



Swedbank AB (publ)

(Incorporated with limited liability in the Kingdom of Sweden)

**U.S.\$15,000,000,000
Medium Term Note Programme**

Under the U.S.\$15,000,000,000 Medium Term Note Programme (the "Programme") described in this prospectus (the "Prospectus"), Swedbank AB (publ) (the "Issuer"), subject to all applicable legal and regulatory requirements, may from time to time issue notes ("Notes") in registered or bearer form (respectively, "Registered Notes" and "Bearer Notes"). The aggregate principal amount of Notes outstanding at any one time will not exceed U.S.\$15,000,000,000 or the equivalent in other currencies.

Notes may be issued on a continuing basis to the dealer specified under "Overview of the Programme" and any additional dealer(s) appointed under the Programme from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority" and the "FSMA", respectively) for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the regulated market of the London Stock Exchange (the "Regulated Market"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the London Stock Exchange's Regulated Market. The Regulated Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Programme also provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges, markets or quotation systems as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") or any state securities laws, and are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S") and in the United States only to "qualified institutional buyers" (in reliance on, and as defined by, Rule 144A under the Securities Act ("Rule 144A")) and, in each case, in compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of a Note will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Note, as described in this Prospectus, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases (see "Subscription and Sale and Transfer and Selling Restrictions").

THERE ARE CERTAIN RISKS RELATED TO ANY ISSUE OF NOTES UNDER THE PROGRAMME, WHICH INVESTORS SHOULD ENSURE THEY FULLY UNDERSTAND (SEE "RISK FACTORS" ON PAGE 9 OF THIS PROSPECTUS).

The Issuer has been assigned ratings of A-1 (short term) and A+ (long term) from Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's"); P-1 (short term) and A2 (long term) from Moody's Investors Service Ltd. ("Moody's"); and F1 (short term) and A+ (long term) from Fitch Ratings Limited ("Fitch"). Notes to be issued under the Programme are expected to be rated A+ (Notes with a maturity of more than one year) and A-1 (Notes with a maturity of less than one year) by Standard & Poor's; (P)A2 and (P)P-1 (short term) by Moody's; and A+ (Notes with a maturity of more than one year) and F1 (Notes with a maturity of less than one year) by Fitch. Each of Standard & Poor's, Moody's and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). Notes issued under the Programme may be rated or unrated. Where a Tranche (as defined below) of Notes is rated, such rating will be specified in the applicable Final Terms (as defined below) and will not necessarily be the same as the ratings assigned to the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Arranger and Dealer

Barclays

September 3, 2012

IMPORTANT NOTICE

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the “2010 PD Amending Directive”) to the extent such amendments have been implemented in a relevant Member State of the European Economic Area) (the “Prospectus Directive”).

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has confirmed to the Dealers that this Prospectus is true and accurate in all material respects and not misleading; that there are no other facts in relation to the information contained or incorporated by reference herein the omission of which would, in the context of the Programme and the issue of the Notes, make any statement herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealers that this Prospectus (together with, in relation to any Tranche, the applicable Final Terms) contains all information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group (as defined under “Overview of the Programme”) and of the rights attaching to the relevant Notes.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named as the relevant Dealer or the managers, as the case may be.

In relation to any Tranche, the aggregate nominal amount of the Notes of such Tranche, the interest (if any) payable in respect of the Notes of such Tranche, the issue price and any other terms and conditions not contained herein which are applicable to such Tranche will be set out in a final terms document (“Final Terms”) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

This Prospectus contains information sourced from third parties, where indicated with references to third party sources herein. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is to be read in conjunction with any amendment or supplement hereto, all information which is deemed to be incorporated herein by reference (see “Information Incorporated by Reference”) and, in relation to any Tranche, the applicable Final Terms. This Prospectus shall be read and construed on the basis that such information is incorporated and forms part of this Prospectus.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained or incorporated by reference in this Prospectus, in the Dealer Agreement (as defined under “Subscription and Sale and Transfer and Selling Restrictions”), in any other document prepared in connection with the Programme or any Final Terms or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

None of this Prospectus, any financial statements and any other information supplied in connection with the Programme and any Notes (i) is intended to provide the sole basis of any credit or other evaluation of the Issuer, (ii) constitutes an offer or an invitation to subscribe for or purchase any Notes or (iii) should be considered as a recommendation by the Issuer, the Dealers, the Trustee or any of them that any recipient of this Prospectus, any financial statements or any other information supplied in connection with the Programme or any Notes should subscribe for or purchase any Notes. Each recipient of this Prospectus, any financial statements or any other information supplied in connection with the Programme or any Notes shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates or the Trustee, and neither the Dealers nor any of their respective affiliates nor the Trustee makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the Programme. Neither the delivery of this Prospectus or any part hereof or any Final Terms nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change in the financial situation of the Issuer since the date of this Prospectus or, as the case may be, the date upon which this Prospectus has been most recently amended or supplemented.

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale and Transfer and Selling Restrictions". Neither this Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

The Notes have not been, and will not be, registered under the Securities Act, and may be offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S and in the United States only to "qualified institutional buyers" in reliance on and as defined in Rule 144A. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

This Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a

prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer and any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of an investment in the Notes in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which the potential investor’s financial activities are principally denominated;
- (iv) understands thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Further, prospective investors should ensure that they have sufficient knowledge and awareness of the Eurozone crisis, global financial crisis and the economic situation and outlook as they consider necessary to enable them to make their own evaluation of the risks and merits of an investment in the Notes. In particular, prospective investors should take into account the considerable uncertainty as to how the Eurozone crisis, the global financial crisis and the wider economic situation will develop over time.

Special attention is also drawn to the U.S. Hiring Incentives to Restore Employment Act (“FATCA”), which was enacted in early 2010. FATCA is particularly complex and its application to the Issuer is uncertain at this time. Each holder of Notes should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each holder in its particular circumstances.

Each Tranche of Registered Notes sold to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by beneficial interests in an unrestricted global Note in registered form, without interest coupons (an “Unrestricted Registered Global Note”), which will be deposited either (i) with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”) for the accounts of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) for the accounts of their respective participants or (ii) with a common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Prior to expiry of the period that ends 40 days after the later of the date of issue of a Tranche and the completion of the distribution of a Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue (the “Distribution Compliance Period”), beneficial interests in the Unrestricted Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person except in accordance with Rule 144A, Rule 903 or 904 of Regulation S or pursuant to another applicable exemption from the registration requirements of the Securities Act. The Registered Notes of each Tranche of such Series sold within the United States or to, or for the account or benefit of U.S. persons in reliance on Rule 144A under the Securities Act will be represented by beneficial interests in a restricted global Note in registered form, without interest coupons (a “Restricted Registered Global Note” and, together with an Unrestricted Registered Global Note, the “Registered Global Notes”), deposited with a custodian for, and registered in the name of a nominee of, DTC. Registered Notes in definitive form (“Definitive Registered Notes”) will, at the request of the Holder (as defined herein) (save to the extent otherwise indicated in the applicable Final Terms), be issued in exchange for interests in the Registered Global Notes upon the terms set out in the relevant Registered Global Note.

Each Tranche of Bearer Notes will initially be represented by a temporary global Note in bearer form (a “Temporary Global Note”) which will (i) if the Temporary Global Note is intended to be issued in new global note (“NGN”) form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg and (ii) if the Temporary Global Note is not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg. On or after the date which is 40 days after the later of the date of issue of a Tranche and the completion of the distribution of the Notes of the relevant Tranche and provided certification as to beneficial ownership thereof as required by United States Treasury Regulations Section 1.163-5(c)(2)(i)(D) has been received, interests in the Temporary Global Note will be exchangeable for either interests in a permanent global Note in bearer form (a “Permanent Global Note”) or, if so specified in the applicable Final Terms, Bearer Notes in definitive form (“Definitive Bearer Notes”). Interests in the Permanent Global Note will be exchangeable for Definitive Bearer Notes in whole but not in part in the circumstances set out in the relevant Permanent Global Note. Bearer Notes are subject to U.S. tax law requirements and, subject to certain exceptions, may not be offered, resold or delivered within the United States to, or for the account or benefit of, U.S. persons. See “Subscription and Sale and Transfer and Selling Restrictions” below.

The Notes have not been recommended by or approved or disapproved by the United States Securities and Exchange Commission (the “SEC”) or any other federal or state securities commission in the United States nor has the SEC or any other federal or state securities commission confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable federal or state securities laws pursuant to a registration statement or an exemption from registration. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for Swedish Krona per U.S. dollar.

	<u>Period end</u>	<u>Average¹</u>	<u>High²</u>	<u>Low²</u>
	SEK	SEK	SEK	SEK
2007	6.470	6.757	7.109	6.233
2008	7.835	6.597	8.369	5.841
2009	7.161	7.644	9.317	6.784
2010	6.711	7.204	8.113	6.524
2011	6.887	6.493	7.006	5.999
January 2012	6.813	6.852	6.992	6.742
February 2012	6.587	6.662	6.749	6.557
March 2012	6.615	6.731	6.851	6.615
April 2012	6.727	6.734	6.801	6.594
May 2012	7.269	7.036	7.269	6.723
June 2012	6.922	7.074	7.250	6.922
July 2012	6.798	6.948	7.050	6.785
August 1, 2012 to August 31, 2012	6.624	6.677	6.818	6.591

Notes:

¹ The average exchange rate for each period is the average of the last quoted rate for each day during the period.

² The high and low exchange rate for each period shows the highest and lowest quoted rate at the end of each day during the period.

On August 31, 2012, the exchange rate was SEK 6.624 per U.S. dollar.

Source: Bloomberg

The rates set forth above are provided solely for convenience. No representation is made that Swedish Krona amounts have been, could have been or can be converted into U.S. dollars at any of the exchange rates herein indicated or any other rate.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

For details of the financial information incorporated by reference into this Prospectus, see “Information Incorporated by Reference” below.

For the convenience of investors certain selected financial information has also been included in this Prospectus. See “Selected Financial Information” below. This information is not complete and should be read together with the financial statements incorporated by reference into this Prospectus.

The financial information set out herein has been extracted from (i) the Issuer’s annual audited consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009 and (ii) the Issuer’s unaudited interim consolidated financial statements as of and for the half years ended June 30, 2012 and 2011, in each case including the notes thereto (the “Financial Statements”), except for the information in “Selected Statistical and Other Information” which is unaudited and derived from the unaudited financial records of the Issuer. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretation of these standards as adopted by the European Union. The consolidated financial statements also apply recommendation RFR 1 Complementary accounting rules for groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general advice of the Swedish Financial Supervisory Authority, FFFS 2008:25. IFRS differs in certain respects from generally accepted accounting principles applied in the United States. The Issuer prepares its financial statements in Swedish Krona in accordance with the requirements of Swedish statutory accounting and tax legislation.

All references in this Prospectus to “U.S. dollars”, “U.S.\$”, “USD” and “\$” refer to United States dollars, references to “SEK” and “Krona” refer to Swedish Krona, references to “Pounds Sterling”, “GBP” and “£” refer to the lawful currency of the United Kingdom, references to “Japanese Yen” and “JPY” refer to the lawful currency of Japan, references to “Ukrainian Hryvnia” and “UAH” refer to the lawful currency of Ukraine, references to “Latvian Lat” and “LVL” refer to the lawful currency of Latvia, references to “Lithuanian Lita” and “LTL” refer to the lawful currency of Lithuania, references to “Russian Roubles” and “RUB” refer to the lawful currency of Russia and references to “EUR”, “Euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. Unless otherwise noted, all translations of SEK amounts into U.S. dollars for the year ended December 31, 2011 have been at the rate of SEK 6.887 = U.S.\$1.00, being the representative market rate prevailing in Stockholm (the “Representative Market Rate”) on December 31, 2011, as reported by Bloomberg. No representation is made that SEK or U.S. dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars or SEK, as the case may be, at this rate, at any particular rate, or at all.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus, references to “Sweden” are to the Kingdom of Sweden and references to the “Government” are to the Swedish government.

In this Prospectus, references to websites or uniform resource locators (URLs) are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Prospectus.

This Prospectus includes certain statistics and market share data. The Issuer believes that the statistics and market share data included in this Prospectus are useful in helping investors to understand the markets in

which the Issuer operates. However, unless indicated otherwise, these figures are based on internal calculations and estimates of market data and have not been independently verified. Accordingly, no assurances can be given that such internal calculations and estimates of market data are accurate and investors should not place undue reliance on such data included in this Prospectus.

In making an investment decision, investors must rely on their own analysis of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the SEC or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Issuer, the Dealers and the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

FORWARD-LOOKING STATEMENTS

This Prospectus may include forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) projections or expectations of net interest income, total income, profit, earnings per share, capital expenditure, dividends, capital structure or other financial items or ratios; (ii) statements of any plans, objectives or goals or those of management for future operations, including those related to products or services; (iii) statements of future economic performance, including in particular any such statements included under the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”; and (iv) statements of assumptions underlying such statements, including assumptions relating to general economic conditions in Sweden, Europe and worldwide. Words such as “believes”, “anticipates”, “expects”, “intends”, “aims” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Any forward-looking statements herein have been based on current expectations and projections about uncertain future events. Forward-looking statements are subject to risks, uncertainties and assumptions about the Group and the Issuer. Although it is believed that the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements are reasonable, investors should bear in mind that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, including assumptions relating to general economic conditions in Sweden, Europe and worldwide. These factors include those set out in the section of this Prospectus entitled “Risk Factors” and risks which the Issuer currently is not aware of, as well as more generally (without limitation):

- the ability to assess and manage credit risks;
- inflation, interest rates, exchange rates, and market and monetary fluctuations;
- changes in consumer spending, saving and borrowing habits in Sweden;
- the ability to maintain targeted capital ratios;
- changes in the banking and financial markets in Sweden;
- the prices and volumes in the debt and equity markets in Sweden;
- liquidity risks and access to financial markets;
- the effects of changes in taxation or accounting standards or practices;
- the effects of, and changes in, laws, regulations and government policy; and
- the success at managing the risks of the foregoing.

It should be noted that the foregoing list of important factors is not exhaustive. The foregoing factors and other uncertainties and events should also be considered when making an investment decision based on any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus may not occur.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Registered Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Holder of such Registered Notes in connection with any sale thereof and any prospective purchaser of such Registered Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a limited liability company incorporated under the laws of Sweden. Substantially all of the Issuer’s directors and executive officers and the experts named herein are residents of Sweden. All or a substantial portion of the assets of the Issuer and of such individuals are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Issuer or such persons with respect to matters arising under the U.S. securities laws or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of such laws. The United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. Furthermore, (i) there is doubt whether an original action could be brought in Sweden against the Issuer predicated solely upon the provisions of the U.S. securities laws and (ii) actions for enforcement of judgments of U.S. courts against the Issuer are not enforceable in Sweden, either by treaty or in practice, but are accepted on an evidential basis in a Swedish legal action.

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, ANY DEALER OR DEALERS ACTING AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

INFORMATION INCORPORATED BY REFERENCE

The following information which has previously been published or is published simultaneously with this Prospectus and has been submitted to and filed with the Swedish Financial Supervisory Authority (the "Swedish FSA", Sw: *Finansinspektionen*) shall be incorporated in, and form part of, this Prospectus:

- (1) the audited annual consolidated financial statements of the Issuer for each of the financial years ended December 31, 2011, December 31, 2010 and December 31, 2009, comprising the information set out at the following pages of the Group's 'Annual Report 2011', 'Annual Report 2010' and 'Annual Report 2009':

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Consolidated Financial Statements and Notes	pages 71-173	pages 51-151	pages 58-123
Auditor's Report	page 175	page 153	page 125

- (2) the unaudited interim consolidated financial statements of the Issuer as at and for the six-month period ended June 30, 2012, comprising the information set out at the following pages of the Issuer's 'Interim Report January – June 2012':

Consolidated Financial Statements and Notes	pages 23-41
Review Report	page 46

Following the publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any information incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained, upon request and free of charge, from the registered office of the Issuer and from the specified office of the Principal Paying Agent in London and will be available for viewing on the website of the Issuer at www.swedbank.com.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes. The Issuer has undertaken to the Dealers in the Dealer Agreement that it will comply with section 87G of the FSMA.

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OVERVIEW OF THE PROGRAMME

This overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview must be read as an introduction to this Prospectus and any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the information incorporated by reference.

Words and expressions defined in “Terms and Conditions of the Notes” or elsewhere in this Prospectus shall have the same meanings in this overview.

Issuer:	Swedbank AB (publ)
	The Issuer is the parent company of the Swedbank Group, which consists of the Issuer and its subsidiaries (the “Group”).
Group:	The Group is a full-service bank whose operations are concentrated in traditional products and services for private customers as well as small and medium-sized businesses. The Group consists of four business areas supported by the segment “Group Functions & Other”. Its principal markets are Sweden, Estonia, Latvia and Lithuania.
Arranger:	Barclays Bank PLC
Dealers:	Barclays Capital Inc. and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG
Transfer Agent:	Citibank, N.A., London Branch
Exchange Agent:	Citibank, N.A., London Branch
Programme Amount:	U.S.\$15,000,000,000 (or its approximate equivalent in other currencies), subject to any duly authorised increase.
Form of Notes:	Notes may be issued in registered form or in bearer form.

