RISK FACTORS

*In this section, material risk factors are illustrated and discussed, including SBAB Bank AB (publ)'s (the "**Issuer**") economic and market risks, business risks, legal and regulatory risks, as well as structural risks relating to the contemplated issuance of Additional Tier 1 Capital Notes (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 Material.*

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 opulent, 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 Issuer and its subsidiaries from time to time (the "**SBAB Group**") and the Issuer are subject to risks related to the global economy, the SBAB Group and the Issuer are affected by public health epidemics or outbreaks of diseases that may negatively affect the global economy such as the current coronavirus (COVID-19) outbreak. The coronavirus outbreak and the mitigating actions taken by governments to contain the spread of the virus has resulted in substantial movements in the financial markets in the form of e.g. heavily falling interest rates, rising credit spreads and volatile and falling stock markets. Although the financial markets have stabilised and to some extent recovered since the outbreak of the first wave of the worldwide pandemic, the effect on the financial environment of the SBAB Group is expected to continue for as long as the coronavirus continues to spread. 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 crisis and measures taken by governments, central banks and other agencies. Among other things, the SBAB Group has seen a decrease in the demand for certain loans offered by SBAB along with periods of increased cost of funding, volatile fair values of the financial instruments held by SBAB, a decrease in net interest income and net interest margin, and increased loan impairment charges.

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, would perform well, a negative development in the global economy normally influences the Swedish economy in such 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 2020, and through a particularly intense phase of the coronavirus pandemic, housing prices in Sweden have risen by several per cent. However, there is a risk that housing prices may fall back slightly as interest rates are expected to rise in the future, although it is unclear how long it will be before interest rates start to rise. For example, with regard to new homes, there has for a few years been an increase of newly built multi-family dwellings, which is why the demand in that particular market segment may not be strong enough and could be subject to less demand in upcoming years, which could have a negative impact on the housing market. In addition, in recent years, many housing developers have experienced difficulties with selling parts of their newly produced units. In some local markets, signals thus indicate that the supply of newly produced housing has been greater than the actual demand (i.e. willingness to pay). Examples of such signals include longer advertisement times, fewer bidders per property, falling bid premiums and a larger proportion of housing with lowered prices. Accordingly, there is a risk that the Swedish housing market could decline. If the Swedish housing market were to decline, 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 quick rise in interest rates or unemployment levels. Legal requirements, such as further increased amortisation requirements or stricter caps on loan to value levels (although these requirements have been temporarily eased during the coronavirus pandemic), may have an adverse effect on house prices, in particular in urban areas where the market value is higher, and contribute to a reduction in lending growth. Furthermore, potential tightening of monetary policy is expected to have a negative impact on housing price developments. More restrictive regulations or upcoming 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 (*pantbrev*) in respect of properties, or pledges over tenant-owners' rights (*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 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 continues to increase, which is likely to increase the risk profile among the Issuer's customers in the event of rising interest rates. Following the decision by the Swedish FSA on 14 April 2020 to enable temporary amortisation reliefs to individuals as a result of a continued downturn in the economy due to the spread of the coronavirus (COVID-19), SBAB is offering its residential mortgage customers such temporary relief. On 31 December 2020, around 19,200 households encompassed by the Swedish FSA's amortisation requirement had been granted amortisation exemption, corresponding to a volume of about SEK 43 billion. Amongst other things, this could further increase SBAB's debt-to income ratio and may have an adverse effect on credit quality, recoverability and SBAB's loan-to-value levels. 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. Due to increased 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 development of the Swedish mortgage housing market may affect the Issuer is uncertain and presents a highly significant risk for a negative development on demand for mortgage loans originated by the Issuer.

Risks relating to 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 Material, 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 to 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 for a negative development 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 (*pantbrev*) in respect of properties located in Sweden or pledges of Swedish tenant-owners' rights (*bostadsrätt*) 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 (*bostadsrättsförening*) 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 real property. Should the prices of real property 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 operation 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 (i.e., within the Issuer's operations that include, for example, governmental counterparties such as municipalities). 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 Issuers 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 and would be prevented from making interest and amortisation payments as a result of such disruption. 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 an ongoing extensive project to replace the Issuer's system platform, since parts of its infrastructure have become obsolete and outdated, the Issuer has identified risks indicating that the change is not proceeding fast enough, that there are too many development-related disturbances in daily operations and that the lifecycle management of other support systems are lagging behind. Accordingly, this accentuates the IT-related risks and thus further increase the negative outcomes. 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. Any breach in security of the Issuer's IT systems risks crashing important systems and disrupting the Issuer's business. There is also a risk of blackmail 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 respects is digitalised (for example, mortgage applications are filed online, and loans are being granted via the Issuer's website), these risks are more prominent to the Issuer compared to competitors and other lenders whose operations are less digitalised. The degree to which failure operational or the occurrence of a cyber-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 (*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 of 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.

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 or the replacement of the Issuer with another counterparty, 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.

Sustainability and Corporate Social Responsibility 'CSR' 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, the climate and the environment, human rights and working conditions (including social conditions and personnel-related matters), anti-corruption efforts and financial criminality.

