

TRANSLATION

Proposal of the Board of Directors of Swedbank AB for a resolution regarding authorisation for the Board of Directors to decide on the issuance of convertibles, in accordance with item 19 of the proposed Agenda for the AGM 2016

Background and purpose

In 2014, the Swedish Financial Supervisory Authority (SFSA) clarified the majority of the capital requirements that apply for Swedish banks. The risk weight floor for Swedish mortgages was raised from 15 to 25 per cent. During 2015, the SFSA presented its opinion on the capital requirements for the so-called Pillar 2 risks, inter alia, concerning which methods for calculation that should be used for credit concentration risks, pension risks and interest risks in the bank's business outside of the securities market. In January 2016, the SFSA confirmed its previously presented intention to not pass any formal resolutions concerning capital requirements for Pillar 2 risks.

By reason hereof, it can be assessed that the Common Equity Tier 1 capital for Swedbank's individual Pillar 2 risks amounts to 0.9 per cent and that the capital requirement, calculated as of 31 December 2015, corresponds to a Common Equity Tier 1 capital ratio of 19.9 per cent and a total capital requirement of 25.3 per cent, with regard to a future increase of the countercyclical capital buffer value of 1.5 per cent in June 2016. Swedbank's Common Equity Tier 1 capital ratio was 24.1 per cent and the total capital ratio was 30.3 per cent as of 31 December 2015.

Given the current capitalization and earnings capacity, the Board of Directors is of the opinion that the bank meets the regulatory requirements on Common Equity Tier 1 capital with an adequate buffer.

At the same time that the Swedish capital requirements have been clarified, an international effort is underway regarding future capital requirements for banks. Among other things, the Basel Committee is conducting an extensive analysis to improve the comparability of banks' capital ratios. The review covers future standard methods for calculating capital requirements for credit, market and operational risks. The committee may also propose a capital floor based on the standard methods for banks that use

internal models. Due to uncertainty about the specifics of the new regulations as well as how and when they will be implemented, it is still too early to draw any conclusions on the potential impact on Swedbank. An evaluation of the leverage ratio is also underway ahead of the possible introduction of a minimum requirement in 2018. Swedbank's leverage ratio taking into account the EU Commission's clarification of the definition was 5.0 per cent as per 31 December 2015.

In addition, as of 1 February 2016, Sweden has implemented legislation concerning so-called resolution, which will provide the relevant public authorities with means to handle banks in crisis. A minimum requirement of debt and capital base, which is determined as a percentage, that the authorities may depreciate or convert, form part of the legislation. This legislation might, also, affect the Board of Directors' opinion on the capital requirements.

Further, the conditions for the bank's business as well as the external conditions are constantly changing. Hence, it may become desirable to increase or decrease the capital base or change the composition between Common Equity Tier 1 capital and other capital, for example by repurchase of own shares, issue of loans eligible for inclusion in the capital base or a combination of different measures.

An authorization by the AGM to the Board of Directors to decide on issuance of convertibles is therefore justified as one of several measures to give the Board of Directors the possibility to continuously adapt the bank's capital structure to existing capital needs. In accordance with item 18 of the proposed agenda, the Board of Directors propose that the AGM, in addition to the authorization proposed below, authorize the Board of Directors to decide on acquisition of the bank's own shares.

According to regulations that came into force 1 January 2014, a loan must, in order for it to be eligible for inclusion as Additional Tier 1 capital in the capital base, contain conditions to the effect either that the loan may be converted into shares if a predetermined trigger event occur, for example that the bank's Common Equity Tier 1 ratio drops below a certain level, or that the loan will be written down under corresponding conditions. Debt instruments eligible for inclusion as Tier 2 capital in the capital base may also be issued with similar terms and conditions. An issue of debt instruments convertible into shares can only be made in accordance with the rules of the Swedish Companies Act on issuance of convertibles. Convertibles may be used to strengthen the bank's equity in the event of future actual or anticipated financial difficulties. This possibility should be advantageous also to current shareholders.

Since convertibles issued in accordance with the authorization would mainly be demanded by debt investors of the Swedish and international capital markets, it must be possible to offer them to the market with or without deviation from the shareholders' preferential rights. The purpose of this proposal is for the bank, without convening a General Meeting

of Shareholders, through decision by the Board of Directors, to be able to issue convertibles if considered necessary in order to effectively handle the capital base.

Conditions for issuance

Based on the foregoing the Board of Directors proposes that the AGM authorises the Board of Directors, during the period until the AGM in 2017, to resolve on the issuance of convertibles as set out below:

1. The authorisation may be utilised on one or several occasions prior to the AGM in 2017
2. The issuance may be made with or without deviation from shareholders' preferential rights
3. The convertibles shall mandatorily convert into shares under the conditions stated in the terms and conditions of the convertibles but not be convertible at the option of the holders
4. Loan amounts and conditions for conversion shall be set so that the total number of shares which may be issued upon conversion of convertibles, by virtue of this authorisation, may not exceed 110 000 000 (or the corresponding number due to any bonus issue, share issue, conversion of convertibles, share split or reversed share split or similar corporate events), including the number of shares resulting from any conversion of convertibles issued under authorisation from previous AGM(s).
5. The Board of Directors resolves on all other terms and conditions for issuance according to this authorisation

Majority requirement

For a decision in accordance with the Board's proposal, it is required that the resolution of the AGM is supported by shareholders representing at least two-thirds both of the votes cast and of the shares represented at the Meeting.

Stockholm in February 2016

Swedbank AB (publ)
The Board of Directors