Unless otherwise provided with respect to a particular Series of Registered Notes, the Registered Notes of each Tranche sold within the United States in reliance on Rule 144A under the Securities Act will be represented by beneficial interests in a Restricted Registered Global Note, deposited with a custodian for, and registered in the name of a nominee of, DTC. The Registered Notes of each Tranche sold to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by beneficial interests in an Unrestricted Registered Global Note,

without interest coupons, which will be deposited either (i) with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg for the accounts of their respective participants or (ii) with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms.

In respect of each Tranche of Bearer Notes, the Issuer will deliver a Temporary Global Note, which will (i) if the Temporary Global Note is intended to be issued in NGN form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or (ii) if the Temporary Global Note is not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable, as specified in the applicable Final Terms, either for interests in a Permanent Global Note or Definitive Bearer Notes, in each case upon certification as to non-U.S. beneficial ownership.

Status of the Notes:

The Notes constitute unsubordinated, unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to such mandatory exceptions as are from time to time applicable under Swedish law) at least *pari passu* with all other unsecured indebtedness of the Issuer from time to time outstanding.

Offering and Sale:

Subject to compliance with all applicable legal and regulatory requirements, the Notes may be distributed on a syndicated or non-syndicated basis.

Currencies:

Notes may be denominated in any currency or combination of currencies (including, without limitation, United States dollars, Euro, Japanese Yen and Pounds Sterling) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Issuance in Series:

Notes will be issued in series (each a "Series"). Each Series may comprise one or more Tranches. The Notes of each Series will all be subject to identical terms, whether as to currency, interest or maturity or otherwise, save that Issue Dates, Interest Commencement Dates and Issue Prices may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects (save that a Tranche may comprise Notes in more than one denomination). Further Tranches of Notes may be issued as part of an existing Series.

Issue Price:

Notes may be issued at any price, as specified in the applicable Final Terms.

Maturities: Notes may have any maturity of not less than one month, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. No provision is made for the issue of perpetual Notes.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

Redemption: The Notes may be redeemable at par or at such other redemption amount as may be specified in the applicable Final Terms.

Early Redemption: Early redemption will be permitted for taxation reasons as described in “Terms and Conditions of the Notes — Early Redemption for Taxation Reasons”, but will otherwise be permitted only to the extent specified in the applicable Final Terms and subject to compliance with all applicable laws and regulations.

Taxation: All amounts payable in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (subject to the exceptions set out in “Terms and Conditions of the Notes — Taxation”) pay such additional amounts as will result in the holders of Notes or Coupons (“Holders”) receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required.

Negative Pledge: None

Cross-Default: None

Interest: Notes may be interest-bearing or non-interest bearing (as specified in the applicable Final Terms).

Denominations: The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer subject to compliance with all applicable legal and/or regulatory and/or central bank (or

equivalent body) requirements, provided however, that (i) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than Euro, the equivalent amount in such currency as at the date of issue of the relevant Notes) and (ii) Notes sold in reliance on Rule 144A under the Securities Act shall be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Terms and Conditions:

The Terms and Conditions applicable to each Tranche of Notes will be as agreed between the Issuer and the relevant Dealer at or prior to the time of issuance of such Tranche, and will be specified in the applicable Final Terms.

Final Terms will be prepared in respect of each Tranche of Notes, a copy of which will, in the case of Notes to be admitted to the Official List and to trading on the Regulated Market (or on any other stock exchange, market and/or quotation system), be delivered to the UK Listing Authority and the London Stock Exchange (or such other competent listing authority, stock exchange, market and/or quotation system) on or before the date of issue.

Governing Law:

The Notes, the Trust Deed, the Agency Agreement (as defined under "Terms and Conditions of the Notes"), all matters arising from or connected with them and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

Listing and Admission to Trading:

Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges, markets or quotation systems agreed between the Issuer and the relevant Dealer. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets and/or quotation systems.

Clearing Systems:

DTC, Euroclear, Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the applicable Final Terms.

Selling Restrictions:

The Notes have not been and will not be registered under the Securities Act or any state securities laws, and are being offered and sold in the United States only to "qualified institutional buyers"

(in reliance on, and as defined by, Rule 144A) and outside of the United States to non-U.S. persons in reliance on Regulation S and, in each case, in compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Bearer Notes will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "D Rules"), unless the Bearer Notes are issued in circumstances in which the Bearer Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

There are selling restrictions relating to the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "Subscription and Sale and Transfer and Selling Restrictions" below.

Risk Factors:

There are various factors which may affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme, principally the risks relating to the banking industry in the Group's primary markets of Sweden, Estonia, Latvia and Lithuania, and, to a lesser degree, Norway, Russia and Ukraine. The Group's business may be affected by such factors as credit risk, market risk, operational risk and liquidity risk as well as the economic conditions, globally or for certain geographies or sectors, particularly relating to the above-mentioned primary markets for the Group as well as to the banking industry in Europe. In addition, there are certain factors which are material for the purpose of assessing the market risks relating to an investment in Notes issued under the Programme. These include risks related to the structure of a particular issue of Notes, risks inherent in Notes and certain other factors. For a further discussion of risk factors, see "Risk Factors".

OVERVIEW OF THE ISSUER

This overview should be understood as an introduction to this Prospectus, and highlights information presented in greater detail elsewhere in this Prospectus. This overview is not complete and does not contain all the information an investor should consider before investing in the Notes. Any investor should carefully read the entire Prospectus before investing, including "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited and unaudited consolidated financial statements of the Issuer incorporated by reference in this Prospectus. Each decision to invest in the Notes should be based on an assessment of the entire Prospectus.

Overview

Swedbank AB (publ) – The Issuer

The Issuer is a public limited liability bank company (Sw: *Bankaktiebolag*) incorporated under the laws of the Kingdom of Sweden and headquartered in Stockholm. The Issuer's shares are listed on NASDAQ OMX Stockholm.

As of June 30, 2012, the Group served a total of more than 7.8 million private customers and 600,000 corporate customers through more than 700 branches in 13 countries, including through the branches of associated independent savings banks, primarily in its principal markets of Sweden, Estonia, Latvia and Lithuania. The Group offers a broad range of products and services, including retail banking, corporate and investment banking, asset management and insurance products, with the majority of the Group's income deriving from its Swedish retail banking services. As of June 30, 2012, the Group's loans to the public amounted to SEK 1,179 billion, excluding repurchase agreements, and loans to the Swedish National Debt Office amounted to SEK 50 billion. The Group recorded SEK 9,414 million in profit before impairments for the first half of 2012 and SEK 15,646 million in profit before impairments for the year ended December 31, 2011. Credit impairments for the six months ended June 30, 2012 amounted to SEK 472 million. The Group recorded impairment of intangible assets by SEK 4 million for the six months ended June 30, 2012. Net profit attributable to the shareholders of the Issuer for the six months ended June 30, 2012 amounted to SEK 6,587 million and SEK 11,744 million for the year ended December 31, 2011. As of June 30, 2012, the Group had 15,688 full-time employees.

The Group has a long-standing history dating back to 1820 when the first savings bank was founded in Sweden. In the early 1990s, each of Sparbanken Sverige and Föreningsbanken were merged with a number of regional savings banks and regional agricultural co-operative banks, respectively. In 1997, Sparbanken Sverige and Föreningsbanken merged to form FöreningsSparbanken. FöreningsSparbanken changed its name to Swedbank in 2006. The Group expanded its operations into the Baltic countries (Estonia, Latvia and Lithuania) in 1996 when it acquired a 12.5 per cent stake in Eesti Hoiupank, a bank that merged with Hansabank in 1998. In 1999, the Group acquired additional shares resulting in a 50 per cent ownership of the shares in Hansabank and in 2005 acquired the remaining outstanding shares in Hansabank (now Swedbank AS). Over the past seven years, the Group has expanded into Russia and, with the acquisition of TAS-Kommerzbank (now JSC Swedbank (public)) ("JSC Swedbank") in 2007, into Ukraine.

The Group comprises four business areas:

- *Retail*: Retail offers a broad range of financial products and services to private customers as well as small and medium-sized corporates through 312 branches as of June 30, 2012, as well as telephone and internet banking. Through co-operation with local savings banks and partly-owned banks, the Group also offers its retail products through approximately 250 other branches as of March 31, 2012;

- *Large Corporates & Institutions:* Large Corporates & Institutions is responsible for large corporates, financial institutions, banks and organisations with annual turnover exceeding SEK 2 billion. The products and services offered through the Group and the savings banks are designed to meet the banking, trading and capital market product needs of premium segment private customers, as well as corporates and institutions with complex needs;
- *Baltic Banking:* Baltic Banking offers a complete range of financial products and services to private and corporate customers in Estonia, Latvia and Lithuania through nearly 200 branches as of June 30, 2012, as well as telephone and internet banking. The Group holds leading positions in several key market segments in its Baltic home markets; and
- *Asset Management:* Asset Management, which comprises the subsidiary Swedbank Robur Group, offers services in fund management and institutional and discretionary asset management in all of the Group's home markets. Customers include private customers as well as institutions, foundations, municipalities, county councils and other investors. Swedbank Robur's range of products and services include nearly 130 funds, discretionary asset management and pension management. Products are sold and distributed primarily by Retail and Baltic Banking and the savings banks in Sweden.

In addition, the segment Group Functions & Other consists of Group Business Support, internal service functions (information technology, product support, treasury, purchasing, legal and administrative services as well as the Group's internal insurance company, Sparia, which insures the Group against commercial risks such as liability insurance and fidelity), Ektornet (the repossessed property management and development division) and the Russia and Ukraine branches.

The Issuer's operating segments were changed during the first quarter of 2012 and the new segments are reflected for the first time in the Group's first quarter interim report of 2012. This was done to reflect organisational changes implemented in the Group's business area organisation. In the first quarter of 2012, the retail operations of the Nordic branches were transferred from Large Corporates & Institutions to Retail. Russia, Ukraine and Ektornet are reported under Group Functions & Other. The reorganisation follows the Group's strategy to further concentrate its operations in Russia and Ukraine by exiting from retail operations in both countries. However, the Group intends to continue supporting its corporate customers in its home markets of Sweden and the Baltic countries in their efforts to do business in these markets. The Group believes the reorganisation of its operating segments will help to better align the business areas in appropriate segments for improved simplicity, efficiency and transparency.

In addition, a number of product and staff functions were transferred to Group Functions & Other from Retail, Large Corporates & Institutions and Baltic Banking, including responsibility for the coordination of Swedish and Baltic insurance operations.

Selected Financial and Operational Data

	As of or for the six months ended June 30,	As of or for the year ended December 31,		
	2012	2011	2010	2009
Private customers (millions) ¹	7.8	7.8	7.9	7.9
Corporate customers	600,000	630,000	700,000	670,000
Full-time employees	15,688	16,287	17,224	19,277
Total income (SEK million) ²	18,078	34,045	31,534	34,782
Profit before impairments (SEK million)	9,414	15,646	13,402	16,934
Credit impairments (SEK million)	472	(1,911)	2,810	24,641
Profit/(loss) for the year attributable to the shareholders of Swedbank AB (SEK million)	6,587	11,744	7,444	(10,511)

¹ These numbers have been restated due to a change in the method used to calculate the number of private customers.

² These numbers have been restated to reflect the Group's new presentation of the Compensations to Savings Banks. The change affects Total income and Total expenses including items such as Interest income, Commission expenses and Other expenses, but not the operating result in its entirety. No restatement is available for the financial year ended December 31, 2009.

RISK FACTORS

Investing in the Notes involves certain risks. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate, and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

Risks Relating to the Issuer

Worsening economic conditions in the countries where the Group operates may adversely impact the Group and are likely to continue to do so if those conditions persist or recur.

The Group's performance is significantly influenced by the general economic conditions in the countries in which it operates, in particular its primary markets of Sweden, Estonia, Latvia and Lithuania, and, to a lesser degree, Norway, Russia and Ukraine. The economic situation in all of the countries in which the Group operates has in recent years in various ways been adversely affected by weakening economic conditions and the turmoil in the global financial markets. These countries have in the past few years experienced periods of declining economic growth or recessions, increasing rates of unemployment, and, in the case of the Baltic countries, Russia and Ukraine, decreasing lending volumes as well as decreasing asset values. These macroeconomic factors led to higher default rates and higher credit impairments on the Group's loan portfolios, and, in certain regions where the Group operates, also declining asset values, declining customer activity and flat or decreasing loan portfolio levels. Adverse economic developments of the kind described above have impacted and may continue to impact the Group's business in a number of ways, including, among others, the income, liquidity, business and/or financial health of the Group's customers, which, in turn, could further reduce the Group's credit quality and demand for the Group's financial products and services. As a result, any or all of the conditions described above could continue to have a material adverse effect on the Group's business, financial condition and results of operations. As a response to increasing levels of market disruption and liquidity constraints during the past few years further measures have been taken by governments and central banks in order to stabilise certain governments' alarming sovereign debt situations, to stabilise financial markets and to improve the overall access to liquidity in the banking system in general. Such measures may be inadequate or have unpredictable consequences.

The Group's business, financial condition and results of operations have been and may continue to be adversely affected by the recent conditions in the global financial markets and the Eurozone debt crisis.

The global capital and credit markets have been characterised by extreme volatility and disruption in recent years. These conditions reached unprecedented levels in the second half of 2008 following the bankruptcy filing by Lehman Brothers Holdings Inc. in September 2008 and led to severe dislocation of financial markets around the world, an unparalleled reduction in liquidity and increased credit risk premiums for many market participants. This caused severe liquidity constraints and other problems at many of the world's largest commercial banks, investment banks and insurance companies, a number of which are the Group's counterparties or customers in the ordinary course of its business. These conditions also resulted in a material reduction in the availability of financing, both for the Group as well as other financial institutions and their customers, compelling many financial institutions, including the Group, to rely on central banks and governments to provide liquidity and, in some cases, additional capital. In response to these market conditions, governments in jurisdictions where the Group has material operations sought to provide liquidity,

stabilise financial markets and prevent the failure of financial institutions. These measures included, among others, a reduction in prevailing interest rates, which compressed the spreads of commercial bank products.

Although the level of market disruption and volatility caused by the global financial crisis abated somewhat during 2011 and early 2012 following significantly deteriorated market conditions in late 2010, there are no assurances that these conditions will not recur or that similar events will not occur that have similar effects on the financial markets, in which case the Group may experience reductions in business activity, increased funding costs, decreased liquidity, decreased asset values, additional credit impairment losses and lower profitability and revenues. Any of the foregoing factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Global markets and economic conditions have been negatively impacted since 2010 by market perceptions regarding the ability of certain European Union ("EU") member states to service their sovereign debt obligations, including Greece, Ireland, Italy, Portugal and Spain. The continued uncertainty over the outcome of the EU governments' financial support programmes and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. In particular, the continued uncertainty has disrupted and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of EU members.

Concerns about credit risk (including that of sovereigns) and the Eurozone crisis have recently intensified. The large sovereign debts and/or fiscal deficits of a number of European countries and the U.S. have raised concerns regarding the financial condition of financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Group operates and the businesses and economic condition and prospects of the Group's counterparties, customers, suppliers or creditors, directly or indirectly, in ways which it is difficult to predict.

The impact of these conditions could be detrimental to the Group and it could experience reductions in business activity, increased funding costs, decreased liquidity, decreased asset values, additional credit impairment losses and lower profitability and revenues. Any of the foregoing factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Recent economic and market conditions have caused substantial credit impairments. Further credit impairments could have a material adverse impact on the Group's financial condition and results of operations.

The Group is exposed to the risk that its borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. The Group maintains an allowance for credit impairments to cover estimated probable incurred credit impairments inherent in its loan portfolio. The Group's allowance for credit impairments is based, among other things, on the Group's portfolio provision models and analysis of current and historical delinquency rates, loan management, macroeconomic factors and the valuation of the underlying assets, as well as numerous other management assumptions, which may prove to be inaccurate, resulting in further credit losses. Furthermore the Group is exposed to concentration risk, which means credit risk relating to large individual exposures as well as significant exposures to groups of counterparties whose probability of default is driven by common underlying factors, such as sector, economy, geographical location, or type of instrument. The impact of the concentration risk could have a material adverse effect on the Group's business, financial condition and results of operations. The Group's credit impairments amounted to SEK 472 million, corresponding to a credit impairment ratio of 0.07 per cent, as of June 30, 2012, compared to SEK (1,911) million (net recovery), corresponding to a credit impairment ratio of (0.14) per cent for the year ended December 31, 2011. The

Group's credit impairments amounted to SEK 2,810 million, corresponding to a credit impairment ratio of 0.20 per cent for the year ended December 31, 2010 and SEK 24,641 million, corresponding to a credit impairment ratio of 1.74 per cent for the year ended December 31, 2009. For further analysis of credit impairment ratios, refer to the section "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Economic conditions in the Issuer's principal markets stabilised during 2011, which is reflected in the level of credit impairments for the Group. The availability of historical data is limited for Baltic Banking and credit impairments are based on management's best estimate of the total losses within the portfolio for individually impaired loans as well as on the entire loan portfolio. Impairment losses on loans and other credit risk provisions within Baltic Banking amounted to SEK (338) million (net recovery) corresponding to a credit impairment ratio of (0.75) per cent as of June 30, 2012. This is compared to credit impairments of SEK (1,002) million (net recovery), corresponding to a credit impairment ratio of (0.76) per cent for the year ended December 31, 2011, and SEK 3,363 million, corresponding to a credit impairment ratio of 2.05 per cent for the year ended December 31, 2010.

