

**TERMS AND CONDITIONS FOR SVENSKA HANDELSBANKEN AB's**  
**2014 CONVERTIBLE DEBENTURES**  
**MAXIMUM AMOUNT SEK 3,179,000,000**

*This English version is a translation only and in the event of any discrepancies between this translation and the Swedish original version, the latter shall prevail.*

Section 1

DEFINITIONS

As used in these terms and conditions, the following terms shall have the meanings set forth below.

"Adjusted Conversion Price"	defined in section 6;
"Bank"	Svenska Handelsbanken AB (publ); registration no. 502007-7862;
"Banking Day"	A day in Sweden which is not a Sunday or other public holiday or, with respect to the payment of promissory notes, is not equated with a public holiday;
"Capital Adequacy Event"	defined in section 6.
"Common Equity Tier 1 Capital Ratio"	the common equity tier 1 capital ratio of the Bank's consolidated situation or of the Bank, pursuant to Regulation 575/2013 of the European Parliament and of the Council (CRR), without the application of Article 500(1)(b) of this Regulation;
"Conversion"	exchange of Convertible Debentures for new shares in the Bank;
"Conversion Price"	the price at which Conversion may, or upon automatic Conversion, shall take place;
"Convertible Debenture"	a claim with a right of Conversion as set forth in Chapter 11, section 4 of the Swedish Companies Act (SFS 2005:551);
"Current Market Price"	the amount which corresponds to the volume-weighted average of listed bid prices (rounded to the nearest whole öre, whereupon 0.5 öre is rounded downwards) according to the Stockholm Stock Exchange's official price list for Class A shares in the Bank, during the last 5 trading days in the calendar month preceding the calendar month during which (i) Conversion is exercised or (ii) in the event of automatic Conversion, the Measurement Date falls, on which a Capital Adequacy Event

	occurs. The Current Market Price may not be lower than the quota value for the Bank's shares or ninety (90) <i>kronor</i> (SEK 90), whichever is higher. In case of a bonus issue, reversed share split or share split, the SEK 90-amount will be adjusted, applying the principles set out in section 8, subsections A and B;
"Debt Instrument"	a payment undertaking by the Bank in accordance with these terms and conditions;
"Euroclear"	Euroclear Sweden AB;
"Loan"	the total amount of outstanding Debt Instruments;
"Measurement Date"	(i) 31 March, 30 June, 30 September and 31 December of each calendar year, (ii) each time by which the Common Equity Tier 1 Capital Ratio shall be calculated according to applicable regulations or an order from the Swedish Financial Supervisory Authority (sw. <i>Finansinspektionen</i> ), and (iii) each time by which the Common Equity Tier 1 Capital Ratio is calculated as decided by the Bank, provided that such calculation under this item (iii) is covered by audit or review by a certified public accountant;
"Noteholder"	the holder of a Convertible Debenture;
"Ordinary Conversion Price"	117 per cent of the amount which corresponds to the volume-weighted average of the listed prices paid (rounded to the nearest whole <i>öre</i> , whereupon 0.5 <i>öre</i> shall be rounded downwards) according to the Stockholm Stock Exchange's official price list for one Class A share in the Bank during the period 2 May 2014 – 14 May 2014. Ordinary Conversion Price also means, where applicable, such amount as may arise as a consequence of recalculation in accordance with section 8. The Ordinary Conversion Price may not be lower than the quotient value for the Bank's shares or ninety (90) <i>kronor</i> (SEK 90), whichever is higher. In case of a bonus issue, reversed share split or share split, the SEK 90-amount will be adjusted, applying the principles set out in section 8, subsections A and B;
"Repayment Date"	the date established in accordance with the definition set forth in section 2 below;
"Stockholm Stock Exchange"	NASDAQ OMX Stockholm;

"SEK"	Swedish <i>kronor</i> ;
"Swap Rate"	the interest rate which (1) at 12.00 am two Banking Days prior to the relevant interest period is quoted for 1 year swap rate (ASK) in SEK on Bloombergs' "SKSW1 CURRENCY CQ" webpage (or through such other system or on such other webpage which replaces the above-stated system or webpage) or, if such listing is not available, the interest rate which (2) at the above-stated time corresponds (a) to the average of the 1 year term swap rates (ASK) offered by the reference banks (by which is meant Skandinaviska Enskilda Banken AB (publ), Nordea Bank AB (publ) and Danske Bank A/S Denmark, Sweden Branch) on the interbank market in Stockholm or, if no such offer is quoted, (b) the swap rate which Swedish commercial banks offer for a 1 year term swap (ASK) on the interbank market in Stockholm;

## Section 2

### LOAN AMOUNT, REPAYMENT DATE, INTEREST RATE AND PAYMENT UNDERTAKING

The loan amount shall not be in excess of three billion one hundred and seventy nine million *kronor* (SEK 3,179,000,000). However, in the event the Ordinary Conversion Price, at the time of the issue, is established at an amount which would lead to a dilution after full Conversion at the Ordinary Conversion Price, by more than 2 per cent of the share capital or votes, the maximum loan amount shall be reduced so that the maximum dilution is 2 per cent. Such calculations shall be made as if the subordinated convertible loan issued by the Bank in 2008 and 2011 is converted at the current conversion price SEK 187.56, and converted at the current ordinary conversion price, SEK 235.98, respectively.

Noteholders are not entitled to repayment of all or part of the Loan without a decision by the Bank to repay the Loan or in the event the Bank is declared bankrupt or goes into liquidation. In conjunction with repayment, the Loan shall be repaid, together with any accrued interest, to the extent Conversion has not taken place previously. The date on which the Loan is repaid is designated the "Repayment Date".

The Loan does not have a fixed Repayment Date. Subject to the exception for repayment in conjunction with the Bank's liquidation or bankruptcy, the Bank may however repay the Loan, in whole or in part, plus accrued interest, on a date determined by the Bank. In conjunction with partial repayment, repayment of a specific percentage share of each Debt Instrument shall be made.

