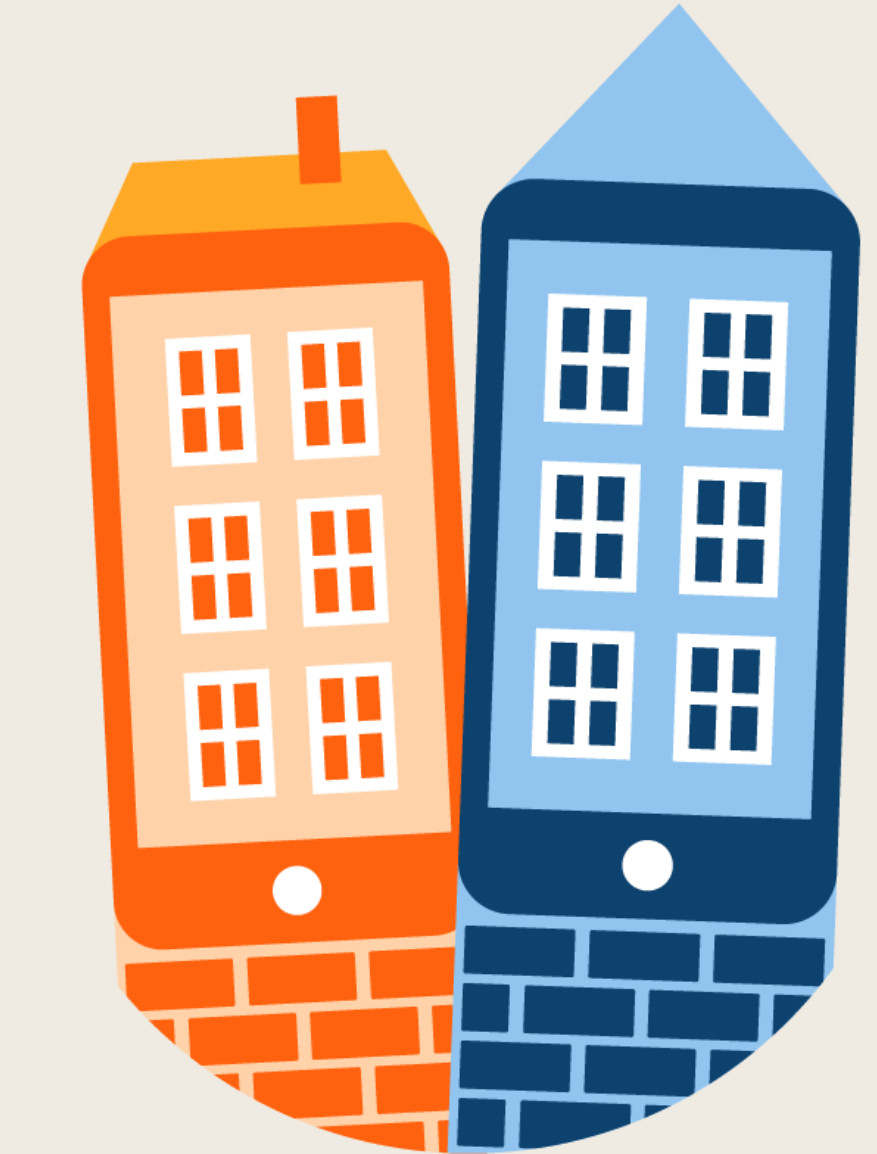


SBAB!

AT1 investor presentation

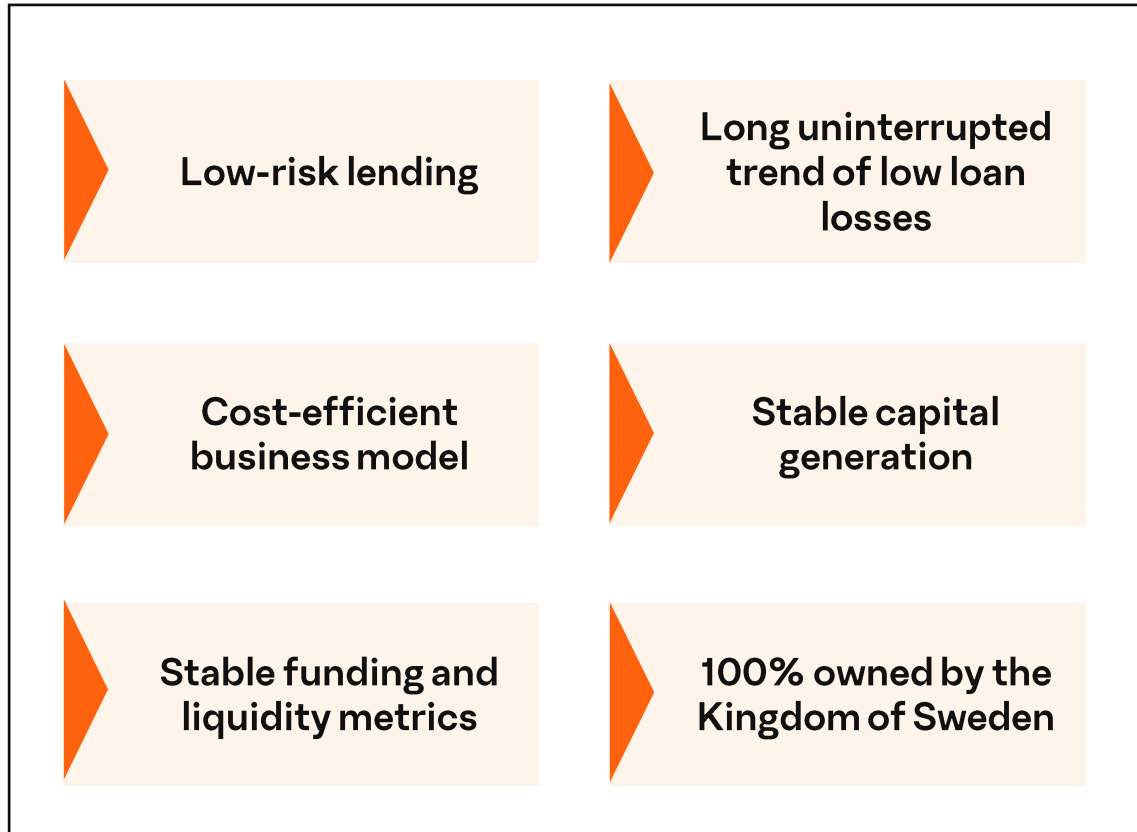
SBAB Bank AB (publ)

February 2024



Overview

Key investment highlights



Transaction rationale

SBAB!

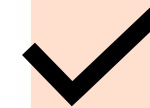
SEK Benchmark
Perpetual NC5.25yr Additional Tier 1



- Optimise and maintain SBAB's strong capital position



- Enable future growth



- Support leverage ratio



- Support capital metrics for the credit rating



Executive summary

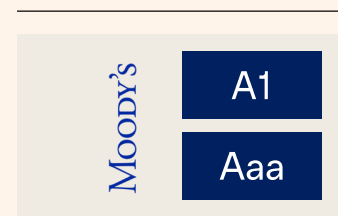
- 100% owned by the Kingdom of Sweden & all lending in Sweden and in SEK
- Financial targets from owner covering profitability, capitalisation & dividend
- Swedish mortgage portfolio, predominantly residential mortgages (5th largest mortgage lender in Sweden)
- High-quality deposit base derived from strong savings offering (~70% covered by the Swedish deposit guarantee scheme)
- Low risk business; credit losses remain at very low levels (0.02% for FY 2023)
- Adequate capital position well above MDA restrictions

Total lending (SEK bn)

517

Total deposits (SEK bn)

215



11.5%

Return on equity
FY 2023

12.3%

CET1 capital ratio
YE 2023

0.02%

Credit loss level
FY 2023

31.0%

C/I ratio
FY 2023



Contents

1	Business update
2	Credit portfolio and asset quality
3	Liquidity and funding
4	Capital position
5	Indicative term sheet
6	Appendix

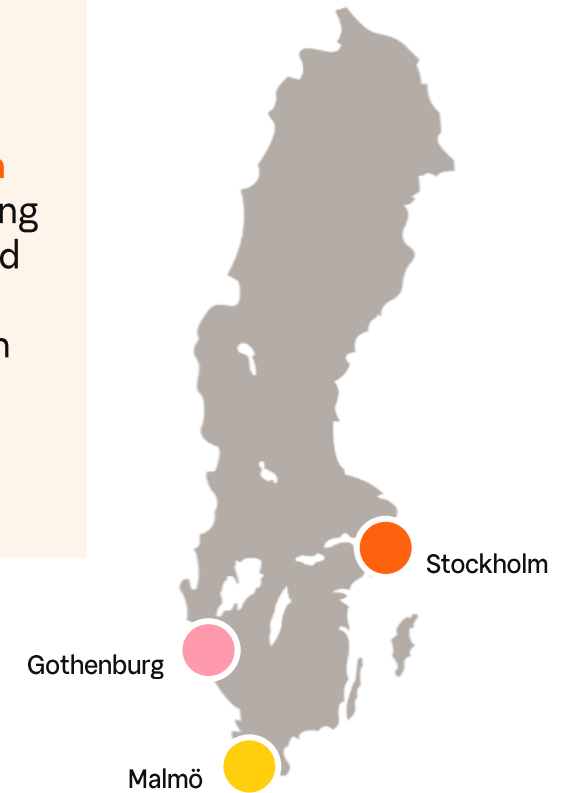


Business overview

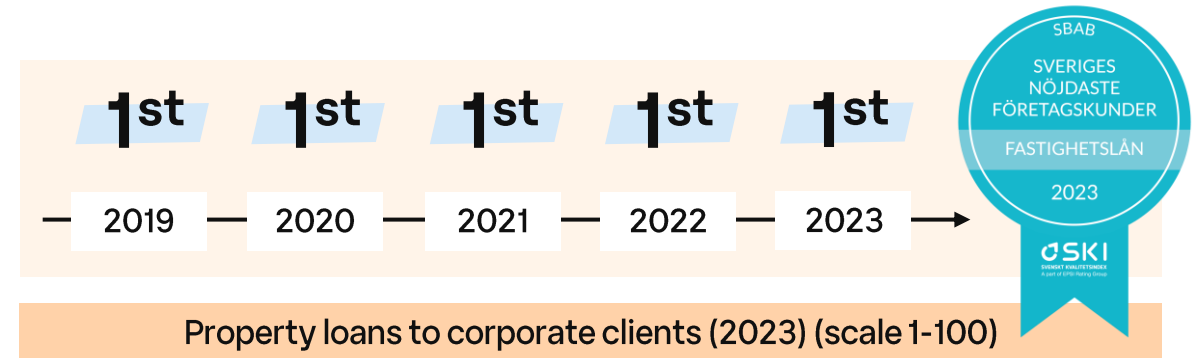
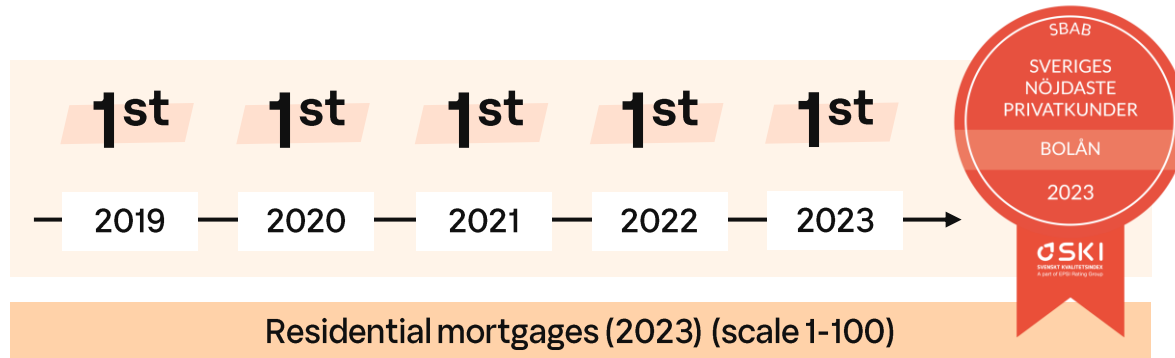
- Founded in 1985 & 100% owned by the Kingdom of Sweden
- Mortgage bank with vast majority collateralized lending (total lending of SEK 517.4 billion)
- Straightforward business model (mortgage lending & savings accounts) & operations only in Sweden
- 948 employees in five offices
- Two business areas;
 - Retail
 - Corporate Clients & Tenant-owners' Associations

SBAB's lending is geographically concentrated to the economic hubs in Sweden

(metropolitan areas including Stockholm, Gothenburg and Malmö as well as other university cities and growth regions). Lending is only offered in Sweden and in Swedish Kronor (SEK).



Most satisfied customers in Sweden



Overview of FY 2023 results

SEK million	Jan-Dec 2023	Jan-Dec 2022	▲
Lending (SEK bn)	517.4	509.5	+1.6%
Deposits (SEK bn)	215.2	182.4	+18.0%
Net interest income	5,446	4,655	+17.0%
Net commission	-34	12	-46 mn
Net result financial transact.	-95	-35	-60 mn
Costs	-1,663	-1,529	+8.8%
Loan losses	-93	-68	+25 mn
Imposed fees: Risk tax and res. fee (new row 2022)	-541	-445	+96 mn
Operating profit	3,070	2,639	+16.3%
C/I ratio (%)	31.0%	32.7%	-1.7 pp
Return on equity (%)	11.5%	10.5%	+1.0 pp
Loan loss ratio (%)	-0.02%	-0.01%	-0.01 pp
CET1 capital ratio (%)	12.3%	12.8%	-0.5 pp

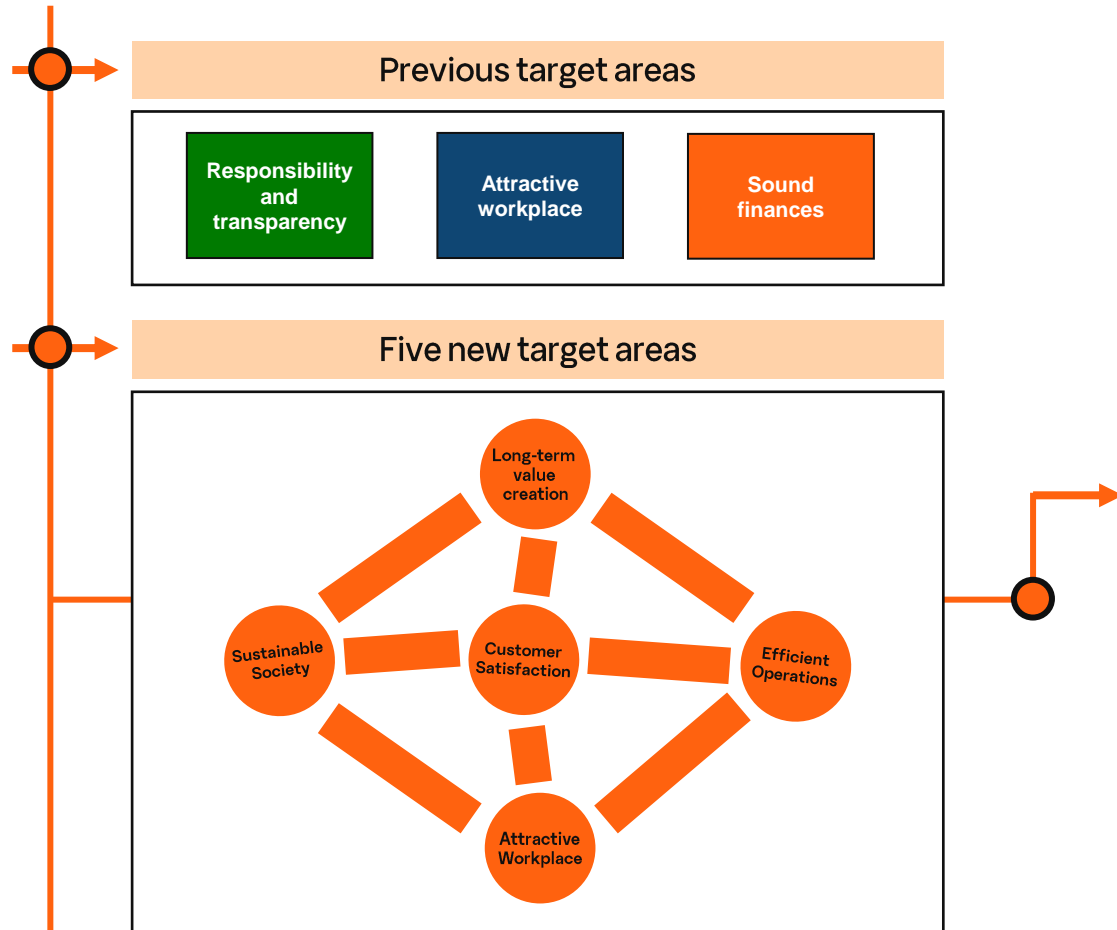


Financial targets from owner

	Target	Results 2023	Results 2022	Results 2021	Results 2020	Results 2019
Profitability: Return on equity over time	≥10%	11.5%	10.5%	11.1 %	10.8%	11.7%
Dividend: Ordinary dividend based on profit for the year after tax, taking the Group's capital structure into account	≥40%	40% (suggested)	40%	40%	0%	0%
Capitalisation: CET1 capital ratio and total capital ratio above regulatory requirement communicated by the Swedish FSA	CET1 capital ratio above requirement: >0.6%	2.2%	2.6%	4.3%	5.4%	2.4%
(Management CET1 capital target implemented in Feb 2022: 1-3 percentage points above regulatory requirement)	Total capital ratio above requirement: >0.6%	2.6%	3.0%	4.2%	5.4%	5.2%



Long-term strategic targets to 2030

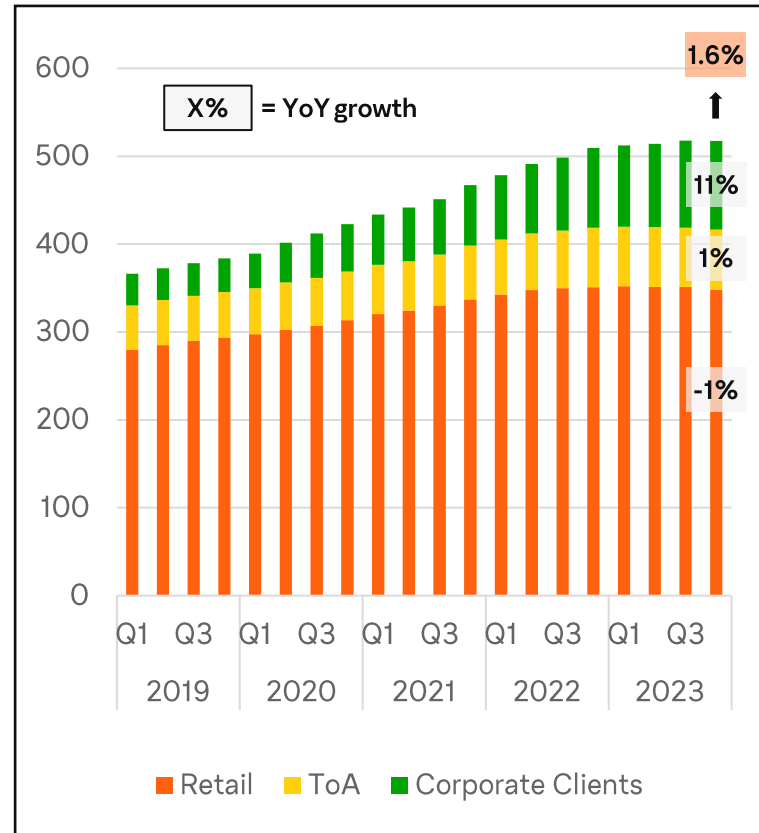


Target area	Target 2030
Long-term Value Creation	<ul style="list-style-type: none">Return on Equity: ≥10%
Sustainable Society	<ul style="list-style-type: none">Emission Reduction: -50% (to 2038)
Customer Satisfaction	<ul style="list-style-type: none">Market Share Residential Mortgages: 10%Market Share Corporates: 20%Market Share Tenant-Owners' Associations: 15%
Efficient Operations	<ul style="list-style-type: none">Cost/Income Ratio: <30%
Attractive Workplace	<ul style="list-style-type: none">Commitment: ≥4 (on a scale of 1-5)

