meeting for passing a resolution is one or more persons holding at least one half of the Voting VPS Notes or at any adjourned meeting one or more persons being or representing holders of Voting VPS Notes whatever the nominal amount of the VPS Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the VPS Notes, the VPS Trustee Agreement (including modifying the date of maturity of the VPS Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the VPS Notes or altering the currency of payment of the VPS Notes), the quorum shall be one or more persons holding or representing not less than two thirds in aggregate nominal amount of the Voting VPS Notes, or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the Voting VPS Notes. A resolution passed at any meeting of the VPS Noteholders shall be binding on all the VPS Noteholders, whether or not they are present at such meeting.

#### *Modification*

The VPS Trustee Agreement provides that:

- (a) the VPS Trustee may in certain circumstances, without the consent of the VPS Noteholders, make decisions binding on all VPS Noteholders relating to the VPS Conditions, the VPS Trustee Agreement or the VPS Agency Agreement or that is not, in the Trustee's opinion, materially prejudicial to the interests of the VPS Noteholders; and
- (b) that the Trustee may reach decisions binding for all VPS Noteholders.

### **14. VPS Trustee**

The VPS Trustee Agreement contains provisions for the indemnification of the VPS Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction. VPS Noteholders are deemed to have accepted and will be bound by the Conditions and the terms of the VPS Trustee Agreement.

### **15. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the VPS Noteholders to create and issue further notes having terms and conditions the same as the VPS Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding VPS Notes.

### **16. Third Party Rights**

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

### **17. Governing Law and Submission to Jurisdiction**

#### *(a) Governing law*

The VPS Notes and any non-contractual obligations arising out of or in connection with the VPS Notes are governed by, and shall be construed in accordance with, English law, save as to Condition 2(b) which is governed by and shall be construed in accordance with the laws of Sweden and Conditions 13, 14 and 15 which are governed by and shall be construed in accordance with

Norwegian law. The VPS Trustee Agreement and VPS Agency Agreement are governed by and shall be construed in accordance with Norwegian law.

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

(b) *Submission to jurisdiction*

Subject to Condition 17(e) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the VPS 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 VPS Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any VPS Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(c) For the purposes of this Condition 17, each of the Issuer and any VPS 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) The Issuer agrees, for the exclusive benefit of the VPS Trustee and the VPS Noteholders that the courts of Norway are to have jurisdiction to settle any Disputes which may arise out of, or in connection with, the VPS Trustee Agreement and the VPS Agency Agreement.

(e) This Condition 17(e) is for the benefit of the VPS Noteholders and the Couponholders only. To the extent allowed by law, the VPS 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.

(f) *Appointment of Process Agent*

The Issuer appoints Business Sweden-The Swedish Trade & Invest Council at its registered office at 259-269 Old Marylebone Road, London NW1 5RA 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.



## TERMS AND CONDITIONS OF THE S.O. BONDS

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

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

The S.O. Bonds are issued in accordance with the Swedish Act (2003:1223) on issuance of Covered Bonds (*Lag (2003:1223) om utgivning av säkerställda obligationer*) (the **S.O. Act**).

This S.O. Bond is one of a Series (as defined below) of S.O. Bonds issued by Landshypotek Bank AB (publ) (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **S.O. Bonds** shall be references to the S.O. Bonds of this Series and shall mean:

- (i) in relation to any S.O. Bonds represented by a global S.O. Bonds (a **Global S.O. Bond**), units of each Specified Denomination in the Specified Currency;
- (ii) any Global S.O. Bond; and
- (iii) any definitive S.O. Bonds issued in exchange for a Global S.O. Bond.

The S.O. Bonds and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28 May 2014 and made between the Issuer, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive S.O. Bonds have interest coupons (**Coupons**) and in the case of S.O. Bonds which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global S.O. Bonds do not have Coupons or Talons attached on issue.

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

Any reference to **S.O. Bondholders** or **holders** in relation to any S.O. Bonds shall mean the holders of the S.O. Bonds and shall, in relation to any S.O. Bonds represented by a global S.O. Bond, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.



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

The S.O. Bondholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 28 May 2014 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg.

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

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

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

## **1. Form, Denomination and Title**

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

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

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

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

For so long as any of the S.O. Bonds is represented by a Global S.O. Bond held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such S.O. Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such S.O. Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such S.O. Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such S.O. Bonds, for which purpose the bearer of the relevant Global S.O. Bonds shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such S.O. Bonds in accordance with and subject to the

terms of the relevant Global Note and the expressions **S.O. Bondholder** and **holder of S.O. Bonds** and related expressions shall be construed accordingly.

S.O. Bonds which are represented by a Global S.O. Bond will be transferable only in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

## **2. Status of the S.O. Bonds**

The S.O. Bonds constitute unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The S.O. Bonds are obligations issued in accordance with the S.O. Act and rank *pari passu* with all other obligations of the Issuer that have been provided the same priority as debt instruments issued in accordance with the terms of the S.O. Act.

## **3. This Condition 3 has been left blank intentionally**

## **4. Interest**

### **(a) Interest on Fixed Rate S.O. Bonds**

Each Fixed Rate S.O. Bond bears interest from and including the Interest Commencement Date to (but excluding) the Maturity Date or, if the applicable Final Terms specifies that an Extended Final Maturity Date applies, the Extended Final Maturity Date or any earlier Interest Payment Date on which the S.O. Bonds are redeemed in full, provided that any amounts representing interest payable after the Maturity Date shall be paid at such rate and on such dates as specified in the Final Terms.

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

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

- (A) in the case of Fixed Rate S.O. Bonds which are represented by a Global S.O. Bond, the aggregate outstanding nominal amount of the Fixed Rate S.O. Bonds represented by such Global S.O. Bond; or
- (B) in the case of Fixed Rate S.O. Bonds in definitive form, the Calculation Amount;

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

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

- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
  - (a) in the case of S.O. Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; or
  - (b) in the case of S.O. Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if **30/360** is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

In these Terms and Conditions:

**Determination Period** means the period from (and including) a Determination Date to but excluding the next Determination Date;

**Fixed Interest Period** means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date; and

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

(b) *Interest on Floating Rate S.O. Bonds*

(i) Interest Payment Dates

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

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

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

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

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

next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

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

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate S.O. Bonds

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

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

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

(B) Screen Rate Determination for Floating Rate S.O. Bonds

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

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

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR, STIBOR or NIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Financial Centre Time specified in the applicable Final Terms on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such

highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

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

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate S.O. Bonds for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate S.O. Bonds which are represented by a Global S.O. Bond, the aggregate outstanding nominal amount of the S.O. Bonds represented by such Global S.O. Bond; or
- (B) in the case of Floating Rate S.O. Bonds in definitive form, the Calculation Amount;

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

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

- (i) if “**Actual/Actual (ISDA)**” or “**Actual/Actual**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;



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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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



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

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

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

(v) **Linear Interpolation**

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

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

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

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the Floating Rate S.O. Bonds are for the time being listed and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the Floating Rate S.O. Bonds are for the time being listed and to the S.O. Bondholders in accordance with Condition 12. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vii) **Certificates to be final**

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

(c) *Accrual of interest*

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

- (1) the date on which all amounts due in respect of such S.O. Bond have been paid; and

- (2) five days after the date on which the full amount of the moneys payable in respect of such S.O. Bond has been received by the Agent and notice to that effect has been given to the S.O. Bondholders in accordance with Condition 12.

## **5. Payments**

### **(a) Method of payment**

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 7, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

### **(b) Presentation of definitive S.O. Bonds and Coupons**

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

Fixed Rate S.O. Bonds in definitive form (other than Long Maturity S.O. Bonds (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined below) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate S.O. Bond in definitive form becoming due and repayable prior to its Maturity Date or, as the case may be, the Extended Final Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

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

amount of interest remaining to be paid after that date is less than the nominal amount of such S.O. Bond.

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

As used herein, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the 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 S.O. Bondholders in accordance with Condition 12.

(c) *Payments in respect of Global S.O. Bonds*

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

(d) *General provisions applicable to payments*

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

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

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

(e) *Payment Day*

If the date for payment of any amount in respect of any S.O. Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation;
  - (B) each Additional Financial Centre specified in the applicable Final Terms; and

- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.
- (f) *Interpretation of principal and interest*
- Any reference in these Terms and Conditions to principal in respect of the S.O. Bonds shall be deemed to include, as applicable:
- (i) the Final Redemption Amount of the S.O. Bonds;
  - (ii) the Optional Redemption Amount(s) (if any) of the S.O. Bonds;
  - (iii) in relation to Zero Coupon S.O. Bonds, the Amortised Face Amount (as defined in Condition 6(g)); and
  - (iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the S.O. Bonds.