Subject to;

1. repayment exercised by the Bank, as a consequence of the fact that the Bank has received an opinion from advisers on accounting matters with extensive experience in the relevant issues stating that new legislation, EU Regulation, judicial decision, decision by Swedish authorised governmental authority or Swedish normative organisation prescribes that the prerequisites to maintain the accounting of the Bank's undertakings pursuant to the Loan, has or will be significantly changed. At repayment in accordance with this subsection 1 the full amount of the loan together with accrued interest shall be repaid. Repayment in accordance with this subsection 1 shall however, only take place if the volume-weighted average of the listed prices paid (rounded to the nearest whole öre, whereupon 0.5 öre shall be rounded downwards) according to the Stockholm Stock Exchange's official price list for one Class A share in the Bank during a period of the 10 trading days preceding the decision, is lower than the Ordinary Conversion Price divided with 1.17;
2. repayment exercised by the Bank, as a consequence of the fact that the Bank has received an opinion from tax advisers with extensive experience in the relevant issues stating that new legislation, judicial decision or decision by Swedish authorised governmental authorities prescribes that such legislation, regulation or the interpretation thereof entails that there is, or may be anticipated to be, a no insignificant risk that the Bank is, or will become, liable to pay more than an insignificant amount in taxes, public fees, or charges in relation to the Bank's undertakings or reporting of such undertakings pursuant to the Loan. In conjunction with payment in accordance with this subsection 2, repayment of the entire Loan plus accrued interest shall be made. The last sentence in the subsection 1 above, shall apply also on a repayment in accordance with this subsection 2; or
3. repayment, which must take place in accordance with the provisions set out below in this section 2, section 6 or section 8;

the Repayment Date may not be earlier than 1 July 2019 and not earlier than 40 days after information regarding the Bank's decision has been notified to the Noteholders in accordance with section 13 below.

The Loan shall carry interest commencing on 13 June 2014 which interest shall be due and payable on 20 April of each year, for the first time on 20 April 2015 and on the Loan's Repayment Date. Each interest payment covers interest for a period of twelve months with the exception of the first interest payment which shall only cover the period 13 June 2014 up to and including 20 April 2015 and the last interest payment which shall only cover the period from the most recent preceding interest due date up to and including the Repayment Date. Interest shall be paid annually in arrears on the interest due date and, if interest is to be calculated for a period of less than one year, interest shall be calculated as if each month were to consist of 30 days and each year were to consist of 12 months with 30 days each (30/360). As set forth in section 7 below, in conjunction with Conversion, any right to interest from the immediately preceding interest due date shall be forfeited. Exceptions from this provision are set out in section 6.

The Bank shall be entitled to cancel an interest payment where the Bank, as per the Measurement Date immediately preceding the interest payment date, does not meet the applicable combined buffer requirement from time to time under legislation implementing and/or applying Directive 2013/36/EU of the European Parliament and of the Council (CRD IV). Should the Bank cancel an interest payment, the Noteholders' rights to such non-paid interest shall be forfeited. The Bank shall notify the Noteholders in accordance with section 13 below of the Bank's decision to cancel any interest payment.

In the event interest payment is cancelled in accordance with the foregoing paragraph, the Noteholders' shall; notwithstanding what is stated in section 6 below regarding the earliest date for exercise of Conversion; be entitled to exercise Conversion on the terms set out in section 6. In the event of such Conversion the Conversion Price shall be set to the Conversion Price which should apply if the Bank had called for Conversion in accordance with section 6 below. Should the Adjusted Conversion Price be less than the Ordinary Conversion Price at such Conversion, the Bank shall be entitled to repay the nominal amount, in whole or partially, of the Convertible Debentures that each individual Noteholder at such time had requested to convert. However, accrued interest shall not be paid.

The interest rate is fixed specifically for each interest period and shall be the Swap Rate plus 0.50 percentage points. The Swap Rate shall be established taking into account the Loan's interest payment dates.

The Bank assumes payment liability for the Loan and undertakes to effect payment in accordance with these terms and conditions.

### Section 3

#### ACCOUNT OPERATORS, REGISTRATION, ETC.

The Loan shall be registered by Euroclear in a CSD register in accordance with the Financial Instruments Accounting Act (SFS 1998:1479) and, as a consequence, no physical securities will be issued.

The nominal amount of the Debt Instruments shall be one *krona* (SEK 1) or multiples thereof.

The Debt Instruments are registered on behalf of the Noteholders in an account in the Bank's CSD register. Registration regarding the Loan as a consequence of measures taken in accordance with sections 5, 6, 7 and 15 below shall be effected by the Bank. Any other registration measures related to the account may be taken by the Bank or other account operator.

### Section 4

#### SUBORDINATED DEBT INSTRUMENTS

No security has been provided for the Debt Instruments and, in the event of the Bank's liquidation or bankruptcy, the Debt Instruments entitle the holders to payment from the Bank's assets in accordance with the following to the extent Conversion has not occurred: (i) after (a) the Bank's obligations for which rights of priority apply; (b) the Bank's non-subordinated obligations; (c) the Bank's obligations according to terms and conditions for time-limited subordinated

debentures issued by the Bank; and (d) the Bank's obligations under terms and conditions for perpetual subordinated debentures issued by the Bank, herewith subject to the exception for obligations under sub-section (iii) below; (ii) *pari passu* with the Bank's obligations under other Debt Instruments pursuant to this Loan; (iii) *pari passu* or before the Bank's obligations under terms and conditions for the Bank's other perpetual subordinated debentures which are outstanding at the issue of this Loan which do not carry any right to cumulative payments and which only may be paid from the Bank's disposable funds (according to applicable Swedish laws and regulations) and the Bank's Tier 1 capital loans and the Bank's other subordinated obligations which expressly carry the right to payment *pari passu* with, or after, the Debt Instruments; and (iv) before the Bank's payment obligations towards the Bank's shareholders in their capacity as shareholders.

## Section 5

### PAYMENT OF INTEREST AND REPAYMENT OF THE LOAN AMOUNT

Interest and the loan amount is paid by Euroclear to any person who is registered, on the fifth Banking Day prior to the interest due date or the Repayment Date or on the Banking Day closer to the interest due date or Repayment Date which generally may be applied on the Swedish security market (= record date for payment), on an account in the Bank's CSD register as a Noteholder, or who is otherwise entitled to receive interest and loan amount.

Where a Noteholder, or any person who is registered in an account in the Bank's CSD register as otherwise entitled to receive interest and loan amount, has caused it to be registered through an account operator that interest and loan amount shall be deposited in a particular bank account, deposit is made through Euroclear on the interest due date or Repayment Date. In all other cases, Euroclear shall transfer the interest and loan amount on the applicable latter date to such party at the address registered with Euroclear on the record date. Where the interest due date or Repayment Date is a day which is not a Banking Day, the interest and loan amount shall be deposited or transferred on the Banking Day immediately following.