Swedish retail credit impairments amounted to SEK 124 million corresponding to a credit impairment ratio of 0.03 per cent for the six months ended June 30, 2012 compared to SEK 332 million, corresponding to a credit impairment ratio of 0.04 per cent for the year ended December 31, 2011 and credit impairments of SEK 272 million corresponding to a credit impairment ratio of 0.03 per cent for the year ended December 31, 2010.

Further credit impairments could have a material adverse impact on the Group's business, financial condition and results of operations. A devaluation or depreciation of any of the currencies in Latvia, Lithuania, Ukraine or Russia would likely lead to further credit impairments. For a further discussion of the possible effects of a devaluation or depreciation of certain currencies on the Group, see "The Group is exposed to foreign exchange risk, and a devaluation or depreciation of any of the currencies in Latvia, Lithuania, Ukraine or Russia could have an adverse effect on the Group's assets, including its loan portfolio, and its results of operations" below. Any of the foregoing risks could have a material adverse effect on the Group's business, financial condition and results of operations.

For loans outside of Sweden, the Group may be unable to successfully foreclose on the collateral securing its customer loans in default, and even if it is successful in its foreclosure efforts, it may be unable to successfully repossess the underlying assets, which may adversely affect its ability to recover the value of the collateral.

If a borrower defaults under one of the Group's loans, the Group may foreclose on the loan and/or acquire title to the assets pledged as collateral and thereafter make substantial improvements or repairs in order to maximise the asset's realisable value (only applicable for loans outside of Sweden since foreclosure is not permissible under Swedish law). The borrower may contest enforcement of foreclosure or other remedies or seek bankruptcy protection against the Group's exercise of enforcement or other remedies. If the borrower seeks bankruptcy protection, certain regulatory measures may preclude the Group from enforcing foreclosure or other remedies against the borrower. In certain countries where the Group operates, including Russia, Ukraine and the Baltic countries, the judicial process with respect to foreclosure and acquiring title to underlying assets, including real property, is not as developed as in Western Europe and North America and may further inhibit the Group's ability to protect its rights and may increase the uncertainty as regards to whether the Group will be able to protect such rights. Foreclosure-related costs, high loan-to-value ratios or reductions in the value of the assets may prevent the Group from realising an amount equal to its loans upon foreclosure, and the Group may be required to record losses. Even if the Group were able to successfully foreclose on the collateral securing its loan advances, the Group may own title to assets that it is unable to efficiently repossess, if at all, which would adversely affect the Group's ability to recover the value of the collateral securing its advance. Furthermore, the Group may as part of its foreclosure on business assets end up acquiring collateral that is not core to the Group's business and in respect of which it lacks required

operational or management expertise or experience or may be prohibited from owning under applicable regulations. Managing such assets may distract the Group from its core banking activities, may be costly and may require the hiring of additional personnel or outsourcing, options which may not be readily available or available at all. If the Group does not successfully manage its foreclosed assets, the value of those assets could deteriorate. All of the above may adversely affect the Group's financial condition and results of operations.

The Group's guidelines and policies for risk management may prove to be inadequate with respect to unidentified and unforeseen risks.

The management of business, regulatory and legal risks requires, *inter alia*, guidelines and policies for the accurate registration and control of a large number of transactions and events. Such guidelines and policies may not always be adequate. Some of the measures taken by the Group to manage various risks are to enter into hedging transactions to manage market risks, to issue credit risk limits for each counterparty to which the Group is exposed in its lending business, to have full security for credits provided, to establish tolerance limits for segments or specific parts of the portfolio to avoid risk concentrations, and to do customary due diligence to manage legal risks. Some of these and other methods used by the Group to estimate, measure and manage risk are based on perceived historic market behaviour. The methods may therefore prove to be inadequate for predicting future risk exposure, which may prove to be significantly greater than what is suggested by prior experience. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to the Group. Such information has not been and may not always be correct, updated or correctly evaluated and may therefore be inadequate for the purpose of risk management, which may in turn have a material adverse effect on the Group's financial condition and results of operations.

Any further impairment of goodwill and other intangible assets would have a negative effect on the Group's results of operations.

The Issuer performs impairment tests on goodwill and other intangible assets at least once a year or whenever there are indications for a decrease in value of goodwill or other intangible assets. The outcome of any impairment test model depends, among other things, on key input data on macroeconomic factors and long-term growth assumptions. Outstanding goodwill related to Baltic investment totalled SEK 8.9 billion, and intangible assets related to the customer base for the Baltic investment measured SEK 0.2 billion as of June 31, 2012. As of December 30, 2011 the Issuer recorded an impairment charge of SEK 1.9 billion for the Latvian operations, but no further impairment charges were deemed necessary. Should the economic conditions worsen beyond what the Group expected as of June 30, 2012, either in any of the Group's home markets or in general, an impairment charge may need to be recognised, which may have a material adverse effect on the Group's financial position and results of operations. As of June 30, 2012 there were no indications of a need for impairment testing of any goodwill or other circumstances and triggers that would require the need for an additional test.

The Group is financially exposed to Greece, Ireland, Italy, Portugal and Spain, as well as European banks that may be negatively affected by adverse events in these countries. Further developments adversely affecting these countries or other similar developments to other Eurozone countries could have a material effect on the Group's financial position, results of operations and business.

As of June 30, 2012 the Group had total credit exposures of SEK 458 million to Greece, Ireland, Italy, Portugal and Spain. SEK 313 million of these exposures related to credit institutions and SEK 145 million related to government or public sector entities. Further details are provided in the following chart. As a result of its exposure to these countries, the Group's financial position, results of operations and business could deteriorate following further developments adversely affecting these countries or other similar developments to other Eurozone countries.

SEK million	As of June 30, 2012					
	Greece	Ireland	Italy	Portugal	Spain	Total
Bonds.....	4		105	26	10	145
<i>of which sovereign</i>	4		105	26	10	145
<i>of which held to maturity</i> ¹	4		87	26	5	122
Loans (money market and certificates).....	-	-	17	5	-	22
Derivatives net ²		36	7		107	150
Other ³			25		116	141
Total	4	36	154	31	233	458

¹ Actual market values as of June 30, 2012 are below the carrying amounts by approximately SEK 26 million.

² Derivatives at market value taking into account netting and collateral agreements. Considering the Group's internal risk add-ons for counterparty risk at potential future change in prices, the derivative exposures amount to: Ireland SEK 64 million, Italy SEK 414 million and Spain SEK 228 million. Total SEK 706 million.

³ Includes trade finance and mortgage loans.

The Group is exposed to foreign exchange risk, and a devaluation or depreciation of any of the currencies in Latvia, Lithuania, Ukraine or Russia could have an adverse effect on the Group's assets, including its loan portfolio, and its results of operations.

The Group is exposed to foreign exchange rate risk, as loans to customers outside of Sweden are not typically denominated in SEK. In Latvia and Lithuania, a large part of lending is denominated in EUR, and in Ukraine and Russia, a large part of lending is denominated in USD. These customers typically receive their main income in local currencies, which leaves them exposed to currency risk. A significant devaluation or depreciation of the relevant local currency against the EUR or the USD would make it more difficult for these customers to repay their loans, increasing the credit risk associated with these customers and potentially increasing their default rates. Further, a devaluation or depreciation of any of the national currencies in Latvia or Lithuania, and to a lesser extent, Ukraine or Russia, may result in the recognition of future impairment losses or an impairment of goodwill as it would have a direct impact on the fair value of the assets resulting from the ability of the individuals to repay the loans for the reason described above and on the estimated future cash flows from the business.

The Group's strategic holdings in foreign operations and subsidiaries are generally funded in each entity's national currency or in a currency that is linked to the country's currency.

Exchange rate movements between SEK, EUR, USD and local currencies in the Baltic countries, Ukraine and Russia, as well as between SEK and EUR, could have a significant adverse effect on the Group's balance sheet positions, as a substantial portion of the Group's assets and liabilities are denominated in these currencies and, in the longterm, the income statement which is stated in SEK. Changes in exchange rates affect both the balance sheet directly through strategic positions and the income statement as foreign currency cash flows from lending margins could affect the net interest income. The effects of exchange rate fluctuations on the Group's financial statements are further explained in "Risk Management – Market Risks – Currency Risk".

A significant amount of the Group's long-term financing matures in the next 24 months, which the Group may not have the ability to refinance.

A significant portion, SEK 127 billion, or 19 per cent, in notional amounts, of the Group's external long-term financing, including maturing subordinated debt, matures in 2012 and in 2013. Disruptions, uncertainty or increased volatility in the global capital markets may have a material adverse impact on the Group's ability to raise new financing. This could have a significant adverse effect on the Group's liquidity position, funding maturity profile and operating results. The availability of additional financing depends on a variety of factors, such as market conditions, the availability of credit generally and, specifically to borrowers in the financial services industry, the volume of trading activities, the Group's financial condition, its credit ratings and credit capacity, as well as a negative perception by the Group's customers or lenders of the Group's financial prospects if, for example, the Group incurs large loan or other losses, experiences significant deposit

outflows or if the level of the Group's business activity decreases due to a market downturn. The Group's access to funds may further be impaired if regulatory authorities impose additional regulatory capital requirements or if ratings agencies downgrade the credit ratings of the Issuer. For more information about recent regulatory changes to capital requirements, see "The Issuer or its financial institution subsidiaries may need additional capital in the future to maintain capital adequacy ratios or for other reasons, which may be difficult to obtain" below and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy".

In addition, an increase in interest rates and/or widening of credit spreads, as well as the restriction on the availability of credit, including, but not limited to, inter-bank credit, can impact the Group's ability to borrow on a secured or unsecured basis, which may have a material adverse effect on the Group's liquidity and results of operations. In difficult credit market conditions, the Group may be forced to fund its operations at a higher cost or it may be unable to raise as much short- or long-term funding as it needs to support its business activities. This could cause the Group to curtail its business activities which could have a material adverse effect on the Group's business and results of operations.

The Group is subject to the risk that liquidity may not always be readily available.

The Group's liquidity could be impaired by an inability to access debt markets, an inability to sell assets or redeem its investments, outflows of deposits or collateral deterioration. This situation may arise due to circumstances that the Group is unable to control, such as continued general market disruption, loss in confidence in financial markets, uncertainty and speculation regarding the solvency of market participants, rating downgrades, or operational problems that affect third parties. Even a perception among market participants that a financial institution is experiencing greater liquidity risk can cause significant damage to the institution and consequently its ability to access liquidity. The Group's ability to sell assets at a commercially desirable price or at all may be impaired if other market participants are seeking to sell similar assets at the same time or are not in the position to finance themselves, or when the market value of assets, including financial instruments underlying derivative transactions to which the Group is a party, is difficult to ascertain, as has occurred during the recent crisis. In addition, financial institutions with which the Group interacts may exercise set-off rights or the right to require additional collateral, which could further impair the Group's access to liquidity.

The Group's internal sources of liquidity may prove to be insufficient, and in such case, the Group may not be able to successfully obtain additional financing on favourable terms or at all, which would have a material adverse effect on the Group's business and results of operations.

The Group's funding costs and its access to the debt capital markets depend significantly on its credit ratings.

Any downgrade of the Issuer's credit ratings, or the credit ratings of its significant subsidiaries such as Swedbank Mortgage AB, could increase its borrowing costs, adversely affect the liquidity position of the Group, limit its access to the capital markets, undermine confidence in and competitive position of the Group, or trigger obligations under certain bilateral terms in some of its trading and collateralised financing contracts, including requiring the provision of additional collateral as well as limiting the range of counterparties willing to enter into transactions with the Group. Any of the events above could have a material adverse effect on the Group's business and results of operations.

The Group is susceptible to rumours or speculation in the marketplace, which could result in deposit outflows and capital market financing on terms less favourable to it.

The Group has limited or no control over rumours or speculation and has limited or no ability to stop them. Even a perception that a financial institution is experiencing greater liquidity risk can cause significant damage to the institution, including deposit outflows and access to capital markets on less favourable terms.

In such an environment, financial institutions may be required to post additional collateral, further impairing liquidity. Accordingly, perceived liquidity risks can in certain circumstances lead to real liquidity impairments which can further lead to, amongst other things, a downgrade in credit rating thereby deepening a downward liquidity spiral. In addition, rumours relating to a devaluation of local currencies could cause customers in Latvia and Lithuania to increasingly convert their deposits from local currencies to EUR. As a result, the Group would not be able to benefit from a decrease in its liabilities denominated in local currencies that would normally occur upon devaluation in the local currencies, which would have a material adverse impact on the Group's financial condition and results of operations.

Substantially all of the Group's retail mortgage portfolio comprises the cover pool for the covered bonds issued by Swedbank Mortgage.

As of December 31, 2011, substantially all of the Group's retail mortgage portfolio was in the cover pool of the Issuer's wholly owned subsidiary Swedbank Mortgage. The retail mortgages transferred by the Issuer to Swedbank Mortgage comprise the cover pool and thereby serve as security for holders of the covered bonds issued by Swedbank Mortgage (and also counterparties under derivatives contracts entered into for hedging purposes in relation to such covered bonds). Once transferred, these mortgages do not form part of the general assets of the Issuer that would be available to holders of the Notes in the case of insolvency or liquidation of the Issuer. The Group intends to cover a significant part of its long-term funding requirement through the additional issuance of covered bonds, which will be secured by future transfers of retail mortgages from the Issuer to Swedbank Mortgage. The Notes are unsecured obligations of the Issuer, and the Holders are structurally subordinated to the covered bondholders and such hedge counterparties to the extent of the cover pool, and are not likely to ever have access to this cover pool should the Issuer become insolvent or be liquidated.

The Issuer or its financial institution subsidiaries may need additional capital in the future to maintain capital adequacy ratios or for other reasons, which may be difficult to obtain.

The Group, on a consolidated basis, and the Issuer and its financial institution subsidiaries, on an individual basis, are required to maintain minimum capital adequacy ratios and solvency levels prescribed by law in each of the jurisdictions in which the Group operates. If the capital of the Group is not sufficient to cover future losses or if the applicable minimum capital requirements increase, the Group may need to obtain additional capital in the future and may not be able to obtain new equity capital or debt financing qualifying as regulatory capital on attractive terms, or at all.

Moreover, developments in the regulatory framework such as changes in the risk weighting of assets may cause reductions in the Group's capital adequacy ratios and solvency levels or cause the applicable minimum capital requirements to increase.

Swedish authorities have announced that the government will propose higher capital adequacy requirements for system critical banks in order to strengthen the stability of the Swedish banking system and reduce the vulnerability of the Swedish economy. The proposal means that such banks must have core Tier 1 capital corresponding to at least 10 per cent of their risk-weighted assets by 2013 and 12 per cent of risk-weighted assets by 2015.

Supervisory authorities in Sweden and at the European level have made note of the major differences between the average risk weights institutions use for credit risks in the IRB, especially as regards mortgage lending within the retail exposure class. The authorities are therefore planning to review risk weights in 2012. Although the final outcome is uncertain, an increase in the Group's average risk weights for mortgage lending in Sweden to a level of 10 to 15 per cent would negatively affect the Group's core Tier 1 capital ratio by 1.0 to 1.9 percentage points. For more information on the current status of the Group's core Tier 1 capital ratio, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Adequacy".

On July 20, 2011 the EU Commission published a new proposal on capital requirements in addition to previously published Basel III. The new regulation is expected to be finalised during 2012 and implemented in 2013. Management of the Group believes the new rules in place from 2013 will negatively affect the Group's core Tier 1 capital ratio by approximately 1.1 percentage points. Changes in the calculation of the Group's core Tier 1 capital primarily related to non-controlling interests and net provisions for reported IRB credit exposures, are expected to reduce core Tier 1 capital by less than 3 percentage points. The Group's risk weighted amount is expected to rise by slightly less than 5 per cent under Basel III compared with Basel II due to the increased capital requirements for credit risks and because certain asset items that are currently deducted from the capital base will be risk weighted going forward. The new rules contain some uncertainty, however, as to their ultimate impact once in place and actual impact may exceed current expectations.

Furthermore, unexpected bank stress tests that are conducted on a local (national or regional) or on a pan-European level or other actions by banking industry authorities may result in significant changes in capital requirements, resulting in capital shortfalls for the Issuer. As a consequence of such changes in the regulatory framework, the Group may need to obtain additional capital in the future, and may not be able to obtain new equity capital or debt financing qualifying as regulatory capital on attractive terms, or at all. In addition, if the capital ratios of the Issuer's financial institution subsidiaries deteriorate, the Issuer, as the parent company, may be required to provide funding by way of direct or indirect capital contributions, loans, or guarantees of loans, into its subsidiaries.

In a scenario where the Group were to maintain the capital adequacy ratios prescribed by law, if market participants were to view the Group as requiring higher capital levels, this market perception may impact the Group's borrowing costs and rating levels. Any additional funding obtained through share capital increases may dilute the ownership percentage held by current shareholders. In addition, the Group may not be able to obtain additional capital on favourable terms, or at all. Therefore, the Group may need to sell assets and these sales may be at distressed prices to the extent a market exists.