## 6. Redemption and Purchase

### (a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each S.O. Bond will be redeemed by the Issuer at (i) if the Notes are Zero Coupon Notes, 100 per cent. of its nominal amount, or (ii) if the Notes are Zero Coupon Notes, its Final Redemption Amount specified in the applicable Final Terms, in each case, in the relevant Specified Currency on the Maturity Date.

If an Extended Final Maturity Date is specified as applicable in the Final Terms for a Series of S.O. Bonds and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the Final Terms, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer shall confirm to the Rating Agencies, any relevant swap provider and the Agent as soon as reasonably practicable and in any event at least four business days in London prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of S.O. Bonds on that Maturity Date. Any failure by the Issuer to notify such parties (other than the Agent) shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

Where the applicable Final Terms for a relevant Series of S.O. Bonds provides that such S.O. Bonds are subject to an Extended Final Maturity Date, such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment.

If the maturity of a Series of S.O. Bonds is extended to the Extended Final Maturity Date, in accordance with this Condition 6(a), for so long as any of such S.O. Bonds remain in issue, the Issuer shall not issue any further covered bonds unless the proceeds of such further issue of S.O. Bonds are applied by the Issuer in redeeming, in whole or in part, such S.O. Bonds in accordance with the terms hereof.

For the purposes of these Conditions:

**Extended Final Maturity Date** means, in relation to any Series of S.O. Bonds, the date if any specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Maturity Date.

### (b) *Redemption at the option of the Issuer (Issuer Call)*

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

(i) not less than 15 nor more than 30 days' notice to the S.O. Bondholders in accordance with Condition 12; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent, (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the S.O. Bonds then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of S.O. Bonds, the S.O. Bonds to be redeemed (**Redeemed S.O. Bonds**) will (i) in the case of Redeemed S.O. Bonds represented by definitive S.O. Bonds, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed S.O. Bonds represented by a Global S.O. Bonds, be selected, in the case of Redeemed S.O. Bonds represented by definitive S.O. Bonds, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion. In the case of Redeemed S.O. Bonds represented by definitive S.O. Bonds, a list of the serial numbers of such Redeemed S.O. Bonds will be published in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption.

(c) *Purchases*

The Issuer or any Subsidiary of the Issuer may at any time purchase S.O. Bonds (provided that, in the case of definitive S.O. Bonds, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All S.O. Bonds so purchased will be surrendered to a Paying Agent for cancellation.

(d) *Cancellation*

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

(e) *Late payment on Zero Coupon S.O. Bonds*

If the amount payable in respect of any Zero Coupon S.O. Bond upon redemption of such Zero Coupon S.O. Bond pursuant to paragraph (a) or (b) above is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon S.O. Bond shall be an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Amortised Face Amount =  $RP \times (1 + AY)^x$  where:

**RP** means the Reference Price;

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

**x** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Zero Coupon S.O. Bonds to (but excluding) the date which is the earlier of:

(A) the date on which all amounts due in respect of such Zero Coupon S.O. Bond have been paid; and

(B) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon S.O. Bonds has been received by the Agent and notice to that effect has been given to the S.O. Bondholders in accordance with Condition 12,

and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Zero Coupon S.O. Bonds to (but excluding) the date which is the earlier of:



- (A) the date on which all amounts due in respect of such Zero Coupon S.O. Bond have been paid; and
- (B) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon S.O. Bonds has been received by the Agent and notice to that effect has been given to the S.O. Bondholders in accordance with Condition 12,

and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Zero Coupon S.O. Bonds to (but excluding) the date which is the earlier of:

- (A) the date on which all amounts due in respect of such Zero Coupon S.O. Bond have been paid; and
- (B) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon S.O. Bonds has been received by the Agent and notice to that effect has been given to the S.O. Bondholders in accordance with Condition 12,

and the denominator will be 365.

## **7. Taxation**

All payments of principal and interest in respect of the S.O. Bonds and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes 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 which case such deduction will be made by the Issuer.

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

## **8. Prescription**

The S.O. Bonds and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 5) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## **9. Replacement of S.O. Bonds, Coupons and Talons**

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

## **10. 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:

- (a) there will at all times be an Agent;
- (b) so long as the S.O. Bonds are listed on any stock exchange or relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (c) there will at all times be a Paying Agent in an EU Member State (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders in accordance with Condition 12.



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 S.O. Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

#### **11. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the S.O. Bond to which it appertains) a further Talon, subject to the provisions of Condition 8.

#### **12. Notices**

All notices regarding the S.O. Bonds will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. 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 other relevant authority on which the S.O. Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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

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

#### **13. Meetings of S.O. Bondholders, Modification and Waiver**

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

at any meeting of the S.O. Bondholders shall be binding on all the S.O. Bondholders, whether or not they are present at the meeting, and on all Couponholders.

The Agent and the Issuer may agree, without the consent of the S.O. Bondholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the S.O. Bonds, the Coupons or Agency Agreement which is not prejudicial to the interests of the S.O. Bondholders; or
- (b) any modification of the S.O. Bonds, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the S.O. Bondholders and the Couponholders and any such modification shall be notified to the S.O. Bondholders in accordance with Condition 12 as soon as practicable thereafter.

#### **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the S.O. Bondholders or the Couponholders to create and issue further notes having terms and conditions the same as the S.O. Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding S.O. Bonds.

#### **15. Third Party Rights**

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

#### **16. Governing Law and Submission to Jurisdiction**

(a) *Governing law*

The Agency Agreement, the Deed of Covenant, the S.O. Bonds and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the S.O. Bonds and the Coupons are governed by, and shall be construed in accordance with, English law except that the provisions of the S.O. Bonds under Condition 2 are governed by, and shall be construed in accordance with, the laws of Sweden.

(b) *Submission to jurisdiction*

Subject to Condition 16(d) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the S.O. Bonds, 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 S.O. Bonds and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any S.O. Bondholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

- (c) For the purposes of this Condition 16, each of the Issuer and any S.O. Bondholders 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) This Condition 16(d) is for the benefit of the S.O. Bondholders and the Couponholders only. To the extent allowed by law, the S.O. Bondholders 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) *Appointment of Process Agent*

The Issuer appoints Business Sweden-The Swedish Trade & Invest Council at its registered office at 259-269 Old Marylebone Road, London NW1 5RA 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.

## TERMS AND CONDITIONS OF THE VPS S.O. BONDS

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

*The following are the Terms and Conditions of the VPS S.O. Bonds. VPS S.O. Bonds will not be evidenced by any physical note or document of title other than a statement of account made by the VPS. Ownership of VPS S.O. Bonds will be recorded and transfer effected only through the book entry system and register maintained by the VPS. The applicable Pricing Supplement in relation to any Tranche of VPS S.O. Bonds, that are Exempt Notes, may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such VPS S.O. Bonds. Reference should be made to “Applicable Final Terms” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant VPS S.O. Bonds.*

The S.O. Bonds are issued in accordance with the Swedish Act (2003:1223) on issuance of Covered Bonds (*Lag (2003:1223) om utgivning av säkerställda obligationer*) (the **S.O. Act**).

Each VPS S.O. Bond will be one of a Series (as defined below) of VPS S.O. Bonds issued by the Issuer under the Programme and each VPS S.O. Bond will be issued in accordance with and subject to the trust agreement (such trust agreement as modified and/or supplemented and/or restated from time to time, the **VPS Trustee Agreement**) dated 28 May 2014 made between the Issuer and Nordic Trustee ASA (the **VPS Trustee**, which expression shall include any successor as Trustee).

References herein to the VPS S.O. Bonds shall be references to the VPS S.O. Bonds of this Series and shall mean notes cleared through the Norwegian Central Securities Depository, the Verdipapirsentralen (**VPS S.O. Bonds** and the **VPS**, respectively).

The VPS S.O. Bonds have the benefit of the VPS Agency Agreement dated 24 June 2008 as amended by the VPS Agency Amendment Agreements dated 17 June 2009, 25 May 2010, 31 May 2011 and 29 May 2013 (together, the **VPS Agency Agreement**) between the Issuer and DnB NOR Bank ASA (the **VPS Agent**).