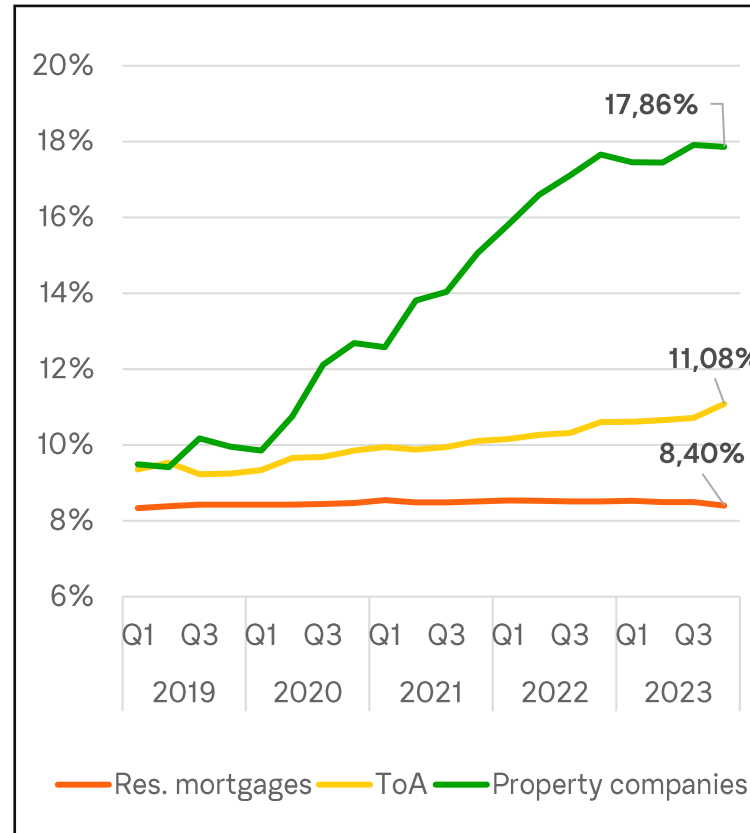


Overview lending development

Lending (SEK bn)



Market shares (%)



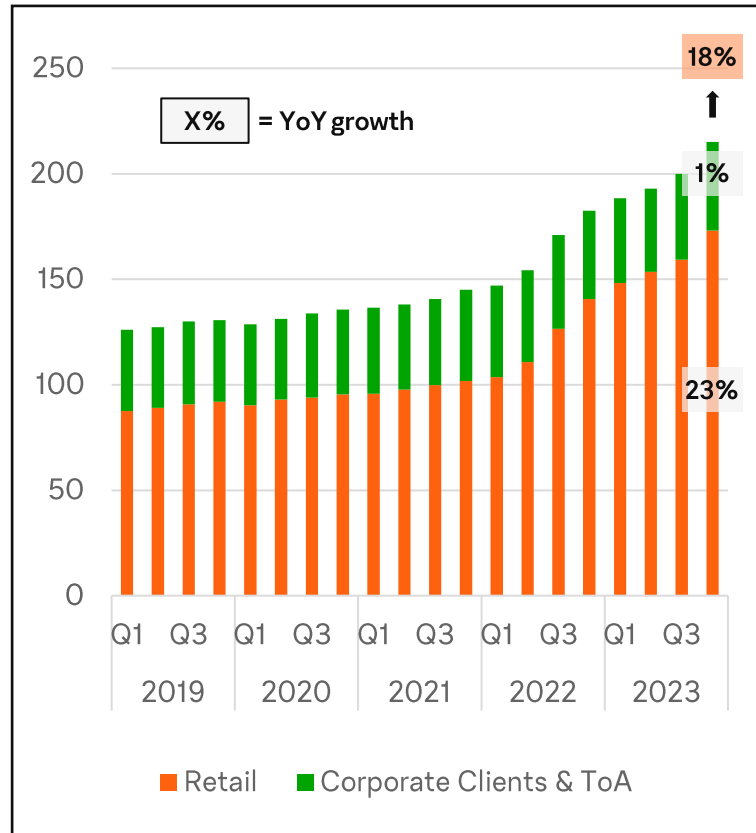
Comments

- Total lending stood at 517.4 bn at the end of 2023, up 1.6% from YE 2022
- Slow-down in housing market has resulted in a decrease in credit market growth for residential mortgages, down from 4.2% a year ago to 0.4% in December 2023 (YoY figures)
- Bank financing is expected to partly replace maturing wholesale funding in the RRE segment going forward, supporting lending growth in the sector
- SBAB continues to do well despite challenging market conditions & gaining market share across all segments if excluding divestment of mortgage portfolio (SEK 5.2 bn) related to previous distribution collaboration

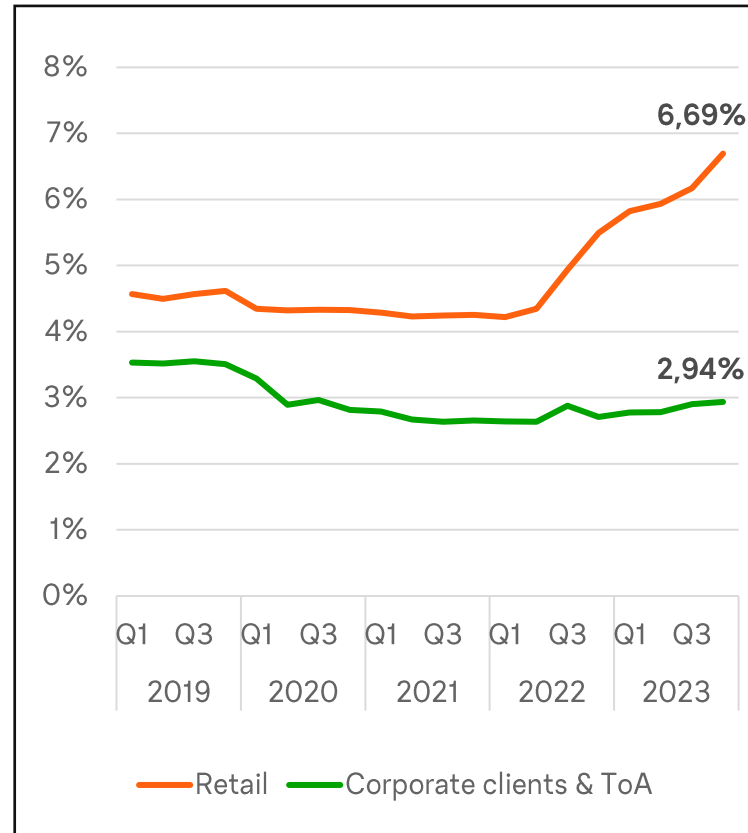


Overview deposit development

Deposits (SEK bn)



Market shares (%)



Comments

- Strong growth in 2022 and 2023 following regained strategic focus on growing share of deposits in funding mix. Total deposits stood at SEK 215.2 bn at YE 2023, up 18.0% compared with YE 2022
- Success attributable to competitive pricing, simple terms and conditions and efficient marketing
- Product development – fixed-term deposits launched for Retail customers in Q4 2023
- Deposit-to-loan ratio has increased to 41.6% at YE 2023 vs. 35.8% at YE 2022
- ~70% of total deposits under Swedish deposit guarantee scheme



SBAB's commitment to sustainability

Ambitious (science-based) long-term climate target

Target towards 2038 to reduce emission intensity (kg CO₂e)

-50%

Signatory to Principles for Responsible Banking



Signatory to Partnership for Carbon Accounting Financials (PCAF)



Signatory to UN Global Compact, Communication on Progress (COP)




Recurrent Green Bond issuer

Green bonds (YE 2022)
SEK ~36bn


↕

Eligible Green Loans (YE 2022)
SEK ~56bn


SBAB!




Green lending products



Green residential mortgages (~42bn at YE 2022)




Green investment loans to corporate clients




Sustainability-linked loans

Strong sustainability ratings



Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)
-------------------	--------------------	----------------	--------------	--------------

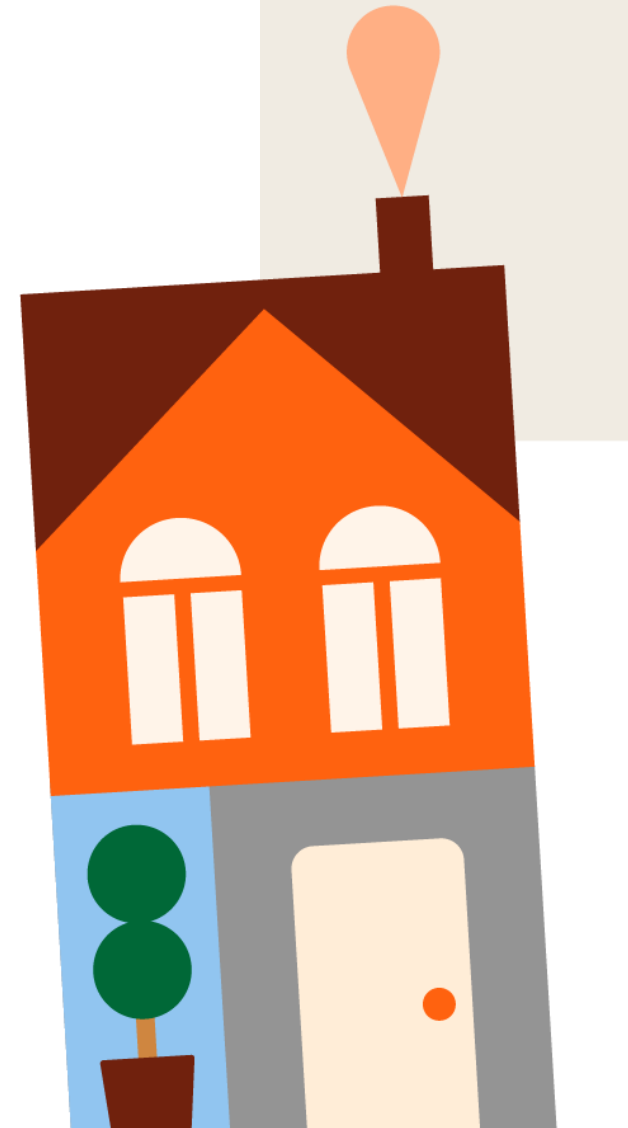


CCC	B	BB	BBB	A	AA	AAA
-----	---	----	-----	---	-----------	-----



Contents

- | | |
|---|------------------------------------|
| 1 | Business update |
| 2 | Credit portfolio and asset quality |
| 3 | Liquidity and funding |
| 4 | Capital position |
| 5 | Indicative term sheet |
| 6 | Appendix |

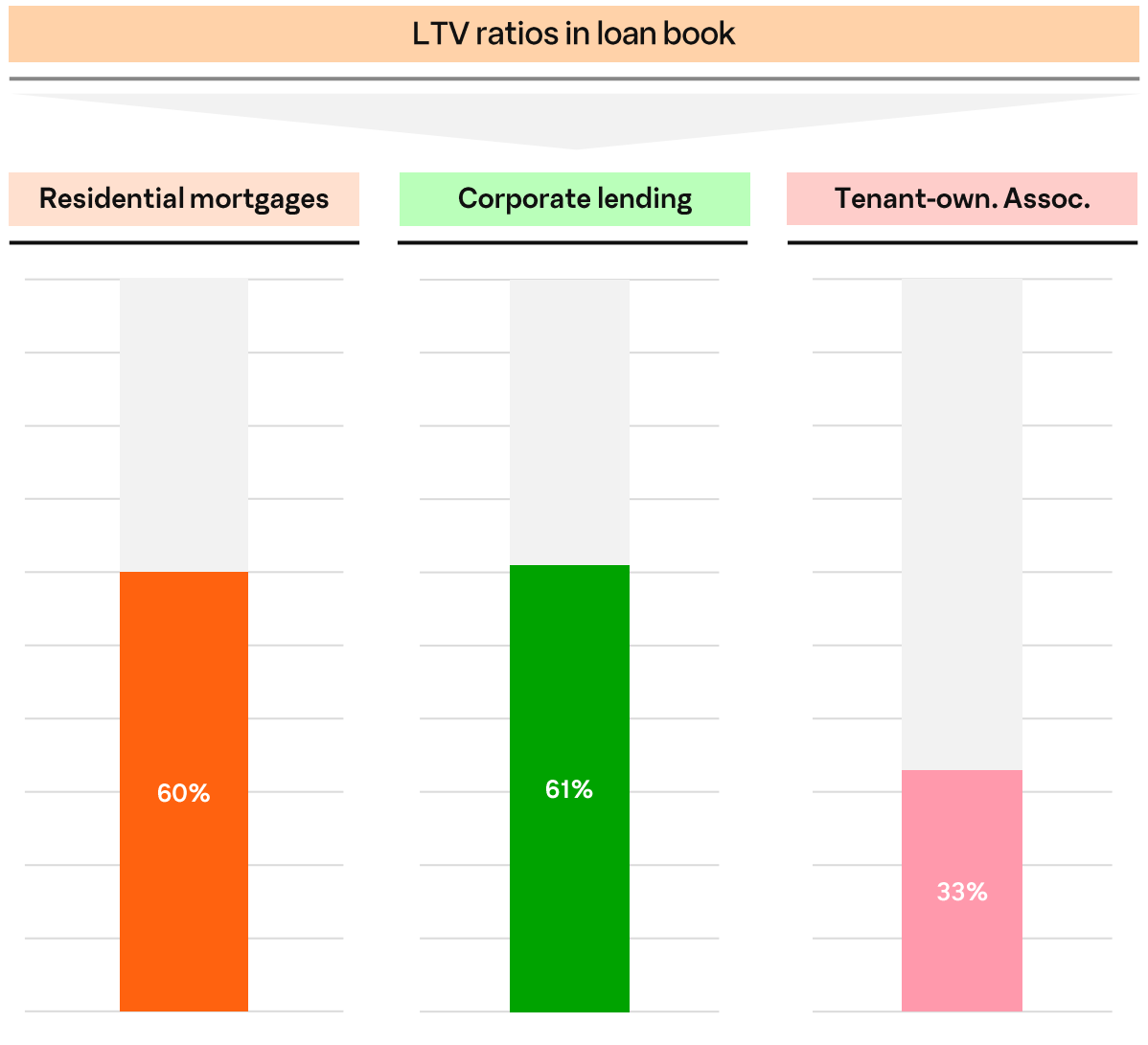


Lending mix

SBAB!

	SEK billion	% of lending	Average LTV
Residential mortgages	346.3	66.9%	60%
Consumer loans	1.8	0.3%	
Property companies	100.8	19.5%	61%
– (Of which, commercial lending)	(10.6)	(2.0% ¹⁾)	
– (Of which, construction loans)	(13.2)	(2.6%)	
Tenant-Owners' Associations	68.5	13.2%	33%
Total lending	517.4	100%	

1) Revised internal definition of commercial lending during Q3 2022 (the corresponding figure for Q2 2022 was 0.3%)

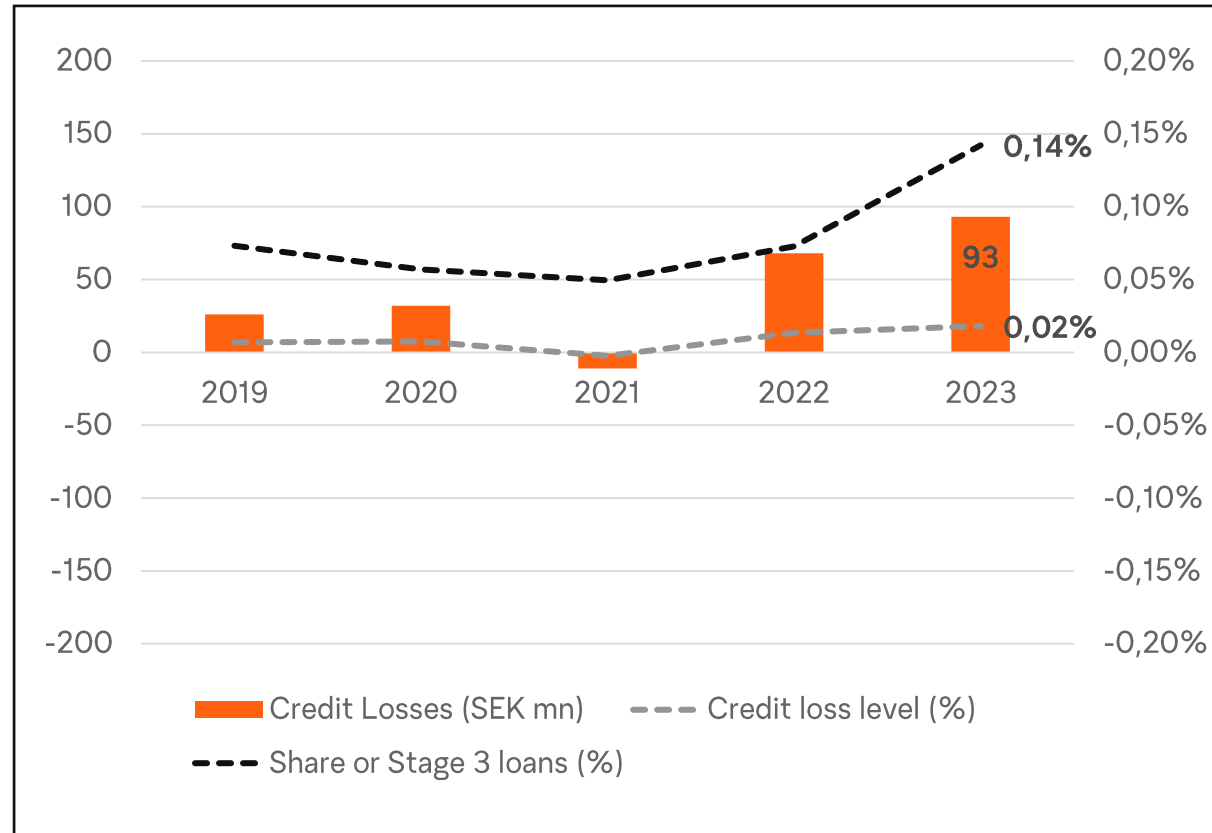


Very strong asset quality over time...

– High concentration on Swedish residential mortgages – very low loan losses/problem loans over time

Credit losses & Share of stage 3 loans and Credit loss level (% , RHS)

- Low-risk loan portfolio focused on collateralised residential lending in Sweden
- Prudent underwriting criteria
- Proven track record over time & strong resilience towards recent economic downturn



Key metrics

-93 MSEK

Credit losses
FY 2023

-9 MSEK

Confirmed credit losses
FY 2023

0.02%

Credit loss ratio
FY 2023

0.14%

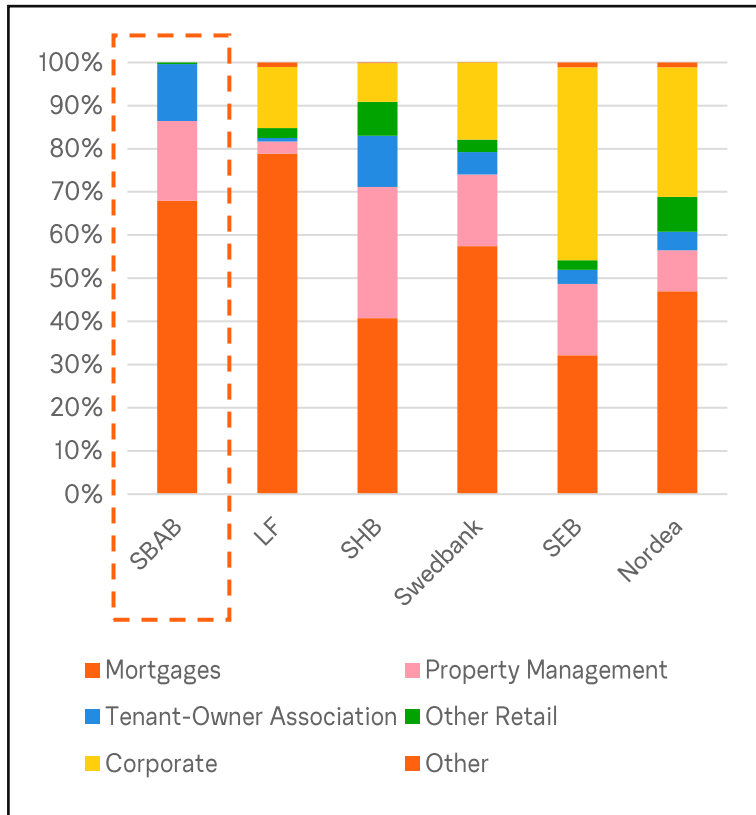
Share of stage 3 loans
31 Dec 2023



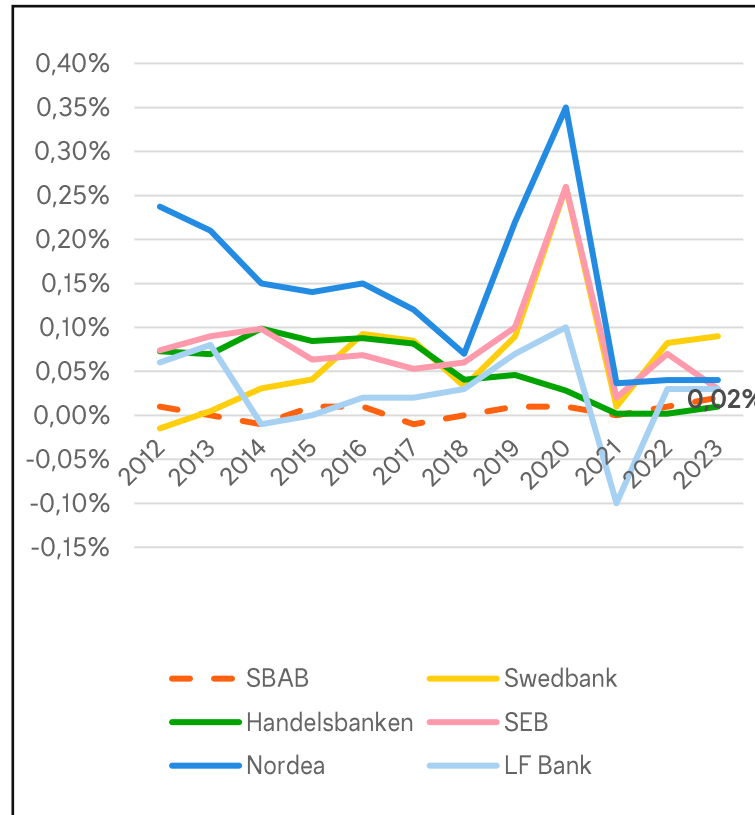
...also in comparison to peers

– High concentration on Swedish residential mortgages – very low loan losses/problem loans over time