In the event that Euroclear, due to delay by the Bank or as a consequence of other impediments, is unable to pay interest or loan amount in accordance with the above-stated provisions, the interest or loan amount shall be paid by Euroclear, as soon as the impediment is removed, to any person who was registered, on the record date for payment, as a Noteholder or noted as entitled to receive interest or loan amount.

Interest is credited only up to and including each interest due date, notwithstanding that such date might be a day which is not a Banking Day, and notwithstanding that payment of the due and payable amount is delayed as a consequence of impediments as set forth in section 17 below. However, in the event the Bank fails to provide Euroclear in a timely manner with funds for payment of due and payable interest or loan amount on the interest due date or Repayment Date, notwithstanding the absence of such impediments as set forth in section 17 below, interest on the due and payable interest and loan amount shall be payable in accordance with section 6 of the Swedish Interest Act (SFS 1975:635), commencing on the interest due date or Repayment Date up to and

including the Banking Day on which the funds are provided to Euroclear not later than 10:00 am.

## Section 6

### CONVERSION

Conversion may be exercised by the Noteholders or the Bank, or occur automatically, in accordance with the following.

#### ***Conversion exercised by Noteholders***

Noteholders shall be entitled to exercise Conversion, during the period commencing on 1 May 2019 up to and including the 15<sup>th</sup> Banking Day prior to the Repayment Date or commencing or up to and including, any date set forth in section 2 or section 8, subsections M, N, O, or P below, whichever is earlier, of their Convertible Debenture claim, to new Class A shares in the Bank. The last day for Noteholders to exercise Conversion shall be 30 November 2019.

The Conversion Price for Conversion exercised by Noteholders before 31 May 2019 shall amount to the Ordinary Conversion Price. In conjunction with Conversion exercised as a consequence of section 2 or section 8, subsections M, N, O, or P, however, the Conversion Price shall be determined in accordance with the provisions set forth therein.

For Conversion exercised by Noteholders on 31 May 2019, or thereafter, the Conversion Price shall correspond to the Current Market Price or Ordinary Conversion Price, whichever is lower.

In the event Noteholders exercise Conversion on 31 May 2019, or thereafter, and the Current Market Price is lower than the Ordinary Conversion Price, the Bank shall be entitled, in lieu of effecting Conversion, to repay in whole or in part, the nominal amount of the Convertible Debentures which any single Noteholder wishes to convert simultaneously plus the amount of accrued interest on any repaid amount.

#### ***Conversion exercised by the Bank***

Immediately after the Loan has been registered with the Swedish Companies Registration Office (sw. *Bolagsverket*) up to and including the 15<sup>th</sup> Banking Day prior to the Repayment Date, the Bank shall be entitled immediately to exercise Conversion of all Debt Instruments to new Class A shares in the Bank. Upon demand for Conversion by the Bank, the Bank shall notify the Noteholders in accordance with section 13 below that Conversion will take place at a date determined by the Bank, however not earlier than 20 days and not later than 40 days after notice.

For Conversion exercised by the Bank on 31 May 2019, or thereafter, the Conversion Price shall correspond to the Current Market Price or the Ordinary Conversion Price, whichever is lower.

For Conversion exercised by the Bank prior to 31 May 2019, the Conversion Price shall correspond to the Adjusted Conversion Price, calculated in accordance with the following:

$$KVK_{JUST} = \min \left[ BK, \frac{BK}{1 + \left( \frac{BK}{KVK_{ORD} / (1 + KVPR)} - 1 \right) \times \left( \frac{t}{T} \right)}, \frac{KVK_{ORD}}{1 + KVPR \times \left( \frac{t}{T} \right)} \right]$$

where:

$KVK_{JUST}$ =	Adjusted Conversion Price
$BK$ =	Current Market Price
$KVK_{ORD}$	Ordinary Conversion Price at the time when the Bank calls for Conversion
$KVPR$ =	Conversion premium of 17 per cent
$t$ =	Number of days remaining of the period commencing at the Banks call for Conversion until and including 31 May 2019
$T$ =	Number of days from 13 June 2014 until and including 31 May 2019

The Conversion Price may not be an amount lower than the quotient value of the Bank's shares or ninety *kronor* (SEK 90), whichever is higher. In case of a bonus issue, reversed share split or share split, the SEK 90-amount will be adjusted, applying the principles set out in section 8, subsections A and B. The Conversion Price calculated in accordance with the above shall be rounded to the nearest whole *öre*, whereupon 0.5 *öre* shall be rounded downwards. Upon Conversion exercised by the Bank accrued interest shall be payable to the Noteholders.

#### **Exercise of Conversion**

In order to effect the registration measures, upon exercise of Conversion, a completed application, in accordance with a form provided by the Bank, shall be submitted to the Bank or other account operator to be forwarded to the Bank.

Upon Conversion, one new Class A share in the Bank shall be received for each full amount of the total nominal amount of Convertible Debentures corresponding to the Conversion Price that is registered in a particular account for Debt Instruments which each individual Noteholder simultaneously wishes to convert less, as the case may be, such nominal amount that the Bank may have repaid. In the event such amount is not evenly divisible by the Conversion Price, the excess amount shall be paid in cash. Recalculation of the Ordinary Conversion Price may take place in the circumstances set forth in section 8 below.

#### **Automatic Conversion**

Conversion of all outstanding Convertible Debentures shall occur automatically, without exercise, if the Common Equity Tier 1 Capital Ratio



falls below 7 per cent as per any Measurement Date during the period from the time of the registration of the Loan with the Swedish Companies Registration Office until the Repayment Date ("Capital Adequacy Event"). Section 8 provides for certain cases where the Bank has the right to decide that a Capital Adequacy Event shall not result in automatic Conversion.

Convertibles that are exercised for Conversion during the period from a Capital Adequacy Event and until registration of the automatic Conversion with the Swedish Companies Registration Office shall be deemed automatically Converted unless the exercised Conversion is registered with the Swedish Companies Registration Office before the automatic Conversion is registered with the Swedish Companies Registration Office.

The Conversion Price in respect of automatic Conversion shall correspond to the Conversion Price which would have applied if the Bank had exercised Conversion in accordance with the above on the Measurement Date on which the Capital Adequacy Event occurred.