Each Tranche of VPS S.O. Bonds will be created and held in uncertificated book entry form in accounts with the VPS. The VPS Agent will act as agent of the Issuer in respect of all dealings with the VPS in respect of VPS S.O. Bonds as detailed in the VPS Agency Agreement.

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

The VPS Trustee acts for the benefit of the holders for the time being of the VPS S.O. Bonds (the **VPS S.O. Bondholders** and the **holders of VPS S.O. Bonds**), in accordance with the provisions of the VPS Trustee Agreement and these VPS S.O. Bond Conditions.

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

Copies of the VPS Agency Agreement and the VPS Trustee Agreement are available for inspection during normal business hours at the specified office of the VPS Agent and at the registered office for the time being of the VPS Trustee at 28 May 2014, Haakon VII Gate 1, 0161, Oslo, Norway. The VPS S.O. Bondholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the VPS Agency Agreement, the VPS Trustee Agreement and the Final Terms which are applicable to them. The statements in these VPS S.O. Bond Conditions include summaries of, and are subject to, the detailed provisions of the VPS Agency Agreement and the VPS Trustee Agreement.

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

In these VPS S.O. Bond Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## **1. Form, Denomination and Title**

The VPS S.O. Bonds are in uncertificated book entry form in the denomination of NOK 500,000 and/or such other currency and Specified Denomination(s) as shown in Part A of the relevant Final Terms provided that in the case of any S.O. Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant S.O. Bonds) and will be registered with a separate securities identification code in the VPS.

VPS S.O. Bonds of one Specified Denomination may not be exchanged for Notes or S.O. Bonds, VPS or otherwise, of another Specified Denomination. VPS S.O. Bonds will be registered with a separate securities identification code in the VPS.

VPS S.O. Bonds may not be exchanged for Notes or S.O. Bonds other than VPS S.O. Bonds, issued by the Issuer, and *vice versa*.

A VPS S.O. Bond may be a Fixed Rate S.O. Bond, a Floating Rate S.O. Bond, a Zero Coupon S.O. Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

The holder of a VPS S.O. Bond will be the person evidenced as such by a book entry in the records of the VPS. The Issuer and the VPS Trustee may rely on a certificate of the VPS or one issued on behalf of the VPS by an account-carrying institution as to a particular person being a VPS S.O. Bondholder.

Title to the VPS S.O. Bonds will pass by registration in the VPS between the direct or indirect accountholders at the VPS in accordance with the rules and procedures of the VPS that are in force from time to time. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant VPS S.O. Bond.

Each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of the VPS as the holder of a particular nominal amount of such VPS S.O. Bonds shall be treated by the Issuer, the VPS Trustee and the VPS Agent, as the holder of such nominal amount of such VPS S.O. Bonds for all purposes. VPS S.O. Bonds will be transferable only in accordance with the rules and procedures for the time being of the VPS.

## **2. Status of the VPS S.O. Bonds**

Each Tranche of VPS S.O. Bonds constitute unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The VPS S.O. Bonds are obligations issued in accordance with the S.O. Act and rank *pari passu* with all other obligations of the Issuer that have been provided the same priority as debt instruments issued in accordance with the terms of the S.O. Act.

**3. This Condition 3 has been left blank intentionally**

**4. Interest**

**(a) Interest on Fixed Rate S.O. Bonds**

Each Fixed Rate S.O. Bond bears interest from and including the Interest Commencement Date to (but excluding) the Maturity Date or, if the applicable Final Terms specifies that an Extended Final Maturity Date applies, the Extended Final Maturity Date or any earlier Interest Payment Date on which the S.O. Bonds are redeemed in full, provided that any amounts representing interest payable after the Maturity Date shall be paid at such rate and on such dates as specified in the Final Terms.

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

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

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these VPS S.O. Bond Conditions:

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

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

**Determination Period** means the period from (and including) a Determination Date to but excluding the next Determination Date; and

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



(b) *Interest on Floating Rate S.O. Bonds*

(i) Interest Payment Dates

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

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

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

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

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

In these VPS S.O. Bond Conditions, **Business Day** means a day which is both:

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

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate S.O. Bonds

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

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

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

(B) Screen Rate Determination for Floating Rate S.O. Bonds

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

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

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

If the Relevant Screen Page is not available or if, in the case of Condition 4(b)(ii)(B)(1), no offered quotation appears or, in the case of Condition 4(b)(ii)(B)(2), fewer than three offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately

the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is the London inter-bank offered rate (LIBOR)) or the Euro-zone inter-bank market (if the Reference Rate is the Euro-zone inter-bank offered rate (EURIBOR)) or the Stockholm inter-bank market (if the Reference Rate is the Stockholm inter-bank offered rate (STIBOR)) or the Norwegian inter-bank market (if the Reference Rate is the Norwegian inter-bank offered rate (NIBOR)) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Norwegian inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(C) In these VPS S.O. Bond Conditions:

- (1) **Reference Banks** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm inter-bank market, and, in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Oslo inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Final Terms; and
- (2) **Specified Time** means 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR or Stockholm time, in the case of a determination of STIBOR) or 12.00 noon (Oslo time, in the case of a determination of NIBOR).

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

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

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

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

The Calculation Agent, in the case of Floating Rate S.O. Bonds, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent, in the case of Floating Rate S.O. Bonds, will calculate the amount of interest (the **Interest Amount**) payable on such Floating Rate S.O. Bonds in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be

calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(v) **Linear Interpolation**

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

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

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

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the VPS Agent, the VPS Trustee and the VPS and notice thereof to be published in accordance with Condition 10 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate S.O. Bonds are for the time being listed and to the



VPS S.O. Bondholders in accordance with Condition 10. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London. The notification of any rate or amount, if applicable, shall be made to the VPS in accordance with and subject to the VPS rules and regulations for the time being in effect.

(vii) *Certificates to be final*

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

(c) *Accrual of interest*

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

- (1) the date on which all amounts due in respect of such VPS S.O. Bond have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such VPS S.O. Bond has been received by the Agent and notice to that effect has been given to the VPS S.O. Bondholders in accordance with Condition 10.

(d) The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in respect of the VPS S.O. Bonds and for so long as any VPS S.O. Bond is outstanding (as defined below). Where more than one Calculation Agent is appointed in respect of the VPS S.O. Bonds, references in these VPS S.O. Bond Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the VPS S.O. Bond Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the VPS Trustee) appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

For the purpose hereof, **outstanding** means, in relation to the VPS S.O. Bonds of any Series, all such VPS S.O. Bonds issued other than:

- (a) those VPS S.O. Bonds which have been redeemed and cancelled pursuant to the VPS S.O. Bond Conditions;
- (b) those VPS S.O. Bonds in respect of which the date for redemption in accordance with the VPS S.O. Bond Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under the VPS S.O. Bond Conditions after that date) have been duly paid to or to the order of the VPS Agent (and where appropriate notice to that effect has been given to the VPS S.O. Bondholder in accordance with the Conditions) and remain available for payment against presentation of the relevant VPS S.O. Bonds;
- (c) those VPS S.O. Bonds which have been purchased and cancelled in accordance with the VPS S.O. Bond Conditions; and
- (d) those VPS S.O. Bonds in respect of which claims have become prescribed under the Conditions VPS S.O. Bond.



## 5. Payments

### (a) *Method of payment*

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 7, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

### (b) *Payment of Principal and Interest*

Payments of principal and interest in respect of VPS S.O. Bonds and notification thereof to VPS S.O. Bondholders will be made to the VPS S.O. Bondholders shown in the records of the VPS and will be effected through and in accordance with and subject to the VPS Agency Agreement and the rules and regulations from time to time governing the VPS. The VPS Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any VPS S.O. Bondholder. The Issuer reserves the right at any time with the approval of the VPS Trustee to vary or terminate the appointment of the VPS Agent or the Calculation Agent and to appoint additional or other agents, provided that the Issuer shall at all times maintain (a) a VPS Agent authorised to act as an account operating institution with the VPS, (b) one or more Calculation Agent(s) where the VPS S.O. Bond Conditions so require, and (c) such other agents as may be required by any other stock exchange on which the VPS S.O. Bonds may be listed in each case.

Notice of any such change or of any change of any specified office shall promptly be given to the VPS S.O. Bondholders in accordance with Condition 10.