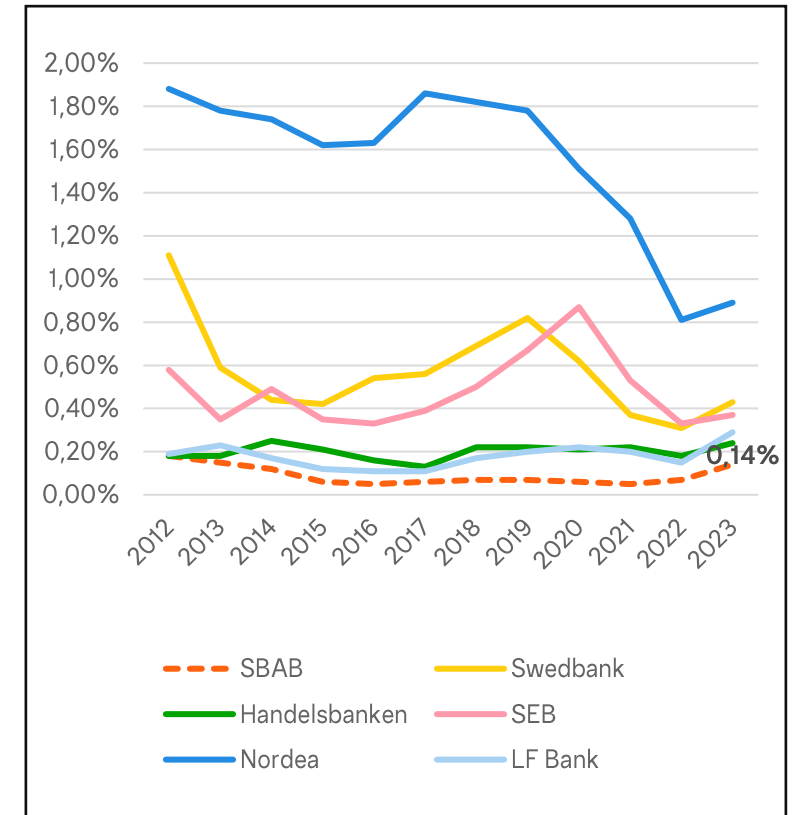
Loan portfolio split Q2 2023*



Credit losses 2012–2023*

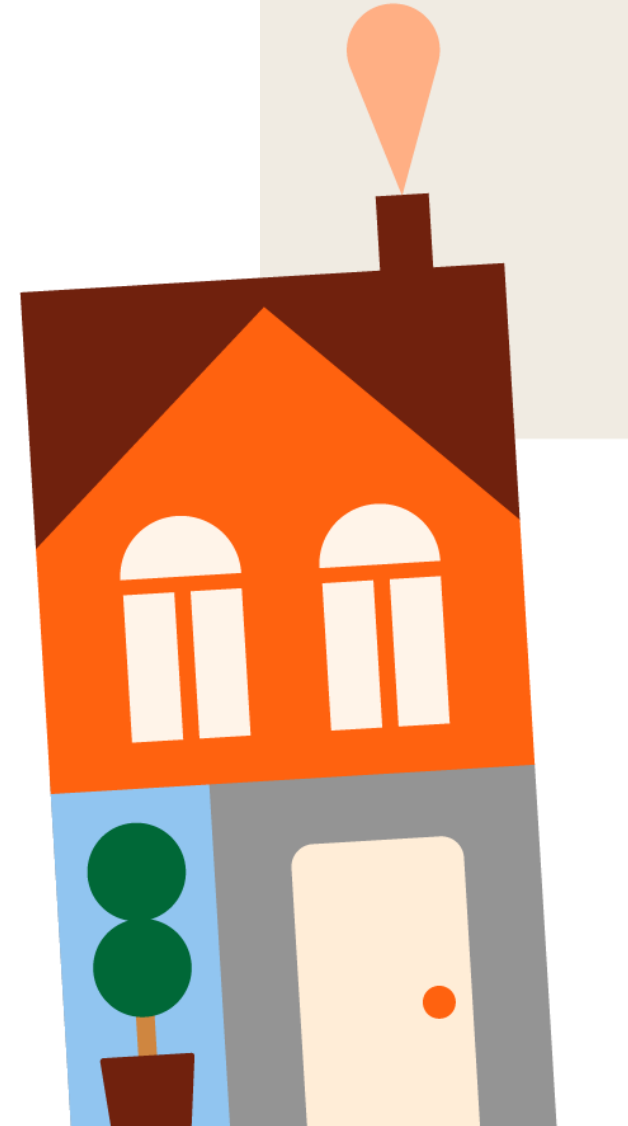


Impaired loans 2012–2023*



Contents

1	Business update
2	Credit portfolio and asset quality
3	Liquidity and funding
4	Capital position
5	Indicative term sheet
6	Appendix

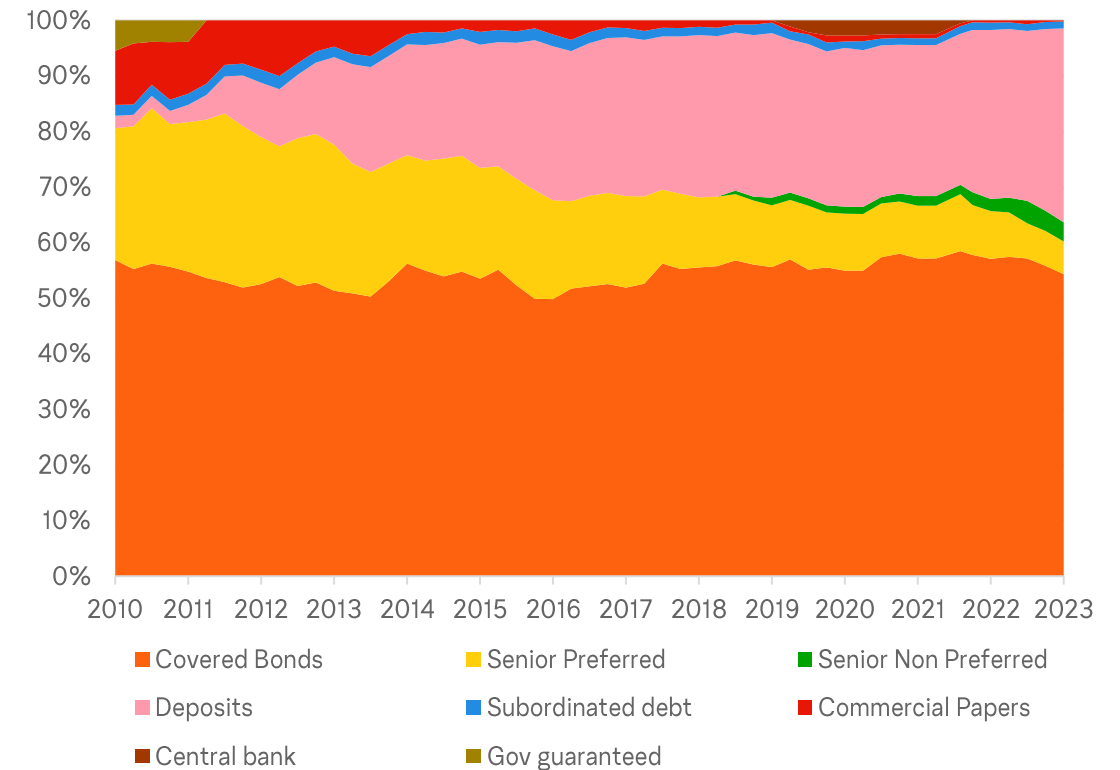


Funding strategy & development

Funding strategy

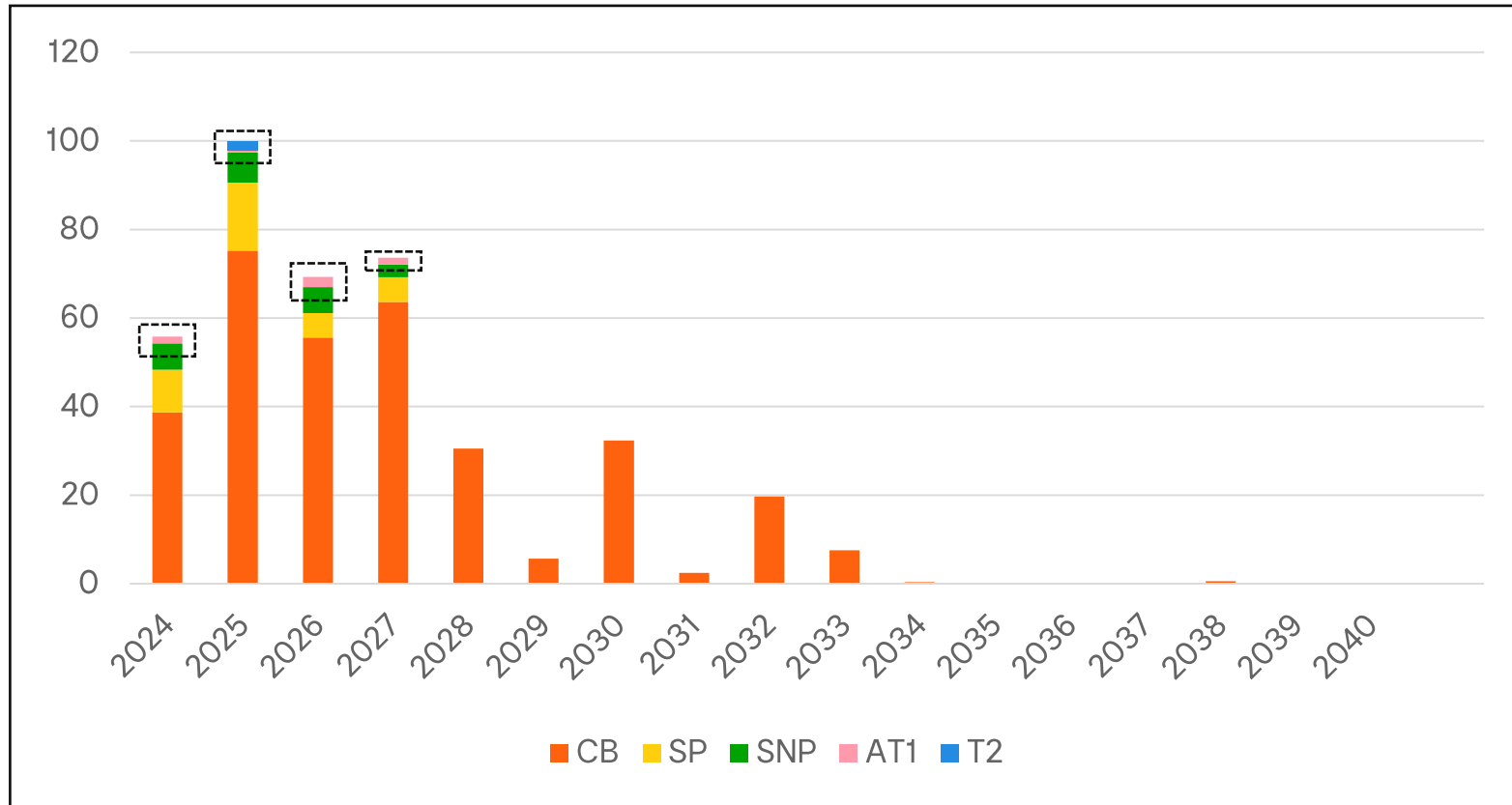
- Maintain access to core funding markets; SEK- and EUR-market
- Regular benchmark issuance in both covered and unsecured format. Private placements as a complement.
- Reduced wholesale funding reliance due to growing deposit volumes
- Efficient use of CB funding (~55% of total funding). Utilizing the depth and stability of the Swedish Covered Bond Market
- Limited use of short dated funding through CP-programs, interbank funding and central bank facilities
- Dedicated green bond issuance subject to green lending volumes
- Committed to capital issuance in SEK

Development of funding sources over time



Maturity profile

Maturity profile (SEK bn)



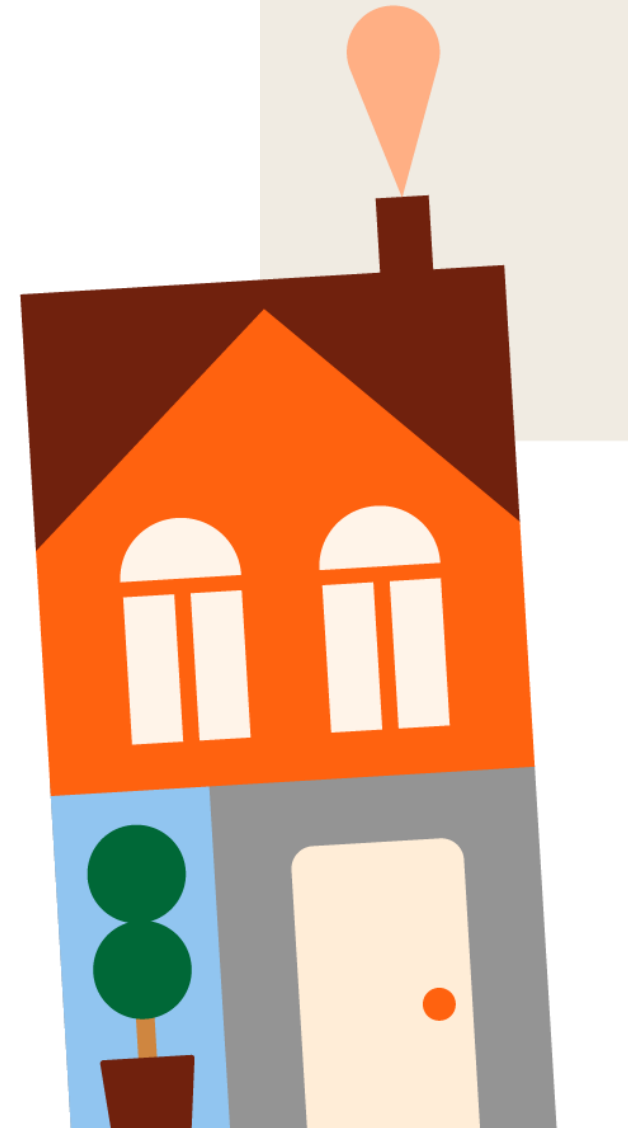
Comments

- Smooth funding profile reduces refinancing risk
- Extended maturity profile with successful benchmark issues in longer tenors
- Liquidity risk mitigated through buy-backs of maturing bonds
- Outstanding AT1 & T2 first possible call dates between 2024 to 2027



Contents

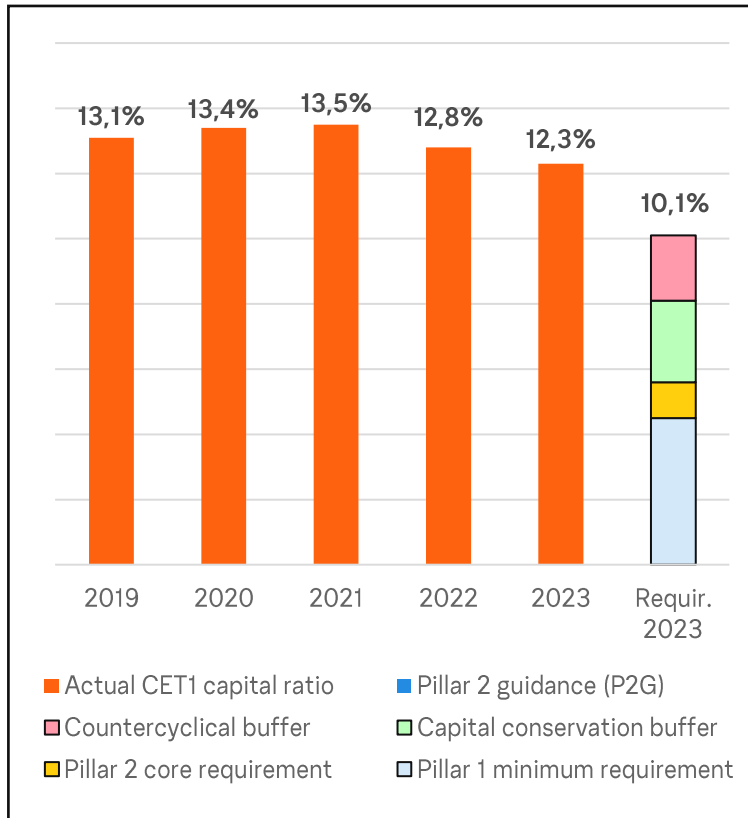
1	Business update
2	Credit portfolio and asset quality
3	Liquidity and funding
4	Capital position
5	Indicative term sheet
6	Appendix