The Group may see a downgrade of parts of the credit portfolio, resulting in a negative migration in the risk classification system. The Group uses through-the-cycle estimates of probability of default for the purpose of calculating the regulatory capital requirement, but there is still a risk that such migration could result in a higher regulatory capital requirement, which may lead to a need to obtain additional capital. In addition, the Group values assets and assesses the capital adequacy position of its banking subsidiaries using financial models based on assumptions and estimates taking into account the then prevailing market conditions which may prove inadequate if market conditions undergo further deterioration. Furthermore, changes in foreign exchange rates, decreases in collateral ratios as a consequence of the deterioration of the market value of assets pledged as collateral, or a further deterioration in the economic environment, among other things, could result in further provisioning and/or an increase in the risk-weighted assets, which could have a material adverse effect on the Group's financial condition.

The Swedish government may, by operation of law or future contracts, acquire the Group or its assets.

As worsening global economic conditions increasingly began to impact Sweden, the Swedish Parliament adopted an act in October 2008, providing for state aid to banks, such as the Issuer, and certain other credit institutions. The act, and the ordinances issued by the Swedish government under this act, provide, among other things, that the Swedish government under certain conditions and in exchange for a fee will guarantee certain debt securities issued by banks and other credit institutions (the "Guarantee Programme"). Each of the Issuer and Swedbank Mortgage has entered into a guarantee agreement with the Swedish National Debt Office (Sw: *Riksgälden*) under the Guarantee Programme. Under the act, the Swedish government has the right to exercise a compulsory acquisition of the shares of institutions, including the shares of the Issuer, provided it is considered to be of material importance from a public perspective, and provided (i) the institution or its shareholders have not accepted an agreement proposed by the Swedish National Debt Office which has not been considered unreasonable by an appeal board, (ii) the institution or its

shareholders have not fulfilled an obligation under an agreement under the act which is of material importance, or (iii) the institution's capital base is below a certain level. Participation in the Guarantee Programme involves agreeing to certain limitations on operations.

The Swedish government may also take possession over the Group or part of it or its assets by way of future contractual arrangements or otherwise, which the Group may have to enter into by operation of law or necessity. In the event of a government takeover, the value of the Group or its assets may be considered to be limited and the Group may not receive adequate compensation, which therefore may limit its assets.

The Group is exposed to the risk that its debtors or counterparties may fail to perform their obligations. The Group's business, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by, entities who owe the Group money, securities or other assets or whose securities or obligations the Group holds.

The Group is exposed to the risk that entities owing the Group money, securities or other assets will not perform their obligations. These entities may default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons. The Group is also subject to the risk that its rights against these entities may not be enforceable in all circumstances. For example, different methods of holding collateral in different countries can affect the Group's exposures as well as the value of the collateral to the Group. In addition, deterioration in the credit quality of securities or obligations held by the Group could result in losses and/or adversely affect its ability to transfer or realise value from those securities or obligations in the event of liquidation. A significant downgrade in the credit ratings of the Group's counterparties could also have a negative impact on the Group's results. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral the Group is entitled to receive and the value of the counterparty's pledged assets. The termination of contracts and the foreclosure on collateral (only applicable for loans outside of Sweden since foreclosure is not permissible under Swedish law) may subject the Group to claims for the improper exercise of its rights. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Rapid changes in prices on the financial markets may cause the Group's exposure to such counterparties to increase, and in some of those cases the actual value of the Group's collateral is lower than it was when the agreement was entered into. The Group may not be able to retain the value of its collateral due to legal concerns and to the ability of the Group to manage real estate property and other assets.

If the credit quality of third parties who owe the Group money, securities or other assets were to deteriorate, the Group's business, profitability and liquidity may be materially adversely affected.

The Group may be required to reassess assumptions used in the calculation of defined benefit pension schemes and to make further contributions to its pension schemes if the value of the plan assets is not sufficient to cover potential liabilities.

The Group maintains a number of defined benefit pension schemes and pension schemes based on the salaries of employees at the time of retirement for former and current employees, primarily in Sweden. The closing obligations of the Group's funded defined benefit pension plans amounted to SEK 16,713 million and the closing fair value of plan assets amounted to SEK 13,583 million as of December 31, 2011. Pension risk is the risk that the liabilities of the Group's various defined benefit pension schemes, which are long-term in nature, will be higher than the liabilities projected based on current assumptions. Major assumptions include those pertaining to salary increases, mortality, discount rates and inflation. The schemes' assets and plan assets comprise investment portfolios that are held to meet projected liabilities to the scheme members. Risk arises also from the plan assets because the value of these asset portfolios and the returns from them may be less than expected, especially if equity prices, interest rates, counterparty risk (including sovereigns) or inflation are subject to significant changes. Actual outcome might also differ from current assumptions.

These changes or differences, as expressed by an actuarial loss, could be significant and could have a negative impact on the Group's results of operations.

The Group makes contributions to the schemes so that the plan assets cover obligations according to Swedish legal requirements. If a deficit arises the Group could be obliged to, or may choose to, make additional contributions to the schemes.

Market fluctuations and volatility may adversely affect the value of the Group's positions, reduce its business activities and make it more difficult to assess the fair value of certain of its assets.

The fair value of certain of the Group's assets may decline significantly due to dislocation of financial markets, causing the Group to record market-to-market losses and may fluctuate over short periods of time. In addition, the Group's estimates of fair value may differ materially both from similar estimates made by other financial institutions and from the values that would have been used if a market for these assets had been readily available. Market fluctuations, in particular, fluctuations in the equity market, also influence the value of assets in funds managed by the Group's asset management business and have a direct impact on the income volatility of the asset management activities. Furthermore, similar to any other holding company with insurance subsidiaries, the Group's level of fees and returns from its equity investments in these subsidiaries are impacted by any decrease in the value of their investment portfolios, poor investment returns and the requirement to maintain assets sufficient to cover mandatory provisions for insurance claims.

The fair value of interest bearing securities trading in active markets is ordinarily based on market prices (mark-to-market). However, where quoted prices on instruments are not readily and regularly available, as was the case in particular during autumn 2008, due in part to the dislocation of the global financial markets, fair value is estimated using an internal valuation model (mark-to-model), which is generally based on observable market data, i.e. the prices of financial instruments that are as similar in nature as possible and for which transactions have been completed. These values are then adjusted to best reflect the value of the Group's securities. Adjustments for the relevant credit risk are based on the derivatives market.

The dislocation of market prices or the lack of readily available market prices may cause the Group to post credit losses on securities reported as available for sale in its financial reporting, thereby having an adverse impact on the Group's financial condition and result of operations.

The IT and other systems on which the Group depends for its day-to-day operations can fail for a variety of reasons which may be outside the Group's control; the Group is subject to the risk of infrastructure disruptions or other effects on such systems.

The Group's operations are highly dependent on its ability to process and monitor, on a daily basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. The Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled due to, for example:

- Infrastructure issues which are related to hardware, software, network and communication failures, power supply and cooling systems;
- external dependencies where the Group's operations are dependent on third parties such as stock exchanges, clearing houses, external information providers, software vendors' maintenance;
- internal issues such as deterioration in the quality of IT development, support and operations processes, and a high turnover of employees or organisational changes, resulting in an inadequate number of personnel to handle the increasing complexity of operations; and

- security issues: the Group's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The Group's computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious codes and other external attacks or internal breaches that could have a security impact. Such attempts are more frequent in certain countries in which the Group operates, especially Estonia, Latvia, Lithuania, Russia and Ukraine. If one or more of such events occur, this potentially could jeopardise the Group's or the Group's clients' or counterparties' confidential and other information. The Group may be required to spend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures, and it may be subject to litigation and financial losses as well as reputational risks that are either not insured against or not fully covered through any insurance maintained by the Group.

Any disruption in the Group's IT or other systems may have a material adverse effect on the Group's financial condition and results of operations.

Despite the contingency plans and facilities the Group has in place, its ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the businesses and the countries in which the Group is located. This may include a disruption involving electrical, communications, transportation or other services used by the Group or third parties with whom it conducts business, or a catastrophic event involving any location where the Group has a significant operational base.

In addition, in certain countries where the Group operates, such as Russia and Ukraine, problems encountered with respect to internet reliability may be substantial impediments to internet banking and may result in a less stable IT operational base, which may in turn have an adverse effect on the Group's business and results of operations.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

Cyber crime

As for all major financial institutions, the Issuer's activities have been, and will continue to be, subject to an increasing risk of cyber attacks, the nature of which is continually evolving. Cyber security risks are foremost related to the Group's Internet bank users and include unauthorised access to privileged and sensitive customer information, including internet bank credentials as well as account and credit card information. The Group experienced a number of IT interruptions in 2011, although they were of a less serious nature than in 2010, The interruptions primarily affected customers in Sweden, impacting the Internet bank and card payments the most. The Group has made investments to build systems and defences to address threats from cyber attacks however the Group may continue to experience security breaches or unexpected disruptions to its systems and services in the future. Such security breaches and unexpected disruptions may in turn result in liability to its customers and third parties and have an adverse effect on the Group's business, reputation and results of operations.

Conflicts of interest, whether actual or perceived, and fraudulent acts may negatively impact the Group.

As the Group expands the scope of its businesses and its client base, the Group increasingly has to implement policies on corporate governance on a Group-wide level and address potential conflicts of interest. This includes situations where the Group's services to a particular client or its own proprietary investments or other interests conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of the Group's businesses have access to material non-public information that may not be shared with other businesses within the Group. The Group has procedures and controls that are designed to identify and address conflicts of interest, including those designed to prevent the improper

sharing of information among its businesses. However, appropriately identifying and dealing with conflicts of interest is complex, in part because internal breaches of policy can be difficult to discover, and the Group's reputation could be damaged and the willingness of clients to enter into transactions in which such a conflict might arise may be affected if the Group fails, or appears to fail, to identify and deal appropriately with conflicts of interest. Additionally, many financial institutions, including those within the Group, are negatively impacted by fraudulent acts or violations of internal instructions committed by their own employees. The Group cannot predict whether such instances of internal fraud will occur or, if they were to occur, the extent to which these acts would negatively impact the Group or its reputation.

Actions or inactions of savings banks which are parties to co-operation agreements with the Group may have a negative impact on the Group.

In the normal course of business, the Group enters into various commercial agreements with companies related to the banking industry. The Group has entered into co-operation agreements with savings banks and partly-owned banks pursuant to which the co-operating banks market and distribute a range of the Group's products and services through their own local branch networks. If the reputation or financial condition of one or more of the co-operating banks, through action or inaction, were to be adversely affected while operating under the Group's trademark, the "coin" (which is a joint symbol for the co-operation), the Group's reputation could also be adversely affected regardless of whether the Group contributed to the action or inaction causing the reputational or financial injury, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group operates in competitive markets and further increased competition may have an adverse effect on its financial condition and results of operations.

The Group is subject to significant competition in the markets in which it operates. Competition may increase in some or all of the Group's markets as a result of legislative, regulatory, technological or other factors. Increased competition could cause the Group to lose business or compel it to price products and services on less advantageous terms, or otherwise have an adverse effect on its business, financial condition, results of operations and prospects. In addition, increased government ownership of, and involvement in, the financial sector generally in the Group's principal markets may have an impact on the competitive landscape in such markets and on the way in which banks in those markets conduct their operations. At present, however, it is difficult to predict what the effects of this increased government ownership and involvement will be or how it will differ from jurisdiction to jurisdiction, should it materialise. The Group may experience stronger competition for corporate, institutional and retail customers and greater pressure on profit margins. These and other changes in the competitive landscape could adversely affect the Group's business, financial condition, results of operations, liquidity, markets and/or prospects.

In order to successfully compete, the Group depends on highly skilled individuals; the Group may not be able to retain or recruit key talent.

The Group's performance is largely dependent on the talents and efforts of highly skilled individuals. The Group's continued ability to compete effectively in its businesses depends on the Group's ability to attract new employees and to retain and motivate its existing employees. Competition from within the financial services industry and from businesses outside the financial services industry for qualified employees is intense. In addition, current and future laws, including laws relating to immigration and outsourcing, may restrict the Group's ability to move responsibilities or personnel from one jurisdiction to another or to offer competitive compensation to attract new employees and to retain and motivate its existing employees. This may impact the Group's ability to take advantage of business opportunities, potential efficiencies, or profitably manage its existing or new assets.

The Group's business is subject to substantial regulation and supervision and can be adversely affected by adverse regulatory and governmental developments.

The Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in Sweden and the other countries in which the Group operates. This is particularly the case in the current market environment, which is experiencing increased levels of government and regulatory intervention in the financial sector, which the Group expects to continue for the foreseeable future. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of the Group and could materially adversely affect the Group's business, financial condition and results of operations.

The Group's operations are contingent upon licences issued by financial authorities in the countries in which the Group operates. Violations of rules and regulations, whether intentional or unintentional, may lead to the withdrawal of some of the Group's licences. Any breach of these or other regulations may adversely affect the Group's reputation, business, results of operations or financial condition.

The Issuer is subject to supervision by the Swedish FSA and to Swedish regulations regarding, among other things, solvency and capital adequacy, including solvency ratios and liquidity rules (see "Risk Factors – Risks Relating to the Issuer – The Issuer or its financial institution subsidiaries may need additional capital in the future to maintain capital adequacy ratios or for other reasons, which may be difficult to obtain"). Certain of the Group's subsidiaries and operations are subject to the supervision of other local supervisory authorities. The Group is also subject to European Union regulations with direct applicability and to European Union directives which are adopted by the European Economic Area member states and implemented through local laws. In Sweden and elsewhere, there is increased political and regulatory scrutiny of financial and mortgage institutions. Increased regulatory intervention may lead to requests from regulators to carry out wide ranging reviews of past sales and/or sales practices. The Group is unable to predict what regulatory changes may be imposed in the future as a result of regulatory initiatives in the European Union and elsewhere or by the Swedish FSA and other supervisory authorities. If the Group is required to make additional provisions or to increase its reserves as a result of potential regulatory changes, this could adversely affect the results of operations of the Group. In addition, failure by the Group to comply with regulatory requirements could result in significant penalties.

Russia and Ukraine do not possess the well-developed legal and regulatory infrastructure that generally exist in a more mature free-market economy. In addition, in recent years, Russia and Ukraine have undergone substantial political, economic and social change. As the regulatory environments in Russia and Ukraine continue to change, the Group may face uncertainty with respect to the interpretation of laws and regulations applicable to it as well as to the Group's agreements and in the event of dispute, may have limited recourse within the current or future legal and political systems. This creates uncertainty, both in the application of these regulations and in the harmonisation and monitoring of the implementation of policies, which can result in a number of risks for the Group. These risks include dealing with conflicting local, regional and federal rules and regulations as well as the lack of judicial and administrative guidance on interpreting legislation, facing a high degree of discretion on the part of governmental authorities (which could result in arbitrary or selective actions against the Group, including suspension or termination of licences which the Group needs to operate), working with less developed bankruptcy, insolvency and corporate reorganisation procedures, including procedures for enforcing collateral and other security given to the Group, that are subject to abuse; and incidents or periods of high crime or corruption that could disrupt the Group's ability to conduct its business effectively.

The failure of the Group to effectively manage these regulatory risks could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks Relating to the Notes

Risks Relating to the Market Generally

The Secondary Market Generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency and market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under "Subscription and Sale and Transfer and Selling Restrictions" below.

Lack of Liquidity in the Secondary Market May Adversely Affect the Market Value of the Notes

Generally weak global credit market conditions could contribute to a lack of liquidity in the secondary market for instruments similar to the Notes. In addition, the recent liquidity crisis has limited the primary market for a number of financial products, including instruments similar to the Notes. While some measures have been taken by governments, there can be no assurance that the market for securities similar to the Notes will recover, either at all or at the same time or to the same degree as any other recovering global credit market sectors.

A failure of the market for securities similar to the Notes to recover could adversely affect the market value of the Notes.

Exchange Rate Risks and Exchange Controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest Rate Risks

Interest rate risk occurs when the interest rate payable on assets and liabilities for a fixed period do not coincide. Investments in Notes with fixed interest involve a risk that subsequent changes in market interest

rates may adversely affect the value of fixed interest Notes. Investments in Notes with floating interest involve a risk of adverse changes in the interest rate payable on such Notes.

Credit Ratings May Not Reflect All Risks

One or more independent credit rating agencies may assign credit ratings to the Issuer and/or to a Series of Notes. There is no guarantee that such ratings will be assigned or maintained or that such credit ratings reflect the potential impact of all risks related to an investment in the relevant Notes. Rating agencies may change their rating methodology, making it more difficult to maintain a certain credit rating. Accordingly, a credit rating is not a recommendation to buy, sell or hold the relevant Notes and may be revised, suspended or withdrawn by the relevant rating agency at any time. Any such revision, suspension or withdrawal could adversely affect the market value of the relevant Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is disclosed on the front cover of this Prospectus and if a Tranche of Notes is rated such rating will be disclosed in the Final Terms.

Judgments based on the U.S. federal securities laws may not be enforceable in Sweden

The United States and Sweden do not currently have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. As a result, a final judgment for the payment of damages based on civil liability rendered by a U.S. court, whether or not predicated solely upon the federal securities laws of the United States, may not be enforceable in Sweden. If the party in whose favour the final judgment is rendered brings a new suit in a competent Swedish court, the party may submit to the Swedish court the final judgment that has been rendered by the U.S. court. Such judgment will only be regarded by a Swedish court as evidence of the outcome of the dispute to which the judgment relates, and a Swedish court may choose to rehear the dispute *ab initio*.