### (c) *Payment Day*

If the date for payment of any amount in respect of any VPS S.O. Bond is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

### (d) *Interpretation of principal and interest*

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

- (i) the Final Redemption Amount of the VPS S.O. Bonds;

- (ii) the Optional Redemption Amount(s) (if any) of the VPS S.O. Bonds;
- (iii) in relation to Zero Coupon S.O. Bonds, the Amortised Face Amount (as defined in Condition 6(e)); and
- (iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the VPS S.O. Bonds.

## 6. Redemption and Purchase

### (a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each VPS S.O. Bond will be redeemed by the Issuer at (i) if the VPS S.O. Bonds are Zero Coupon S.O. Bonds, 100 per cent. of its nominal amount, or (ii) if the VPS S.O. Bonds are S.O. Bonds Zero Coupon Notes, its Final Redemption Amount specified in the applicable Final Terms, in each case, in the relevant Specified Currency on the Maturity Date.

If an Extended Final Maturity Date is specified as applicable in the Final Terms for a Series of VPS S.O. Bonds and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the Final Terms, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

The Issuer shall confirm to the Rating Agencies, the VPS Trustee, the VPS Agent and any relevant swap provider as soon as reasonably practicable and in any event at least four business days in London prior to the Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of S.O. Bonds on that Maturity Date. Any failure by the Issuer to notify such parties (other than the VPS Agent) shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

Where the applicable Final Terms for a relevant Series of VPS S.O. Bonds provides that such VPS S.O. Bonds are subject to an Extended Final Maturity Date, such failure to pay by the Issuer on the Maturity Date shall not constitute a default in payment.

If the maturity of a Series of VPS S.O. Bonds is extended to the Extended Final Maturity Date, in accordance with this Condition 6(a), for so long as any of such VPS S.O. Bonds remain in issue, the Issuer shall not issue any further covered bonds unless the proceeds of such further issue of S.O. Bonds are applied by the Issuer in redeeming, in whole or in part, such VPS S.O. Bonds in accordance with the terms hereof.

For the purposes of these Conditions:

**Extended Final Maturity Date** means, in relation to any Series of VPS S.O. Bonds, the date if any specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Maturity Date.

### (b) *Redemption at the option of the Issuer (Issuer Call)*

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

- (i) not less than 15 nor more than 30 days' notice to the VPS S.O. Bondholders in accordance with Condition 10; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

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

VPS S.O. Bonds, the VPS S.O. Bonds to be redeemed will be selected in accordance with the rules of the VPS not more than 30 days prior to the date fixed for redemption.

(c) *Purchases*

The Issuer or any Subsidiary of the Issuer may at any time purchase VPS S.O. Bonds at any price in the open market or otherwise.

(d) *Cancellation*

All VPS S.O. Bonds purchased by or on behalf of the Issuer or any of its Subsidiaries may be cancelled by causing such VPS S.O. Bonds to be deleted from the records of the VPS.

All VPS S.O. Bonds which are redeemed will forthwith be cancelled in the same manner. Any VPS S.O. Bonds so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such VPS S.O. Bonds shall be discharged.

(e) *Late payment on Zero Coupon S.O. Bonds*

If the amount payable in respect of any Zero Coupon S.O. Bond upon redemption of such Zero Coupon S.O. Bond pursuant to paragraph (a) or (b) above is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon S.O. Bond shall be an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$\text{Amortised Face Amount} = \text{RP} \times (1 + \text{AY})^x$  where:

**RP** means the Reference Price;

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

**x** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Zero Coupon S.O. Bonds to (but excluding) the date which is the earlier of:

- (A) the date on which all amounts due in respect of such Zero Coupon S.O. Bond have been paid; and
- (B) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon S.O. Bonds has been received by the Agent and notice to that effect has been given to the VPS S.O. Bondholders in accordance with Condition 10,

and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Zero Coupon S.O. Bonds to (but excluding) the date which is the earlier of:

- (A) the date on which all amounts due in respect of such Zero Coupon S.O. Bond have been paid; and
- (B) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon S.O. Bonds has been received by the Agent and notice to that effect has been given to the VPS S.O. Bondholders in accordance with Condition 10,

and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Zero Coupon S.O. Bonds to (but excluding) the date which is the earlier of:

- (A) the date on which all amounts due in respect of such Zero Coupon S.O. Bond have been paid; and
- (B) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon S.O. Bonds has been received by the Agent and notice to that effect has been given to the VPS S.O. Bondholders in accordance with Condition 10,

and the denominator will be 365.

## 7. Taxation

All payments of principal and interest in respect of the VPS S.O. Bonds by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes 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 which case such deduction will be made by the Issuer.

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

## **8. Prescription**

The VPS S.O. Bonds will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

As used herein **Relevant Date** means the date on which such payment first becomes due, except that, if one full amount of the moneys payable has not been duly received by the VPS Agent on or prior to such due date, it means the date on which the full amount of its moneys having been so received, notice to that effect is duly given to the VPS S.O. Bondholders in accordance with Condition 10.

## **9. Transfer and Exchange of VPS S.O. Bonds**

### *(i) Transfers of Interests in VPS S.O. Bonds*

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

As used herein **Oslo Business Days** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Oslo.

### *(ii) Registration of transfer upon partial redemption*

In the event of a partial redemption of VPS S.O. Bonds under Condition 6, the Issuer shall not be required to register the transfer of any VPS S.O. Bond, or part of a VPS S.O. Bond, called for partial redemption.

### *(iii) Costs of registration and administration of the VPS Register*

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

## **10. Notices**

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

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

## **11. Meetings of VPS S.O. Bondholders, Modification and Waiver**

### *Provisions with respect to Holders of VPS S.O. Bonds*

The VPS Trustee Agreement contains provisions for convening meetings of the VPS S.O. Bondholders to consider any matter affecting their interests, including sanctioning by a majority of votes (as more fully set out in the VPS Trustee Agreement) a modification of the VPS S.O. Bonds or any of the provisions of the VPS Trustee Agreement (or, in certain cases, sanctioning by a majority of two thirds of votes). Such a meeting may be convened by the Issuer, the VPS Trustee, Oslo Børs or by VPS S.O. Bondholders holding

not less than 10 per cent. of the Voting VPS S.O. Bonds. (For the purpose of this Condition, **Voting VPS S.O. Bonds** means the aggregate nominal amount of the total number of VPS S.O. Bonds not redeemed or otherwise deregistered in the VPS, less the VPS S.O. Bonds owned by the Issuer, any party who has decisive influence over the Issuer or any party over whom the Issuer has decisive influence.)

The quorum at a meeting for passing a resolution is one or more persons holding at least one half of the Voting VPS S.O. Bonds or at any adjourned meeting one or more persons being or representing holders of Voting VPS S.O. Bonds whatever the nominal amount of the VPS S.O. Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the VPS S.O. Bonds, the VPS Trustee Agreement (including modifying the date of maturity of the VPS S.O. Bonds or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the VPS S.O. Bonds or altering the currency of payment of the VPS S.O. Bonds), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Voting VPS S.O. Bonds, or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the Voting VPS S.O. Bonds. A resolution passed at any meeting of the VPS S.O. Bondholders shall be binding on all the VPS S.O. Bondholders, whether or not they are present at such meeting.

#### *Modification*

The VPS Trustee Agreement provides that:

- (a) the VPS Trustee may in certain circumstances, without the consent of the VPS S.O. Bondholders, make decisions binding on all VPS S.O. Bondholders relating to the VPS S.O. Bond Conditions, the VPS Trustee Agreement or the VPS Agency Agreement or that is not, in the Trustee's opinion, materially prejudicial to the interests of the VPS S.O. Bondholders; and
- (b) that the Trustee may reach decisions binding for all VPS S.O. Bondholders.

### **12. VPS Trustee**

The VPS Trustee Agreement contains provisions for the indemnification of the VPS Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction. VPS S.O. Bondholders are deemed to have accepted and will be bound by the Conditions and the terms of the VPS Trustee Agreement.

### **13. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the VPS S.O. Bondholders to create and issue further notes having terms and conditions the same as the VPS S.O. Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding VPS S.O. Bonds.