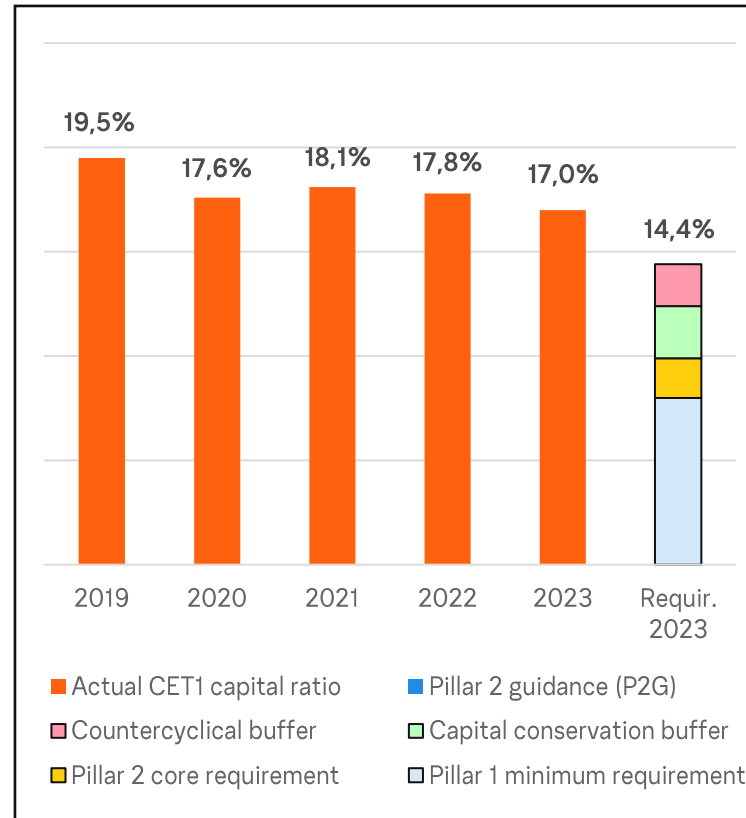
Overview current capital position

– SBAB well above regulatory requirements

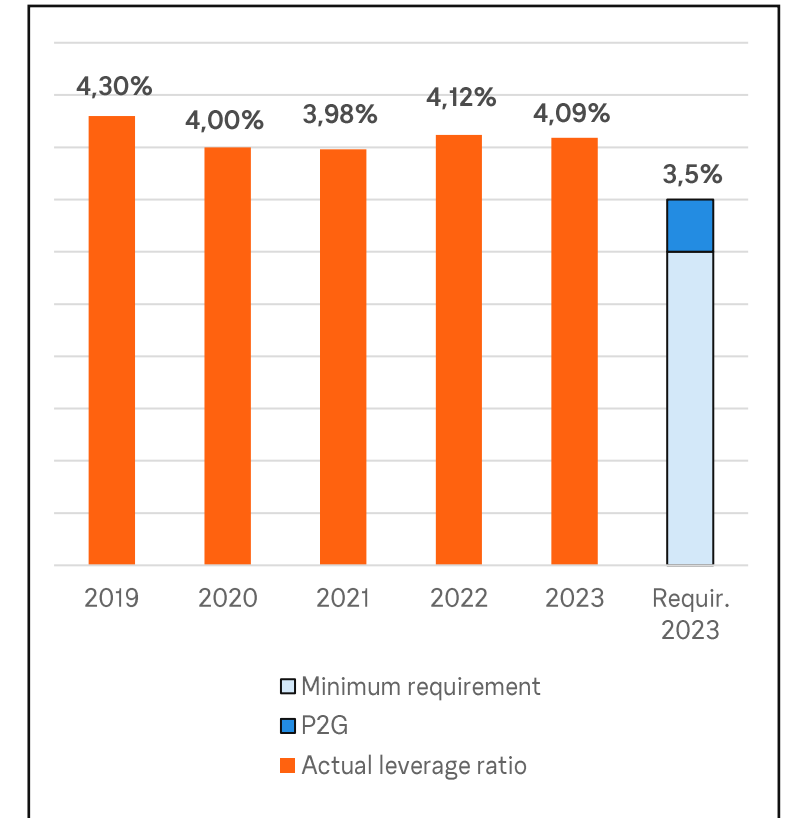
CET1 capital ratio vs. requirement



Total capital ratio vs. requirement

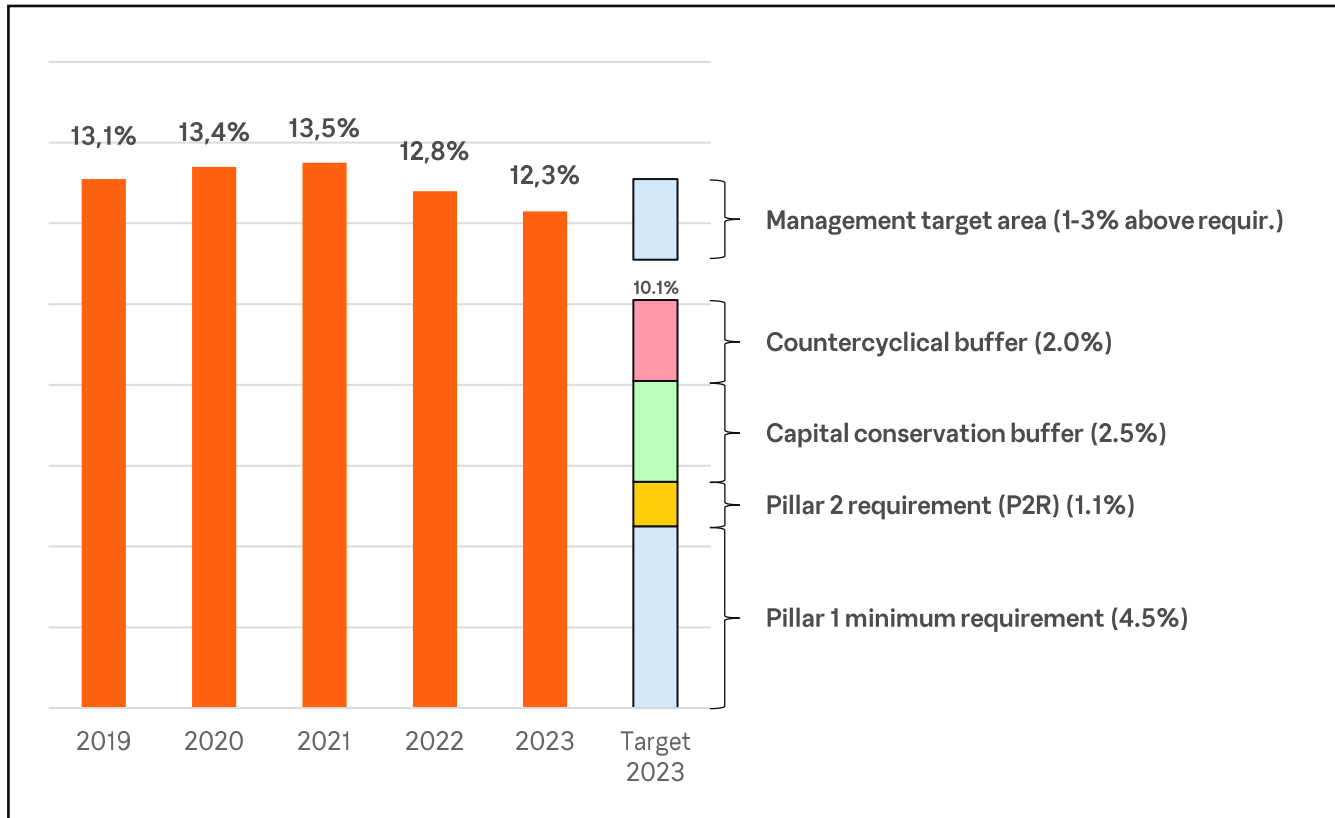


Leverage ratio vs. requirement



SBAB's capital targets

Components of SBAB's CET1 capital target & actual CET1 capital ratio



Comments

- CET1 margin to requirement of 2.2% at YE 2023 – well within range of management CET1 capital target of 1-3% above regulatory requirement
- Risk weighted Pillar 2 guidance for SBAB set at 0%, significantly below peers, reflecting SBAB's robust and low-risk business model



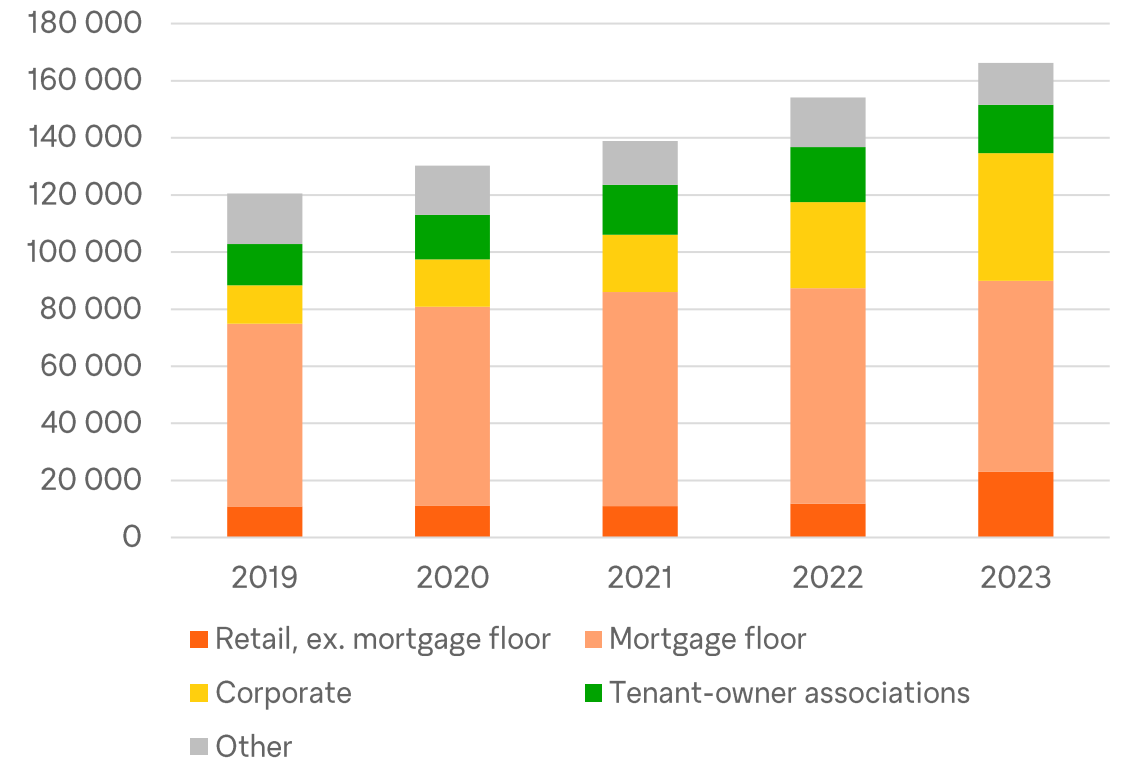
Development in REA

– 25% risk-weight floor on Swedish mortgages contributes significantly to REA

Comments

- True risk weights (internally calculated) far lower than mandatory/restricting risk weight floor applied by the Swedish FSA of 25% for Swedish residential mortgages (article 458)
- Mortgage portfolio (representing 67% of total lending) thus contributes to stability in REA
- Strong growth in lending has contributed to growth in REA
- Implementation of new PD models for corporate exposures increased REA in Q3 2023

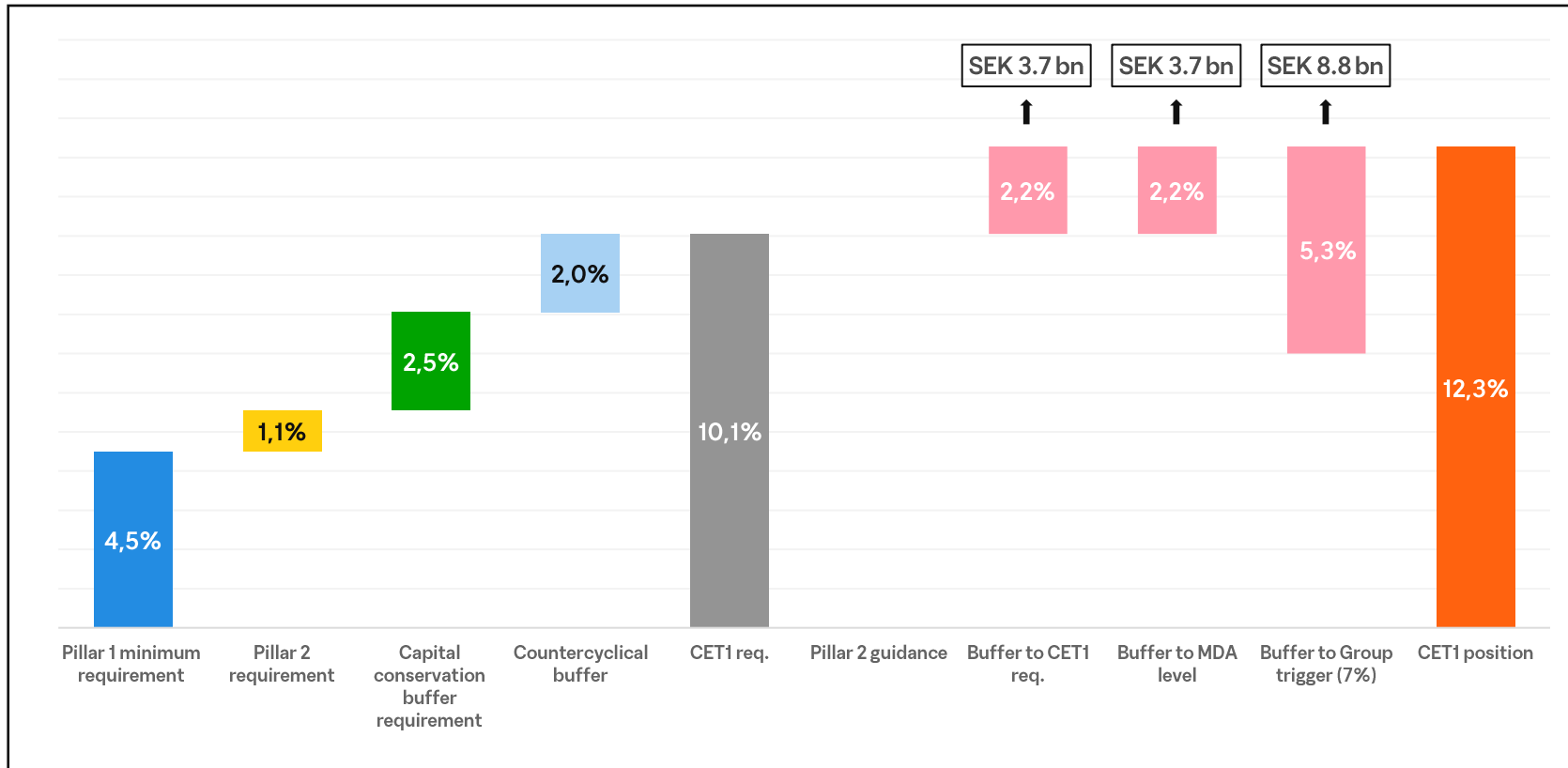
Development and composition of REA (SEK mn)



Comfortable buffer to MDA restrictions

– Comfortable buffer to both MDA restrictions and Trigger level

CET1 position vs. Trigger level and MDA restrictions



Comments

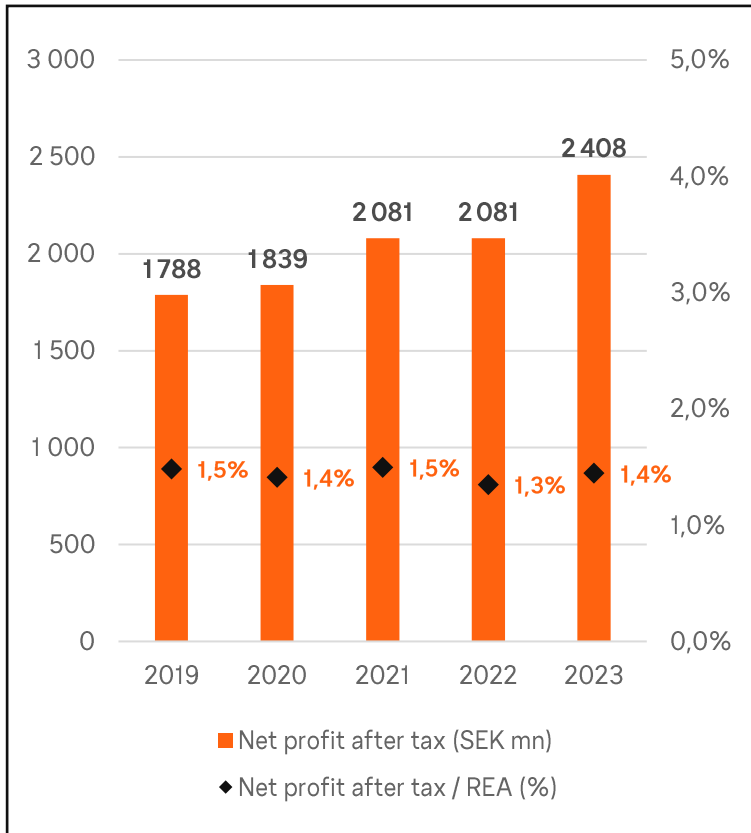
- SBAB consistently keeps a comfortable distance to the MDA restriction
- Buffer of 2.2% (SEK 3.7 bn) is within management target (CET1: 1-3%)
- Buffer is over a full year's profit before tax



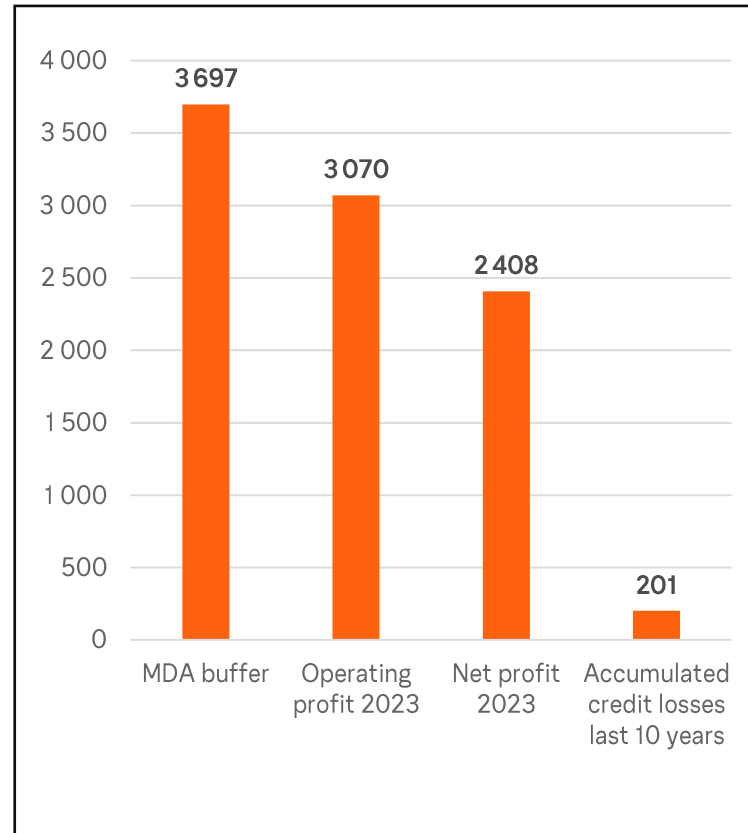
MDA buffer in relation to business model

– Ten years of accumulated credit losses (2014-2023) of SEK 201 million is equal to only 5% of the MDA buffer

Net profit after tax (SEK mn)



MDA buffer vs. accum. losses (SEK mn)



Comments

- Strong earnings development with low volatility has resulted in stable capital generation over time
- Low credit losses attributable to low-risk business model
- Ten years of accumulated credit losses (2014-2023) of SEK 201 million is equal to only 5% of the MDA buffer

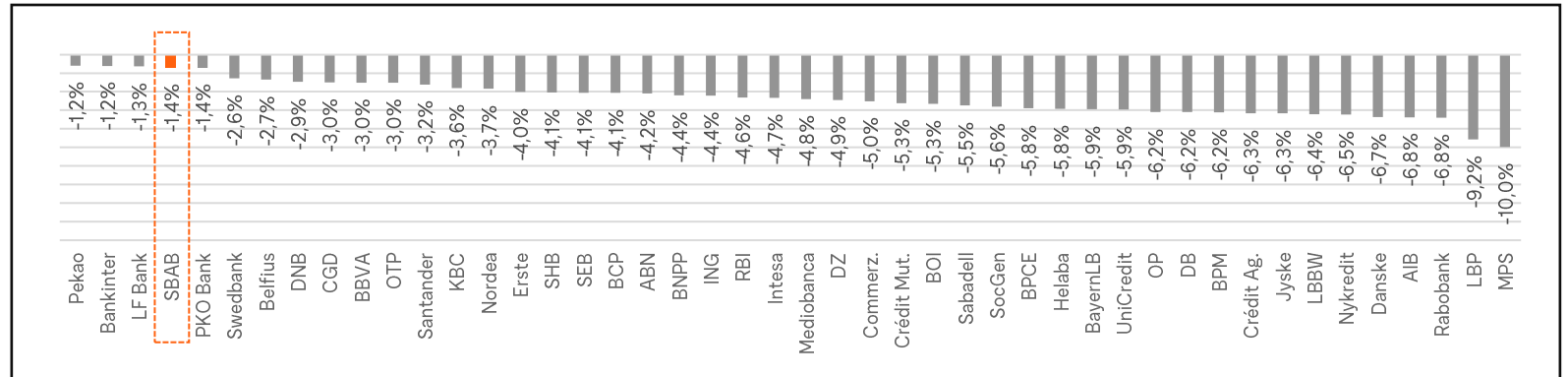


Strong resilience confirmed by EBA

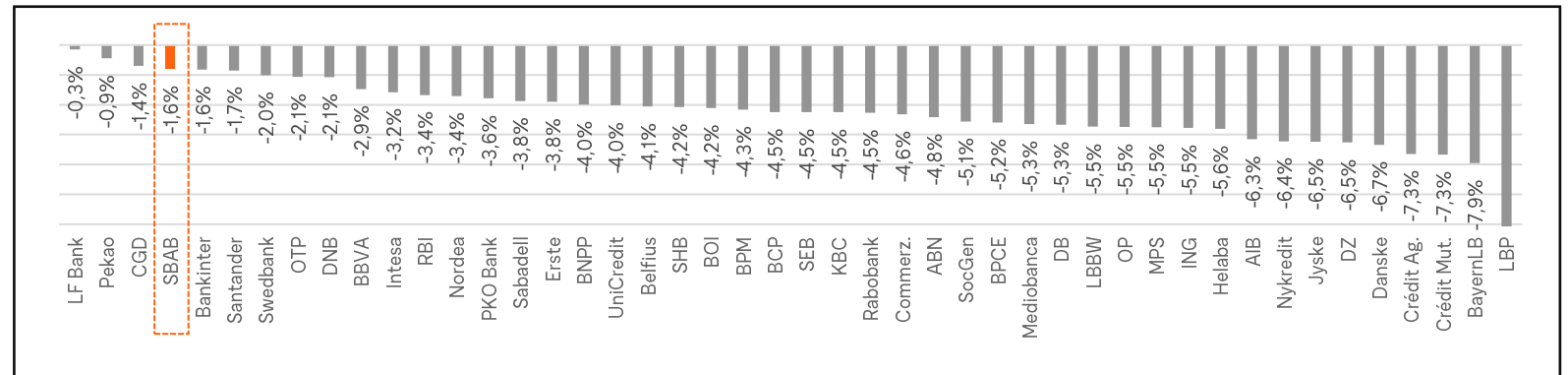
– SBAB's robust business and resilient capital position confirmed in EBA stress test