Upon automatic Conversion, one new Class A share in the Bank shall be received for each full amount corresponding to the Conversion Price out of the total nominal amount of Convertible Debentures held in the account for Debt Instruments by each Noteholder. In the event that such total amount is not evenly dividable by the Conversion Price, any excess amount shall be paid in cash. Recalculation of the Ordinary Conversion Price may take place under the circumstances set forth in section 8 below.

In the event of a Capital Adequacy Event, the Bank shall notify the Noteholders in accordance with section 13 below that a Capital Adequacy Event has occurred and that automatic Conversion will be implemented, and take all necessary steps to implement the automatic Conversion. Upon implementation of automatic Conversion, the general terms outlined below shall apply.

### **Implementation of Conversion**

Conversion shall be implemented no later than ten Banking Days (or such later Banking Day that Euroclear in consultation with the Bank considers practicable for managing a distribution decision) prior to an Annual General Meeting which is intended to decide on distribution. Any automatic Conversion shall be implemented after the record date for such distribution. Conversion shall be implemented through the entry of the new shares in the Bank's share register as interim shares. Any excess cash amounts in accordance with the above together with accrued interest, where applicable, shall be paid out thereafter. Following registration with the Swedish Registration Companies Office, the registration on the CSD accounts shall be final. Where the Conversion Price shall correspond to the Current Market Price upon exercise of Conversion or upon automatic Conversion, Conversion shall only be effected once the Conversion Price has been determined. As set forth in sections 7 and 8 below, the situations described therein may also give rise to a postponement of the time for final registration.

## Section 7

## INTEREST AND DIVIDENDS IN CONNECTION WITH CONVERSION

Upon Conversion, regardless of whether it occurs upon exercise or automatically, the right to interest for the period commencing on the most recent preceding interest due date shall be forfeited, subject to the exceptions set out in section 6 above.

Any shares issued due to Conversion shall entitle the holder to receive dividends for the first time on the record date for dividends which occurs on the date immediately preceding the day on which Conversion is implemented.

## Section 8

## RECALCULATION OF ORDINARY CONVERSION PRICE, ETC.

The following shall apply with respect to the right which vests in Noteholders in certain situations: "Conversion Price" means, as used in this section 8, the Ordinary Conversion Price unless otherwise stated.

- A. Where the Bank carries out a bonus issue, Conversion which is exercised or occurs automatically at such time that it cannot be effected on or before the fifth weekday prior to the shareholders' meeting which decides on the bonus issue, shall be effected after the meeting has resolved to carry out such issue. Shares which are issued as a consequence of Conversion effected after adoption of the resolution to carry out the bonus issue shall be entered in the CSD account on a provisional basis, which means that holders of such shares are not entitled to participate in the share issue. Final registration on the CSD account takes place only after the record date for the issue.

At Conversion effected after adoption of the resolution to carry out the bonus issue, a recalculated Conversion Price is applied. Recalculation is carried out by the Bank in accordance with the following formula:

$$\text{Recalculated Conversion Price} = \frac{\text{the previous Conversion Price x the number of shares prior to the bonus issue}}{\text{number of shares after the bonus issue}}$$

The Conversion Price calculated in accordance with the above is determined by the Bank as soon as possible following the adoption by the shareholders' meeting of the resolution to carry out the bonus issue and shall be applied only after the record date for the share issue.

- B. Where the Bank carries out a reverse share split or a share split, subsection A above shall apply *mutatis mutandis*, whereupon the record date shall be deemed to be the date on which the reverse share split or share split, upon request by the Bank, is effected by Euroclear.
- C. Where the Bank carries out a new issue of shares subject to pre-emption rights for shareholders to subscribe for new shares in exchange for cash payment, the following shall apply with respect to the right to

participate in the issue held by shareholders whose shares were issued as a consequence of Conversion:

1. Where the Board of Directors resolves to carry out the share issue contingent upon the approval of the shareholders' meeting or pursuant to authorisation by the shareholders' meeting, the resolution to carry out the share issue shall set forth the last date on which Conversion must be effected in order for a share, which is issued through Conversion, to entitle the holder to participate in the issue. Such day may not be earlier than the tenth calendar day following the resolution.
2. Where the shareholders' meeting resolves to carry out the share issue, Conversion which is exercised or occurs automatically at such time that Conversion cannot be effected on or before the fifth Banking Day prior to the date on which the shareholders' meeting resolves to carry out the share issue, shall be carried out after the Bank has effected recalculation in accordance with this subsection C. Shares which are issued as a consequence of such Conversion shall be entered in the CSD account on a provisional basis, which means that they do not entitle the holders to participate in the share issue.

At Conversion which is effected at such time that a right to participate in the new issue does not arise, a recalculated Conversion Price shall be applied. Recalculation shall be carried out by the Bank in accordance with the following formula:

$$\text{Recalculated Conversion Price} = \frac{\text{the previous Conversion Price} \times \text{the average exchange price of the share during the subscription period set forth in the resolution approving the issue (the average price of the share)}}{\text{the average price of the share increased by the theoretical value of the subscription right calculated on the basis thereof}}$$

The average price of the share shall be deemed to equal the volume-weighted average during the subscription period of quoted transaction prices according to the Stockholm Stock Exchange's official price list for Class A shares in the Bank.

The theoretical value of the subscription right is calculated in accordance with the following formula:

$$\text{Value of the subscription right} = \frac{\text{the maximum number of new shares which may be issued pursuant to the resolution approving the issue} \times (\text{the average price of the share minus the issue price for the new share})}{\text{the number of shares prior to the adoption of the resolution approving the issue}}$$

Upon calculation in accordance with the above-stated formula, shares held by the Bank shall not be included. In the event a negative value is arrived at in the above-stated calculation, the theoretical value of the

subscription right shall be deemed to be zero.

The recalculated Conversion Price in accordance with the above shall be determined by the Bank two Banking Days after the expiration of the subscription period and shall apply to Conversion effected thereafter.

During the period prior to the determination of the recalculated Conversion Price, Conversion shall only be effected on a preliminary basis, whereupon an even number of shares according to the, as yet, not recalculated Conversion Price shall be recorded in the CSD account on a provisional basis. In addition, a separate notation shall be made that each Convertible Debenture, according to the recalculated Conversion Price, may entitle the holder to additional shares and/or a cash sum in accordance with section 6, third paragraph above. Final registration on the CSD account takes place after the recalculated Conversion Price has been determined.