### **14. Third Party Rights**

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

### **15. Governing Law and Submission to Jurisdiction**

#### *(a) Governing law*

The VPS S.O. Bonds and any non-contractual obligations arising out of or in connection with the VPS S.O. Bonds are governed by, and shall be construed in accordance with, English law, save as to Condition 2 which is governed by and shall be construed in accordance with the laws of Sweden and Conditions 11, 12 and 13 which are governed by and shall be construed in accordance with Norwegian law. The VPS Trustee Agreement and VPS Agency Agreement are governed by and shall be construed in accordance with Norwegian law.

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

(b) *Submission to jurisdiction*

Subject to Condition 15(e) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the VPS S.O. Bonds, 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 VPS S.O. Bonds and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any VPS S.O. Bondholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(c) For the purposes of this Condition 15, each of the Issuer and any VPS S.O. Bondholders 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) The Issuer agrees, for the exclusive benefit of the VPS Trustee and the VPS S.O. Bondholders that the courts of Norway are to have jurisdiction to settle any Disputes which may arise out of, or in connection with, the VPS Trustee Agreement and the VPS Agency Agreement.

(e) This Condition 15(e) is for the benefit of the VPS S.O. Bondholders and the Couponholders only. To the extent allowed by law, the VPS S.O. Bondholders 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.

(f) *Appointment of Process Agent*

The Issuer appoints Business Sweden-The Swedish Trade & Invest Council at its registered office at 259-269 Old Marylebone Road, London NW1 5RA 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.



## SUMMARY OF THE SWEDISH LEGISLATION REGARDING COVERED BONDS

*The following is a brief summary of certain features of the Swedish Covered Bonds Issuance Act (Sw: lag (2003:1223) om utgivning av säkerställda obligationer) (the “**Covered Bonds Issuance Act**”) as of the date of this Offering Circular. The summary does not purport to be, and is not, a complete description of all aspects of the Swedish legislative and regulatory framework for covered bonds. Please also refer to the section Risk Factors, sub-section “Risks related to S.O. Bonds only”, on pages 18 to 19 above.*

### Introduction

The Covered Bonds Issuance Act entered into force on 1 July 2004. It enables Swedish banks and credit market undertakings (“**Institutions**”), which have been granted a specific licence by the Swedish Financial Supervisory Authority (Sw: *Finansinspektionen*) (the “**Swedish FSA**”), to issue full-recourse debt instruments secured by a pool of mortgage credits and/or public sector credits.

The Swedish FSA has issued regulations and recommendations under the authority conferred on it by the Covered Bonds Issuance Act (Sw: *Finansinspektionens föreskrifter och allmänna råd om säkerställda obligationer (FFFS 2013:1)*) (the “**SFSA Regulations**”).

Swedish covered bonds may take the form of bonds and other comparable debt instruments, such as commercial paper.

In the event of an Institution’s bankruptcy, holders of covered bonds (and certain eligible counterparties to derivative contracts entered into for the purpose of matching the financial terms of the assets in the Cover Pool with those of the covered bonds) benefit from a priority right in the pool of assets (the “**Cover Pool**”). The Covered Bonds Issuance Act further enables such holders (and derivative counterparties) to continue to receive timely payments also following the Institution’s bankruptcy, subject to certain conditions being met.

The Cover Pool is dynamic in the sense that an Institution may supplement or substitute assets in the Cover Pool at any time.

### Registration

Information in respect of all covered bonds, assets in the Cover Pool and relevant derivative contracts must be entered into a special register (the “**Register**”), which is maintained by the Institution. The actual registration of the covered bonds and relevant derivative contracts in the Register is necessary to confer the priority right in the Cover Pool. Further, only assets entered into the Register form part of the Cover Pool.

At all times the Register must show the nominal value of the covered bonds, the Cover Pool and the relevant derivative contracts. As a result, the Register requires regular updating, including without limitation due to changes in interest rates, interest periods, outstanding debt and the composition of the Cover Pool. The value of the underlying collateral securing mortgage credits in the Cover Pool must also be entered into the Register.

### Eligibility criteria for assets in the Cover Pool

The Cover Pool may consist of certain mortgage credits, public credits and supplemental assets.

Mortgage credits are defined as loans secured by (i) mortgages over real property (Sw: *fastigheter*) intended for residential, agricultural, office or commercial purposes or site leasehold rights (Sw: *tomträtter*) intended for residential, office or commercial purposes, (ii) pledges over tenant-owner rights (Sw: *bostadsrätter*), or (iii) comparable security interests over equivalent assets situated in other countries within the European Economic Area.

Public credits are defined as certain loans to (or guaranteed by) *inter alia* the Swedish State, Swedish municipalities and comparable public bodies, the European Communities, certain foreign states and central banks and certain foreign municipalities and comparable public bodies with powers of taxation.

Supplemental assets consist primarily of government bonds and cash, although the Swedish FSA may also authorise the use of certain debt instruments issued by credit institutions and other bodies as supplemental assets.

### **Loan-to-value ratios and certain other restrictions**

For mortgage credits, there is a maximum loan amount which may be included in the Cover Pool, depending on the value of the underlying collateral:

1. For residential collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 75 per cent. of the market value of the collateral.
2. For agricultural collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 70 per cent. of the market value of the collateral.
3. For office or commercial collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 60 per cent. of the market value of the collateral.

Should a loan exceed the relevant ratio, only the part of the loan that falls within the permitted limit may be included in the Cover Pool (a “**Partly Eligible Loan**”). The Covered Bonds Issuance Act does not explicitly regulate how proceeds in respect of a Partly Eligible Loan shall be distributed between the eligible and the non-eligible parts of the loan.

The most likely interpretation is that interest payments shall be allocated *pro rata* between the eligible and non-eligible parts of the loan and that amortizations shall be applied first towards the non-eligible part of the loan (absent enforcement of the security over the underlying collateral). However, proceeds from enforcement of the security should most likely be applied first towards the eligible part of the loan.

A similar situation arises if, for example, the same mortgage security serves as first-ranking security for two (or more) loans granted by an Institution and only one of these loans is included in the Cover Pool. The Covered Bonds Issuance Act does not give clear guidance as to how proceeds shall be allocated between the two loans in case of the Institution’s bankruptcy. The lack of guidance may give room for unsecured creditors of the Institution to argue that only a *pro rata* portion of such proceeds shall be allocated to the loan included in the Cover Pool.

The Covered Bonds Issuance Act restricts the overall proportion of loans provided against security over real property (or site leasehold rights or tenant-owner rights) intended for office or commercial purposes to 10 per cent. of an Institution’s Cover Pool.

Furthermore, the proportion of supplemental assets may not exceed 20 per cent. of the Cover Pool, although the Swedish FSA has the authority to raise this limit to 30 per cent. for a limited period in special circumstances.

Institutions are required to regularly monitor the market value of the mortgage assets that serve as collateral for loans included in the Cover Pool. If the market value of such a mortgage asset declines significantly (15 per cent. or more according to the preparatory works to the Covered Bonds Issuance Act, though revaluation may be required for a lesser decline if an Institution uses the right given in the SFSA Regulations to adjust upwards (in limited and well-documented circumstances) in case of an increase in market value), then only such part of the loan that falls within the permitted loan-to-value ratio will be eligible for inclusion in the Cover Pool and will be subject to the priority right described below. However, a decline in the market value following an Institution’s bankruptcy would not result in a reduction of the assets in which holders of covered bonds (and relevant derivative counterparties) have a priority right, but could result in the Cover Pool ceasing to meet the matching requirements.

### **Matching requirements**

The Covered Bonds Issuance Act prescribes that the nominal value of the Cover Pool shall at all times exceed the aggregate nominal value of claims that may be asserted against an Institution by reference to covered bonds.

Furthermore, an Institution must compose the Cover Pool in such a way as to ensure a sound balance between the covered bonds and the assets in the Cover Pool in terms of currencies, interest rates and interest fixation periods. Such sound balance is deemed to exist when the present value of the Cover Pool at all times exceeds the present value of the liabilities relating to the covered bonds. The present value of derivative contracts shall be taken into account for the purposes of such calculation. The calculations of present value shall withstand certain stress tests (changes in interest rates and/or currency exchange rates).

The payment flows relating to the assets in the Cover Pool, derivative contracts and covered bonds shall be such that an Institution is at all times able to meet its payment obligations towards holders of covered bonds and relevant derivative counterparties.