- On 28 July 2023, the EBA published the results of its EU-wide stress test. The forward-looking analysis covers the period 2023-2025 and considers the resilience of financial institutions to adverse shocks to the economy
- As in 2021, SBAB once again showcased strong resilience under the adverse scenario, with very tough and conservative assumptions for Sweden
- SBAB's robust business model (low-risk lending portfolio with focus on residential mortgages) as well as 25% risk-weight floor for mortgage lending in Sweden important factors for the strong results

Maximum negative CET1 ratio impact in adverse scenario (%) (2021)



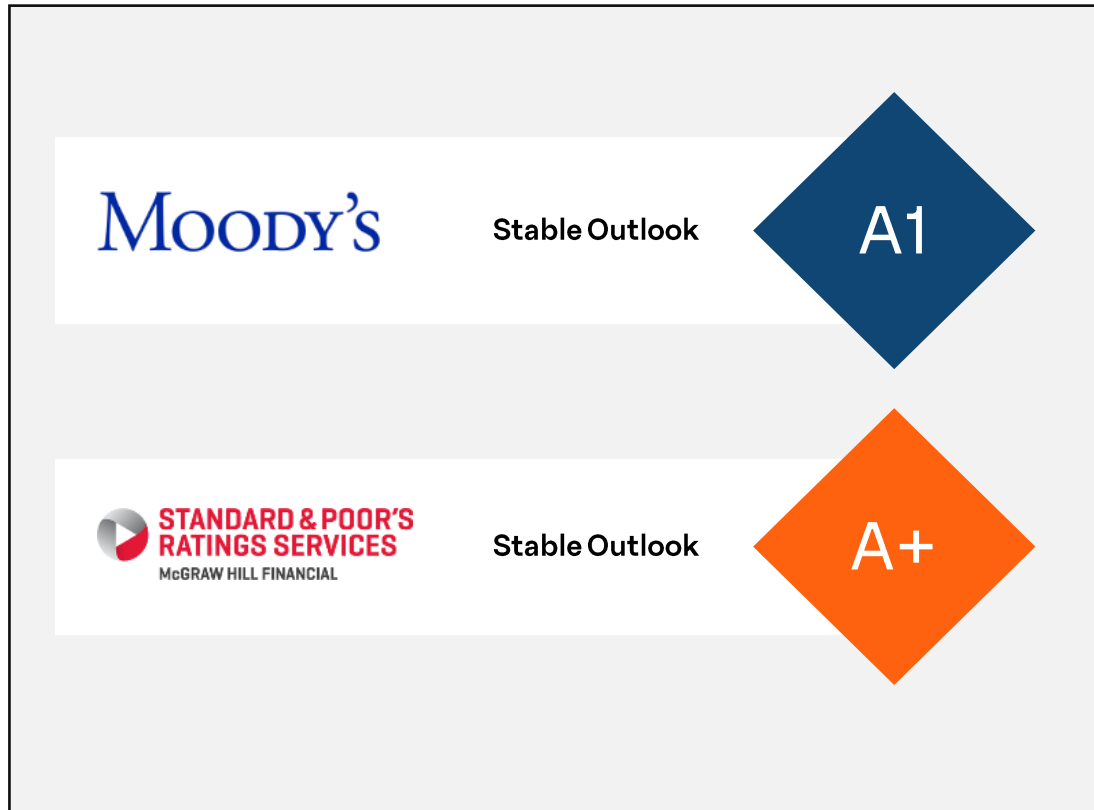
Maximum negative CET1 ratio impact in adverse scenario (%) (2023)



Rating overview

– Upgraded to A+ by S&P in February 2023

Senior Unsecured Rating



Moody's

STANDARD & POOR'S
RATINGS SERVICES
McGraw Hill Financial

Investment
Grade

Aaa Sov. rating

Aa1

Aa2

Aa3

A1 Senior Preferred

A2

A3

Baa1 BCA and SNP

Baa2 T2

Baa3

Non Investment
Grade

Ba1 AT1

Ba2

[...]

AAA Sov. rating

AA+

AA

AA-

A+ Senior Preferred

A

A- SACP

BBB+ SNP

BBB T2

BBB-

BB+

BB AT1

[...]



Expected AT1 rating vs. peers

MOODY'S

	Adjusted Financial Profile	Qualitative Adjustments	Resulting BCA range	Assigned BCA	Affiliate Support	Adjusted BCA	AT1 Adjustments	AT1 Rating
SEB	a3	-	a2-baa1	a3	-	a3	-3	Baa3
SHB	a3	+1	a1-a3	a2	-	a2	-3	Baa2
Swedbank	a3	-1	a3-baa2	baa1	-	baa1	-3	Ba1
LF	a3	-	a2-baa1	a3	-	a3	n/a	n/a
SBAB!	a3	-1	a3-baa2	baa1	-	baa1	-3	Ba1

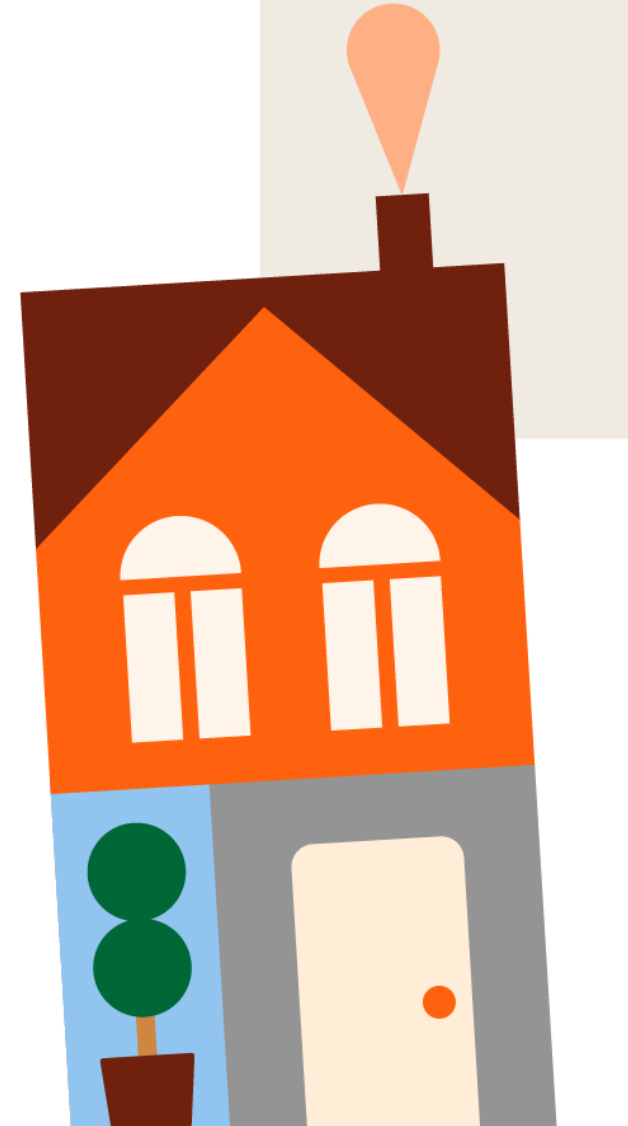
STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

	Anchor	Business Position	Capital & Earnings	Risk Position	Funding & Liquidity	SACP	AT1 Adjustments	AT1 Rating
SEB	a-	Adequate (0)	Strong (+1)	Adequate (0)	Adequate (0)	a	n/a	n/a
SHB	a-	Strong (+1)	Strong (+1)	Adequate (0)	Adequate (0)	a+	-4	BBB
Swedbank	a-	Strong (+1)	Strong (+1)	Moderate (-1)	Adequate (0)	a	-4	BBB-
LF	a-	Moderate (-1)	Very strong (+2)	Moderate (-1)	Adequate (0)	a-	-3	BBB-
SBAB!	a-	Moderate (-1)	Strong (+1)	Adequate (0)	Adequate (0)	a-	-5	BB



Contents

1	Business update
2	Credit portfolio and asset quality
3	Liquidity and funding
4	Capital position
5	Indicative term sheet
6	Appendix



Indicative term sheet

Issuer	<ul style="list-style-type: none"> SBAB Bank AB (publ)
Expected issuer rating	<ul style="list-style-type: none"> BB and Ba1 (hyb) by S&P/Moody's
Currency & Principal Amount	<ul style="list-style-type: none"> SEK Benchmark
Maturity	<ul style="list-style-type: none"> Perpetual
First Call Date	<ul style="list-style-type: none"> [•] February 2029 ("5 years")
Spread	<ul style="list-style-type: none"> 3mStibor / SEK MS + [•] bps
Initial Call Period	<ul style="list-style-type: none"> First Call Date + 3m
Optional Redemption Dates	<ul style="list-style-type: none"> The Issuer may redeem all (but not some only) outstanding Notes (i) any time within the Initial Call Period or (ii) any Interest Payment Date falling after the Initial Call Period, at their principal amount, together with accrued interest (if any), subject to regulatory approval
Special Event Redemption	<ul style="list-style-type: none"> The Issuer may redeem all (but not some only) of the Notes at par on any Interest Payment Date in case of a Capital Event or a Tax Event, subject to the Swedish FSA approval
Status	<ul style="list-style-type: none"> Deeply subordinated Senior only to share capital and other obligations of the Issuer ranking, or expressed to rank, junior to the Notes
Loss Absorption Mechanism – Write-down	<ul style="list-style-type: none"> Temporary write-down upon breach of 7% CET1 at the SBAB Consolidated Situation or 5.125% at the Issuer level Discretionary reinstatement and write-up to a maximum of the initial principal amount of the Notes Subject to Statutory PONV
Coupon Structure / Interest	<ul style="list-style-type: none"> [•]
Substitution and Variation	<ul style="list-style-type: none"> Upon the occurrence of a Tax Event or a Capital Event, the Issuer may, without any requirement for the consent or approval of the Noteholders, either substitute all or vary the terms of the Notes so that they remain qualifying Additional Tier 1 securities
Admission to trading	<ul style="list-style-type: none"> Nasdaq Stockholm
Governing Law	<ul style="list-style-type: none"> Swedish law
Target Market	<ul style="list-style-type: none"> Eligible counterparties and professional clients only
Denomination	<ul style="list-style-type: none"> SEK 2,000,000
Documentation	<ul style="list-style-type: none"> Standalone – Investors should read the preliminary risk factors and preliminary terms & conditions attached to this presentation
Settlement	<ul style="list-style-type: none"> Euroclear Sweden
Joint Lead Managers	<ul style="list-style-type: none"> SEB & Swedbank

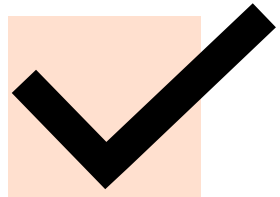


Contents

1	Business update
2	Credit portfolio and asset quality
3	Liquidity and funding
4	Capital position
5	Indicative term sheet
6	Appendix



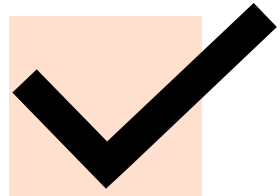
Highlights FY 2023 results



Continued highest customer satisfaction



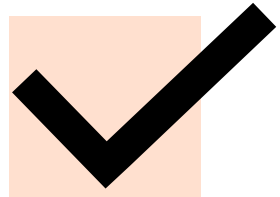
- Once again ranked number one in leading industry survey (SKI) for customer satisfaction



Results and RoE boosted by strong NII development



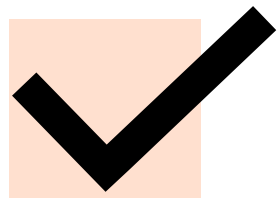
- Strong NII development attributable to increased share of deposits in funding mix & healthy deposit margins. Development partly offset by historically low mortgage margins



Especially strong deposit inflow



- Exceptional growth in deposit volumes during 2023 (+18%) attributable to competitive pricing and efficient marketing



Strong asset quality and low credit losses



- Strong resilience towards recent economic downturn (credit loss level of 2 bps and share of stage 3 loans at 14 bps)



Update on MREL

- On 1 January 2024, the final MREL entered force. As of this date, the total requirement for SBAB amounted to 26.75% of REA (incl. the ban on double counting), corresponding to SEK 44.5 billion. On the same date, the subordinated requirement amounted to 24.2% of REA, corresponding to SEK 40.2 billion
- Three SNP transactions during 2023; (1) SEK 3 bn in Jan; (2) EUR 500 mn in Jun; (3) SEK 1.5 bn in October. One transaction in the domestic market in Jan 2024 of SEK 2.5 bn. SBAB's calculated need for outstanding (eligible) SNP by end 2024 is estimated to around SEK 18-20 bn factoring in balance sheet growth, maturity profile and internal buffers

According to SBAB's internal assessment, on 31 Dec 2023, the minimum requirement for own funds and eligible liabilities (MREL) target level amounted to 27.2% of the total risk exposure amount (REA), corresponding to SEK 45.2 billion. On the same date, the subordinated target level was estimated to amount to 19.3% of REA, corresponding to SEK 32.0 billion.

MREL and subordination requirement

(assumptions done with Q4 2023 figures)

Own funds & eligible liabilities

	SEK bn
CET1	20.4
AT1	5.8
T2	2.0
SNP	18.4
Senior bonds	22.4
Total	69.1

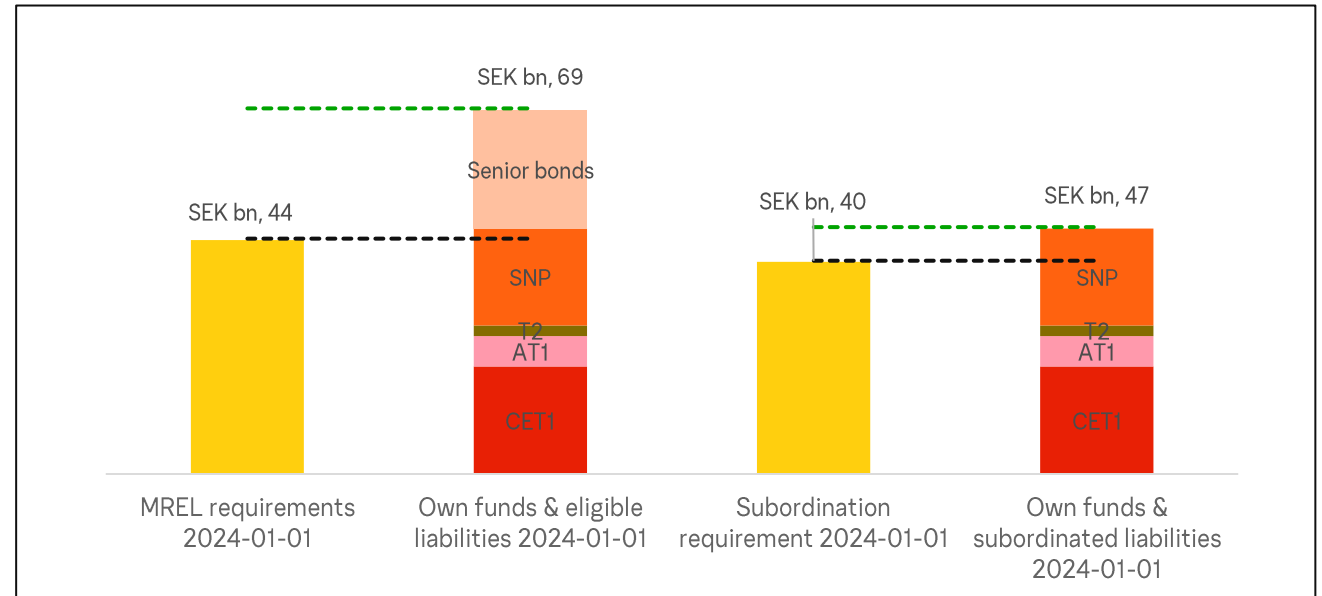
46.7

MREL requirement

	Requirement Q4 2023		Requirement Jan 2024	
	%	SEK bn	%	SEK bn
REA	27.2%	45.2	26.8%	44.5
LRE	5.0%	32.0	6%	38.5
Buffer		23.9		24.6

Subordination requirement

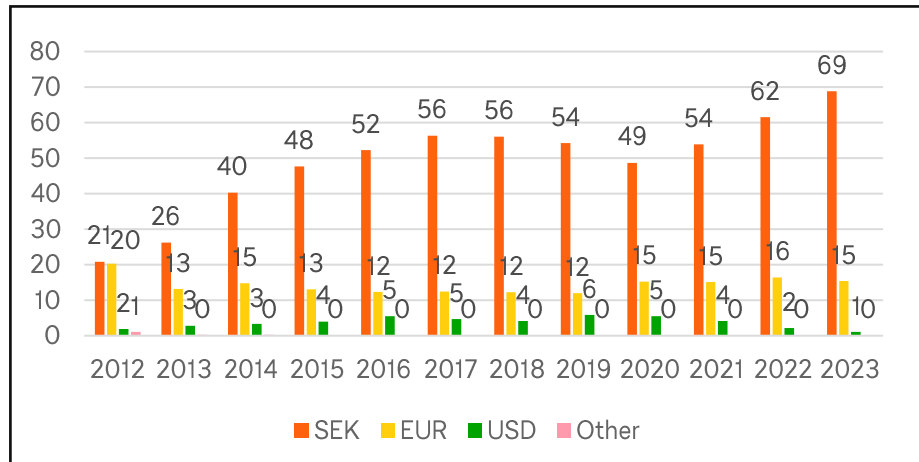
	Requirement Q4 2023		Requirement Jan 2024	
	%	SEK bn	%	SEK bn
REA	13.5%	22.4	24.2%	40.2
LRE	5.0%	32.0	6%	38.5
Buffer		14.6		6.4



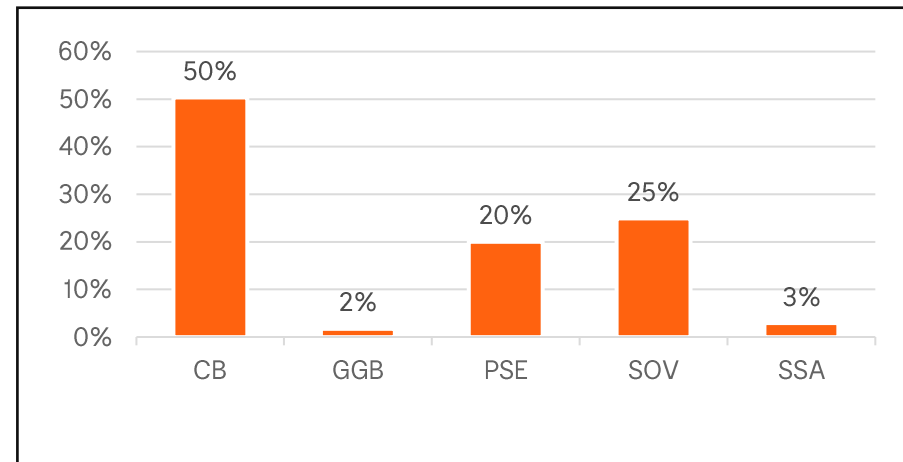
Liquidity position

- High quality and diversified liquidity reserve within relevant currencies with 95% AAA rated. Liquidity reserve amounting to 100 billion, of which liquidity portfolio SEK 85 billion
- LCR and NSFR well above regulatory requirements. Survival horizon implies liquidity need coverage for 529 days under stressed scenario (unchanged lending portfolio, severe deposit outflow and no new funding added)
- Liquidity reserve eligible at the Riksbank and/or ECB. Temporary excess liquidity resulting from prefunding activity and inflow of collateral placed separate from liquidity portfolio

Liquidity portfolio (Currency distribution)



Liquidity portfolio (Securities type)