Risks Relating to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of those features:

Notes Subject to Optional Redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may consider it favourable to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes will be redeemable at the option of the Issuer for tax reasons as described in Condition 5(b).

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes Issued at a Substantial Discount or Premium

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

General Risks Relating to Notes

Modification, Waivers and Substitution

The Terms and Conditions of the Notes and the Trust Deed contain provisions for convening meetings of holders of the Notes to consider any matter affecting their interests generally. These provisions differ from the customary provisions prevailing in the United States and permit defined majorities to bind all holders of the Notes including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may agree, without the consent of the holders of the Notes and without regard to the interests of particular holders of the Notes, to (i) any modification of any provision of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest or proven error and (ii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach, of any provision of the Terms and Conditions or the Trust Deed which is, in the opinion of the Trustee, not materially prejudicial to the interests of the holders.

In addition, the Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Holders, to the substitution of any other company in place of the Issuer, or of any previously substituted company as principal debtor under the Notes, in the circumstances described in Condition 12(c) of the Terms and Conditions of the Notes and provided always that the Trustee is satisfied that the interests of the holders will not be materially prejudiced by the substitution.

Withholding Tax Under the EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other

countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to Directive 2003/48/EC.

U.S. Foreign Account Tax Compliance Act Withholding

The Issuer and other financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent on all, or a portion of, payments made after December 31, 2016 in respect of (i) any Notes treated as debt for U.S. federal tax purposes that are issued after December 31, 2012 or are materially modified from that date and (ii) any Notes treated as equity for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code ("FATCA") or similar law implementing an intergovernmental approach to FATCA. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("FFI") (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service ("IRS") to provide certain information on its account holders (making the Issuer a "Participating FFI"), (ii) the Issuer has a positive "passthru percentage" (as defined in FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Notes is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. If the Issuer issues further Notes on or after January 1, 2013 pursuant to a reopening of a Series of Notes that was created on or before December 31, 2012, payments on such further Notes may be subject to withholding under FATCA and, should the Notes under the Series that was outstanding on December 31, 2012 and the further Notes be indistinguishable for non-U.S. tax purposes, such payments on the previously outstanding Notes may become subject to withholding under FATCA. Holders of Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

FATCA is particularly complex and its application to the Issuer, the Notes and the holders is uncertain at this time. Each holder of Notes should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in its particular circumstances.

Change of Law

The Terms and Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

Notes where Denominations Involve Integral Multiples: Definitive Bearer Notes

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Bearer Note in respect of such holding (should such Definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If Definitive Bearer Notes are issued, holders should be aware that Definitive Bearer Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a custodian for DTC or a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

FORM OF THE NOTES

The Notes of each Series will be issued in registered form or in bearer form, as specified in the applicable Final Terms.

Registered Notes

In the case of Registered Notes, the applicable Final Terms will specify that the Notes will be issued in the form of Registered Global Notes held in specified clearing systems, as described below, or in the form of Definitive Registered Notes.

Form of Registered Global Notes

If Notes are to be issued in the form of Registered Global Notes, the Issuer will deliver a Restricted Registered Global Note and/or an Unrestricted Registered Global Note, as specified in the applicable Final Terms.

Restricted and Unrestricted Registered Global Notes

Registered Notes may only be offered and sold within the United States or to U.S. persons in transactions exempt from the registration requirements of the Securities Act to Qualified Institutional Buyers (“QIBs”), as defined in Rule 144A under the Securities Act. The Registered Notes of each Tranche sold to QIBs will be represented by a Restricted Registered Global Note which will be deposited on or about the issue date of such Tranche with a custodian for, and registered in the name of a nominee of, DTC.

The Registered Notes of each Tranche offered and sold to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by an Unrestricted Registered Global Note which will be deposited on or about the issue date of such Tranche either (i) with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg for the accounts of their respective participants or (ii) with a common safekeeper or common depository, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. A beneficial interest in the Unrestricted Registered Global Note may at all times be held only through Euroclear and Clearstream, Luxembourg.

In the circumstances described below under “Exchange and Transfer of Registered Global Notes for Definitive Registered Notes”, interests in any Unrestricted Registered Global Note will be exchangeable for unrestricted Definitive Registered Notes (“Unrestricted Definitive Registered Notes”) and interests in any Restricted Registered Global Note will be exchangeable for restricted Definitive Registered Notes (“Restricted Definitive Registered Notes”). Restricted Registered Global Notes (and any Restricted Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note set forth under “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions”.

Owner of Registered Global Notes and Payments

Subject to certain provisions of the Trust Deed relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders, so long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository or the nominee of the common safekeeper, as the case may be, is the registered owner or Holder of a Registered Global Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Registered Global Note for all purposes under the Trust Deed and the Notes. Payments

of principal, interest and additional amounts, if any, pursuant to Condition 7 on Registered Global Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered Holder thereof. None of the Issuer, the Registrar, any Transfer Agent and any Paying Agent or any affiliate of any of the above will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange and Transfer of Registered Global Notes for Definitive Registered Notes

Beneficial interests in a Restricted Registered Global Note will be exchangeable, in whole but not in part, for Restricted Definitive Registered Notes; (i) if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the relevant Restricted Registered Global Note or ceases to be a “clearing agency” registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository; or (ii) if an Event of Default as set out in Condition 6 occurs and is continuing; or (iii) at the option of the Issuer, if the Issuer, any Paying Agent or the Registrar, by reason of any change in, or amendment to, Swedish law, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

Beneficial interests in an Unrestricted Registered Global Note will be exchangeable, in whole but not in part, for Unrestricted Definitive Registered Notes: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) if an Event of Default as set out in Condition 6 occurs and is continuing; or (iii) at the option of the Issuer, if the Issuer, any Paying Agent or the Registrar, by reason of any change in, or amendment to, Swedish law, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

In such circumstances, (a) the Registrar will be required to notify all Holders of interests in the relevant Registered Global Notes registered in the name of DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository or the nominee of the common safekeeper, as the case may be, of the availability of Restricted or Unrestricted Definitive Registered Notes, as the case may be, and (b) the Issuer will, at the cost of the Issuer, cause sufficient Unrestricted Definitive Registered Notes and/or Restricted Definitive Registered Notes, as the case may be, to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Holders. A person having an interest in the relevant Registered Global Note must provide the Registrar with:

- (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver the relevant Definitive Registered Note; and
- (b) in the case of a Restricted Registered Global Note only, a fully completed, signed certification substantially to the effect that the exchanging Holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Restricted Definitive Registered Notes issued in exchange for a beneficial interest in a Restricted Registered Global Note will bear the legend applicable to transfers pursuant to Rule 144A (as set out under “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions”).

Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Definitive Registered Notes issued pursuant to and in reliance on Rule 144A will be issued only in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

The Holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 2 of the Terms and Conditions of the Notes. The Holder of a Definitive Registered Note may transfer such Note by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of Restricted Definitive Registered Notes issued in exchange for beneficial interests in a Restricted Registered Global Note bearing the legend referred to under "Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions", or upon specific request for removal of the legend on a Restricted Definitive Registered Note, the Registrar shall deliver only Restricted Definitive Registered Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless either (i) such transfer, exchange or replacement occurs or such request is made one year or more after the later of (1) the original issue date of the Notes of such Tranche or (2) the last date on which the Issuer or any affiliate (as defined under the section "Terms and Conditions of the Notes") of the Issuer as notified to the Registrar by the Issuer was the beneficial owner of such Note (or any predecessor of such Note) or (ii) there is delivered to the Issuer and the Registrar an opinion, reasonably satisfactory to the Issuer, of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of such laws.

The Registrar will not register the transfer of or exchange of interests in a Registered Global Note for Definitive Registered Notes for a period of 15 calendar days preceding the due date for any payment in respect of the Notes.

Payments on Registered Notes

Payments of principal on the Registered Notes will be made on the relevant payment date to the persons in whose name such Notes are registered at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date. Payments of interest on the Registered Notes will be made on the relevant payment date to the persons in whose name such Notes are registered on the Record Date (as defined in Condition 8(b)) immediately preceding such payment date.

Payments of the principal of, and interest (if any) on, the Registered Global Notes will be made to the person shown on the register as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Bearer Notes

Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note without Coupons or Talons (each as defined in "Terms and Conditions of the Notes") which will (i) if the Temporary Global Notes are intended to be issued in NGN form, as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the Temporary Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg.

Interests in the Temporary Global Note will be exchanged either for interests in a Permanent Global Note or, where specified in the applicable Final Terms (subject to such notice period as is specified in the Final Terms), for Definitive Bearer Notes on or after the date (the "Exchange Date") which is 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue). Such exchange will be made only upon delivery of written certification to Euroclear and/or Clearstream, Luxembourg, as the case may be, to the effect that the beneficial owner of such Notes is not a U.S. person or other person who

has purchased such Notes for resale to, or on behalf of, U.S. persons and Euroclear and/or Clearstream, Luxembourg, as the case may be, has given a like certification (based on the certification it has received) to the Principal Paying Agent.

If an interest or principal payment date for any Notes occurs whilst such Notes are represented by a Temporary Global Note, the related interest or principal payment will be made only to the extent that certification of non-U.S. beneficial ownership has been received as described in the last sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note is improperly withheld or refused. Payments of principal or interest (if any) on a Permanent Global Note will be made through Euroclear or Clearstream, Luxembourg (against presentation or surrender, as the case may be, of the Permanent Bearer Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any further requirement for certification. Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

Interests in a Permanent Global Note will be exchangeable, in whole but not in part, (free of charge to the Holder) for Definitive Bearer Notes as indicated in the applicable Final Terms either (A) upon not less than 45 days' written notice (expiring at least 30 days after the Exchange Date) from the bearer to the Principal Paying Agent as described therein, or (B) only upon the occurrence of an Exchange Event as described therein, upon notice from the bearer to the Principal Paying Agent or, upon the occurrence of an Exchange Event described in (iii) below, from the Issuer to the Principal Paying Agent. "Exchange Event" means (i) either of Euroclear or Clearstream, Luxembourg or any other clearing system by which the Notes have been accepted for clearing is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently, (ii) an Event of Default in relation to the Notes as set out in Condition 6 occurs and is continuing, or (iii) at the option of the Issuer, if the Issuer or any Paying Agent, by reason of any change in, or amendment to, Swedish law, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form. The Issuer will promptly give notice to the Holders in accordance with Condition 15 if an Exchange Event occurs. Any such exchange following the occurrence of an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The exchange upon notice option described in paragraph (A) above should not be expressed to be applicable if the relevant Notes have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Global Note exchangeable for Definitive Bearer Notes.

The following legend will appear on all Bearer Notes (other than Temporary Global Notes), Coupons and Talons which have an original maturity of more than one year:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes or Coupons.

Notes which are represented by a Bearer Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

General

Any reference herein to DTC and/or Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Principal Paying Agent.

The Issuer has entered into an agreement with Euroclear and Clearstream, Luxembourg (together the "ICSDs") in respect of any Notes issued in NGN form or intended to be held under the New Safekeeping Structure ("NSS") that the Issuer may request be made eligible for settlement with the ICSDs (the "Issuer-ICSDs Agreement"). The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer's request, produce a statement for the Issuer's use showing the total nominal amount of its customer holdings of such Notes as of a specified date.

Where the Global Notes issued in respect of any Tranche are in NGN form or are intended to be held under the NSS, the Issuer will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon the European Central Bank (the "ECB") being satisfied that the Eurosystem eligibility criteria have been met. Furthermore, any indication that the Global Notes are not intended to be so held may be the case at the date of the applicable Final Terms. However, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper and, in the case of Registered Notes, registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Similarly, this would not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

The common safekeeper for NGNs or any Notes intended to be held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, when construed together with Part A of the applicable Final Terms in relation to any Notes, will be applicable to each Series of Notes:

The Notes are constituted by a Trust Deed dated September 3, 2012 (as supplemented and/or amended from time to time, the "Trust Deed") and made between Swedbank AB (publ) (the "Issuer", which term, for the avoidance of doubt, shall include its legal successors following universal succession (Sw: *universalsuccession*), by operation of law applicable in Sweden, upon consolidation, amalgamation, merger or any other similar occurrence) and BNY Mellon Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Holders (as described below). These Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and any Coupons relating to them. Copies of the Trust Deed and an Agency Agreement (as supplemented or amended from time to time, the "Agency Agreement") dated September 3, 2012 and made between the Issuer, the Trustee, Citibank, N.A., London Branch in its capacities as principal paying agent (the "Principal Paying Agent", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such), as paying agent, as transfer agent and as exchange agent (the "Exchange Agent", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such), Citigroup Global Markets Deutschland AG in its capacity as registrar (the "Registrar", which expression shall include any successor to Citigroup Global Markets Deutschland AG in its capacity as such) and The Bank of New York Mellon (Luxembourg) S.A. as paying agent (a "Paying Agent" and, together with the Principal Paying Agent and any substitute or additional paying agents appointed in accordance with the Agency Agreement, the "Paying Agents") and as transfer agent (a "Transfer Agent" and, together with the Principal Paying Agent and any substitute or additional transfer agents appointed in accordance with the Agency Agreement, the "Transfer Agents"), are available for inspection at the specified office of the Trustee (presently at The Bank of New York Mellon, One Canada Square, London E14 5AL) and each of the Paying Agents and the Registrar. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of and to be bound by all of the provisions of the Trust Deed insofar as they relate to the Notes. References herein to "Agents" shall, where the context so requires, be to the Paying Agents, the Registrar, the Transfer Agents and the Exchange Agent. References herein to the Paying Agents and the Transfer Agents shall include any additional Paying Agent(s) and/or Transfer Agent(s) specified in the applicable Final Terms (as defined below).

The final terms of the Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms relating to the Notes which supplement these Terms and Conditions (the "Conditions"). References to the "applicable Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof). Copies of the Final Terms will, in the case of Notes admitted to trading on a regulated market in the European Economic Area, be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html or otherwise published in accordance with Article 14 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "Prospectus Directive"). Copies of the Final Terms will also be available, upon request, free of charge, at the registered office of the Issuer and the specified office of the Principal Paying Agent and, in relation to a Tranche of Registered Notes, the Registrar save that, if the Final Terms relate to Notes which are not admitted to trading on a regulated market in the European Economic Area, copies will only be obtainable by a Holder of such Notes upon production of evidence satisfactory to the Issuer and the Principal Paying Agent or, as the case may be, the Registrar as to its holding of such Notes and identity.

As used herein, "Tranche" means Notes which are identical in all respects (including as to listing and admission to trading and save that a Tranche may comprise Notes in more than one denomination) and

“Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

For the purposes of these Conditions, references to “Notes” are to Notes of the same Series and shall, as the context may require, be deemed to include any Unrestricted Registered Global Note, Restricted Registered Global Note, Definitive Registered Note, Temporary Global Note, Permanent Global Note or, as the case may be, Definitive Bearer Note (each as defined below). References to “Holders” shall include holders of Coupons (as defined below), as the context may require.

1. Form and Denomination

(a) Form

The Notes are issued in registered form (“Registered Notes”) or in bearer form (“Bearer Notes”) and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

(b) Notes in Global Form and Exchanges Thereof

(i) Registered Notes will be represented upon issue by Notes in the following form:

(A) Notes initially sold within the United States in reliance on Rule 144A under the United States Securities Act of 1933, as amended (the “Securities Act”) will be represented by beneficial interests in a restricted registered global Note (a “Restricted Registered Global Note”) in substantially the form (subject to amendment and completion) set out in the Trust Deed, which will be deposited with a custodian for The Depository Trust Company (“DTC”) and registered in the name of Cede & Co. as nominee of DTC; and

(B) Notes initially sold to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by beneficial interests in an unrestricted registered global Note (an “Unrestricted Registered Global Note”) in substantially the form (subject to amendment and completion) set out in the Trust Deed, which will be deposited either (i) with a custodian for DTC and registered in the name of Cede & Co. as nominee of DTC for the accounts of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) for the accounts of their respective participants, or (ii) with a common depository or a common safekeeper, as the case may be, for, and in respect of, interests held through Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms.

An interest in either the Restricted Registered Global Note or the Unrestricted Registered Global Note (each a "Registered Global Note") may be exchanged for a definitive Registered Note (a "Definitive Registered Note") in the limited circumstances set out in such Registered Global Note. A Definitive Registered Note may be exchanged for another Definitive Registered Note under certain circumstances described in the Agency Agreement. In relation to any Tranche, prior to the expiry of the period that ends 40 days after the later of the date of issue of such Tranche and the completion of the distribution of such Tranche, beneficial interests in an Unrestricted Registered Global Note will only be exchangeable for interests in a Restricted Registered Global Note in accordance with the certification requirements described in the Agency Agreement.

Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

- (ii) Registered Notes will, if so specified in the applicable Final Terms, be the subject of an application by the Issuer to DTC for the acceptance of such Registered Notes into DTC's book-entry settlement system. If such application is accepted, one or more Registered Global Notes (each, a "DTC Note") in denominations equivalent in aggregate to the aggregate principal amount of relevant Registered Notes which are to be held in such system will be issued to DTC and registered in the name of Cede & Co., or such other person as may be nominated by DTC for the purpose, as nominee for DTC. Thereafter, such registered nominee will be the holder of record and entitled to rights in respect of each DTC Note. Accordingly, each person having a beneficial interest in a DTC Note must rely on the procedures of the institutions having accounts with DTC to exercise any rights of such person. So long as Registered Notes are traded through DTC's book-entry settlement system, ownership of a beneficial interest in the relevant DTC Note will (unless otherwise required by applicable law or regulatory requirement) be shown on, and transfers of such beneficial interest may be effected only through, records maintained by (i) DTC or its registered nominee (as to DTC-participant interests) or (ii) institutions having accounts with DTC (including, without limitation, Euroclear and Clearstream, Luxembourg).
- (iii) Bearer Notes will be represented upon issue by a temporary global Note (a "Temporary Global Note") in substantially the form (subject to amendment and completion) set out in the Trust Deed. On or after the date (the "Exchange Date") which is 40 days after the completion of the distribution of the Notes of the relevant Tranche and provided certification as to the beneficial ownership thereof as required by United States Treasury regulations has been received, interests in the Temporary Global Note may be exchanged for either (as specified in the applicable Final Terms):
 - (A) interests in a permanent global Note in bearer form (a "Permanent Global Note") representing the Notes of that Series and in substantially the form (subject to amendment and completion) set out in the Trust Deed; or
 - (B) Bearer Notes in definitive form ("Definitive Bearer Notes"), serially numbered and in substantially the form (subject to amendment and completion) set out in the Trust Deed.
- (iv) In the case of Bearer Notes, if any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by the Temporary Global Note, if such payment falls due before the Exchange Date, the related interest payment will be made on the Temporary Global Note upon and to the extent of delivery to or to the order of any of the Paying Agents outside the United States of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear or Clearstream, Luxembourg and dated not earlier than the relevant interest payment date.

Payments of principal or interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to

include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

- (v) In the case of Bearer Notes, interests in a Permanent Global Note will be exchangeable, in whole but not in part, (free of charge to the Holder) for Definitive Bearer Notes as indicated in the applicable Final Terms either:
- (A) upon not less than 60 days' written notice (expiring at least 30 days after the Exchange Date) from the bearer to the Principal Paying Agent as described therein, or
 - (B) only upon the occurrence of an Exchange Event as described therein, upon notice from the bearer to the Principal Paying Agent or, upon the occurrence of an Exchange Event described in (iii) below, from the Issuer to the Principal Paying Agent.

"Exchange Event" means (i) either of Euroclear or Clearstream, Luxembourg or any other clearing system by which the Notes have been accepted for clearing is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently, (ii) an Event of Default in relation to the Notes as set out in Condition 6 occurs and is continuing, or (iii) at the option of the Issuer, if the Issuer or any Paying Agent, by reason of any change in, or amendment to, Swedish law, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form. The Issuer will promptly give notice to the Holders in accordance with Condition 15 if an Exchange Event occurs. Any such exchange following the occurrence of an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

- (vi) The following legend will appear on all Bearer Notes which have an original maturity of more than 1 year and on all Coupons and Talons relating to such Notes:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to provide that United States persons, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes or Coupons.

- (vii) Interest-bearing Definitive Bearer Notes will have attached thereto at the time of their initial delivery coupons ("Coupons") and, if applicable, talons for further Coupons ("Talons"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Bearer Notes in global form do not have Coupons or Talons attached on issue.

(c) ***Surrender of Global Notes in Exchange for Definitive Notes***

In order to exchange interests in a global Note for definitive Notes, a Holder must surrender or, as the case may be, present the relevant Registered Global Note at the specified office of the Registrar or its agent or, as the case may be, present the relevant Temporary Global Note or Permanent Global Note at the specified office of the Principal Paying Agent, together, in each case, with a request in writing specifying the principal amount of such Registered Global Note or, as the case may be, Temporary Global Note or Permanent Global Note to be exchanged.

2. Title

(a) ***Title to Registered Notes***

Title to Registered Notes passes by registration in the register which is kept by the Registrar. References herein to the “Holders” of Registered Notes are to the persons in whose names such Notes are so registered or, in the case of joint holders, the first named thereof.

(b) ***Title to Bearer Notes***

Title to Bearer Notes and Coupons passes by delivery and references herein to the “Holders” of Bearer Notes and Coupons are to the bearers of such Bearer Notes and Coupons.

(c) ***Ownership***

The Holder of any Note or Coupon will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

(d) ***Transfer of Registered Notes in definitive form***

Definitive Registered Notes may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (in the authorised denominations set out in the applicable Final Terms) upon the surrender of the Registered Note to be transferred for registration of the transfer of the Registered Note (or the relevant part thereof), together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

(e) ***Delivery of New Registered Notes in definitive form***

Each new Registered Note to be issued upon the transfer of Registered Notes in definitive form shall be available for delivery within five business days at the specified office of the Registrar or the relevant Transfer Agent after receipt of the form of transfer. Delivery of the new Registered Note shall be made at the specified office of the Registrar or of the Transfer Agent, as the case may be, to whom delivery of such form of transfer shall have been made or, at the option of the Holder making such delivery as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Registered Note to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. For these purposes, a form of transfer received by the Registrar during the period of 15 days ending on the due date for any payment on the relevant Registered Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment. For the purposes of this Condition 2(e), “business day” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located.

(f) ***Charges on Transfer***

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such

indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation thereto.

(g) ***Private Placement Legend***

Upon the transfer, exchange or replacement of Restricted Registered Global Notes or Restricted Definitive Registered Notes of any Tranche bearing the private placement legend (the "Rule 144A Legend") set forth in the form of Restricted Registered Global Note or Restricted Definitive Registered Note, as the case may be, or upon specific request for removal of the Rule 144A Legend, the Registrar shall deliver only Registered Notes of such Tranche that also bear the Rule 144A Legend or will refuse to remove the Rule 144A Legend, as the case may be, unless either (i) such transfer, exchange or replacement occurs, or such request is made, one year or more after the later of (1) the original issue date of the Notes of such Tranche or (2) the last date on which the Issuer or any affiliate (as defined in Rule 405 of the Securities Act) of the Issuer as notified to the Registrar by the Issuer was the beneficial owner of such Note (or any predecessor of such Note) or (ii) there is delivered to the Issuer and the Registrar an opinion, reasonably satisfactory to the Issuer, of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to ensure compliance with the provisions of such laws.

(h) ***Transfers of Registered Notes in global form***

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

3. Status

The Notes constitute unsubordinated, unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to such mandatory exceptions as are from time to time applicable under Swedish law) at least *pari passu* with all other unsecured indebtedness of the Issuer from time to time outstanding.

4. Interest

(a) ***Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any

Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (ii) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (aa) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (bb) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

In the Conditions:

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“sub unit” means, with respect to any currency other than U.S. dollars and Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to U.S. dollars and Euro, one cent.

(b) ***Interest on Floating Rate Notes***

(i) **Interest Payment Dates**

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (aa) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(A) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (bb) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

- (cc) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (dd) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, "Business Day" means a day which is both:

- (1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Business Centre specified in the applicable Final Terms; and
- (2) either (i) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in Euro, a day on which, the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (I) the offered quotation; or
- (II) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

For the purposes of these Conditions:

“Interest Determination Date” shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate (“LIBOR”) (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (iii) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (“EURIBOR”), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is the Stockholm interbank offered rate (“STIBOR”), the second Stockholm business day prior to the start of each Interest Period;
- (v) if the Reference Rate is the Norwegian interbank offered rate (“NIBOR”), the Second Oslo business day prior to the start of each Interest Period;
- (vi) if the Reference Rate is the Copenhagen interbank offered rate (“CIBOR”), the first day of each Interest Period;
- (vii) if the Reference Rate is the Tokyo interbank offered rate (“TIBOR”), the second Tokyo business day prior to the start of each Interest Period; or
- (viii) if the Reference Rate is the Hong Kong interbank offered rate (“HIBOR”), the first day of each Interest Period.

“Reference Rate” shall mean (i) LIBOR, (ii) EURIBOR, (iii) STIBOR, (iv) NIBOR, (v) CIBOR, (vi) TIBOR, or (vii) HIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

“Relevant Financial Centre” shall mean London, in the case of a determination of LIBOR, Brussels, in the case of a determination of EURIBOR, Stockholm, in the case of a determination of STIBOR, Oslo, in the case of a determination of NIBOR Copenhagen, in the case of a determination of CIBOR, Tokyo, in the case of a determination of TIBOR and Hong Kong, in the case of a determination of HIBOR as specified in the applicable Final Terms.

“Relevant Time” shall mean (i) in the case of LIBOR, 11.00 a.m., (ii) in the case of EURIBOR, 11.00 a.m., (iii) in the case of STIBOR, 11.00 a.m., (iv) in the case of NIBOR, 12.00 noon, (v) in the case of CIBOR, 11.00 a.m., (vi) in the case of TIBOR, 11.00 a.m., and (vii) in the case of HIBOR, 11.00 a.m., in each case in the Relevant Financial Centre, or such other time as specified in the applicable Final Terms.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (I) above, no such offered quotation appears or, in the case of (II) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(B) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (B), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions") and under which:

- (I) the Floating Rate Option is as specified in the applicable Final Terms;
- (II) the Designated Maturity is a period specified in the applicable Final Terms; and
- (III) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (B), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Principal Paying Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit

being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

- (A) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (F) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (G) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the

Registrar (in the case of Registered Notes) and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Holders of the Notes in accordance with Condition 15. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or subparagraph (ii)(B) above, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

(vii) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) by the Principal Paying Agent shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Principal Paying Agent, the other Paying Agents and all Holders of the Notes and (in the absence of wilful default or bad faith) no liability to the Issuer or the Holders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(viii) Calculation Agent

If the applicable Final Terms specify that a Calculation Agent will be appointed in place of the Principal Paying Agent for the purposes of calculating the Rate(s) of Interest and Interest Amount(s) as aforesaid, references in this Condition 4(b) to Principal Paying Agent shall, unless the context otherwise requires, be construed as references to such Calculation Agent.

(c) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Notes or such other rate as may be specified in the applicable Final Terms until the date on which, upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation of the relevant Note, the relevant payment is made or, if earlier (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which,

the Trustee, the Principal Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders in accordance with Condition 15 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

5. Redemption and Purchase

(a) *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Early Redemption for Taxation Reasons*

If, in relation to any Series of Notes (i) as a result of any change in the laws of the Kingdom of Sweden or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the Issue Date of the first Tranche of such Notes on the occasion of the next payment due in respect of such Notes the Issuer would be required to pay additional amounts as provided in Condition 7 and (ii) such circumstances are evidenced by the delivery by the Issuer to the Trustee of a certificate signed by two directors or other authorised signatories of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing addressed to the Trustee to the effect that such circumstances prevail (and the Trustee shall be entitled to accept such certificate and legal opinion as sufficient evidence that the said circumstances prevail in which event they shall be conclusive and binding on the Holders), the Issuer may, at its option and having given no less than 30 nor more than 60 days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to (i) the Trustee and (ii) the Holders in accordance with Condition 15 (which notice shall be irrevocable) redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their Early Redemption Amount referred to in Condition 5(e) below, together with accrued interest (if any) thereon provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Floating Rate Notes, a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

(c) *Redemption at the Option of the Issuer (Issuer Call)*

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice (or such other notice period as may be specified in the applicable Final Terms) to the Holders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Trustee, the Principal Paying Agent (copied to the other Paying Agents, in the case of Bearer Notes) and the Registrar (copied to the Principal Paying Agent and the Transfer Agents, in the case of Registered Notes);

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest

accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, as the case may be, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days (or such other notice period as may be specified in the applicable Final Terms) prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 5(c) and notice to that effect shall be given by the Issuer to the Holders in accordance with Condition 15 at least five days prior to the Selection Date.

(d) ***Redemption at the option of the Holders (Investor Put)***

If Investor Put is specified as being applicable in the applicable Final Terms, upon the Holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days’ notice (or such other notice period as may be specified in the applicable Final Terms) the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If the Note is in definitive form and held outside DTC, Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of the Note the Holder must deliver such Note at the specified office of any Paying Agent, in the case of Bearer Notes, or any Transfer Agent or the Registrar in the case of Registered Notes at any time during normal business hours of such Paying Agent, Transfer Agent or the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a “Put Notice”) and in which the Holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition.

If the Note is represented by a global Note or is a Note in definitive form and held through DTC, Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of the Note the Holder thereof must, within the notice period, give notice to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of DTC, Euroclear and/or Clearstream, Luxembourg (which may include notice being given on his instruction by DTC, Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Principal Paying Agent or the Registrar, as the case may be, by electronic means) in a form acceptable to DTC, Euroclear and Clearstream, Luxembourg, as the case may be, from time to time and, if the Note is represented by (i) a global Note in bearer form which has not been issued in New Global Note form as specified in the applicable Final Terms, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent or (ii) a global Note in bearer form which has been issued in New Global Note form as specified in the applicable Final Terms, instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of DTC, Euroclear and/or Clearstream, Luxembourg given by a Holder of any Note pursuant to this Condition 5(d) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 6 in which event such Holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 5(d).

(e) **Early Redemption Amounts**

For the purpose of Condition 5(b) above and Condition 6, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“RP” means the Reference Price;

“AY” means the Accrual Yield expressed as a decimal; and

“y” is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(f) **Purchases**

Subject to Condition 2(g), the Issuer or any of its consolidated subsidiaries may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

Such Notes may be held, reissued, resold or, at the discretion of the Issuer, surrendered to the Principal Paying Agent or the Registrar, as the case may be, for cancellation.

(g) **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 5(f) above (together, in the case of Definitive Bearer Notes, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(h) **Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5(a), 5(b), 5(c) or 5(d) above or upon its becoming due and repayable as provided in Condition 6 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5(e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the Registrar or the Trustee and notice to that effect has been given to the Holders in accordance with Condition 15.

6. Events of Default

- (i) The following shall be events of default (each an "Event of Default") in relation to the Notes of any Series, namely:
 - (A) there is default for more than 7 days in the payment of principal of any of the Notes as and when the same shall become due and payable; or
 - (B) there is a default for more than 30 days in the payment of any interest due in respect of the Notes or any of them; or
 - (C) there is a default in the performance or observance by the Issuer of any other obligations or provisions binding on it under the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or
 - (D) an agency or supervisory authority of the Kingdom of Sweden having jurisdiction in respect of the same institutes a proceeding, or a court in the Kingdom of Sweden enters a decree or order, for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving (aa) the Issuer or (bb) as long as Swedbank Mortgage AB (publ) ("Swedbank Mortgage") is a wholly-owned subsidiary of the Issuer, Swedbank Mortgage or (cc) all or substantially all of

the Issuer's property or (dd) as long as Swedbank Mortgage is a wholly-owned subsidiary of the Issuer, all or substantially all of Swedbank Mortgage's property or (ee) the winding up of or liquidation of the Issuer's affairs or (ff) as long as Swedbank Mortgage is a wholly-owned subsidiary of the Issuer, the winding up of or liquidation of Swedbank Mortgage's affairs, as the case may be, and such proceeding, decree or order is not vacated or remains in force undischarged or unstayed for a period of 60 days; or

(E) the Issuer or as long as Swedbank Mortgage is a wholly-owned subsidiary of the Issuer, Swedbank Mortgage, files a petition to take advantage of any insolvency statute or voluntarily suspends payment of its obligations generally.

(ii) If any Event of Default shall have occurred and be continuing in relation to the Notes of any Series, the Trustee may at its discretion, and if so requested by Holders of at least one-quarter in principal amount of the Notes of such Series then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) will, by written notice to the Issuer declare that such Notes and (if the Notes are interest-bearing) all interest then accrued on such Notes be forthwith due and payable, whereupon the same shall become immediately due and payable at their Early Redemption Amount, together with all interest (if any) accrued thereon without further action and formality.

7. Taxation

(a) All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes or Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by any Holder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in respect of any payment in respect of any Note or Coupon:

(i) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Kingdom of Sweden other than the mere holding of such Note or Coupon; or

(ii) to, or to a third party on behalf of, a Holder who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(iii) more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days; or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent or Transfer Agent, as the case may be, in a Member State of the EU.

- (b) For the purposes of these Conditions, the “Relevant Date” means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the first date on which the full amount of such moneys has been so received and notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 15.
- (c) If the Issuer becomes generally subject at any time to any taxing jurisdiction other than or in addition to the Kingdom of Sweden, references herein to the Kingdom of Sweden shall be read and construed as references to the Kingdom of Sweden and/or to such other jurisdiction. This paragraph (c) will not be construed to apply in respect of any withholding tax imposed by the United States.
- (d) Any reference in these Conditions to principal, redemption amount and/ or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7.

8. Payments

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws, regulations or directives applicable thereto in the place of payment or other laws to which the Issuer agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. References to “Specified Currency” will include any successor currency under applicable law.

(b) *Payments in Respect of Registered Notes*

Payments of principal in respect of Registered Notes (whether in definitive or global form) will be made in the manner provided in Condition 8(a) above to the persons in whose name such Notes are registered at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Notes at the specified office of the Registrar.

Payments of interest due on a Registered Note (whether in definitive or global form) will be made in the manner specified in Condition 8(a) to the person in whose name such Note is registered (i) where in global form, at the close of business on the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) prior to such due date and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the "Record Date")) prior to such due date. In the case of payments by cheque, cheques will be mailed to the Holder (or the first named of joint Holders) at such Holder's registered address on the business day (as described above) immediately preceding the due date.

If payment in respect of any Registered Notes is required by credit or transfer as referred to in Condition 8(a) above, application for such payment must be made by the Holder to the Registrar not later than the relevant Record Date.