The SFSA Regulations contain further details as to calculation of present values, stress tests, the terms of the derivative contracts and other items. For example, assets in the cover pool which are more than 60 days overdue must be disregarded for the purposes of the matching tests. An Institution must also carry out sensitivity (or “stress”) tests regularly and at least once a year with respect to possible future changes in market values of the assets secured on mortgages in the cover pool. The tests shall be based on assumptions of reduced market values of between 5 and 30 per cent. and the Institution shall inform the Swedish FSA of actions that the Institution could undertake to improve the matching between assets in the cover pool and the covered bond liabilities in circumstances of reduced asset values.

### **Supervision by the Swedish FSA and the independent monitor**

The Swedish FSA monitors that an Institution complies with the Covered Bonds Issuance Act and other provisions of the legislative and regulatory framework which regulates the business of the Institution. In addition, the Swedish FSA appoints an independent monitor (Sw: *oberoende granskare*) for each Institution that issues covered bonds.

The independent monitor is responsible for monitoring the Register to assess whether or not it is being maintained correctly and in compliance with the Covered Bonds Issuance Act and the SFSA Regulations. In particular, the independent monitor shall verify that (i) covered bonds and relevant derivative contracts are registered in the Register, (ii) only loans and supplemental assets that satisfy the eligibility criteria are included in the Cover Pool and registered in the Register, (iii) the valuations of the underlying collateral for loans in the Cover Pool are in accordance with the Covered Bonds Issuance Act and the SFSA Regulations, (iv) mortgage loans the underlying collateral of which has decreased significantly in value are, for the purpose of the matching requirements, deducted from the Cover Pool to the extent necessary to comply with the relevant loan-to-value ratio and (v) the matching requirements are complied with. According to the SFSA Regulation, the independent monitor is to use a “risk based approach” in its inspection of the Institution’s compliance with the rules and regulations.

The independent monitor is entitled to request information from the Institution, conduct site visits and is required to report regularly and at least once a year to the Swedish FSA. The Covered Bonds Issuance Act does not provide for any change to the independent monitor’s remit upon the bankruptcy of an Institution.

### **Benefit of a priority right in the Cover Pool**

Pursuant to the Covered Bonds Issuance Act and the Swedish Rights of Priority Act (Sw: *förmånsrättslagen (1970:979)*), holders of covered bonds benefit from a priority right in the Cover Pool should the Institution be declared bankrupt (Sw: *försatt i konkurs*). The same priority is awarded to the Institution’s eligible counterparties to derivative contracts entered into for the purpose of matching the financial terms of the assets in the Cover Pool with those of the covered bonds. Such derivative counterparties and the holders of covered bonds rank *pari passu* with joint seniority in relation to the Cover Pool.

By virtue of the aforementioned priority, holders of covered bonds and relevant derivative counterparties rank ahead of unsecured creditors and all other creditors of the Institution in respect of assets in the Cover Pool (except the administrator-in-bankruptcy as regards fees for his administration of assets in the Cover Pool and costs for such administration). The priority right also covers cash received by an Institution and deriving from the Cover Pool or relevant derivative contracts, provided that certain administrative procedures have been complied with. According to the SFSA Regulation, the independent monitor is to use a “risk based approach” in its inspection of the Institution’s compliance with the rules and regulations.

Due to what is generally regarded as an oversight by the legislator, there is some uncertainty as to whether a creditor that obtains execution (Sw: *utmätning*) against an asset in the Cover Pool earlier than three months before an Institution’s bankruptcy could defeat the priority afforded to holders of covered bonds and derivative counterparties as regards such asset. However, an execution that is levied less than three months before the Institution is being declared bankrupt will typically not defeat the priority.

### **Administration of the Cover Pool in the event of bankruptcy**

Should an Institution be declared bankrupt, at least one administrator-in-bankruptcy would be appointed by the bankruptcy court and one administrator-in-bankruptcy would be appointed by the Swedish FSA. The administrators-in-bankruptcy would take over the administration of the bankruptcy estate, including the Cover Pool.

Provided that (and as long as) the Cover Pool meets the requirements of the Covered Bonds Issuance Act (including the matching requirements), the assets in the Cover Pool, the covered bonds and any relevant derivative contracts that have been entered into the Register are required to be maintained as a unit and kept segregated from other assets and liabilities of the bankruptcy estate of the Institution. The administrators-in-bankruptcy are in such case required to procure the continued timely service of payments due under the covered bonds and any relevant derivative contracts. Consequently, the bankruptcy would not as such result in early repayment or suspension of payments to holders of covered bonds or to derivative counterparties, so long as the Cover Pool continues to meet the requirements of the Covered Bonds Issuance Act. Following amendments to the Covered Bonds Issuance Act in 2010, the administrators-in-bankruptcy may raise loans and enter into other agreements in order to achieve matching.

If, however, the Cover Pool ceases to meet the requirements of the Covered Bonds Issuance Act, and the deviations are not just temporary and minor, the Cover Pool may no longer be maintained as a unit and the continuous payment under the terms and conditions of the covered bonds and derivative contracts will cease. The holders of covered bonds and derivative counterparties would in such case instead benefit from a priority right in the proceeds of a sale of the assets in the Cover Pool in accordance with general bankruptcy rules. This could result in the holders of covered bonds receiving payment according to a schedule that is different from that contemplated by the terms and conditions of the covered bonds (with accelerations as well as delays) or that the holders of covered bonds are not paid in full. However, the holders of covered bonds and derivative counterparties would retain the benefit of the right of priority in the assets comprising the Cover Pool. Any residual claims of the holders of covered bonds and derivative counterparties remain valid claims against the Institution, but will rank *pari passu* with other unsecured and unsubordinated creditors of the Institution.

### **USE OF PROCEEDS**

The net proceeds from each issue of Notes and S.O. Bonds will be applied by the Issuer for its general corporate purposes, which include making a profit. If, in respect of an issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## LANDSHYPOTEK BANK AB (PUBL)

### History

Landshypotek Bank AB (publ) (the **Issuer**) 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 ID number 556500-2762, as part of the re-organisation of the General Mortgage Bank (Sw: Sveriges Allmänna Hypoteksbank) (**GMB**) and the county mortgage bank associations (the **associations**).

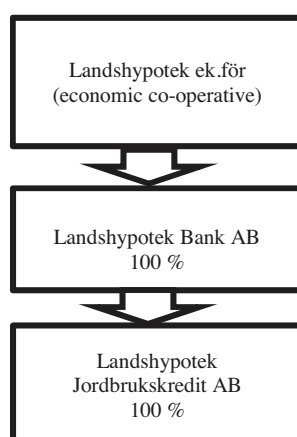
GMB was formed in 1861 as part of a government policy to increase the supply of capital to the agricultural sector. GMB's role was to fund its owners, the associations, through the issuance of bonds and debentures. The associations in turn provided funding for agricultural, forestry and horticultural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

The associations were re-organised as an economic co-operative on 1 January 1995 under the name Landshypotek ekonomisk förening (**Landshypotek, ek. för.**). At the same time, the business activities formerly carried out by GMB and the associations were transferred into a new subsidiary Landshypotek AB (publ). GMB was responsible for the borrowing during a transitional period to 30 June 1997. Since then the Issuer has been responsible for its own borrowing. The GMB has now been wound up.

In March 2012 the Issuer applied to the Swedish FSA for a license to conduct banking operations and the license was granted in November 2012. On 4 April 2013 the Issuer was formally registered as a bank under the new business name Landshypotek Bank AB (publ).

The address of the Issuer's registered office is Regeringsgatan 48, Stockholm, Sweden, telephone number +46(0)8 459 04 00.

### Organisational Structure



The Issuer is wholly-owned by Landshypotek, ek. för (incorporated association) (the **Association**) which is an economic co-operative whose members are the Issuer's loan debtors. Since 31 December 2001, the Association has been under the supervision of the Swedish FSA as parent company in the financial corporate group. The Issuer has one wholly-owned operating subsidiary, Landshypotek Jordbrukskredit AB (**Jordbrukskredit**). As used in this Offering Circular only (except as defined otherwise in the Terms and Conditions of the Notes), the Group (the **Group**) consists of the Issuer and Jordbrukskredit.

The Issuer and Jordbrukskredit are public limited liability companies incorporated in Sweden and regulated under the Swedish Companies Act. In addition, the Issuer is defined as a bank and Jordbrukskredit as a credit market company for purposes of the Act on Banking and Financing Activities (2004: 297) and, accordingly, come under the supervision of the SFSA. There are plans to merge Jordbrukskredit with the Issuer during 2014.