Key metrics

100 bn
Liquidity reserve

257 %
LCR

132 %
NSFR

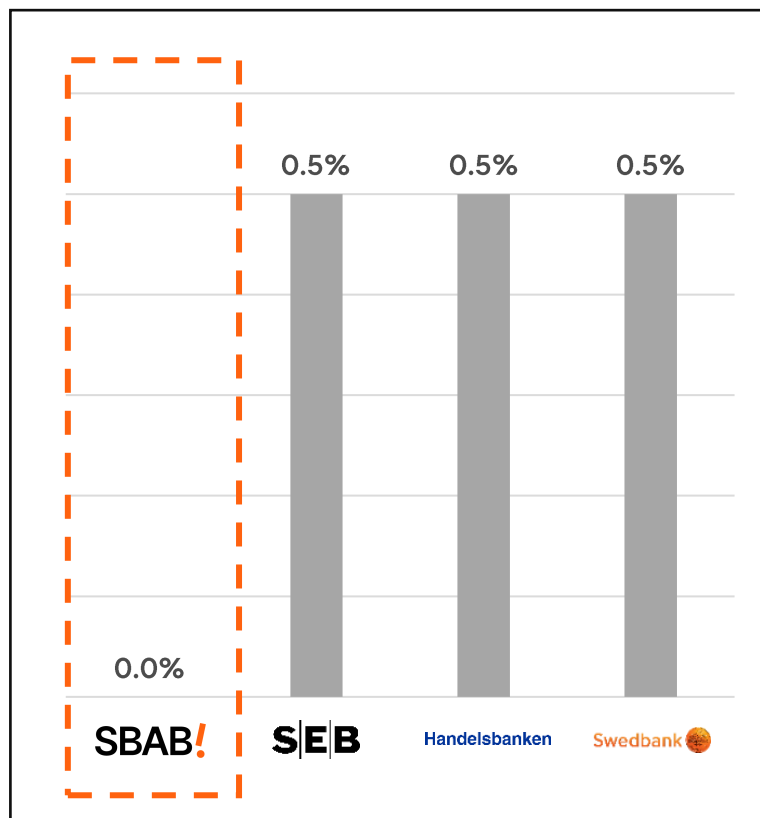
529 days
Survival horizon



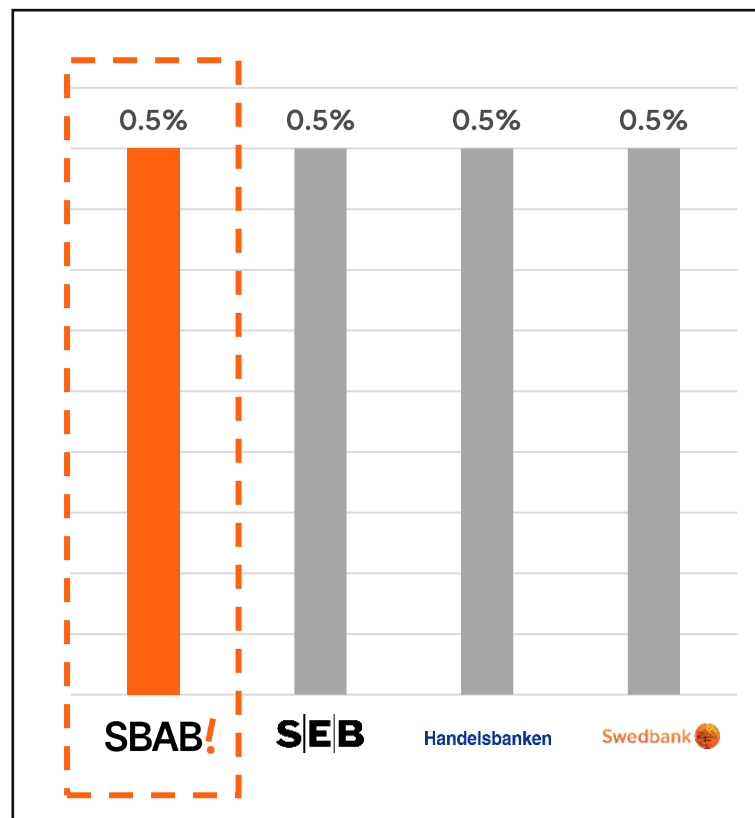
Pillar 2 Guidance vs peers

– SBAB assigned lower guidance for CET1 than peers

Risk Weighted Pillar 2 Guidance



Leverage Ratio Pillar 2 Guidance



Comments

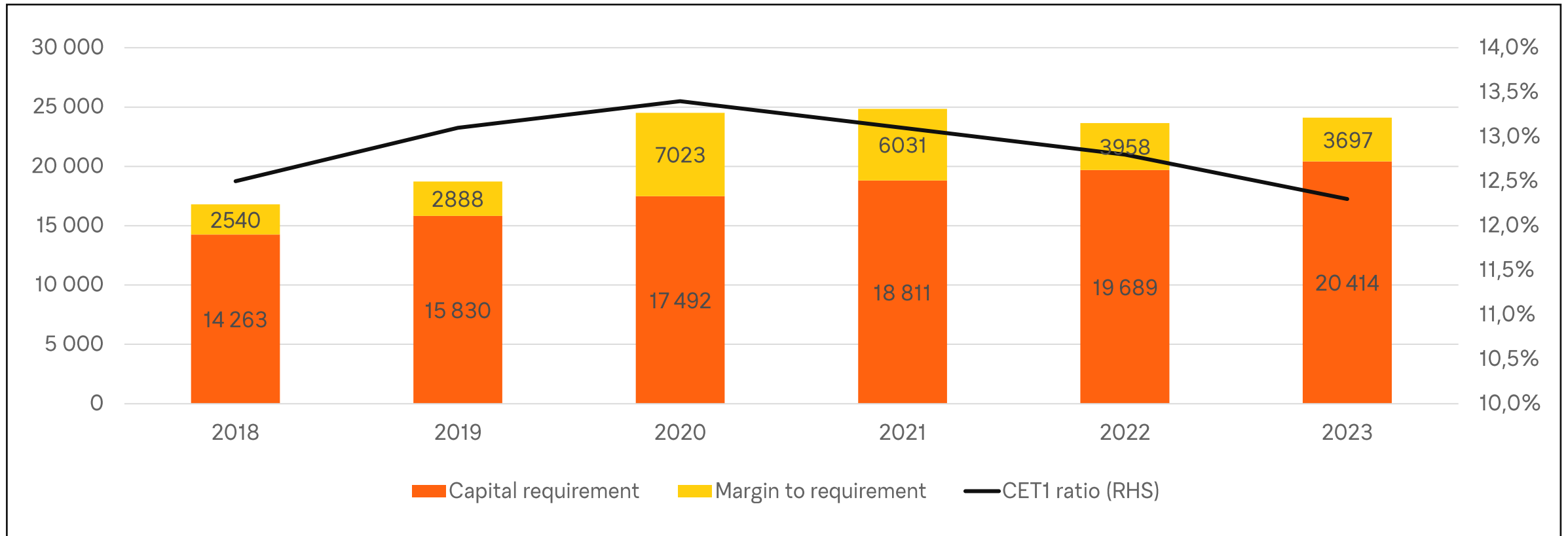
- Risk weighted Pillar 2 guidance for SBAB is at 0, below peers – reflecting SBAB's robust and low-risk business model
- During September 2023, SBAB received the results of the 2023 SREP. Due to a less granular methodology and new calibration of the stress test determining Pillar 2 Guidance (P2G), SBAB's P2G for the leverage ratio increased from 0.3 to 0.5 percentage points. The total leverage ratio requirement for SBAB was thus 3.5% as per 31 Dec 2023
- S-FSA stress test results in line with SBAB's own view – SBAB's business model is stable and sustainable also in tough market conditions



Solid CET1 capital generation

– Strong earnings development with low volatility has resulted in stable CET1 capital generation over time

CET1 capital development (SEK mn) and CET capital ratio (%)

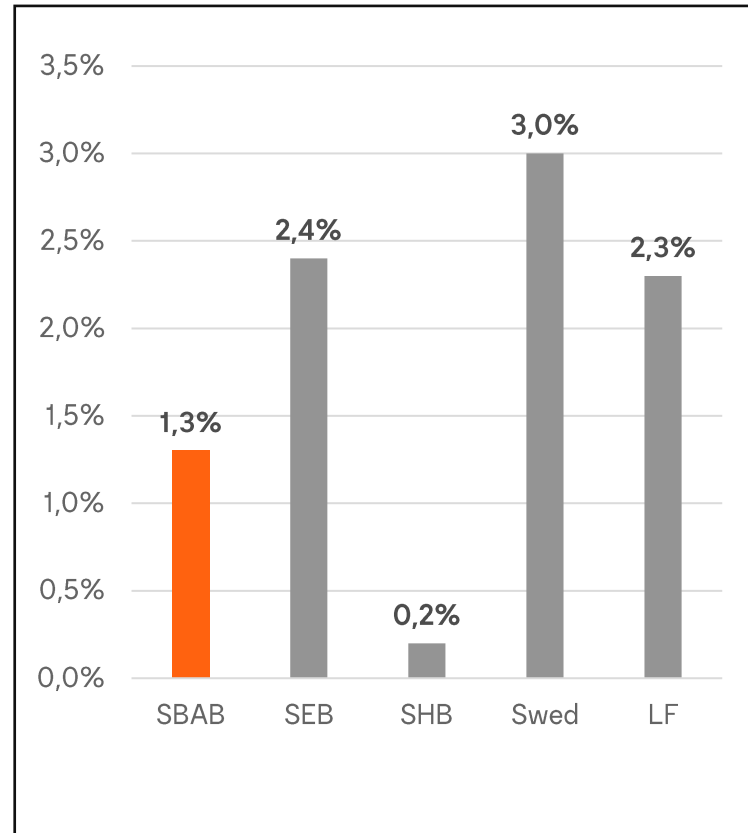


Peer comparison of MDA buffers

CET1 ratio vs MDA level



Net credit losses in relation to MDA buffer*



Comments

- SBAB CET1 ratio well above MDA level with a buffer of 2.2 % as per December 2023, corresponding to SEK 3,7 bn
- Compared with peers, SBAB has a solid track record of low net credit losses in relation to MDA buffers, highlighting the high asset quality of SBAB as well as ability to pay coupon payments



Contact



Fredrik Jönsson
Head of Treasury

fredrik.jonsson@sbab.se



Kristian André
Head of Funding

kristian.andre@sbab.se



Pontus Nilén
Head of Investor Relations

pontus.nilehn@sbab.se



Anna Bergström
Funding Manager

anna.bergstrom@sbab.se



Disclaimer (1/2)

IMPORTANT INFORMATION

Acceptance of limitations: The information in this presentation (the “**Material**”) is furnished by SBAB Bank AB (publ), Reg. No. 556253-7513 (“**SBAB**”) solely for the recipient’s information, solely for the recipient’s information in connection with a contemplated issuance of Additional Tier 1 Capital Notes (the “**Notes**”). The intended recipients are determined by Swedbank AB (publ) and Skandinaviska Enskilda Banken AB (publ) (the “**Managers**”). By attending a meeting where the Material is presented, or by reading the Material, you agree to be bound by the limitations and notifications described below. The Material is strictly confidential and may not be disclosed or distributed to any other person unless expressly agreed by the Managers.

Use of the Material: This Material does neither constitute an offer to sell nor a solicitation of an offer to buy any securities, and it does not constitute any form of commitment or recommendation in relation thereto. No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information in the Material. The content of this Material is not to be construed as legal, credit, business, financial, investment or tax advice.

No financial advice: The Managers are not giving and is not intending to give financial advice to any potential investor, and this Material shall not be deemed to be financial advice from the Managers to any potential investor. Participation, by the means of subscription of Notes, involves a high level of risk and several factors could cause the actual results or performance of SBAB to be different from what may be expressed or implied by statements contained in this Material. Investors should not subscribe for or purchase any financial instruments or securities only on the basis of the information provided herein. Any investor investing in the Notes is bound by the final terms and conditions for the Notes, which the investor acknowledges having accepted by subscribing for the Notes. Investors are encouraged to request from SBAB and other sources such additional information as they require to enable them to make informed investment decisions, to seek advice from their own legal, tax and financial advisors and to exercise an independent analysis and judgment of the merits of SBAB.

No liability: Although SBAB has endeavored to give a correct and complete picture of SBAB, neither SBAB nor the Managers or any of Managers’ subsidiaries, directors, officers, employees, advisors or representatives (collectively the “**Representatives**”) can be held liable for any loss or damage of any kind arising from the use of this Material.

Information sources: The information in this Material is presented by SBAB or constitutes publicly available material and has been produced by SBAB assisted by the Managers exclusively for information purposes. Only a limited due diligence has been carried out in connection with the preparation of this Material. Thus, there may be risks related to SBAB which are not included in this Material and which could have a negative effect on SBAB’s operations, financial position, earnings and result. No information in this Material has been independently verified by SBAB, the Managers or any advisor to SBAB or the Managers. The summary terms and conditions contained in this Material are indicative of the terms and conditions of the proposed Notes. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of SBAB and the nature of the Notes before taking any investment decision with respect to the Notes. This Material may contain forward-looking statements that reflect SBAB’s current views with respect to certain future events and potential financial performance. Such statements are only forecasts and no guarantee can be given that such expectations are correct. The information relating to SBAB does not constitute a complete overview of SBAB and must be supplemented by the reader wishing such completeness.



Disclaimer (2/2)

Actuality: The Material is dated 12 February 2024. Neither SBAB nor the Managers or the Representatives can guarantee that there has been no change in the affairs of SBAB since such date, nor do they intend to, and assume no obligation to, update or correct any information included in the Material. The Material may however be changed, supplemented or corrected without notification.

Conflicts of interest: The Managers and the Managers' clients and/or employees may hold shares, options or other securities of any issuer referred to in this material and may, as principal or agent, buy or sell such securities and have, or may in the future, engage in investment banking and/or commercial banking or other services for SBAB in their ordinary course of business. The Managers will be paid a fee by the Issuer in respect of the placement of the transaction. Accordingly, conflicts of interest may exist or may arise as a result of the Managers having previously engaged, or will in the future engage, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests. It should be noted that SBAB may have interests that conflict with other noteholders particularly if SBAB encounters difficulties or is unable to pay its debts as they fall due.

Prospectus: The Material does not constitute a prospectus for purposes of the Prospectus Regulation (EU) 2017/1129 (as amended or superseded). Accordingly, this Material has not been approved by any supervisory authority. However, a prospectus relating to the admission of trading of the Notes may be prepared and approved and will, in such case, be published and available at the Swedish Financial Supervisory Authority's webpage (www.fi.se/sv/vara-register/prospektregistret/) and at SBAB's webpage (www.sbab.se).

Distribution: The information in this Material is not for release, publication or distribution, directly or indirectly, in or into the United States or any other jurisdiction in which such distribution would be unlawful or would require registration or other measures. No securities referred to in this Material have been or will be registered by SBAB under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States. This Material may not be distributed into or in the United States or to any "US person" (as defined in Rule 902 of Regulation S under the Securities Act). In the event that this Material is distributed in the United Kingdom, it shall be addressed to and directed only at, and should only be relied upon by, persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order or are persons to whom it may otherwise be lawful to communicate it to (all such persons being referred to as "Relevant Persons"). No other person should act or rely on this Material and persons distributing this Material must satisfy themselves that it is lawful. Further, the distribution of this Material and any purchase of or application/subscription for securities may be restricted by law in certain jurisdictions, and persons into whose possession this Material comes should inform themselves about, and observe, any such restriction. Any failure to comply with such restrictions may constitute a violation of the applicable securities laws of any such jurisdiction."

Applicable law: The Material is subject to Swedish law, and any dispute arising in respect of the Material is subject to the exclusive jurisdiction of Swedish courts (with District court of Stockholm as court of first instance).



RISK FACTORS

In this section, material risk factors are illustrated and discussed, including the Issuer's economic and market risks, business risks, legal and regulatory risks, as well as structural risks relating to the Notes, risks relating to the Fixed-to-Floating Rate Notes and risks related to debt instrument such as the Notes. The Issuer's assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. The description of the risk factors below is based on information available and estimates made on the date of this Prospectus.

The risk factors are presented in categories where the most material risk factors in a category are presented first under that category. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

Risks relating to the Issuer

Economic and market risks

Risks relating to disruptions in the global credit markets and economy

As a financial institution and lender, the Issuer is subject to risks related to the global credit markets and economic development, since financial institutions, both in Sweden and globally, are dependent on the global credit market and economy being vibrant, so that people are willing and able to take up loans. For the Issuer, the risk is specifically linked to customers' willingness to buy and own homes that require them to apply for mortgage loans from the Issuer. Any disruption or downturn in the global credit markets and economy would typically thus affect the Issuer, both in respect of financial performance and growth possibilities. Any downturn in the economy together with an increase in unemployment levels, would contribute to slower growth in household disposable income and, at least in the short run, higher savings and thereby accentuate these risks.

Since the SBAB Group and the Issuer are subject to risks related to the global economy, the SBAB Group and the Issuer are affected by, for example, war in neighbouring countries, high energy prices, climate risks, natural disasters and public health epidemics or outbreaks of diseases that may negatively affect the global economy such as the coronavirus (COVID-19) outbreak. Rapid and forceful measures, such as sanctions, trade restrictions and shutdowns, can lead to significant supply and demand disruptions, and result in rapidly changing prices and changes in pace of economic development. Such events can also result in substantial movements in the financial markets in the form of, for example, dramatic increases or decreases in interest rates, rising credit spreads and volatile and falling stock markets. Ultimately, the long-term economic consequences, including consequences on the financial markets in general and the SBAB Group in particular, depend on the duration of the relevant crisis and measures taken by governments, central banks and other agencies.

The ongoing war in Ukraine has led to significant volatility in the financial markets and the global commodity markets. Further, the outbreak of the military conflict in Israel and Palestine, following the attack on Israel by the Hamas movement in early October 2023, may contribute to further instability in the global economy. The impact of the conflict, e.g. volatility in the financial markets, will depend on the duration and intensity of the conflict, and whether it spreads to neighbouring countries or other parts of the region. Unfortunately, it is currently not possible to see how and when these conflicts will be resolved, or to predict their long-term impact on SBAB or the Swedish or global economies.

Moreover, Sweden, being a small economy dependent on exports, is largely dependent on the development of the global economy and the global financial markets. This means that although the Swedish economy, in isolation, may perform well, a negative development in the global economy normally influences the Swedish economy in such a manner that the Swedish economy also develops negatively. Any sustained decline in the general economic conditions of Sweden is, given the Issuer's dependency on the same, likely to lead to, among other things, a decrease in the demand for certain loans offered by the Issuer, increased cost of funding, volatile fair values of the financial instruments held by the Issuer, a decrease in net interest income and net interest margin, and increased loan impairment charges, all of which would result in lower profitability and a deteriorated financial position. The degree to which disruptions in the global credit markets and economy may affect the Issuer is uncertain and presents a highly significant risk to the profitability and financial position of the Issuer.



Risks relating to the Swedish housing market

During the 24 months immediately following the outbreak of the coronavirus pandemic, housing prices in Sweden rose by an average of 25 per cent., with the increase being greater for houses than for flats. However, in light of the rapid rise in interest rates since spring 2022, housing prices have fallen by an average of 16 per cent.; the decrease being greater for houses than for flats. The rapid increases and decreases in housing prices have brought uncertainty for those who buy and sell their homes, but have not resulted in a greater number of homeowners with a home that is worth less than the size of their mortgage and, although housing prices are expected to fall a little further in 2024, it is not expected that this will change in the future. However, in the coming years homeowners with large mortgages will have higher mortgage payments compared to corresponding homeowners over the past 15 years, mostly due to increased interest rates. With regard to new homes, the construction rate of new multi-family dwellings has been relatively high for some years now, which is one explanation as to why the demand in that particular market segment may not be strong enough and could be subject to a decline, which could have a negative impact on the housing market. In addition, rising mortgage rates, in combination with falling prices in the secondary housing market, dampened demand rapidly in autumn 2022, with the result that the supply of newly produced housing has been greater than the actual demand (i.e. willingness to pay). Examples of such reduced relative demand include longer advertisement times and fewer sales. At present, these indications suggest a marked decline in housing construction in 2024. The housing construction industry is characterised by large economic fluctuations and there are currently no signs that this downturn would differ markedly from previous major economic downturns. Nonetheless, there is a risk that the Swedish housing market could be weak for a longer period, for example, as a result of significantly slower population growth. If the Swedish housing market were to face a protracted slump, and demand for new loans, as a consequence, were to significantly decrease, this would negatively affect demand for the Issuer's loan offerings, thereby adversely affecting its business, results of operations and margins.

Moreover, house prices may be negatively affected by, for example, changes in regulations affecting the Swedish mortgage market directly or indirectly or by a significant rise in interest rates or unemployment levels. Legal requirements, such as changes to the amortisation requirements or changes to the level of the mortgage ceiling, may also affect housing prices, in particular in urban areas where the market value is higher and more sensitive to such regulations, which in turn could affect mortgage lending growth. Furthermore, a further clearly tightened monetary policy is expected to have a negative impact on housing prices in the short term. More restrictive regulations or tightening of monetary policies that hold back house price development would further accentuate the risk of decreased demand for new loans in general, including loans that could be originated by the Issuer.