(c) ***Presentation of Definitive Bearer Notes and Coupons***

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 8(a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Except as provided below, all payments of interest and principal with respect to Bearer Notes will be made at such paying agencies outside the United States as the Issuer may appoint from time to time and to accounts outside the United States.

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity

Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

(d) ***Payments in Respect of Bearer Notes in Global Form***

Payments of principal and interest (if any) in respect of Notes represented by any bearer global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant bearer global Note, where applicable, against presentation or surrender, as the case may be, of such bearer global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such bearer global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(e) ***General Provisions Applicable to Payments***

The Holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the Holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear and/or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the Holder of such global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar (or the Principal Paying Agent acting on the Registrar's behalf) to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

(f) **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) in the case of Notes in definitive form only, the relevant place of presentation; and
 - (B) each Financial Centre specified in the applicable Final Terms; and
- (ii) either (I) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (II) in relation to any sum payable in Euro, a day on which the TARGET2 System is open.

(g) **Interpretation of Principal and Interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(e)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7

or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

9. Prescription

- (a) Claims against the Issuer in respect of Registered Notes will be prescribed unless made within ten years (or, in the case of claims in respect of interest, five years) after the due date for payment.
- (b) Bearer Notes and Coupons will become void unless claims in respect of principal and/or interest are made within ten years (or, in the case of Coupons and save as provided in Condition 8(b), five years) after the due date for payment.

10. Agents

The initial Agents and their respective initial specified offices are specified below. The Issuer (with the prior written approval of the Trustee (such approval not to be unreasonably withheld)) reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) there will at all times be a Paying Agent (in the case of Bearer Notes) in a jurisdiction within continental Europe;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and a Registrar and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Registrar (in the case of a Series of Registered Notes) which, if the Registrar originally appointed in respect of such Series had its specified office outside the United Kingdom, shall also have a specified office outside the United Kingdom;
- (d) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (e) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 8(e).

The Agents reserve the right at any time to change their respective specified offices to some other specified office in the same city.

Notice of all changes in the identities or specified offices of the Agents, will be notified promptly to the Issuer, the Trustee and the Holders.

11. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes) or of the Registrar (in the case of Registered Notes), subject to all applicable laws and the requirements of any stock exchange on which the relevant Notes are listed, upon payment by the claimant of all expenses incurred in such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Principal Paying Agent or, as the case may be, the Registrar may require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered therefor.

12. Meetings of Holders, Modification and Waiver and Substitution

(a) *Meetings of Holders*

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including (without limitation) the modification of the Notes, the Coupons or of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Any Extraordinary Resolution duly passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

Such a meeting may be convened by the Trustee, the Issuer or by the Trustee upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent of the aggregate principal amount of the Notes for the time being outstanding or, at any adjourned meeting, one or more persons being or representing Holders whatever the aggregate principal amount of the Notes held or represented; Provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which one or more persons holding or representing not less than 75 per cent or, at any adjourned meeting, one or more persons holding or representing not less than 50 per cent in principal amount of the Notes for the time being outstanding form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Holders who for the time being are entitled to receive notice of a meeting of Holders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) *Modification and waiver*

The Trustee may agree, without the consent of the Holders, to (i) any modification of any provision of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is in the opinion of the Trustee proven and (ii) any other modification (except such modifications in respect of which an increased quorum is required, as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach, of any provision the Notes, of these Conditions or the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the

Trustee materially prejudicial to the interests of the Holders. Any such modification, waiver, authorisation or determination shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Holders as a class (but shall not have regard to any interests arising from circumstances particular to individual Holders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent already provided for in Condition 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

(c) ***Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendments to the Trust Deed and such other conditions as the Trustee may require, without the consent of the Holders except as provided below, to the substitution of any other company in place of the Issuer, or of any previously substituted company as principal debtor under the Notes, Coupons and the Trust Deed Provided always, that the Trustee is satisfied that the interests of the Holders will not be materially prejudiced by the substitution, and certain other conditions set out in the Trust Deed are complied with.

13. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Holders holding at least one-quarter in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Holder of Notes or Coupons may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. The Trustee shall not be obliged to make a declaration as referred to in Condition 6(ii) unless indemnified and/or secured and/or prefunded to its satisfaction.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

15. Notices

To Holders of Registered Notes

- (a) In the case of any Registered Notes represented by a global Note, notices shall be deemed to be validly given if delivered to DTC, Euroclear and/or Clearstream, Luxembourg for communication by

them to the persons shown in their respective records as having interests therein. Any notice so given will be deemed to have been validly given on the date of such delivery.

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or by such other means as required by the relevant stock exchange or relevant authority.

To Holders of Bearer Notes

- (b) Notices to Holders of Bearer Notes will be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, if published in a leading English-language newspaper having general circulation in the United Kingdom approved by the Trustee or, in the case of Notes represented by a Temporary Global Note or a Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg for communication by them to the persons shown in their respective records as having interests therein. Provided that, in the case of Notes listed on a stock exchange or admitted to trading by another relevant authority and if the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or by such other means as required by the relevant stock exchange or relevant authority. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication) or, as the case may be, on the date of such delivery.

Holders of Coupons shall be deemed for all purposes to have notice of the contents of any notice to the Holders of Bearer Notes in accordance with this Condition.

To the Issuer

- (c) Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at its official address registered with the Swedish Companies Office from time to time, for the attention of the Head of Group Treasury, and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

16. Further Issues

The Issuer may from time to time without the consent of the Holders of any Notes of any Series create and issue further notes, bonds or debentures having the same terms and conditions as the Notes of such Series in all respects (or in all respects except for the issue date, issue price and the first payment of interest, if any, on them) and so that the same shall be consolidated and form a single series with the Notes of such Series.

17. Currency Indemnity

The currency in which the Notes are denominated or, if different, payable, as specified in the applicable Final Terms (the "Contractual Currency") is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a

Note or a Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or a Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or a Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or a Coupon and no proof or evidence of any actual loss will be required by the Issuer.

18. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes, the Agency Agreement and the Trust Deed, all matters arising from or connected with them and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.
- (b) *English courts:* The Issuer agrees for the benefit of the Trustee and the Holders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "Dispute") arising from or connected with the Notes (including a Dispute relating to any non-contractual obligations arising out of or in connection therewith).
- (c) *Appropriate forum:* The Issuer agrees that the courts referred to in Condition 18(b) are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient.
- (d) *Rights of Holders to take proceedings outside England:* Condition 18(b) is for the benefit of the Trustee and the Holders only. As a result, nothing in this Condition 18 prevents the Trustee or any Holder from taking proceedings relating to a Dispute ("Proceedings") (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed) in any other courts with jurisdiction. To the extent allowed by law, the Trustee and the Holders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered in connection with any Proceedings in England, to the Swedish Trade Council at its office at 6th Floor, Winchester House, 259-269 Old Marylebone Road, London NW1 5RA. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Holder addressed to the Issuer and delivered to the Issuer or to the specified office of the Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Trustee. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

19. Third Parties

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used by the Issuer for its general business purposes.

SWEDBANK AB (PUBL)

Overview

The Issuer is a public limited liability bank company (Sw: *Bankaktiebolag*) incorporated under the laws of the Kingdom of Sweden and headquartered in Stockholm. It has its registered office at Brunkebergstorg 8, SE-105 34 Stockholm, telephone number +46 (0)8 5859 0000 and is registered in the Swedish Companies Registration Office in Sundsvall under registration number 502017-7753. The Issuer's shares are listed on NASDAQ OMX Stockholm.

As of June 30, 2012, the Group served a total of more than 7.8 million private customers and 600,000 corporate customers through more than 700 branches in 13 countries, including through the branches of associated independent savings banks, primarily in its principal markets of Sweden, Estonia, Latvia and Lithuania. The Group offers a broad range of products and services, including retail banking, corporate and investment banking, asset management and insurance products, with the majority of the Group's income in 2011 deriving from its Swedish retail banking services. As of June 30, 2012, the Group's loans to the public amounted to SEK 1,179 billion, excluding repurchase agreements and loans to the Swedish National Debt Office amounting to SEK 50 billion. The Group recorded SEK 9,414 million in profit before impairments for the first half of 2012 and SEK 15,646 million in profit before impairments for the year ended December 31, 2012. Credit impairments for the six months ended June 30, 2012 amounted to SEK 472 million. The Group recorded impairment of intangible assets by SEK 4 million for the six months ended June 30, 2012. Net profit attributable to the shareholders of the Issuer for the six months ended June 30, 2012 amounted to SEK 6,587 million and SEK 11,744 million for the year ended December 31, 2011. As of June 30, 2012, the Group had 15,688 full-time employees.

The Group has a history dating back to 1820 when the first savings bank was founded in Sweden. In the early 1990s, each of Sparbanken Sverige and Föreningsbanken were merged with a number of regional savings banks and regional agricultural co-operative banks, respectively. In 1997, Sparbanken Sverige and Föreningsbanken merged to form FöreningsSparbanken. FöreningsSparbanken changed its name to Swedbank in 2006. The Issuer expanded its operations into the Baltic countries (Estonia, Latvia and Lithuania) in 1996 when it acquired a 12.5 per cent stake in Eesti Hoiupank, a bank that merged with Hansabank in 1998. In 1999, the Issuer acquired additional shares resulting in a 50 per cent ownership of the shares in Hansabank and in 2005 acquired all outstanding shares in Hansabank (now Swedbank AS). Over the past seven years, the Group has expanded into Russia and, with the acquisition of TAS-Kommerzbank (now JSC Swedbank) in 2007, into Ukraine. Since then, the Group has implemented a strategy for exiting from the retail market in Russia and Ukraine, which is progressing according to plan. As a result, a portion of the retail portfolio in Ukraine has been sold and the transfer of the previously divested Russian retail portfolio has been completed. The Group consists of four business areas: Retail, Large Corporates & Institutions, Baltic Banking and Asset Management and a Group Functions & Other segment.

Strategy

Swedbank – a Bank for the Many

The Group serves many households and businesses with both simple and more complex financial needs. The aim is to maintain and develop a large customer base, long-term customer relationships and high market share in the Group's four home markets: Sweden, Estonia, Latvia and Lithuania.

Close to its Customers

The Group firmly believes that a banking model based on being close to customers best serves their needs and the Group's purpose. By being close to its customers, the Group aims to gain a better understanding of

their situation and needs, which it believes will enable it to provide the right and prudent advice and make fast decisions when required, even if, through the resulting lower risk profile, the Group may miss out on certain business opportunities. The advice is based on each customer's needs, not the Group's products, and the Group's product and service development is driven by dialogue with the customers. Well-adapted products and services offered through suitable channels for the Group's various customer segments are designed to promote closeness to customers and long-term profitability. Being accessible to customers through a broad-based branch network and innovative solutions offered by the Internet Bank, Telephone Bank and Mobile Bank is more important, in the Group's view, than to produce every available product and service. The high accessibility which the Group offers to its customers in Sweden is also made possible by collaboration with the savings banks and various franchise partners.

Decentralised Decision-Making

Decision-making in the Group is facilitated by a uniform framework and local decision-making authority. This facilitates faster decisions close to the customer. The framework encompasses issues of governance, capital and liquidity management, risk management, performance evaluation and brand policy. Local units are responsible for customer relationships and results. Development and production of the Group's products are handled at the Group level. To meet each customer's specific needs as quickly as possible, local branches and units have the authority to decide on the range of products and services they offer, as well as pricing, within the framework's limits. Strong leadership with a clear delegation of responsibility is crucial to the Group's governance model. The Group's philosophy is that effective managers lead to committed employees, who deliver good results. The Group therefore focuses on long-term recruitment, training and development of leaders.

Maintain a Low Risk Level

The Group strives to maintain a low risk level from both an asset and a liability perspective. The risk in its assets is managed with the long-term in mind, with the objective that the Tier 1 capital ratio does not decline by more than three percentage points in an adverse scenario. The vast majority of the Group's exposures are in Sweden. Good risk diversification is achieved through a broad base of customers and businesses from many different industries. Customers' cash flow, solvency and collateral are the key lending variables. The Group strives for high-quality risk and credit decisions and proactive risk management which is expected to contribute to a low risk profile. The Group aims to maintain a sustainable balance between lending and deposits in each of its home markets. Though growth can be associated with higher risks, the Group strives to maintain long-term sustainable growth. Therefore the Group strives not to grow faster than is considered sustainable for its customers and itself, regardless of market growth.

Maintain Good Control and Focus on Costs

Regulatory changes, for example, in terms of capital requirements, will have a significant impact on the banking sector going forward. Staying competitive requires the Group to continuously work with costs. The Group intends to achieve this primarily in three ways:

- through a corporate culture where everyone is aware of and cautious about costs. The Group's collective remuneration programme, Eken, is designed to help to strengthen this cost consciousness;
- by continuously adapting the Group's organisation and costs to current conditions. When the market changes, the Group has to be prepared to adapt accordingly; and
- by capitalising on economies of scale based on the Group's high market shares in each home market – not least in terms of effective process support and IT. Large deposit volumes from private

customers make the Group an interest rate sensitive bank. As a result, it will be even more important to focus on cost efficiencies when interest rates are low.

Priorities

The Group has a number of priorities tied to its long-term strategies to achieve the Group's desired position:

Improve Customer Satisfaction

To increase customer satisfaction, the Group intends to improve its product and service mix for each customer group. For customers in need of less complex financial advice, the Group will provide relevant, simple and effective offerings, primarily through its electronic channels. The Group plans to improve its Internet, mobile and telephone banking services to make everyday banking simpler and more efficient. To serve customers with more advanced financial needs, the Group plans to set aside more time for personalised advice. The Group is increasing the number of employees who work with advisory services, as well as broadening and further building their competence.

Increase Decision-Making Close to the Customers

The Group's framework, which facilitates decision-making close to customers through local decision-making authority, is largely in place. The framework encompasses issues of governance, capital and liquidity management, risk management, performance evaluation and brand policy. However, the Group intends to further clarify how it will be applied. The Group intends to introduce an evaluation system to ensure that the framework is followed and improved. It is important that local units, which are those closest to customers, are involved in the decision-making process and have the necessary business acumen to make such decisions since they are responsible for customer relationships and results in their region. The Group is working to make its employees more knowledgeable about the profitability of each customer and of the Group as a whole in order to raise the Group's business acumen.

Grow with Existing Customers

The Group intends first and foremost take advantage of its large customer base to grow. By being close to customers and understanding their needs, the Group can provide greater value and thereby improve its offerings and its earnings. The Group will continue to review the pricing of its products and services. The aim is risk-based pricing that corresponds to the value provided to customers and covers the Group's costs of doing business, which are increasing due to new regulations in the banking sector. It is also important to continue to capitalise on growth opportunities in selected segments.

Improve Quality and Cost Effectiveness

The Group intends to capitalise on the economies of scale that its large customer base and business volume offer in order to improve its cost effectiveness. The latter is important, since the Group contains a diverse range of banks, segments and geographical areas. The Group intends to improve quality while reducing complexity and operational risks by standardising, simplifying and coordinating processes within IT support, product development and shared support functions. Quality and efficiency gains will also benefit customers by making its offering more precise and getting it to market faster. Due to current economic conditions, the Group believes it is important to reduce its costs in the near term. The responsibility for this rests with the Group's managers. Management is also working actively to further raise the cost consciousness of everyone in the Group. The revised collection remuneration programme, Eken, serves as support in this regard.

Capital and Liquidity Management

To reduce unnecessary tied-up capital, the Group intends to continue to improve the understanding of risk-weighted assets and capital efficiency within the organisation. Stress tests will be an increasingly important tool in capital allocation. The Group expects to be well-prepared for the impact of the new expected risk weightings for mortgages. The Group is also continuing to monitor regulatory developments and adapt its capital, liquidity and funding structure in response to an evolving regulatory environment. By encouraging transparency and regularly meeting with its investors, the Group aims to ensure that the relative cost of capital market funding continues to improve.

Business Areas

The Group comprises four business areas and a Group Functions & Other segment.

Retail

As of June 30, 2012, Retail was the Group's largest business area, offering a complete range of financial products and services to private customers as well as small and medium-sized companies through 312 branches as well as telephone and internet banking. Through co-operation with local savings banks and partly-owned banks, the Group also offers its products through approximately 250 additional branches, as of December 31, 2011. Retail is supported by a number of subsidiaries in Sweden, for example, Swedbank Mortgage (responsible for long-term mortgage lending) and Swedbank Finans (leasing products). The subsidiary bank in Luxembourg and the representative office in Spain are also included in this business area. Loans to the public in Retail represented approximately 74 per cent of the Group's total loans to the public outstanding as of June 30, 2012.

Large Corporates & Institutions

In Large Corporates & Institutions ("LC&I"), the Group has consolidated its services for large Nordic and Baltic companies, financial institutions, organisations and banks, namely those entities with sales exceeding SEK 2 billion or more with complex needs. The business area was established during 2010 and has fully integrated the former Swedbank Markets. The same applies to First Securities, which has been wholly-owned by the Issuer since November 2011. Operations are carried out by the Issuer in Sweden, branches in Norway, Denmark, Finland, the U.S. and China, and the wholly-owned subsidiaries First Securities in Norway and Swedbank First Securities LLC in New York, in addition to the trading and capital market operations in subsidiaries in Estonia, Latvia and Lithuania. Loans to the public in Large Corporates & Institutions represented approximately 15 per cent of the Group's total loans to the public outstanding as of June 30, 2012.