- D. In the event the Bank carries out an issue in accordance with chapter 14 or chapter 15 of the Swedish Companies Act with pre-emptive rights for the shareholders, the provisions set forth in subsection C, first paragraph items 1 and 2 above shall apply to the right to participate in the issue in respect of shares issued upon Conversion.

Upon Conversion effected at such time that a right to participate in the issue does not arise, a recalculated Conversion Price shall be applied. Recalculation shall be carried out by the Bank in accordance with the following formula:

$$\text{Recalculated Conversion Price} = \frac{\text{the previous Conversion Price x the average stock exchange price of the share during the subscription period set forth in the resolution approving the issue (the average price of the share)}}{\text{the average price of the share increased by the value of the subscription right}}$$

The average price of the shares is calculated in accordance with the provisions set forth in subsection C above.

The value of the subscription right shall be deemed to correspond to the volume weighted average of quoted transaction prices during the subscription period according to the Stockholm Stock Exchange's official price list for subscription rights related to Class A shares in the Bank.

The recalculated Conversion Price in accordance with the above shall be determined by the Bank, two Banking Days after the expiry of the subscription period and shall be applied in conjunction with Conversion effected thereafter.

In conjunction with Conversion effected during the period until the recalculated Conversion Price is determined, the provisions set forth in subsection C, last paragraph above, shall apply accordingly.

- E. In the event the Bank, under circumstances other than those set forth in subsections A - D above, directs an offer to its shareholders, with preemptive rights pursuant to the principles set forth in chapter 13, section 1 of the Swedish Companies Act, to acquire securities or rights of any sort from the Bank, or where the Bank resolves, pursuant to the above-stated provisions, to distribute to its shareholders such securities or rights without consideration (the offer), a recalculated Conversion Price shall be applied in the event that Conversion is exercised or occurs automatically at such time that the shares received do not entitle the holder to participate in the offer. Recalculation shall be carried out by the Bank in accordance with the following formula:

$$\text{Recalculated Conversion Price} = \frac{\text{the previous Conversion Price} \times \text{the average stock exchange price of the share during the application period set forth in the offer (the average price of the share)}}{\text{the average price of the share increased by the value of the right to participate in the offer}}$$

The average price of the share shall be calculated in accordance with the provisions set forth in subsection C above.

Where shareholders have received purchase rights and trading in such rights has taken place, the value of the right to participate in the offer shall be deemed to be equal to the value of the purchase right. In such context, the value of the purchase right shall be deemed to be equal to the volume weighted average during the application period of listed transaction prices according to the Stockholm Stock Exchange's official price list for purchase rights.

In the event the shareholders have not received purchase rights, or such trading in purchase rights as specified in the preceding paragraph has otherwise not taken place, the recalculation of the Conversion Price shall take place upon the application, to the extent possible, of the principles set forth above in this subsection E, whereupon the following shall apply. Where a listing is carried out in respect of the securities or rights which are offered to the shareholders, the value of the right to participate in the offer shall be deemed to be the volume weighted average of listed transaction prices during 25 trading days commencing on the first day of listing, according to the Stockholm Stock Exchange's official price list for these securities or rights, where applicable decreased by any consideration paid for such securities or rights in conjunction with the offer. In conjunction with recalculation of the Conversion Price in accordance with this paragraph, the application period set forth in the offer shall be deemed to correspond to the period of 25 trading days as set forth above in this paragraph. In the event such listing does not take place, the value of the right to participate in the issue shall be determined, to the extent possible, based on the change in the market value regarding the Bank's shares which may be deemed to have arisen as a consequence of the offer.

The Conversion Price recalculated in accordance with the above shall be determined by the Bank as soon as possible after the expiry of the

offer, and shall be applied in conjunction with Conversion effected after such determination.

In conjunction with Conversion effected during the period until the determination of the recalculated Conversion Price, the provisions set forth in subsection C, last paragraph above, shall apply *accordingly*.

- F. Where the Bank carries out an issue of new shares or an issue of shares pursuant to chapter 14 or chapter 15 of the Swedish Companies Act with pre-emptive rights for shareholders, the Bank shall be entitled to grant all Noteholders the same pre-emptive rights as the shareholders are entitled to pursuant to the resolution to carry out the share issue. In conjunction therewith, each Noteholder, notwithstanding that Conversion has not been carried out, shall be deemed to be the owner of the number of shares the Noteholder would have received if Conversion had been claimed by the Noteholder at the time of the resolution to carry out the share issue and implemented at a Conversion Price corresponding to the Current Market Price or the Ordinary Conversion Price, whichever is lower. In such context, the record date for the share issue may not fall prior to such time as the Current Market Price can be determined. The fact that Noteholders might also have been able to receive a cash amount in accordance with section 6 above shall not give rise to any rights relevant hereunder.

In the event the Bank resolves to direct an offer to its shareholders as specified in subsection E above, the preceding paragraph shall apply accordingly. However, the number of shares which each Noteholder shall be deemed to own shall be determined, in such cases, based on a Conversion Price which corresponds to the Current Market Price or the Ordinary Conversion Price which would have applied had exercise of Conversion taken place at the time of the adoption of the resolution regarding the offer, whichever is lower.

In the event the Bank resolves to grant the Noteholders pre-emptive rights in accordance with the provisions set forth in this section F, no recalculation pursuant to subsections C, D or E above of the Conversion Price shall be carried out.

- G. In the event the Bank resolves to pay a cash dividend to the shareholders a recalculated Conversion Price shall be applied in conjunction with Conversion exercised or occurring automatically at such time during which any shares received by the Conversion does not entitle the holders to receive such dividend. The recalculation shall be carried out by the Bank in accordance with the following formula:

$$\text{Recalculated Conversion Price} = \frac{\text{the previous Conversion Price} \times \text{the average stock exchange price of the share during a period of 25 trading days calculated commencing on the day on which the share is listed without any right to participate in the dividend (the average price of the share)}}{\text{the average price of the share increased by the dividend paid per share}}$$

The average price of the share shall be deemed to be equal to the volume weighted average of listed transaction prices, during the above-stated period of 25 trading days, according to the Stockholm Stock Exchange's official price list for Class A shares in the Bank.

The Conversion Price recalculated in accordance with the above shall be determined by the Bank two Banking Days after the expiry of the above-stated period of 25 trading days and shall be applied in conjunction with Conversion effected thereafter.

