TRANSLATION

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I have been asked by Swedbank to provide a legal opinion regarding certain actions in conjunction with a report made to the Swedish Financial Supervisory Authority pursuant to the Financial Instruments Trading (Market Abuse Penalties) Act (SFS 2005:377) (the "Market Abuse Act") concerning the bank's CEO.

Background

As I have understood the matter, a report was made by an individual employee of the bank (a "whistle-blower") regarding a customer transaction with respect to which a reporting obligation might exist. The customer in question was the CEO of the bank and therefore the Chair of bank's Board of Directors was informed. Matters regarding reporting obligations under the Market Abuse Act are normally handled by the bank's compliance function but, in this case, it was turned over to the internal audit department by the Chair of the Board of Directors. The reason for this was that it was not deemed appropriate that the matter be handled by anyone who directly or indirectly reported to the CEO. (The compliance function is subordinate to the CEO, while the bank's internal audit department reports directly to the Board of Directors.)

The matter was investigated by the bank's Chief Audit Executive who was assisted by three outside attorneys. All of them came to the conclusion that there was a reporting obligation. The bank's Chief Audit Executive prepared, signed, and submitted a report to the Financial Supervisory Authority which, in turn, immediately turned the matter over to the Swedish National Economic Crimes Authority, which commenced an investigation.

After it had been concluded within the bank that reporting must be made to the Financial Supervisory Authority, it was determined that the prosecutor should be contacted promptly before any other individuals were informed internally. The prosecutor was not available on Friday, 5 February 2016 when the report was received by the prosecutor's office, but on Monday, 8 February, the next business day, the bank was able to contact the prosecutor via its outside counsel; the prosecutor gave notice that he did not see any obstacles to the Chair informing the Board of Directors of the filing of the report.

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A board meeting was held by telephone on the evening of 8 February between 7 PM and 7:50 PM. At the meeting, the Board of Directors resolved to remove the CEO from his position. He was felt to have done good work, particularly during the financial crisis, but the bank believed, for several reasons, that it needed new leadership at this point in time. The minutes of the meeting indicate that the Board of Directors was not informed of the report which had been filed regarding the CEO until after this resolution was adopted. This information was not believed to affect the decision to remove the CEO, only the timeframe; the Board of Directors resolved to remove the CEO with immediate effect.

Specific comments regarding the relevant regulations

Swedbank's reporting obligation in the instant situation is set forth in section 10 of the Market Abuse Act which prescribes, among other things, that securities institutions, exchanges and credit institutions must report as soon as possible to the Swedish Financial Supervisory Authority in situations where it can be assumed that a transaction constitutes, or has a connection with, insider crimes or market manipulation. According to the same statute, the Financial Supervisory Authority must turn over the information to the prosecutor without delay. The provision was adopted for the purpose of adapting Swedish legislation to the requirements set forth in the Market Abuse Directive as well as the first and third implementation directives.

The institutions subject to a reporting obligation have no actual investigation obligation, but reporting must take place if there is cause to assume that a transaction constitutes, or has a connection with, insider crimes or market manipulation, which entails that some investigation must nonetheless be carried out. According to case law, the reporting obligation is normally fulfilled by the relevant companies' compliance function.

Once reporting has taken place, pursuant to Chapter 11, a so-called "disclosure prohibition" goes into effect. A company which has reported pursuant to section 10 may not disclose to the customer or any third party that reporting has been made. This also applies to the members of the company's Board of Directors and the company's employees. This provision of the Act is based on Article 11 (1) of the third implementation directive. The above-stated article prescribes that the member states must ensure that the party reporting to the relevant governmental authority does not inform any other person of this, particularly the individuals on whose behalf the transaction has been carried out or closely associated parties to these individuals, unless permitted by law. Breaches of the reporting obligation or disclosure prohibition are a criminal offence under section 13.

Comments regarding Swedbank's handling of the matter

The fact that a bank customer regarding whom reporting under the Market Abuse Act becomes relevant is the CEO of the bank is an extraordinary situation for which there are no special rules but which gives rise to several problems. It can also be noted that the bank's handling of the matter deviated in certain respects from what is normal.

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One deviation consists of the fact that the internal audit department was entrusted with handling the reporting matter, instead of the compliance function. In my opinion, this was entirely natural since it would obviously have been less appropriate and in contravention of the purpose of the rules to allow these matters to be handled by a body which reported directly to the CEO.

Another deviation consists of the fact that the Chair of the Board of Directors was informed of the matter. In my opinion, this was also both natural and appropriate. The notion that a matter of this type which dealt with the bank's CEO would be handled within the bank without informing the Chair of the Board of Directors would not have been reasonable. The Chair of the Board of Directors admittedly does not have any authority within his capacity to act on behalf of the company, but according to the prevailing approach the immediate responsibility falls on the Chair of the Board of Directors when urgent CEO-related issues arise in a company. In this case, it was not a question of the Chair of the Board of Directors taking any measures; rather, only that it was felt he should be informed. The reporting question, as already mentioned, would be handled by the internal audit department.

It has been claimed in the public debate that the question of reporting should have been referred to the Board of Directors or that the Chair of the Board of Directors in any event should have immediately notified the Board of Directors of the situation which had arisen.

The Market Abuse Act does not state which body within a securities institution must take charge of a reporting matter. However, through the Act, and the Market Abuse Directive, on which the Act is based, the goal has been to achieve a procedure whereby authorized personnel within the institution have an immediate obligation to report when such situations arise as require reporting. Referring a reporting question to the Board of Directors would, in my opinion, have contravened this purpose.

In holding off on informing the entire Board of Directors until the prosecutor had confirmed that it would not harm the investigation, the Chair had in mind the purposes which form the basis of the disclosure prohibition in the Market Abuse Act, i.e. that information regarding the matter not be disseminated in such a manner as to jeopardize the investigation. If the Chair of the Board of Directors had immediately notified the Board of Directors of the reporting, in my opinion, this would have been less in agreement with the disclosure prohibition and even bordered on constituting punishable action. The fact that the Chair of the Board of Directors – in compliance with advice from outside legal counsel – did not do so was, in my opinion, entirely correct.

Once the prosecutor gave the green light for the Board of Directors being informed of the report regarding the CEO, there was no obstacle to the Chair of the Board of Directors informing the directors of this. As set forth above, the Board of Directors was not informed until after it had adopted a resolution removing the CEO. In a memorandum which was provided to me, the Chair of the Board of Directors has explained this by saying that, within the Board of Directors, a strategic discussion had been initiated some time earlier to decide whether the CEO was the

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right person to lead the bank towards becoming more modern and with a greater focus on customers and personnel. In order to avoid forcing a decision on this question, the Chair of the Board of Directors held off on providing the information until after the resolution on the issue of removing the CEO had been adopted.

The Chair of the Board of Directors' reasons for the chosen order of business on the agenda are understandable. The selected approach – not immediately informing the Board of the report so that all directors received the same information when the decision was to be taken on the issue of removal of the CEO – is not in contravention of the Swedish Companies Act. The members of the Board of Directors were informed at the same meeting only briefly after the resolution on the removal issue and had an opportunity after this to change their decision.

In summary, in my opinion, no justified criticism from a legal perspective can be levied against the actions taken by the bank, the Board of Directors, or the Chair of the Board of Directors in this situation.

This opinion may be released to third parties.

/Signature/

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