The Issuer's exposure to climate and environmental risks primarily arises in conjunction with its grant of credit. Climate and environmental risks arise when financing new production and redevelopment projects, but also in existing holdings in coastal areas should water levels rise. 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 fresh water shortages. For buildings and other collateral, it is thus important for the Issuer to understand the risks of flooding, collapse, landslides and erosion. Increased extremes in surface water levels that increase water penetration in basements and cause problems with dampness is likely to lead to assets and other collateral decreasing in value, thereby increasing the Issuer's risk of credit losses (since borrowers would face difficulties in repaying their loans should the collateral decrease in value). Since properties are used as collateral for an absolute majority of the loans provided by the SBAB Group, this risk is highly significant.

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 some 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 sustainability and CSR 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, as a group conducting banking and financing operations, 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 (the "**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 aimed primarily at individuals, 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, applicable as of 25 May 2018 ("**GDPR**"). Any administrative and monetary sanctions or reputational damage due to incorrect implementation or 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 along with loss of licences required for SBAB's operations which ultimately could adversely impact the SBAB Group's business, financial condition and results of operations.

Criminal activity within the banking industry, in which the SBAB Group operates, has been increasingly uncovered in recent years. This area, not least the issue of money laundering, received intense media attention during 2020, as well as during the two preceding years. As a bank, the Issuer is subject to a regulatory framework which requires the Issuer to take measures to counteract money laundering and terrorist financing within its operations. There is a risk that the Issuer's procedures, internal control functions and guidelines to counteract money laundering and terrorist financing are insufficient or not complied with, and that the Issuer's internal control functions are not adequate, to ensure that the Issuer complies with the regulatory framework. Such insufficiency or inadequacy may result in a failure to comply with the anti-money laundering regulatory framework.

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 criticism from inter alia the Swedish FSA or other regulators within the financial sector would have a material adverse effect on the Issuer's reputation, which is likely to adversely affect demand for loans offered by the Issuer. Furthermore, any non-compliance that would lead legal implications, including remarks or warnings and/or significant administrative fines imposed by the Swedish FSA or other regulators require the Issuer to pay amounts (which may be significant) and take measures to ensure compliance. This could cause significant, and potentially irreparable, damage to the reputation of the SBAB Group and, as a result, 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 2020, the SBAB Group's tax expenses totalled SEK 522 million and its effective income tax rate was 22.1 per cent. Accordingly, tax expenses constitute a significant part of the SBAB Group's total expenses (approximately 28 per cent). 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 2020, the SBAB Group's deferred tax assets(+)/liabilities(-) totalled SEK 651 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 such 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, in 2018, the then-current Swedish government presented a proposal for tax on financial services. The current government revisited the proposal in August 2019 and expressed its intention to introduce such tax in 2022, and on 17 September 2020 the Ministry of Finance (*Finansdepartementet*) published a memorandum proposing new legislation introducing a tax for credit institutions with liabilities of more than SEK 150 billion attributable to operations in Sweden. The new legislation is proposed to enter into force on 1 January 2022, and the suggested tax rate is set to 0.06 per cent. of total debt attributable to business carried out in Sweden for taxation years commencing in 2022 and 0.07 per cent. in following years. The proposal is subject to a consultation process and further investigation, and the final details of this tax are not yet known. However, if implemented, it would have an adverse effect on the SBAB Group as set out in the foregoing paragraph.

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**") and, as a response to the ongoing coronavirus (COVID-19) pandemic, by Regulation (EU) 2020/873. 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. 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 9 September 2020, the Swedish FSA communicated that it is expected that the new lower buffer rate will apply for at least twelve months. Assuming normal implementation periods, this means that the buffer rate can be expected to remain at 0 per cent. until at least 16 March 2022. 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.

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 Issuer is subject to the Bank Recovery and Resolution Directive ("**BRRD**") (which was amended by Directive (EU) 2019/879 ("**BRRD II**") on 27 June 2019 where most of the new rules in BRRD II will start to apply mid-2021). 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 Issuer) 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 (in Sweden, the Swedish National Debt Office (*Riksgäldskontoret*)) 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 (including, in the case of the Issuer, the Notes) could be subject to bail-in, except for certain classes of debt, such as certain deposits and secured liabilities. 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 National Debt Office 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**"), calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities (the Swedish National Debt Office for Sweden) on a case by case basis.

The MREL requirement has been required to be met as from 1 January 2018 (the liabilities proportion principle). On 18 June 2018 the Swedish National Debt Office announced and clarified that the MREL requirement of the Issuer must be fully met with subordinated and non-preferred liabilities (the subordinated and non-preferred liabilities principle) by 1 January 2022 at the latest. Due to the outbreak of the coronavirus (COVID-19), the Swedish National Debt Office announced, on 7 April 2020, that the phase in period for the above mentioned MREL requirements would be prolonged until 1 January 2024. Even though the requirements have been postponed, the Issuer and the SBAB Group will be required to issue an amount of additional eligible liabilities in the form of senior non-preferred notes or other MREL eligible liabilities in order to meet the new MREL requirements within the required timeframes.

If the SBAB Group were to experience difficulties in raising 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 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 issued up until 1 January 2024, 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 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 Issuer 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 Issuer 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 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 11.4 (*Early 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 Issuer's funding programmes. 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 First Call Date 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 First Call Date 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.