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.



## **Board of Directors**

### *Henrik Toll (Chairman)*

Born 1954, Sorunda. Chairman of Landshypotek Bank AB. Mr Toll, Agrologist, is also Chairman of Tham Invest AB, Stetting Holding AB and Fallda AB and a Director of Stora SundbyLantbruks-och Fritids AB, Vidbynäs Förvaltnings AB, Harry Cullbergs Fund and Djursnäs säteri AB.

### *Charlotte Önnestedt*

Born 1963, Ödeshög. Director of Landshypotek Bank AB. Mrs Önnestedt is a holder of a University Diploma in Agriculture and Rural Management.

### *Johan Löwen*

Born, 1959, Nyköping. Director of Landshypotek Bank AB. Mr Löwen, Graduate engineer, is also a Director of Hargs Bruk AB, Boo Egendom AB, Limmersvik AB, Firefly AB, Sjösa Förvaltning AB and Sjösa Gård AB.

### *Nils-Fredrik Nyblaeus*

Born 1951, Nyköping. Director of Landshypotek Bank AB. Mr Nyblaeus, MSc. Business and Economics, is Chairman of Bankgirocentralen AB (BGC), Upplysningscentralen BGC AB, Skandinaviska Enskilda Bankens Kollektivavtalsstiftelse and Skandinaviska Enskilda Bankens Rekreatiönsstiftelse. He is also a Director of SEB Trygg Liv Gamla AB, Unit-linked insurance company SEB Trygg Liv, SEB Trygg Liv Holding AB, Euroclear SA/Plc, and Austin Healey Club of Sweden.

### *Catharina Lagerstam*

Born 1962, Stockholm. Director of Landshypotek Bank AB. Ms Lagerstam, Ph.D. (Econ.), graduate engineer, is also a Director of Kommuninvest i Sverige AB, ICA Banken AB, Erik Penser Bank AB, StyrelseAkademien Stockholm and Retail Finance AB. Vice Chairman of Stiftelsen Franska Skolan, Director of Franska Skolans Fastighetsstiftelse and Fastighetsaktiebolaget Fattighuset and Chairman of Quaestus AB. Member of the Swedish Armed Forces Supervisory Council.

### *Hans Heuman*

Born 1952, Tågarp. Director of Landshypotek Bank AB. Mr Heuman, farmer and reg. physician is also a Director of Landshypotek, ek. För., Chairman of Marsvinsholms Gods AB, Vice Chairman of Lantmännens Forskningsstiftelse and Director of Lantmännen Maskin AB.

### *Anna-Karin Celsing*

Born 1962, Stockholm. Director of Landshypotek Bank AB, Ms Celsing, MSc. Business and Economics, is also Chairman of SVT AB and Director of Lannebo Fonder AB, Sevenday Finans AB, Kungliga Operan AB och O2 Vind AB.

### *Synnevo Trygg*

Born 1959, Saltsjö-Duvnäs. Director of Landshypotek Bank AB. Ms Trygg, MSc. Business and Economics, is also a Director in Trygg Hansa AB and Intrum Justitia AB.

### *Helena Andersson*

Born 1986, Helsingborg. Director of Landshypotek Bank AB. Employee Representative for SACO. Ms Andersson, MSc. Agronomy and Economics, is also an officer of Landshypotek Bank.

### *Hans Broberg*

Born 1962, Ystad. Director of Landshypotek Bank AB. Employee Representative for the Financial Sector Union of Sweden. Mr Broberg, MSc. Business and Economics is also an officer of Landshypotek Bank.

The business address of the Directors is Landshypotek Bank AB (publ), Box 14092, 104 41, Stockholm.

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or other duties.

## **Business**

The Issuer is a member-owned bank specialising in lending to Swedish agriculture and forestry with real property as collateral. The Issuer's core business is to offer first mortgage loans on competitive terms and conditions to its members. The issuer also offers insurance (in partnership with Gjensidige), finance company services (in partnership with DNB Finans) and saving products to the general public in Sweden.

Lending is primarily undertaken by the Issuer, limited lending activities are undertaken by its subsidiary Jordbrukskredit.

The Issuer is responsible for all borrowing. The Issuer 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 Issuer is owned by the Association. All of the Issuer's loan customers automatically become members of the Association. The Association is a democratic organisation where all members have one vote at the annual general meeting.

## **Lending Policy**

### *The Issuer*

At 31 December 2013, the Issuer's lending to the public amounted to SEK 60,665 million representing a market share of about 30 per cent. of the mortgage lending to the agricultural sector in Sweden. All lending is domestic and all such lending is made in Swedish krona.

The average remaining time until reset of the loans is approximately one year and six months. Loans can have original maturities of up to thirteen years and are secured by first priority mortgages on real estate or state guarantees. Each party may terminate the loan to take effect on the last day of the reset period without any charge. The Issuer's lending is based on the principle of individual evaluation of financed properties. All loans are made against mortgage deeds within 75 per cent. of internally determined loan value based on an assessment of the actual value of the collateral.

The value is usually determined based on price data, tax assessment values or other circumstances known about the property. In case of doubt, a physical on-site inspection of the property is always performed. Such investigation is performed by the Issuer's representatives, or by other appraisers authorised by the Issuer. In both cases the value is documented in an appraisal opinion in writing, which forms the basis for determining the loan value.

Depending on risk classification of the debtor and loan-to-value, there are different ways to complement the loan application, for example by a business analysis or living cost calculation.

There are various stages in the decision-making process before a loan is granted to a borrower. Depending on the amount of the loan, risk classification and loan-to-value, the decision making process will involve a combination of the regional branch, the Credit Committee and the Credit Committee of the Board/Board of Directors. The regional branch has a discretionary limit, depending on the risk classification of the debtor and the loan-to-value. If the loan amount, the risk classification and loan-to-value are not admitting the loan being decided by the regional branch, the Credit Committee will make the decision. If the loan amount is greater than the limit of the Credit Committee, then the loan application is decided by the Credit Committee of the Board or in some cases the Board of Directors. The Board of Directors meets approximately ten times a year to review, *inter alia*, the lending portfolio, non-performing loans and large exposures. If necessary the Board of Directors will hold an extraordinary meeting to review specific loans.

Mortgages in Swedish real estate are granted by the registered owner of the property signing a deed of pledge and are perfected by the mortgagee receiving one or more mortgage certificate(s) (*Sw. pantbrev*) or being noted as the holder of the mortgage in the applicable public Land Register in which case no mortgage certificate is issued; i.e. it can be said to be dematerialised (*Sw. datapantbrev*).

A Swedish mortgage certificate, whether in physical form or dematerialised, is always for a sum certain. In case of enforcement of a pledge, the claims of mortgagees have priority in accordance with the priority set out for the relevant mortgage certificates in the applicable Swedish Land Register.

If a pledge over Swedish real estate is to be enforced, the Enforcement Service Authority (*Sw. Kronofogdemyndigheten*) will conduct a forced sale, usually by public auction. The proceeds of the auction are then, when certain claims preferred by law have been paid, distributed to the mortgagees (or the owner of the property should there be a mortgage certificate not securing any debt) in the order of

priority accorded to their mortgage certificates and to the extent the nominal amount (with certain additions) of the relevant mortgagee's certificates suffice. Should a mortgagee's claim not have been satisfied in full following such distribution, the debtor will remain liable but the claim will be unsecured.

#### *Jordbrukskredit*

The lending granted by Jordbrukskredit may be secured by other collateral than real estate property, such as a personal guarantee, floating charge or with EU-support as collateral (EU loans). Loans by Jordbrukskredit are only granted to borrowers to the Issuer. The decision making process for the granting of loans by Jordbrukskredit is organised in the same manner as for the Issuer.

#### **Loan Analysis**

The Group's asset quality is supported by a number of factors:

- The portfolio is well diversified both geographically and in terms of size.
- The traditionally long-term commitment of farmers to their occupation and properties together with a correspondingly strong repayment ethic.
- The agricultural sector is less speculative than other areas of the real estate market, as many farms remain in the family and are passed down through the generations.
- There is a good spread of risk because many farmers have diversified into forestry and other activities.
- The Group's excellent understanding of its customers' business combined with local insight into each farmer.