In the event Conversion has been exercised or has occurred automatically but, as a consequence of the provisions set forth in section 6 or section 7 above, final registration on the share account has not taken place, a separate notation shall be made that the Convertible Debenture, according to the recalculated Conversion Price, may entitle the holder to additional shares and/or a cash amount pursuant to section 6, third paragraph above. Final registration on the share account takes place after the recalculated Conversion Price has been determined, however not earlier than the time set forth in section 7 above.

- H. In the event the Bank carries out a partial demerger according to chapter 24, second paragraph, subsection 2 of the Swedish Companies Act, pursuant to which a part of the Bank's assets and liabilities are transferred to one or more other limited liability companies without the Bank being dissolved, a recalculated Conversion Price shall be applied. Recalculation shall be carried out by the Bank in accordance with the following formula:

$$\text{Recalculated Conversion Price} = \frac{\text{the previous Conversion Price} \times \text{the average exchange price of the share during a period of 25 trading days calculated commencing on the date on which the share is listed without any right to demerger consideration (the average price of the share)}}{\text{the average price of the share increased by the value of the demerger consideration paid per share}}$$

The average price of the share shall be deemed to equal the volume weighted average of listed transaction prices during the above-stated period of 25 trading days according to the Stockholm Stock Exchange's official price list for Class A shares in the Bank.

The value of the demerger consideration paid per share shall, in the event the demerger consideration is paid in the form of shares or other securities which are subject to listing on a stock exchange or other authorised marketplace, be deemed to correspond to the volume weighted average during the above-stated period of 25 trading days of the share or security which constitutes the demerger consideration according to the relevant exchange's official price list or other relevant market listing.

In the event the demerger consideration consists of shares or other securities which are not subject to listing, the value of the demerger

consideration shall be determined, to the extent possible, on the basis of the change in market value of the Bank's shares which may be deemed to have arisen as a consequence of the payment of the demerger consideration.

The Conversion Price recalculated in accordance with the above shall be determined by the Bank two Banking Days after the expiry of the above-stated period of 25 trading days and shall be applied in conjunction with Conversion effected thereafter.

In conjunction with Conversion effected during the period until such time as the recalculated Conversion Price is determined, the provisions set forth in subsection C, last paragraph above, shall apply accordingly.

Noteholders may not enforce any rights pursuant to these terms and conditions against any company or companies which, in conjunction with a partial demerger, assume assets and liabilities of the Bank.

- I. In the event the share capital of the Bank is decreased through repayment to the shareholders, and such decrease is mandatory, a recalculated Conversion Price shall be applied. The recalculation is carried out by the Bank in accordance with the following formula:

$$\text{Recalculated Conversion Price} = \frac{\text{the previous Conversion Price} \times \text{the average stock exchange price of the share during a period of 25 trading days calculated commencing on the day on which the share is listed without any right to repayment (the average price of the share)}}{\text{the average price of the share increased by the amount which is repaid per share}}$$

The average price of the share is calculated in accordance with the provisions set forth in subsection C above.

In conjunction with recalculation in accordance with the above, and where the decrease takes place through a redemption of shares, in lieu of the actual amount which is repaid per share, a calculated repayment amount shall be employed in accordance with the following:

$$\text{Calculated repayment amount per share} = \frac{\text{the actual amount repaid per redeemed share, decreased by the average stock exchange price of the share during a period of 25 trading days immediately preceding the day on which the share is listed without any right to participate in the decrease (the average price of the share)}}{\text{the number of shares in the Bank which form the basis for the redemption of one share decreased by 1}}$$

The average price of the share is calculated in accordance with the provisions set forth in subsection C above.

The Conversion Price recalculated in accordance with the above is determined by the Bank two Banking Days after the expiry of the stated



period of 25 trading days and shall be applied in conjunction with Conversion effected thereafter.

In conjunction with Conversion which is effected during the period until the determination of a recalculated Conversion Price, the provisions in subsection C, last paragraph, above shall apply accordingly.

In the event the share capital of the Bank is decreased through a redemption of shares with repayment to the shareholders, and such decrease is not mandatory, but where, in the opinion of the Bank, taking into consideration the technical nature and economic effects of the measure, the measure is comparable with a mandatory decrease, recalculation of the Conversion Price shall take place upon the application, to the extent possible, of the principles set forth above in this subsection I.

- J. In the event the Bank carries out a repurchase of its shares through an offer to all shareholders and where, in the Bank's opinion, taking into consideration the technical nature and economic effects of the measure, the measure is comparable with a mandatory decrease in the share capital, recalculation of the Conversion Price shall take place upon the application, to the extent possible, of the principles set forth in subsection I above.
- K. In the event the Bank carries out a measure set forth in subsections A-E, subsections G - J above and, in the Bank's opinion, application of the recalculation formulas intended therefore, taking into consideration the technical nature of the measures or otherwise, cannot be carried out or lead to the economic compensation which the Noteholders receive in relation to the shareholders not being reasonable, the Bank shall, provided the written consent of the Bank's board of directors has been provided, carry out the recalculation of the Conversion Price in order for the recalculation of the Conversion Price to produce a reasonable result.
- L. In the determination of the recalculated Conversion Price in accordance with the above, the Conversion Price shall be rounded to whole Swedish öre, whereupon 0.5 öre shall be rounded downwards.
- M. In the event it is resolved to place the Bank in liquidation pursuant to chapter 25 of the Swedish Companies Act, notwithstanding the grounds for liquidation, Conversion may not be exercised or occur automatically thereafter. The right to exercise Conversion terminates, and automatic Conversion may no longer occur, upon the resolution placing the Bank in liquidation, irrespective of whether such resolution has acquired final force and effect. However, Noteholders shall be entitled, in the above-stated circumstances, to demand immediate payment of the nominal amount of the Debt Instruments plus any accrued interest as per the date of repayment. Where the liquidation is resolved upon by the shareholders' meeting, such right vests commencing on the date after the shareholders' meeting, and otherwise commencing on the date on which the decision regarding liquidation by the court or, where applicable, the Swedish Companies Registration Office, enters into final force and effect. Within one week thereafter, the Bank shall notify Noteholders pursuant to notice in accordance with section 13 below of

their right to demand immediate payment.

Not later than two months prior to the shareholders' meeting at which a resolution will be addressed regarding whether the Bank shall be placed into voluntary liquidation in accordance with chapter 25, section 1 of the Swedish Companies Act, the Noteholders shall be notified of the intended liquidation through notice pursuant to section 13 below. The notice shall contain a reminder that Conversion may not be exercised after the shareholders' meeting has adopted a resolution to place the company in liquidation.