The above described risks are material to the Issuer as a significant amount of the loans provided by the Issuer are secured by mortgage certificates (Sw. pantbrev) in respect of properties, or pledges over tenant-owners' rights (Sw. bostadsrätt), located in Sweden. The degree to which a declined Swedish housing market may affect the Issuer is uncertain and presents a highly significant risk to the Issuer's credit quality.

Risks relating to the Swedish mortgage market

The Issuer's operations consist primarily of lending to the Swedish residential mortgage market aimed at individuals, tenant-owner associations (Sw. bostadsrättsförening) and corporate clients, the majority of which are concentrated in major metropolitan areas in Sweden. One of the main risks related to the Swedish residential mortgage market is the credit risk associated with borrowers' creditworthiness, their ability to pay under the mortgage loan, and the value of the mortgaged properties. The debt-to-income ratio of borrowers is at a comparatively high level, which affects the risk profile among the Issuer's customers as interest rates rise. High inflation since the end of 2021 has not only led to higher interest rates, but also means that many other household living costs are now significantly higher, which contributes to a higher credit risk.

As the Issuer's operations primarily consist of lending to the Swedish residential mortgage market, any negative development of the Swedish mortgage market resulting in, among other things, a noticeably lower demand for mortgages, would have a material adverse effect on the Issuer's results of operations and financial condition.

Although the Swedish mortgage market is currently dominated by a few institutions, consisting of banks, such as the Issuer, and bank owned mortgage companies, new competitors have appeared in recent times. Rapid changes in the interest rate market also pose challenges where different banks may have different competitive conditions. Due to fierce competition amongst lenders, the Issuer's business would face declining earnings should the Issuer, for example, be required to reduce interest levels in order to keep market shares, thereby adversely affecting its margins. Furthermore, due to the high level of interdependence between financial institutions, the Issuer is also subject to the risk of deterioration of the actual or perceived commercial and financial soundness of other financial institutions. Any default or financial difficulties of one financial institution is likely to have negative consequences for other financial institutions and would lead to liquidity problems, losses, defaults or worsening of the general economic climate in the local markets in which the Issuer operates. This means that the Issuer is subject to risks related to the banking sector as such, and risks related to other financial institutions. The degree to which negative developments in the Swedish mortgage housing market may affect the Issuer is uncertain and presents a highly significant risk of a negative impact on demand for mortgage loans originated by the Issuer.



Risks relating to the general economic conditions of Sweden

The Issuer's financial performance is significantly influenced by the general economic conditions of Sweden and Sweden's creditworthiness. As at the date of this Prospectus, financial instruments issued by the central government in Sweden are rated Aaa (long-term) and P-1 (short-term) by Moody's, and AAA (long-term) and A-1+ (short-term) by S&P. As the Issuer conducts all its business activities in Sweden, changes in the general economic conditions of Sweden and Sweden's creditworthiness are likely to affect the Issuer more significantly compared to competitors and other financial institutions that offer loans to a broader market segment.

These ratings may change negatively in the future due to, for example, poor economic performance, weak gross domestic product (GDP) growth outlooks and unsustainable fiscal policy. Since credit ratings inform about the credit risk associated with Sweden, the willingness of investors to invest in financial instruments issued by the Issuer is largely dependent on high credit ratings and, in turn, the creditworthiness of Sweden. Consequently, should the general economic condition of Sweden and Sweden's creditworthiness deteriorate, the willingness of investors to invest in financial instruments issued by the Issuer are likely to decline. The degree to which the general economic conditions of Sweden and Sweden's creditworthiness may affect the Issuer is uncertain and presents a highly significant risk of a negative impact on the willingness of investors to invest in financial instruments issued by the Issuer and a negative impact on the Issuer's rating and operations.

Risk relating to the Issuer's collateral

A considerable part of the loans provided by the Issuer are secured by mortgage certificates in respect of properties located in Sweden or pledges of Swedish tenant-owners' rights in Sweden as collateral, and the value of such collateral is consequently related to the performance of the real estate and housing market in Sweden. Perfecting and enforcing such collateral is subject to risks. For instance, there is no official record in Sweden stating whether a tenant-owner's right is pledged. When taking such security, the Issuer is therefore reliant on data provided by the relevant tenant-owners' association and is thus exposed to the risk that the association's records are not correct.

In addition, when collateral is enforced, a court order is normally required to establish the borrower's obligation to pay and to enable a sale by execution measures. The Issuer's ability to enforce the collateral without the consent of the borrower is thus dependent on the above-mentioned decisions from a court and the execution measures and on other relevant circumstances in the mortgage Swedish market and in the demand for the relevant property. Should the prices of real estate and the housing market substantially decline, this would affect the Issuer, as the value of the collateral would decline as set out above. If the Issuer's credit losses increase due to the fact that principal and interest under defaulting loans cannot be recovered where the relevant collateral has decreased in value, this would have a negative impact on the Issuer's results of operations.

Risks relating to the Issuer's business

Credit risk

Since the Issuer conducts lending operations, credit risk – the risk that a counterparty is unable to fulfil its payment obligations towards the Issuer – is central to the Issuer's business model and is considered to be the dominant risk in its operations. Credit risk arises both in the Issuer's lending operations and its treasury operations.

Credit risk in the Issuer's lending operations arises if one or more debtors do not fulfil their payment obligations towards the Issuer. Credit risk arises in conjunction with loans and loan commitments, as well as in connection with value changes in pledged assets entailing that these no longer cover the Issuer's claim (i.e., within the ordinary course of the Issuer's business). Credit risk also includes concentration risk, which is more likely to materialise in connection with large exposures to individual counterparties, regions or industries within the Issuer's operations. Investment risk arises in relation to financial investments if a debtor does not fulfil its payment obligations, meaning it either pays late or not at all. Investment risk arises through investments in the Issuer's liquidity portfolio and the investment of surplus liquidity. Counterparty risk arises if the value of the instrument changes resulting from variations, for example, in interest rates or currency exchange rates, which means the Issuer recognises a receivable against the counterparty. In addition, counterparty risk is the risk that the Issuer's financial counterparties cannot meet their commitments under the contracted repos.

Should any such credit risk materialise, there is a risk of an increase in the number of loans not being paid. It would also require the Issuer to take measures to collect such defaulted loans (which might be costly and unsuccessful). Adverse changes in the credit quality of the Issuer's borrowers and counterparties would affect the recoverability and value of the Issuer's assets and require an increase in the Issuer's provision for bad and doubtful debts and other provisions. The degree to which credit risks may affect the Issuer is uncertain and presents a highly significant risk to the recoverability and value of the Issuer's assets.



Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. The Issuer's most significant exposure towards market fluctuations derives from its dependency on interest rates, currency exchange rates and changing conditions between interest costs for different issuers that affects the value of the Issuer's liquidity portfolio. Since the Issuer conducts lending operations, the Issuer is largely dependent on interest rate levels as interest rates are the single most important factor that affects margins in connection with its core business, i.e. lending. Variations in interest rates may result in losses or lower future income, as assets and liabilities have different fixed-interest periods and interest terms. Further, the Issuer currently conducts its lending operations in SEK (the Issuer's reporting currency) but may fund itself in foreign currencies. The Issuer may also hold securities denominated in currencies other than SEK within the SBAB Group's liquidity portfolio. Changes in the exchange rate for SEK against other currencies may affect the value of assets and liabilities denominated in foreign currencies and result in mark-to-market losses or lower future income.

Against this background, a liquid derivative market enabling the Issuer to swap foreign currencies and interest rates to reduce its market risk is essential and any significant disruption in the access to such market would harm the Issuer and further enhance the risks associated with the Issuer's exposure to interest rates and foreign currencies, as described above.

Furthermore, the value of the assets held within the Issuer's liquidity portfolio are dependent on the interest cost related to the Issuer of the relevant security, and any negative change in such conditions may adversely affect the value of the Issuer's liquidity portfolio. The value of the Issuer's liquidity portfolio is further typically affected by the performance of financial markets. The value of the Issuer's liquidity portfolio is critical for the Issuer's ability to meet its liquidity requirements, and any significant decrease in value is likely to affect Issuer's capacity to fulfil these requirements.

The risk of failure or interruption to the Issuer's IT and other systems

The Issuer's business is dependent on the ability to keep a large amount of customer information and to process a large number of transactions as well as on internal and external systems for its loan distribution. The Issuer's business is thus dependent on its IT-systems to serve customers, support the Issuer's business processes, ensure complete and accurate processing of financial transactions, and support the overall internal control framework.

Disruptions in the Issuer's IT infrastructure or other systems may, for example, be caused by internal factors such as larger projects for replacing or upgrading existing IT platforms and/or systems, which, if replaced or upgraded inappropriately, risks resulting in IT platforms and/or systems that do not function as expected and result in, among other things, unreliable data processing with impact on financial reporting. There is also a risk for disruptions caused by external factors such as the availability of experts required for technical support or completion of ongoing projects. For example, should the Issuer face severe disruptions in its telephone and communication platforms, customers would be unable to contact the Issuer via telephone and email. Given that the Issuer does not have any offices for physical customer meetings and instead meets its retail customers and users digitally or by telephone this risk is likely to have a significant impact on the Issuer, both as regards its reputation and lending operations, but also, as a consequence, as regards its results of operations and margins.

Despite ongoing projects to replace or upgrade some of the Issuer's existing IT platforms, parts of the IT infrastructure remain outdated, which limits the Issuer's ability to swiftly adapt to new conditions and requirements and increases the risk of disruption. The degree to which IT failures may affect the Issuer is uncertain and presents a highly significant risk to the Issuer's operations.

Operational and cyber risk

Operational risk is the risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems, or external events, including legal risks. Operational risk and losses often result from fraud or other external or internal crime, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters, or the failure of internal or external systems, for example, those of the Issuer's suppliers or counterparties. The Issuer's business is also dependent on the ability to process a very large number of transactions within the ordinary course of the Issuer's operations. Any failure in conducting such transactions efficiently and accurately due to operational risks being materialised may thus adversely affect the Issuer's operations.



Furthermore, significant operational risks include cyber-related risks. The cyber-threat to the Swedish financial sector is extensive and persistent. A breach in security of the Issuer's IT systems risks compromising the availability of important systems may disrupt the Issuer's business. There is also a risk of social engineering attempts and the disclosure of sensitive or confidential information, which would create significant financial and legal exposure, and damage the Issuer's reputation and brand. Since the Issuer's business in all important aspects is digitalised (for example, mortgage applications are filed online), these risks are more prominent to the Issuer compared to competitors and other lenders whose operations are less digitalised. The degree to which operational failure or the occurrence of a cyber-related incident may affect the Issuer is uncertain and presents a highly significant risk to the Issuer's ability to carry out transactions efficiently and accurately.

Liquidity risk

Liquidity risk is the risk that the Issuer will not be able to meet its payment obligations on their maturity at all or without the related cost increasing significantly. Short-term liquidity risk measures the risk of the Issuer being negatively impacted in the short term by a lack of liquidity, while structural liquidity risk is a measure of the mismatch between assets and liabilities in terms of maturities, which risks leading to a lack of liquidity in the longer term. The Issuer is subject to liquidity requirements in its capacity as a credit institution supervised by the Swedish FSA, including a statutory requirement to maintain sufficient liquidity to enable it to discharge its obligations as they fall due. The inability of the Issuer to anticipate future liquidity and provide for unforeseen decreases or changes in funding sources could have consequences on the Issuer's ability to meet its payment obligations when they fall due and thus result in an investor not being paid in a timely manner.

Also, as a part of the Issuer's activities, the Issuer regularly sells mortgage loans to its subsidiary AB Sveriges Säkerställda Obligationer (publ) (with the parallel trade name The Swedish Covered Bond Corporation) ("SCBC"). The Issuer's claims for the purchase price of the mortgage loans acquired by SCBC are (fully or partially) repaid concurrently with the issue of covered bonds by SCBC. The Issuer's claims in relation to such sales, as well as other claims (unless arising under any derivative agreement entered into pursuant to the Swedish Act on Issuance of Covered Bonds (Sw. lagen (2003:1223) om utgivning av säkerställda obligationer)) such as claims under a revolving credit facility agreement between the Issuer as lender and SCBC as borrower, are subordinated to all unsubordinated claims against SCBC in SCBC's bankruptcy or liquidation. Thus, if SCBC becomes bankrupt or is liquidated or if SCBC is unable to issue covered bonds, the Issuer is likely to have outstanding subordinated claims against SCBC and is exposed to the risk of not get fully repaid or repaid in a timely manner. This may adversely affect the Issuer's liquidity and financial position.

As part of its funding, the Issuer accepts deposits from the Swedish general public, the majority of which are repayable on demand. Should a major part of the deposits be withdrawn simultaneously or during a short period of time, this would adversely affect the Issuer's liquidity since it will be required to repay a significant amount on demand. The degree to which liquidity risks may affect the Issuer is uncertain and presents a highly significant risk to the Issuer's ability to meet its payment obligations when they fall due.

Funding risk

The Issuer is dependent upon the debt capital markets as a source of debt capital. Disruptions, uncertainty and/or increased volatility in the global debt capital markets may have an adverse effect on the terms on which the Issuer is able to raise debt or the ability to raise debt at all. This could be due to circumstances out of the control of the issuer such as general market disruptions or loss in confidence in financial markets stemming from for example severe changes in the economic outlook or external macro-economic shocks, uncertainty and speculation regarding the solvency of market participants or operational problems affecting third parties. A recent example of the foregoing occurred during the first quarter of 2023, when the banking sector in the United States and globally came under pressure following the failures of certain regional banks in the United States and the merger of Credit Suisse Group AG with UBS Group AG in a government-brokered transaction. The events, which were primarily driven by macroeconomic conditions, including rising interest rates and monetary policy tightening, threw the global financial markets into turmoil, with increased volatility and widening credit spreads.

Also, any downgrade of the Issuer's credit ratings, or the credit ratings of a significant subsidiary, such as SCBC, is likely to increase the Issuer's borrowing costs, adversely affect its liquidity position, limit its access to the debt capital markets, undermine confidence in and the competitive position of the Issuer, trigger obligations under certain bilateral terms in some of its trading and collateralised financing contracts, including requiring the provision of additional collateral and/or limit the range of counterparties willing to enter into transactions with the Issuer.

Any of the events above could lead to increased funding costs with decreased margins and incomes from SBAB's core business, i.e. mortgage lending, and could therefore have an immediate and material adverse effect on the Issuer's business and results of operations.



Furthermore, since the Issuer's shares are not listed, it does not have direct access to the equity capital markets, and as a consequence, the Issuer is partly dependent upon its owner (the Kingdom of Sweden) as a source of equity capital. If the owner does not provide the Issuer with equity capital to the extent the Issuer needs and/or if the debt capital markets are not available to the Issuer or the cost of debt capital is significantly increased, this is likely to affect the liquidity and funding of the Issuer and, consequently, the Issuer's capacity to fulfil its payment obligations. The degree to which funding risks may affect the Issuer is uncertain and presents a highly significant risk to the Issuer's capacity to fulfil its payment obligations.

Environmental, Social and/or Governance 'ESG' risks

There is a risk that the Issuer's operations have a direct or indirect negative effect on, or are directly or indirectly negatively affected by, Environmental, Social and/or Governance ("ESG") factors.

The Issuer's exposure to environmental and climate risks primarily arises in conjunction with its grant of credit. Environmental and climate risks arise when financing new production and redevelopment projects, but also in existing holdings in areas exposed to increased sea levels or temporary floodings. Changes in the average annual temperature have consequences for the climate in the form of rising sea levels, flooding, extreme weather, heat stress, drought, more rain, earlier springs, lower ground water levels and freshwater shortages. For buildings and other collateral, it is thus important for the Issuer to assess and monitor the risks of flooding, landslides, and erosion. Increased extremes in surface water levels that increase water penetration in basements and cause problems with dampness are likely to lead to assets and other collateral decreasing in value, thereby increasing the Issuer's risk of credit losses. Since properties are used as collateral for an absolute majority of the loans provided by the SBAB Group, this risk is highly significant.

In addition to the environmental risks described above, the Issuer is exposed to transition risks in conjunction with its grant of credit. Transition risks arise in relation to financed buildings with high energy consumption that require major energy efficiency renovations to meet legal requirements or to reduce related costs, which adversely affect the value of the collateral and, in turn, increase the Issuer's associated credit risk.

Furthermore, the Issuer is exposed to risks linked to human rights, personnel-related matters, and social conditions in conjunction with lending to new production projects and customers with a high proportion of subcontractors. The controls performed by the main contractor in areas such as working conditions are made more complex when production is outsourced. The import of prefabricated material from other countries also entails risk, since the Issuer does not know the conditions that apply for the production. Finally, since the Issuer handles payments both in lending and financing, it is exposed to corruption risk. The risk is highest in the beginning of a relationship but is also present in all engagements. The Issuer's main exposure to corruption risk arises in conjunction with its grant of credit and deposit accounts for private customers. The degree to which ESG-risks may affect the Issuer is uncertain and presents a highly significant risk to the Issuer's collateral value and reputation.

Compliance

The banking and financing sector is heavily regulated and the SBAB Group is subject to regulations and regulatory supervision pursuant to numerous directives, laws, regulations and policies issued by, inter alia, the European Union ("EU") and Sweden. Legal or regulatory developments and/or changes in supervisory policies or evaluation methods could have an adverse effect on the SBAB Group's financial strength (should it adversely affect the value of its assets), how the SBAB Group conducts its business (should it adversely affect the products and services it offers) and on the SBAB Group's results of operations (should it entail unexpected costs and/or impose restrictions on the development of the SBAB Group's business operations or otherwise affect its earnings).

As a lender to the Swedish residential mortgage market, the SBAB Group processes large quantities of personal data on its customers. Such processing of personal data is subject to extensive regulation and scrutiny following the implementation of the General Data Protection Regulation 2016/679/EU ("**GDPR**"). Any administrative and monetary sanctions or reputational damage due to breach of the GDPR would have an adverse effect on SBAB's financial position. Apart from the unexpected costs of any sanctions or damages such measures could lead to negative publicity in the media and/or reduced confidence from customers and other stakeholders which ultimately could adversely impact the SBAB Group's business, financial condition and results of operations.



The SBAB Group must also comply with anti-money laundering, counter terrorist financing and sanctions regulations. These laws and regulations have become increasingly complex and detailed, require improved systems and sophisticated monitoring and competent and skilled personnel at all levels of the SBAB Group, and have also become the subject of enhanced government and regulatory supervision. Failure to prevent or detect any illegal or improper activities fully or on a timely basis could negatively impact customers and expose the SBAB Group to liability. If the SBAB Group is associated with, or even accused of being associated with, or becomes a party to, money laundering or terrorist financing (even when the SBAB Group is acting in good faith and without knowledge of any such activities), the SBAB Group's reputation could suffer and it could become subject to fines, sanctions and/or legal enforcement, any one of which could have a material adverse effect on the SBAB Group's results of operations, financial condition and prospects. Furthermore, failure to comply with economic sanctions, both primary and secondary (which are frequently subject to change by relevant governments, and which have increased in both volume and complexity due to the Russia/Ukraine war), and failure to comply fully with other applicable compliance laws and regulations, may result in the imposition of fines, penalties or other sanctions on the SBAB Group, including the revocation of licences.

Non-compliance with, as well as deficiencies in, guidelines and policies implemented to ensure compliance with regulatory frameworks that lead to negative publicity, negative consequences or legal implications or criticism from inter alia the Swedish FSA or other regulators could have a material adverse effect on the Issuer's reputation which is likely to adversely affect the demand for loans offered by the Issuer. Furthermore, the SBAB Group's business (should the demand for its products and services decrease), financial condition (should the value of its assets decrease) and results of operations (should its revenue decrease and/or its costs increase) could be materially adversely affected.

Legal and regulatory risks relating to the SBAB Group

Compliance with and changes in tax legislation

In 2023, the SBAB Group's tax expenses totalled SEK 662million (SEK 1021 million including risk tax, see below). Accordingly, tax expenses constitute a significant part of the SBAB Group's total expenses. . Should the SBAB Group's tax situation for previous, current and future years change (as a result of legislative changes and decisions made by the tax authorities or as a result of changed tax treaties, regulations, case law or requirements of the tax authorities, potentially with retroactive effect), it could adversely affect the SBAB Group's business (should taxes imposed on its products and services negatively impact the demand for such products and services), financial condition (should taxes negatively impact the value of its assets) and results of operations (should taxes increase its costs and thus decrease, among other things, its operating profits). Furthermore, in 2023, the SBAB Group's deferred tax assets(+)/liabilities(-) totalled SEK 911 million. The recognition of deferred tax assets/liabilities pertaining to deductible temporary differences or loss carry-forwards is based on management's assessment of the future likelihood of the company generating taxable profits corresponding to the basis for deferred tax assets. Incorrect assessments risk having a material impact on the SBAB Group's results of operations and financial position. Any such events or incorrect assessments thus risk leading to increased tax expenses or additional taxes, and there is a risk these encompass significant amounts.