Net recognised loan losses in 2013 amounted to SEK 54.4 million corresponding to 0.09 per cent. of the Issuer's total loans outstanding. The increase in loan losses was attributable to a few individual commitments and, from a portfolio perspective, loan losses remain at a low level.

On 31 December 2013, doubtful credits after provisions amounted to SEK 174.3 million, corresponding to 0.29 per cent. of total loans outstanding. The percentage of doubtful credits has risen from a low level. In individual cases, liquidity has been under pressure, which negatively impacted the repayment capacity of these customers. All customers who fall into the doubtful credits category are subject to individual assessment and analysis for potential provisions. The issuer's provision policy remains unchanged.

#### **Derivative instruments**

The Issuer had as at 31 December 2013 derivative assets amounting to SEK 581 million and derivative liabilities amounting to SEK 1,222 million. These positions are disclosed in the published accounts pursuant to IFRS.

#### **Competitors**

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

#### **Expected Future Development**

The choice of an economic co-operative as a corporate structure for the Landshypotek, ek. för. reflects the strong tradition of co-operatives in the Swedish agricultural and forestry sectors and the desire of members to control the business. The Swedish agricultural co-operative movement emerged around 1880, mostly as local dairy and supply and crop marketing associations. Landshypotek, ek. för.'s principal goal is to promote the financial interests of its members. In this respect, a co-operative structure is considered the most effective way of returning surpluses to the members. This in turn is expected to produce a loyal ownership and customer group with a strong incentive in the performance of the Issuer. Landshypotek, ek. för. has a highly diversified ownership base with approximately 45,000 members.

#### **Capital Adequacy**

Landshypotek, ek. för. has been subject to capital adequacy requirements since 31 December 2001 and reports capital adequacy in accordance with rules for financial corporate groups together with the Issuer and Jordbrukskredit. The capital adequacy ratio for the Group and the Association was 9.9 per cent. at year-end 2013 according to transitional rules. Based on the Basel II regulation without transitional rules, the capital adequacy was 32.0 per cent.

**Material Contracts**

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

**Recent Developments**

The Issuer was formally registered as a bank in April 2013.

Since then the Issuer has started to introduce savings accounts that offer competitive interest rates for the general public in Sweden. In February 2014 the Issuer changed its trademark and started to use the name Landshypotek Bank. A fully integrated online application has been made available for customers in order to start saving account on landshypotek.se and in the digital bank.

The Managing Director Mr Kjell Hedman is due to retire during 2014. The Issuer is recruiting a successor.

## TAXATION

### Swedish Taxation

*The following summary outlines certain Swedish tax consequences to holders of Notes and S.O. Bonds who are not residents of Sweden for income tax purposes. Purchasers are urged to consult their professional advisers as to the tax consequences of acquiring, holding or transferring Notes and S.O. Bonds.*

Under Swedish law as presently in effect, payments of any principal or any amount that is considered to be interest for Swedish tax purposes to the holder of any Note or S.O. Bond will not be subject to Swedish income tax, provided that such holder is neither resident in Sweden for tax purposes nor engaged in trade or business in Sweden through a permanent establishment to which the Notes or S.O. Bonds are effectively connected. A person is resident for tax purposes in Sweden if he (i) is domiciled in Sweden or (ii) has his habitual abode in Sweden or (iii) is present in Sweden for six consecutive months, or (iv) earlier has been domiciled in Sweden and after having moved abroad continues to have an essential connection with Sweden (for example is engaged in trade or business in Sweden).

Swedish law, as presently in effect, does not provide for deduction or withholding for or on account of taxes on payments of any principal or interest to the holder of any Notes or S.O. Bonds, except on payment of interest and any other yield on any Notes or S.O. Bonds which is paid at the same time as interest, to a holder who is a private individual or an estate of a deceased individual with tax residence in Sweden.

### EU Directive on the Taxation of Savings Income

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

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

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

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

### The proposed financial transactions tax (the FTT)

The European Commission has published a proposal for a Directive for a common financial transactions tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes and S.O. Bonds (including secondary market transactions) in certain circumstances.

Under current proposals 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 Notes and S.O. Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in

a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

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 Notes or S.O. Bonds are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

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

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

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

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

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 or S.O. Bonds, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes or S.O. Bonds, 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 or S.O. Bonds are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes or S.O. Bonds by the Issuer, any paying agent and the Common Depositary or Common Safekeeper, 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 or S.O. Bonds. The documentation expressly contemplates the possibility that the Notes or S.O. Bonds may go into definitive form and



therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes and S.O. Bonds will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

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

## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement dated 28 May 2014 as supplemented and/or amended and/or restated from time to time, the **Programme Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes or S.O. Bonds. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”, “*Terms and Conditions of the VPS Notes*”, “*Form of the S.O. Bonds*”, “*Terms and Conditions of the VPS Notes*”, “*Terms and Conditions of the S.O. Bonds*” and “*Terms and Conditions of the VPS S.O. Bonds*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the update of the Programme and the issue of Notes and S.O. Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### ***United States***

The Notes and S.O. Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes or S.O. Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes or S.O. Bonds on a syndicated basis, the relevant lead manager, of all Notes or S.O. Bonds of the Tranche of which such Notes or S.O. Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes or S.O. Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes or S.O. Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes or S.O. Bonds an offer or sale of such Notes or S.O. Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### ***Public Offer Selling Restriction under the Prospectus Directive***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes or S.O. Bonds which are the subject of the offering contemplated in this Offering Circular as completed by the applicable Final Terms or applicable Pricing Supplement, as the case may be, in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes or S.O. Bonds to the public in that Relevant Member State:

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

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

For the purposes of this provision, the expression **an offer of Notes or S.O. Bonds to the public** in relation to any Notes or S.O. Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes or S.O. Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Notes or S.O. Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes or S.O. Bonds 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
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes or S.O. Bonds in, from or otherwise involving the United Kingdom.

### ***Japan***

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

### ***Norway***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes or S.O. Bonds will not be offered to or sold within Norway or outside Norway to Norwegian citizens whose tax residence is in Norway without the Notes or S.O. Bonds, as the case may be, prior thereto having been registered in the VPS.

### ***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or S.O. Bonds or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes or S.O. Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

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

## GENERAL INFORMATION

### Authorisation

The current update of the Programme (including, *inter alia*, the increase in the aggregate nominal amount of the Programme) and the issue of Notes or S.O. Bonds thereunder has been duly authorised in accordance with resolutions of the Board of Directors of the Issuer dated 10 April 2014.

### Listing of Notes and S.O. Bonds

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes or S.O. Bonds issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC)

### Documents Available

For the period of 12 months following the date of this Offering Circular, 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 consolidated and non-consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2012 and 31 December 2013, in each case together with the audit reports prepared in connection therewith (with an English translation thereof);
- (iii) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith;
- (iv) the Programme Agreement, the Agency Agreement, the Deed of Covenant, the VPS Trust Deed, the VPS Agency Agreement and the forms of the Global Notes and the Global S.O. Bonds, the Notes and S.O. Bonds in definitive form, the Coupons and the Talons;
- (v) a copy of this Offering Circular; and
- (vi) any future offering circulars, prospectuses, information memoranda, supplements to this Offering Circular, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note or S.O. Bond and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes or S.O. Bonds and identity) and any other documents incorporated herein or therein by reference.

Copies of each Final Terms relating to Notes or S.O. Bonds which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with the Prospectus Directive. Copies of each Final Terms relating to any other Notes or S.O. Bonds will only be available for inspection by a holder of such Notes or S.O. Bonds upon production of evidence satisfactory to the Principal Paying Agent as to the identity of such holder.

### Clearing Systems

The Notes and S.O. Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes or S.O. Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes or S.O. Bonds are to clear through an additional or alternative clearing system (including the VPS) the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

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

**Conditions for determining price**

The price and amount of Notes or S.O. Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

**Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer or Group since 31 March 2014 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2013.

**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 Christina Asséus-Sylvén and Ulf Westerberg of Öhrlings PricewaterhouseCoopers AB. Anna Hesselman and Bengt Fröander (both former auditors of the Issuer) of Öhrlings PricewaterhouseCoopers AB have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in Sweden for the financial year ended 31 December 2012 and issued unqualified audit reports thereon. Christina Asséus-Sylvén and Ulf Westerberg 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.

**Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

**Yield**

The yield relating to a particular issue of Notes or S.O. Bonds will be stated in the Final Terms relating to those Notes or S.O. Bonds and is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

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