In the event the Bank provides notice regarding intended liquidation pursuant to the above, notwithstanding the provisions set forth in section 6 above regarding the earliest time for exercise of Conversion, the Noteholders shall be entitled to exercise Conversion commencing on the date on which notice is provided, provided that Conversion can be effected not later than the fifth weekday prior to the day on which the issue of the Bank's liquidation shall be addressed by the shareholders' meeting. For the purposes of this subsection M, the Bank shall be entitled to decide that a Capital Adequacy Event shall not result in automatic Conversion if Conversion cannot be implemented on the fifth business day prior to the general meeting at which the Bank's liquidation shall be resolved.

In conjunction with Conversion which is exercised in accordance with this subsection M, the Conversion Price shall correspond to the Conversion Price which would have applied if the Bank had exercised Conversion in accordance with section 6 above. In the event the Adjusted Conversion Price is less than the Ordinary Conversion Price at such Conversion, the Bank shall be entitled to, instead of executing the Conversion, repay, in whole or partially, the nominal amount of the Convertible Debentures that each individual Noteholder at such time have requested to convert together with accrued interest on the repaid amount.

- N. In the event the Bank resolves to carry out a demerger pursuant to chapter 24 of the Swedish Companies Act by approving a demerger plan pursuant to which all of the Bank's assets and liabilities are transferred to one or more limited liability companies and the Bank is thereupon dissolved without liquidation, exercise of Conversion or automatic Conversion may not thereafter take place. However, Noteholders shall be entitled, during a period of two months calculated from such approval, to demand immediate payment of the Debt Instrument's nominal amount, plus any accrued interest as per the Repayment Date.

Not later than one week after the commencement of the above-stated period, the Bank shall remind the Noteholders of such right through notice in accordance with section 13 below. The above-stated shall not limit any rights which may vest in Noteholders by law in conjunction with a demerger in their capacity as creditors.

Not later than two months prior to the Bank taking a final position with respect to the issue of demerger pursuant to the above, the Noteholders shall be notified of the demerger plan through notice in accordance with

section 13 below. The notice shall provide a report of the main terms of the intended demerger plan and the Noteholders shall be reminded that Conversion may not be exercised after a final decision is taken regarding a demerger in accordance with the first paragraph above.

In the event the Bank provides notice of a planned demerger pursuant to the above, notwithstanding the provisions set forth in section 6 above regarding the earliest time for exercise of Conversion, Noteholders shall be entitled to exercise Conversion commencing on the day on which notice is provided regarding the demerger plan, provided that Conversion can be effected not later than the fifth weekday prior to the shareholders' meeting at which the demerger shall be addressed pursuant to chapter 24 of the Swedish Companies Act. For the purposes of this subsection N, the Bank shall be entitled to decide that a Capital Adequacy Event shall not result in automatic Conversion if Conversion cannot be implemented on the fifth business day prior to the general meeting at which a demerger is to be resolved under chapter 24 of the Swedish Companies Act.

In conjunction with Conversion which is exercised in accordance with this subsection N, the Conversion Price shall correspond to the Conversion Price which would have applied if the Bank had exercised Conversion in accordance with section 6 above. In the event the Adjusted Conversion Price is less than the Ordinary Conversion Price at such Conversion, the Bank shall be entitled to, instead of executing the Conversion, repay, in whole or partially, the nominal amount of the Convertible Debentures that each individual Noteholder at such time have requested to convert together with accrued interest on the prepaid amount.

- O. In the event the shareholders' meeting resolves to carry out a merger pursuant to chapter 23, section 15 of the Swedish Companies Act by approving a merger plan pursuant to which the Bank shall be merged into another company, Conversion may not be exercised or occur automatically thereafter. However, Noteholders shall be entitled, during a period of two months calculated from such approval, to demand immediate payment of the Debt Instrument's nominal amount plus any interest accrued as per the Repayment Date.

Not later than one week after the commencement of the above-stated period, the Bank shall remind Noteholders of such right through a notice pursuant to section 13 below. The above-stated shall not limit any rights which may vest in Noteholders by law in their capacity as creditors in conjunction with a merger.

Not later than two months prior to the Bank taking a final position with respect to the issue of merger in accordance with the above, the Noteholders shall be notified, in accordance with section 13 below, of the merger plan. The notice shall contain a report of the primary terms of the intended merger plan and the Noteholders shall be reminded that Conversion may not be exercised after a final decision has been taken regarding merger in accordance with the provisions set forth in the first paragraph above.

In the event the Bank provides notice of a planned merger pursuant to the above, notwithstanding the provisions set forth in section 6 above regarding the earliest time for exercise of Conversion, the Noteholders shall be entitled to exercise Conversion commencing on the date on which notice of the merger plan is provided, provided that Conversion can be effected not later than the fifth weekday prior to the shareholders' meeting at which the merger plan, pursuant to which the Bank shall be merged into another company, shall be addressed pursuant to chapter 23, section 15 of the Swedish Companies Act. For the purposes of this subsection O, the Bank shall be entitled to decide that a Capital Adequacy Event shall not result in automatic Conversion if Conversion cannot be implemented on the fifth business day prior to the general meeting at which the merger plan under which the Bank is to merge into another entity is to be resolved under chapter 23 section 15 of the Swedish Companies Act.

In conjunction with Conversion exercised pursuant to this subsection O, the Conversion Price shall correspond to the Conversion Price which would have applied if the Bank had exercised Conversion in accordance with section 6 above. In the event the Adjusted Conversion Price is less than the Ordinary Conversion Price at such Conversion, the Bank shall be entitled to, instead of executing the Conversion, repay, in whole or partially, the nominal amount of the Convertible Debentures that each individual Noteholder at such time have requested to convert together with accrued interest on the prepaid amount.

- P. In the event the board of directors of the Bank adopts a merger plan pursuant to chapter 23, section 28 of the Swedish Companies Act, pursuant to which the Bank shall be merged into another company, or in the event the Bank's shares are subject to a compulsory redemption procedure pursuant to chapter 22 of the above-stated Act, the following shall apply.