In addition to the above, a new law regarding risk tax on certain credit institutions entered into force on 1 January 2022. The new legislation applies to Swedish credit institutions and Swedish branches of foreign credit institutions with liabilities in excess of SEK 150 billion (pursuant to the 2022 threshold, which is indexed). In general, the tax is based on each credit institution's opening balance of liabilities and the tax is 0.05 per cent. of the taxable basis (0.06 per cent. for tax years starting after 31 December 2022). In 2023, the SBAB Group's total risk tax amounted to SEK 359 million.

Regulatory capital and liquidity requirements

The Issuer is subject to capital adequacy and liquidity regulations, which aim to put in place a comprehensive and risk-sensitive legal framework to ensure enhanced risk management among financial institutions. Regulations which have impacted the Issuer and are expected to continue to impact the Issuer include, among others, the Basel III framework, the EU Capital Requirements Directive 2013/36/EU ("CRD IV"), as amended by Directive (EU) 2019/878 ("CRD V"), and the EU Capital Requirements Regulation (EU) No. 575/2013 ("CRR"), as amended by Regulation (EU) 2019/876 ("CRR II"). CRR and CRD IV are supported by a set of binding technical standards developed by the European Banking Authority (the "EBA").



The capital adequacy framework includes, inter alia, minimum capital requirements for the components in the capital base with the highest quality, common equity tier 1 (“CET1”) capital, additional tier 1 capital and tier 2 capital. CRR II also introduces a binding leverage ratio requirement (i.e. a capital requirement independent from the riskiness of the exposures, as a backstop to risk-weighted capital requirements) for all institutions subject to the CRR. In addition to the minimum capital requirements, CRD IV provides for further capital buffer requirements that are required to be satisfied with CET1 capital. The combined buffer requirement consists of the total Common Equity Tier 1 capital required to meet the requirement for the capital conservation buffer extended by an institution-specific countercyclical capital buffer, a G-SII buffer, an O-SII buffer and a systemic risk buffer, as applicable as defined in Article 128 CRD IV. Certain buffers may be applicable to the Issuer as determined by the Swedish FSA. The countercyclical buffer rate is a capital requirement which varies over time and is to be used to support credit supply in adverse market conditions. On 16 March 2020 the countercyclical capital buffer for Sweden was lowered from the previous 2.5 per cent. to 0 per cent. as a pre-emptive measure to avoid a credit crunch due to the developments surrounding the coronavirus pandemic and the spread of the coronavirus and their impact on the economy. On 28 September 2021, the Swedish FSA communicated that the lower buffer rate will apply until 28 September 2022. As of 22 June 2023, the buffer rate is 2 per cent, which is its neutral level. A breach of the combined buffer requirements is likely to result in restrictions on certain discretionary capital distributions by the Issuer, for example, dividends on CET1 and coupon payments on tier 1 capital instruments.

Banks are also asked to maintain an extra capital buffer, called Pillar 2 guidance (P2G), which are determined as part of the Supervisory Review and Evaluation Process (SREP) and is a bank-specific recommendation. The P2G is a non-binding supervisory recommendation and a violation of the P2G does not automatically lead to consequences such as restrictions in dividends. If the P2G is breached the Swedish FSA has the possibility to intensify its supervision or decide on a Pillar 2 requirement. On 24 September 2021, the Swedish FSA communicated to the Issuer its decision regarding increased capital requirements as a result of a supervisory review and evaluation process. In addition to existing Pillar 2 requirements, the Issuer has also been given a Pillar 2 add-on within internal models which is expected to be in place until new internal models are implemented.

The conditions of the SBAB Group’s business as well as external conditions are constantly changing and the full set of capital adequacy rules applicable to Swedish financial institutions continues to evolve. For the foregoing reasons, the SBAB Group is potentially required to raise additional capital in the future. Such capital, whether in the form of debt financing, hybrid capital or additional equity, is not always available on attractive terms, or at all. If the SBAB Group is required to make additional provisions, increase its reserves or capital, or exit or change its approach to certain operations as a result of, for example, the initiatives to strengthen the regulation of credit institutions, this would adversely affect its results of operations or financial condition or increase its costs, all of which may adversely affect the SBAB Group’s ability to raise additional capital and make payments under instruments such as the Notes.

Serious or systematic deviations by the Issuer from the above regulations would most likely lead to the Swedish FSA determining that the Issuer’s business does not satisfy the statutory soundness requirement for credit institutions and thus result in the Swedish FSA imposing sanctions against the Issuer. Further, any increase in the capital and liquidity requirements could have a negative effect on the SBAB Group’s liquidity (should its revenue streams not cover continuous payment to be made under its issued capital), funding (should it not be able to raise capital on attractive terms, or at all), financial condition (should liquidity and funding be negatively affected) and results of operations (should its costs increase). The degree to which regulatory capital and liquidity requirements risks may affect the Issuer is uncertain and presents a highly significant risk to the Issuer’s funding and liquidity position.

The Bank Recovery and Resolution Directive

As a bank and a financial institution, the SBAB Group is subject to the Bank Recovery and Resolution Directive (“BRRD”) (which was amended by Directive (EU) 2019/879 (“BRRD II”) on 27 June 2019. The BRRD legislative package establishes a framework for the recovery and resolution of credit institutions and, inter alia, requires EU credit institutions (such as the SBAB Group) to produce and maintain recovery plans setting out the arrangements that are to be taken to restore the long-term viability of the institution in the event of a material deterioration of its financial condition. Accordingly, the requirements under the BRRD are comprehensive, and require the Issuer to take extensive measures to ensure compliance.



The BRRD contains a number of resolution tools and powers which may be applied by the resolution authority upon certain conditions for resolution being fulfilled. These tools and powers (used alone or in combination) include, inter alia, a general power to write-down all or a portion of the principal amount of, or interest on, certain eligible liabilities, whether subordinated or unsubordinated, of the institution in resolution and/or to convert certain unsecured debt claims including senior notes and subordinated notes into other securities, including CET1 instruments of the surviving entity, which equity could also be subject to any further application of the general bail-in tool. This means that most of such failing institution's debt (such as the Notes) could be subject to bail-in, except for certain classes of debt, such as certain deposits and secured liabilities. In addition to the general bail-in tool, the BRRD provides for relevant authorities to have the power, before any other resolution action is taken, to permanently write-down or convert into equity relevant capital instruments (such as the Notes) at the point of non-viability (see the risk factor "Loss absorption at the point of non-viability of the Issuer" below for further information). Ultimately, the authority has the power to take control of a failing institution and, for example, transfer the institution to a private purchaser or to a publicly controlled entity pending a private sector arrangement. All these actions can be taken without any prior shareholder approval.

It is not possible to predict exactly how the powers and tools of the Swedish resolution authority (the Swedish National Debt Office (Sw: Riksgäldskontoret)) provided in the BRRD (as implemented into Swedish law) will affect the Issuer and the SBAB Group. However, in order to, among other things, ensure the effectiveness of bail-in and other resolution tools, all in-scope institutions must have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied. Each institution must meet an individual minimum requirement for own funds and eligible liabilities ("MREL"), set by the relevant resolution authorities on a case by case basis.

In early June 2021, the Swedish legislator approved new legislation attributable to the Swedish implementation of BRRD II. The legislation entered into force on 1 July 2021, including, inter alia, amendments to the applicable minimum MREL requirement. Amongst other things, the legislation stipulates that the new MREL requirements shall be fully complied with from 1st January 2024. This includes a minimum Pillar 1 subordination requirement for "top-tier" banks (including the SBAB Group). This Pillar 1 subordination requirement is to be satisfied with own funds and other eligible MREL instruments meeting the applicable CRR requirements, including MREL instruments constituting senior non-preferred debt.

In December 2023, the Swedish National Debt Office most recently decided on the MREL and subordination requirement that applies to the Issuer and the SBAB Group from 1 January 2024. The Issuer and the SBAB Group will therefore be required to maintain an amount of additional eligible liabilities in the form of senior non-preferred debt or other eligible MREL instruments in order to meet the new MREL requirements.

If the SBAB Group were to experience difficulties in maintaining such eligible liabilities, it would have to reduce its lending or investments in other operations. This is likely to lead to a decrease in the SBAB Group's revenue which, if its costs remain unchanged, would decrease its operating result.

Further, given that the new MREL requirements must be met by all EU credit institutions, there is a risk that there is not a sufficient investor appetite in the debt markets for the aggregate volume of eligible liabilities which must be maintained which would have a negative effect on the price and value of such instruments. The degree to which the price and value of such instruments may vary is uncertain and presents a highly significant risk to the Issuer's revenue.

Risks relating to changes in accounting standards

From time to time, the International Accounting Standards Board (the "IASB"), the EU and other regulatory bodies change the financial accounting and reporting standards that govern the preparation of the SBAB Group's and the Issuer's financial statements. These changes are sometimes difficult to predict and could materially impact how the SBAB Group and the Issuer record and report their results of operations and financial condition. Changes in accounting standards may have an adverse effect on the Issuer's financial condition, as, inter alia, the value of its assets may decrease, which may negatively affect its amount of funds available for payments under the Notes.

In July 2014, the IASB issued a new accounting standard, International Financial Reporting Standard 9 (Financial Instruments) ("IFRS 9"), which became effective from 1 January 2018 and replaced IAS 39. IFRS 9 provides a new general hedge accounting model which is yet to be completed with a portfolio hedging model. Implementation is not mandatory until the model is complete and the model has not yet been implemented by the SBAB Group. It is currently not possible to determine the extent of the impact that an implementation of the hedge accounting model under IFRS 9 will have on CET 1 capital as the new rules, and its impact on capital ratios, are not yet final.



As a consequence of the new general hedge accounting model under IFRS 9, and the uncertainty regarding its implementation, there is a risk that the SBAB Group and/or the Issuer will be required to obtain additional capital in the future. There is, however, a risk that new equity capital or debt financing qualifying as regulatory capital will not be available on attractive terms, or at all. The degree to which changes in accounting standards may affect the Issuer is uncertain and presents a highly significant risk to the Issuer's costs for regulatory capital.

Changes to the Swedish Deposit Insurance Scheme

The Swedish Deposit Insurance Scheme ("SDIS") guarantees the depositors' deposits in the event the Issuer is declared bankrupt or if the Swedish FSA determines that the SDIS should be activated in a given situation. The SDIS is administered by the Swedish National Debt Office. If activated, the insurance guarantees each customer compensation amounting to the value of the total funds in his or her account(s) with the Issuer, plus accrued interest, until the time of bankruptcy or the Swedish FSA's activation decision. The maximum compensation is an amount of SEK 1,050,000. There is a risk that regulatory changes which decrease the maximum compensation amount or change the SDIS are implemented which could have a negative effect on the amount of customer savings deposit currently held with the Issuer. This is likely to have a negative effect on the Issuer's business and liquidity (should its number of depositors decrease), funding and financial condition (should its assets decrease if depositors withdraw their deposits) and results of operations (should its liquidity and funding costs increase if the deposits decrease). The degree to which changes to the Swedish Deposit Insurance Scheme may affect the Issuer is uncertain and presents a highly significant risk to the Issuer's business and liquidity.

Risks relating to the Notes

Structural risks relating to the Notes

The Issuer's obligations under the Notes are deeply subordinated

The Notes are intended to constitute unsecured, deeply subordinated obligations of the Issuer. In the event of the voluntary or involuntary liquidation (likvidation) or bankruptcy (konkurs) of the Issuer, the rights of the Noteholders to payments on or in respect of (including any damages awarded for breach of any obligations under) the Notes (which in the case of any payment of principal shall be to payment of the then Nominal Amount only) shall at all times rank junior to any present and future claims of (i) depositors of the Issuer, (ii) any other unsubordinated creditors of the Issuer, (iii) any senior non-preferred creditors falling within the scope of the first paragraph of Section 18 of the Swedish Rights of Priority Act (förmånsrättslagen (1970:979)), and (iv) any subordinated creditors, including for the avoidance of doubt holders of any instruments which as at their respective issue dates constitute or constituted Tier 2 Capital.

In the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, there is a risk that the Issuer does not have enough assets remaining after payments to senior ranking creditors to pay amounts due under the Notes.

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

As a result of the above, there is a risk that the Noteholders will lose some or all of their investment in the Notes. Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated or which are subordinated but not so deeply, there is a significant risk that an investor in the Notes will lose all or some of its investment in the event of a voluntary or involuntary liquidation or bankruptcy of the Issuer. Accordingly, in a worst case scenario, the value of the Notes may be reduced to zero.

As noted in the risk factors "*The Bank Recovery and Resolution Directive*" above and "*Loss absorption at the point of non-viability of the Issuer*" below, there is a risk of the Notes being written-down or converted into other securities in a resolution scenario or at the point of non-viability of the Issuer.



Interest payments on the Notes may be cancelled by the Issuer

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

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

As a result of the above, there is a risk that the payment of Interest is cancelled, which would adversely affect the Noteholders. Following any cancellation of interest as described above, Noteholders shall have no right thereto or to receive additional interest or compensation. Furthermore, no cancellation of interest in accordance with the terms of the respective Notes shall constitute a default in payment or otherwise under the Notes or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer. Accordingly, in a worst case scenario, the amount of any Interest may be reduced to zero.

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

Loss absorption following a Trigger Event

If at any time the CET1 ratio has fallen below 5.125 per cent., in the case of the Issuer, or 7.00 per cent., in the case of the Consolidated Situation, this constitutes a Trigger Event and the Total Nominal Amount of the Notes shall be written down by an amount sufficient to restore the CET1 ratio of the Issuer and/or the Consolidated Situation to at least 5.125 per cent. or 7.00 per cent., as applicable provided that the Nominal Amount of each Note may not be written down below SEK 1. The write down of the Notes is likely to result in a holder of Notes losing some or all of their investment. Following any such reduction of the Total Nominal Amount, the Issuer may, at its discretion, reinstate in whole or in part the principal amount of the Notes, if certain conditions are met. The Issuer will not in any circumstances be obliged to reinstate in whole or in part the principal amount of the Notes (and any such reinstatement is likely to require unanimous approval at a shareholders' meeting of the Issuer).

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

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



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

The holders of Notes are subject to the risk that the Notes may be required to absorb losses as a result of statutory powers conferred on resolution and competent authorities in Sweden (the Swedish National Debt Office and the Swedish FSA). As noted above in the risk factor “The Bank Recovery and Resolution Directive”, the powers provided to resolution and competent authorities in the BRRD include write-down/conversion powers to ensure that relevant capital instruments (such as the Notes) fully absorb losses at the point of non-viability of the issuing institution in order to allow it to continue as a going concern subject to appropriate restructuring and without entering resolution. As a result, the BRRD contemplates that resolution authorities have the power to require the permanent write-down of such capital instruments (which write-down may be in full) or the conversion of them into CET1 instruments at the point of non-viability and before any other bail-in or resolution tool can be used. Accordingly, in a worst case scenario, the capital instruments may be written down and the value of the Notes may be reduced to zero.

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

The Notes have no maturity and call options are subject to the prior consent of the Swedish FSA

The Notes have no fixed final redemption date and the Noteholders have no rights to call for the redemption of the Notes. The Issuer has the option to, at its own discretion, redeem the Notes five years after they have been issued at any time within the Initial Call Period or any Interest Payment Date falling after the Initial Call Period but the Noteholders should not invest in the Notes with the expectation that such a call will be exercised by the Issuer.

If the Issuer considers it favourable to exercise such a call option, the Issuer must obtain the prior consent of the Swedish FSA. The Swedish FSA may agree to permit such a call, based upon its evaluation of the regulatory capital position of the Issuer and certain other factors at the relevant time. There is therefore a risk that the Issuer will not exercise such a call or that the Swedish FSA will not permit such a call should the Issuer want. The Noteholders may be required to bear the financial risks of an investment in the Notes for an indefinite period of time and there can be no assurance that the Issuer will or may exercise the call option.

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

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

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

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



Substitution or variation of the Notes

Subject to Clause [12.4] (Redemption, substitution or variation upon the occurrence of a Capital Event or Tax Event) of the relevant Terms and Conditions and the prior written permission of the Swedish FSA, the Issuer may, at its option and without the permission or approval of the relevant Noteholders, elect to substitute or vary the terms of all (but not some only) outstanding Notes for, or so that they become or remain, as applicable, Qualifying Securities if a Capital Event or Tax Event occurs.

There is a risk that, due to the particular circumstances of each Noteholder, any Qualifying Security will be less favourable to each Noteholder in all respects or that a particular Noteholder would not make the same determination as the Issuer as to whether the terms of the relevant Qualifying Security are not materially less favourable to Noteholders than the terms of the relevant Notes. The substitution or variation of the Notes may thus lead to changes in the Notes that have effects that are less favourable to the Noteholders. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequence suffered by any Noteholder). The degree to which the Notes may be substituted or varied is uncertain and presents a highly significant risk to the return of the Notes.

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

There is no restriction on the amount or type of debt that the Issuer or a Group Company may issue or incur that ranks senior to, or pari passu with the Notes, e.g. by issuing notes or commercial papers under the funding programmes described in the section Description of the Issuer – Funding of this Prospectus. There is a risk that the incurrence of any such debt reduces the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, limits the ability of the Issuer to meet its obligations in respect of the respective Notes and results in Noteholders losing all or some of their investment in the Notes. The degree to which other debt that ranks senior to, or pari passu with, the Notes may be issued is uncertain and presents a highly significant risk to the amount recoverable by Noteholders.

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

There is no restriction on the amount or type of assets that the Issuer or a Group Company can pledge, or otherwise use as security, for other debt. If the Issuer chooses to do so, there is risk that this reduces the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer and result in Noteholders losing all or some of their investment in the Notes. The degree to which any other asset pledged may affect the Noteholders is uncertain and presents a highly significant risk to the amount recoverable by Noteholders.

Risks relating to the Fixed-to-Floating Rate Notes

Interest rate risk

The Fixed-to-Floating Rate Notes bear interest at a fixed rate until the last day of the Initial Call Period for such Notes. During that time, holders of Fixed-to-Floating Rate Notes are exposed to the risk that the price of such Notes may fall because of changes in the market yield. While the nominal interest rate (i.e. the coupon) of Fixed-to-Floating Rate Notes is fixed until the last day of the Initial Call Period for such Notes, the market yield typically changes on a daily basis. As the market yield changes, the price of Fixed-to-Floating Rate Notes changes in the opposite direction, i.e. if the market yield increases, the price of such Notes falls and if the market yield falls, the price of such Notes increases. There is a risk that the price of Fixed-to-Floating Rate Notes is adversely affected by movements of the market yield, which will result in Noteholders losing a significant part of their investment in such Notes.



Other risks relating to the Notes

Noteholder representation and majority decisions by the Noteholders

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

Additionally, under the respective Terms and Conditions certain majorities of Noteholders are entitled to make decisions and take measures that bind all Noteholders, including those who vote in a manner contrary to the majority. Therefore, the actions of the majority and the Agent in such matters impact the Noteholders' rights under the Finance Documents in a manner that is possibly undesirable for some of the Noteholders. The degree to which any such decisions may affect the Noteholders is uncertain and presents a highly significant risk that the actions of the majority and the Agent in such matters can impact the Noteholders' rights under the Finance Documents in a manner that can be undesirable for some of the Noteholders.

European Benchmarks Regulation

In order to ensure the reliability of reference rates (such as STIBOR), legislative action at EU level has been taken. Hence, the so-called Benchmark Regulation (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indexes used as reference values for financial instruments and financial agreements or for measuring investment fund results and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014) were added and entered into force on 1 January 2018. The Benchmark Regulation regulates the provision of reference values, reporting of data bases for reference values and use of reference values within the EU. Since the benchmark regulation has only been applied for a short period of time, the effects of it so far are difficult to assess. However, there are future risks that the benchmark regulation affects how certain reference rates are determined and how they are developed. This in conjunction with increased administrative requirements is likely to lead to a reduced number of entities involved in the determination of reference rates, which, in such case, would lead to a certain reference interest ceasing to be published.

The Terms and Conditions provide that the interest rate benchmark STIBOR, which applies for the Notes, can be replaced as set out therein, upon the occurrence of a Base Rate Event which includes if STIBOR ceases to be calculated or administered. Such replacement shall be made in good faith and in a commercially reasonable manner and is always subject to the Applicable Banking Regulations and the prior written consent of the Swedish FSA. However, there is a risk that such replacement is not made in an effective manner and consequently, if STIBOR ceases to be calculated or administered, an investor in the Notes would be adversely affected. The degree to which amendments to and application of the European Benchmarks Regulation may affect the Noteholders is uncertain and presents a highly significant risk to the return on the Noteholder's investment.