In the event the Bank's board of directors announces its intention to adopt a merger plan in accordance with the legislation referred to in the preceding paragraph, the Bank shall, in the event the last day for Conversion pursuant to section 6 above occurs after such announcement, determine a new expiration date for exercise of Conversion (Expiration Date). Nor may automatic Conversion occur after the Expiration Date. The Expiration Date shall be within 60 days of announcement.

Where announcement has taken place in accordance with the provisions set forth above in this subsection P, notwithstanding that which is set forth in section 6 above regarding the earliest time for exercise of Conversion, the Noteholders shall be entitled to exercise Conversion until and including the Expiration Date. Not later than six weeks prior to the Expiration Date, the Bank shall remind the Noteholders, through notice in accordance with section 13 below, of such right and that Conversion may not be exercised after the Expiration Date. However, the Noteholders shall be entitled, during a period of two months calculated from such publication, to demand immediate payment of the Debt Instrument's nominal amount, plus any accrued interest as per the Repayment Date. In addition, the Noteholders shall be reminded

in the notice of their right to demand immediate payment in accordance with the provisions set forth above.

In the event shareholders (majority owners), who alone or together with subsidiaries, own shares representing such a large share of the total number of shares in the Bank that the majority owner, in accordance with legislation in effect from time to time, is entitled to demand compulsory redemption of outstanding shares, request adjudication by arbitrators regarding the majority owner's right to compulsory redemption of outstanding shares, the Convertible Debentures may not (i) be exercised for Conversion prior to resolution of the redemption dispute through an award or a final and binding decision or (ii) Convert automatically. In the event the last date for application for Conversion occurs prior thereto, the Noteholders shall nonetheless be entitled to exercise the Convertible Debentures during a period of three months after the decision has become final and binding.

In conjunction with Conversion exercised in accordance with this subsection P, the Conversion Price shall equal the Conversion Price which would have applied if the Bank had exercised Conversion in accordance with section 6 above. In the event the Adjusted Conversion Price is less than the Ordinary Conversion Price at such Conversion, the Bank shall be entitled to, instead of executing the Conversion, repay, in whole or partially, the nominal amount of the Convertible Debentures that each individual Noteholder at such time have requested to convert together with accrued interest on the prepaid amount.

- Q. Notwithstanding the provisions set forth in subsections M, N, O and P above that Conversion may not be exercised, or occur automatically (in certain cases according to the Bank's decision) after a resolution has been adopted for the Bank to go into liquidation, the approval of a demerger plan, merger plan or the expiry of a new expiration date in conjunction with merger, the right to exercise Conversion shall once again apply and automatic Conversion under section 6 may once again occur, in the event the liquidation terminates or the demerger or merger plan is not carried out.
- R. In the event of bankruptcy of the Bank, Conversion may not be exercised thereafter. Nor may automatic Conversion occur. However, in the event the bankruptcy declaration is revoked by a higher court, Conversion may again be exercised and automatic Conversion may again occur.

## Section 9

### SEPARATE UNDERTAKINGS BY THE BANK

In addition, the Bank undertakes not to effect any measures set forth in section 8 above which would give rise to a recalculation of the Conversion Price to an amount less than the quotient value of the share.

## Section 10

### LIMITATIONS

The right to payment of the loan amount shall be barred ten years after the

Repayment Date. The right to payment of interest shall be barred three years after each interest due date. Any funds allocated for payment which is barred shall vest in the Bank.

#### Section 11

##### RIGHT TO REPRESENT NOTEHOLDERS

The Bank shall be entitled, notwithstanding the absence of any separate power of attorney by the Noteholders, to represent the Noteholders both before and outside judicial proceedings or debt enforcement authorities in questions of a formal nature regarding this Loan.

#### Section 12

##### ALLOCATION OF AVAILABLE FUNDS

Where both interest and loan amount have become due and payable and where the available funds are not sufficient for full payment thereof, the funds shall firstly be used for payment of interest and thereafter payment of the loan amount.

#### Section 13

##### NOTICES

Notices regarding the Loan shall be given to each Noteholder and other rights holder registered on an account in the Bank's CSD register and shall be published on the Bank's webpage.

#### Section 14

##### ADMINISTRATOR

Upon the application of these terms and conditions, the administrator shall be deemed to be the Noteholder in respect of any Debt Instruments which are administrator-registered pursuant to the Financial Instruments Accounting Act.

#### Section 15

##### AMENDMENTS OF LOAN TERMS AND CONDITIONS

The Bank shall be entitled, on behalf of the Noteholders, to amend the terms and conditions of the Loan to the extent legislation, the decisions of courts of law, or decisions of governmental authorities so require, or where it is otherwise, in the opinion of the Bank, appropriate or necessary for practical reasons and the Noteholders' rights are not materially prejudiced in any respect.

#### Section 16

##### CONFIDENTIALITY

Neither the Bank nor Euroclear may disclose information to third parties regarding the Noteholders without the authorisation of the Noteholders.

The Bank shall be entitled to obtain the following information from Euroclear regarding the Noteholder's account in the Bank's CSD register:

1. The Noteholder's name, personal identification number, or other identification number, and postal address;
2. The nominal amount of the Debt Instrument.

#### Section 17

##### LIMITATION OF THE BANK'S AND EUROCLEAR'S LIABILITY

With respect to measures incumbent upon the Bank and Euroclear, with respect to Euroclear taking into consideration the provisions set forth in the Financial Instruments Accounting Act, neither the Bank nor Euroclear shall be liable for any damage as a consequence of Swedish or foreign legislation, Swedish or foreign governmental actions, acts of war, strikes, blockades, boycotts, lockouts or other similar circumstances. The reservation with regard to strikes, blockades, boycotts and lockouts shall apply notwithstanding that the Bank or Euroclear itself takes or is the object of such measures.

Nor shall the Bank or Euroclear be liable in other cases to compensate damage which arises, provided the Bank or Euroclear acted with due care. The Bank shall not be liable in any circumstances for consequential damage.

In the event the Bank or Euroclear is prevented from effecting payment or taking any other measures as a consequence of circumstances set forth in the first paragraph, the measures may be postponed until such time the impediment has terminated. In the event of postponed payment, the Bank shall pay interest at a rate of interest applicable on the interest due date or Repayment Date.

#### Section 18

##### GOVERNING LAW

This convertible subordinated debenture loan and any associated legal issues shall be governed by the laws of Sweden. Proceedings regarding the convertible subordinated debenture loan shall be brought in the Stockholm District Court or in such other forum of which is accepted by the Bank in writing.

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