Baltic Banking

Baltic Banking offers a broad range of financial products and banking services, including mortgages, business and consumer loans, savings and current accounts, life insurance and leasing in Estonia, Latvia and Lithuania through approximately 200 branches as of December 31, 2011 as well as telephone and Internet banking.

The Group holds leading positions in several key market segments in its Baltic home markets.¹ Loans to the public in Baltic Banking represented approximately 9 per cent of the Group's total loans to the public outstanding as of June 30, 2012.

¹ Statistics Sweden, Estonian Central Bank, Association of Commercial Banks of Latvia, The Financial and Capital Market Commission (Latvia), Association of Lithuanian Banks, public interim reports and Swedbank estimates

Asset Management

Asset Management, which comprises the subsidiary Swedbank Robur Group, offers services in fund management and institutional and discretionary asset management in all of the Group's home markets. Customers include private customers as well as institutions, foundations, municipalities, county councils and other investors. Swedbank Robur's business includes nearly 130 funds, discretionary asset management and pensions management. Products are sold and distributed primarily by Retail and Baltic Banking and the savings banks in Sweden.

Group Functions and Other

The segment Group Functions & Other consists of Group Business Support, internal service functions (information technology, product support, treasury, purchasing, legal and administrative services as well as the Group's internal insurance company, Sparia, which insures the Group against commercial risks such as liability insurance and fidelity), Ektornet (the repossessed property management and development division) and the Russia and Ukraine branches. The Group has continued to concentrate its operations in Russia and Ukraine on supporting corporate customers in its home markets (Sweden and the Baltic countries) and is in the process of exiting from the retail operations in both countries.

Products and Services

Mortgage Lending Products

The offered products primarily consist of loans secured by mortgages over the underlying residential, agricultural and forest properties. Consumer real estate loans include fixed and variable rate loans for home purchase and refinancing needs.

The Group, through Swedbank Mortgage, is one of Sweden's leading mortgage lenders in terms of market share according to the Swedish Bankers' Association (Sw: *Svenska Bankföreningen*). As of June 30, 2012, Swedbank Mortgage's outstanding Swedish mortgage loan portfolio amounted to SEK 731 billion, of which SEK 639 billion derived from private customers. Swedish mortgage lending represented 59 per cent of the Group's total loans to the public outstanding as of June 30, 2012. Both the Issuer and Swedbank Mortgage originate mortgages. Swedbank Mortgage is responsible for the origination of loans with up to a 75 per cent loan-to-value ratio, whereas the Issuer is responsible for originating loans which exceed a 75 per cent loan-to-value ratio. The average loan-to-value ratio in Swedbank Mortgage's loan portfolio was approximately 62 per cent as of June 30, 2012, calculated on a property level (which gives effect to multiple mortgage loans on a given property). To benefit customers by offering a broad range of home buying services and reducing costs, while creating the opportunity to acquire profitable new businesses in this segment, the Group creates economies of scale by co-operating with a number of partners including the Issuer's subsidiary, Swedbank Fastighetsbyrå, various home builders and other construction companies.

Swedbank Mortgage's products primarily consist of loans secured by Swedish residential, agricultural and forest properties.

Swedbank Mortgage lends exclusively in Sweden and primarily provides long-term loans secured by first ranking mortgages on existing properties. More than half of Swedbank Mortgage's mortgage loan portfolio consists of loans to owners of single family homes. It also grants loans for multi-family housing, tenant-owner associations, municipalities, commercial properties and to the agriculture and forestry sector.

Loans for single-family homes are primarily secured by first ranking mortgages and have interest rates fixed for between 60 days and 10 years or, in some cases, variable rates. Swedbank Mortgage's loans are either interest-only loans or amortised over 10-60 years. Swedbank Mortgage's lending to single-family housing is generally limited to 75 per cent of the market value of the property. Loans may be granted to applicants who

have a prior ranking mortgage over their property with another lender, provided that the aggregated amount and ranking of the prior ranking mortgage and the Group's own exposure under its mortgage is generally less than 75 per cent of the value of the mortgaged property.

General Mortgage Loan Features

The mortgage loans originated by Swedbank Mortgage include the key features discussed below.

Purpose of loans – A mortgage loan may be for the purpose of purchasing or refinancing a property. Typically, this property will be a primary residence (i.e. a single-family home or a tenant-owner right), but it could also be for a vacation house, a multi-family home (including loans to tenant-owner associations) or an agricultural/forestry property. Swedbank Mortgage's portfolio also comprises loans to the public sector.

Repayment profile – Mortgage loans may be straight line or serial repayment loans. In certain circumstances, an 'interest only' period may be established within the repayment profile, typically at the start of the mortgage loan's term.

Early repayment – All mortgage loans contain the option for the borrower to make early repayments, in some cases conditional upon payment of interest compensation.

Other fees – Minor fees are charged to the borrower at the origination of the mortgage loan and on each regular payment date (i.e. quarterly or every second month).

Interest accrual – Interest on a mortgage loan accrues daily.

Maturity of a mortgage loan – The term of a mortgage loan may vary from 10 to 60 years, but the typical maturity is 30 years and the historically observed, typical weighted average life of a mortgage loan (which depends on the borrower's repayment behaviour) is estimated to be 5 to 7 years depending on the method of calculation.

Swedbank Mortgage's loans are distributed by the Group through its approximately 317 branches and the approximately 254 branches of the savings banks. In addition, the Group's telephone and Internet channels have taken an increasing role in distributing mortgage related products in certain situations.

The Group is also a leading mortgage lender in the Baltic countries, according to the relevant bank association¹ in each respective country, and the mortgage products the Group offers are adapted to its client base in the Baltic countries, comprising mainly Baltic homeowners. The main products offered by Baltic Banking include residential loans for home buying or building and loans which are mainly used for renovating and furnishing homes. Both products are continually adapted to meet customers' needs.

Corporate Banking Products

The Group offers a full range of corporate banking products and services for small and medium-sized business clients, and large and multinational corporate customers, including financing, cash management, investment and risk management services. In addition, the Group offers leasing products through Swedbank Finans as well as mortgage lending and lending to the agricultural and forestry industries through Swedbank Mortgage.

The products offered include corporate loans as well as credit facilities adapted to meet the customers' needs. Real estate loans are primarily aimed at public and private developers, home builders and commercial real estate companies.

¹ Estonia: Estonian Banking Association, Latvia: Association of Latvian Commercial Banks, Lithuania: Association of Lithuanian Banks

Investment Banking Products

The Group offers equity, fixed income and currency trading, project, export and acquisition financing and corporate services as part of its Large Corporates & Institutions business.

Consumer Lending Products

The Group offers a range of personal loans to its retail customers. These can be made for specific purposes, such as vehicle loans, or as general purpose personal loans.

Savings and Investment Products

The Group offers a comprehensive range of deposit-related products, including traditional savings accounts and current accounts tailored to different customer segments. Through Asset Management and Insurance, the Group offers its customers a comprehensive range of investment products, including equity funds, fixed income funds, insurance products and individual pension savings products.

Payment Services

The Group offers a broad range of payment products, including debit, transaction services and card infrastructure and, as of June 30, 2012, the Group had 7.7 million bank cards in circulation. In retail transactions, the Group emphasises convenience and time saving by making automatic payment options available to the Group's customers through direct debit or other electronic channels, such as e-bills or mobile and card payments. For corporate cash management, the focus is on offering clients an integrated and packaged solution.

Information Technology

Overview

Group IT is a Group common function serving the Group in Sweden and in the Baltic countries and supporting the IT functions of Ukraine and Russia. In addition, Group IT provides IT services to certain savings banks in Sweden that are banks co-operating with the Group and that offer mortgage loans funded by Swedbank Mortgage.

The main data centres are located in Sweden and Estonia. These are built with back-up facilities and off-site storage of back-up data.

The organisation is business-driven and delivers IT services based on service agreements with the business side of the Group. IT operation and infrastructure services are organised to ensure economies of scale, efficiency, availability and to reduce operational risk. Special functions are defined to work on IT governance issues such as the Group project portfolio management, IT strategy and architecture and IT security.

The total number of staff in Group IT is approximately 1,400, of which 850 are located in Sweden and 550 in the Baltic countries as of June 30, 2012.

The Group uses hardware and software provided by different vendors. The Group complements its internal resources by employing IT consultants and has an offshore agreement with Logica for application development in India.

To increase customer satisfaction, the Group aims to improve its ability to offer products and services appropriate to meet the needs of each customer group. For customers in need of less complex financial advice, the Group aims to provide relevant, simple and effective offerings, primarily through its electronic

channels. In particular, the Group aims to improve internet, mobile and telephone banking services in an effort to make routine banking services simpler and more efficient, and thereby making them more cost efficient for the Group. In response to changing technologies, customers' habits have changed, which has impacted the traditional role of the bank branch.

Customers can now satisfy most of their routine banking requirements through alternate channels such as ATMs, debit cards, the internet and mobile phones. The Group's internet bank service reaches approximately 3.4 million customers per month, and since its launch in 2009, the Group's mobile bank service has added nearly a half million users. Through information and a differentiated pricing model, the Group intends to make it easier for customers to select the most effective way to communicate with the bank for a variety of matters.

IT Strategy and Key Initiatives

The Group's IT strategy is aligned with the Group's business strategy. The IT strategy focuses on ensuring an economy of scale IT operation, which is capable of handling high transaction volumes in a reliable and secure environment. The application architecture is built to support sustainable multi-bank, multi-channel and customer centric solutions. The product ledger systems are encapsulated and support the frontline users and customers through a distribution platform to bank branches, internet and telephone banking services. Information management is based on a Master Data Management solution and combined with a customer-oriented Enterprise Data Warehouse as a source for analysis and management reporting.

Activities are ongoing with the objective of consolidating the Group's technical infrastructure to gain synergy effects and to enable application platform harmonisation and consolidation.

Major development initiatives are ongoing in the areas of channels, products and risk. The Group is also looking into the possibility of further outsourcing its IT activities.

Legal Proceedings

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Employees

As of June 30, 2012, the Group had 15,688 full-time employees. The table below sets out the number of employees employed for the years indicated.

	As of June 30,	As of December 31,		
	2012	2011	2010	2009
Full time employees	15,688	16,287	17,224	19,277

Approximately 57 per cent of the Group's employees were governed by collective bargaining agreements as of December 31, 2011. The Group maintains continuous and active dialogue with its employees and representatives and believes that its relations with its employees are good. There have been no significant strikes or mutual work stoppages in the past three years.

Key Geographic Markets and Competition

The Group currently operates in four geographic home markets: Sweden, Estonia, Latvia and Lithuania. To support business in these markets, the Group has established branches in neighbouring markets such as Finland, Norway and Denmark, as well as in major markets of financial importance such as in the U.S.

(where the Group has both a branch and a subsidiary) and China (where the Group has a branch). The Group also conducts banking operations in Ukraine and Russia, which used to be represented separately in their own segment within the Group but have since been moved to the business segment Group Functions & Other. The Group also has a branch in Luxembourg and a representative office in Spain.

Sweden

The banking sector is fairly concentrated in the Group's home markets. In Sweden, the Group, Handelsbanken, Nordea, SEB and Danske Bank accounted for approximately 80 per cent of deposits and lending in 2011, according to the Swedish Central Bank (Sw: *Riksbanken*). These major banks offer a wide range of financial products and services and compete in all key product segments. In Sweden, the Group is the largest retail bank and has a leading market position in private mortgage lending (26 per cent) and deposits from private customers (22 per cent) as of May 31, 2012.¹ The Group believes consumers have been more willing to change banks in recent years in a generally stable market. During the last year, banking customers have shown a tendency to turn to the major banks due to perceived volatility among smaller players.

Estonia

The Estonian banking sector is even more concentrated than Sweden's. The market is dominated by foreign banks. In Estonia, the Group had a market share of 54 per cent for deposits and private customers and 47 per cent for lending as of May 31, 2012. In the Estonian corporate market, the Group's share was 35 per cent for lending and 40 per cent for deposits as of May 31, 2012.²

Latvia

Latvia has a more fragmented market where local banks account for 30 to 70 per cent of the various segments. As of May 31, 2012, the Group accounted for 24 per cent of private deposits and 28 per cent of private lending. In the corporate market, the market share was 18 per cent for lending and 10 per cent for deposits as of May 31, 2012.³

Lithuania

Like Sweden, the banking market in Lithuania is dominated by a few major players. As of May 31, 2012, the Group accounted for 35 per cent of private deposits and 27 per cent of private lending. In the corporate market, the Group's share was 20 per cent for lending and 25 per cent for deposits as of May 31, 2012.⁴ In all the Baltic countries, competition has begun to increase again as the economy appears to recover and considerably lower credit impairments are recorded, whereby profitability seems to be improving.

¹ Statistics Sweden

² Estonian Banking Association

³ Association of Latvian Commercial Banks

⁴ Association of Lithuanian Banks

SELECTED FINANCIAL INFORMATION

The selected financial data for 2011, 2010 and 2009 provided below have been derived from the audited consolidated financial statements of the Group as of and for the years ended December 31, 2011, 2010 and 2009 and the condensed interim financial information as of and for the six-month periods ended June 30, 2012 and 2011 incorporated by reference in this Prospectus. The data set forth below should further be read in conjunction with "Management's Discussion and Analysis" and with the audited and unaudited consolidated financial statements incorporated by reference into this Prospectus. The consolidated financial statements also apply recommendation RFR 1 Complementary accounting rules for groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general advice of the Swedish Financial Supervisory Authority, FFFS 2008:25.

The Group

SEK million	For the six months ended June 30,		For the year ended December 31,		
	2012 ¹	2011	2011	2010	2009 ²
INCOME STATEMENT DATA					
Net interest income	10,460	9,215	19,014	16,228	20,765
Net commissions	4,751	4,868	9,597	10,116	7,825
Net gains and losses on financial items at fair value	1,214	766	1,584	2,400	2,770
Share of profit or loss of associates.....	417	395	767	624	866
Other income	1,236	1,834	3,083	2,166	2,556
Total income	18,078	17,078	34,045	31,534	34,782
Staff costs	(4,806)	(4,857)	(9,917)	(9,392)	(9,201)
Other expenses	(3,858)	(4,143)	(8,482)	(8,740)	(8,647)
Total expenses	(8,664)	(9,000)	(18,399)	(18,132)	(17,848)
Profit before impairments	9,414	8,078	15,646	13,402	16,934
Impairment of intangible assets	4	-	1,960	37	1,305
Impairments of tangible assets	165	17	174	600	449
Credit impairments.....	472	(1,296)	(1,911)	2,810	24,641
Operating profit (loss)	8,773	9,357	15,423	9,955	(9,461)
Tax expense	2,179	2,045	3,669	2,472	981
Profit (loss) for the period	6,594	7,312	11,758	7,483	(10,442)
Non-controlling interests	7	8	14	39	69

SEK million	As of June 30, 2012
BALANCE SHEET DATA	
Assets	
Cash and balances with central banks	132,028
Loans to credit institutions	94,083
Loans to the public.....	1,228,494
Interest-bearing securities	131,525
Financial assets for which customers bear the investment risk	101,273
Shares and participating interests	1,684
Investments in associates.....	3,400
Derivatives	98,070
Intangible fixed assets	13,621
of which goodwill	11,622
Investment properties	3,249
Tangible assets	5,097
Current tax assets.....	1,447

¹ During the first quarter of 2012 the assumptions for the internal capital allocation were changed due to expected changes in capital adequacy requirements. This change means that more capital is allocated to all business areas, which affects net interest income positively for all business areas and negatively for Group Treasury.

² Comparative figures for 2009 have not been restated to reflect the Group's new presentation of the Compensations to Savings Banks. The change affects Total income and Total expenses including items such as Interest income, Commission expenses and Other expenses, but not the operating result in its entirety.

SEK million	As of June 30,
	2012
Deferred tax assets.....	770
Other assets	11,207
Prepaid expenses and accrued income.....	7,877
Group of assets classified as held for sale	245
Total assets	1,834,070
Liabilities and equity	
Liabilities	
Amounts owed to credit institutions	128,657
Deposits and borrowings from the public.....	559,955
Debt securities in issue.....	786,460
Financial liabilities for which customers bear the investment risk.....	101,837
Derivatives	90,179
Current tax liabilities	1,176
Deferred tax liabilities	2,951
Short positions securities.....	17,272
Other liabilities	12,254
Accrued expenses and prepaid income.....	14,088
Provisions	3,579
Subordinated liabilities.....	17,023
Liabilities directly associated with group of assets classified as held for sale	95
Total liabilities	1,735,526
Equity	
Non-controlling interests	155
Equity attributable to the shareholders of the Issuer	98,389
Total equity	98,544
Total liabilities and equity	1,834,070

SEK million	As of December 31,		
	2011	2010	2009
BALANCE SHEET DATA			
Assets			
Cash and balances with central banks	164,307	17,109	37,879
Treasury bills and other bills eligible for refinancing with central banks.....	25,853	34,924	88,724
Loans to credit institutions	97,195	166,417	92,131
Loans to the public.....	1,211,454	1,187,226	1,290,667
Bonds and other interest-bearing securities	112,458	96,652	81,891
Financial assets for which customers bear the investment risk.....	95,747	100,628	78,194
Shares and participating interests	2,015	6,181	9,505
Investments in associates.....	3,111	2,710	2,740
Derivatives	103,726	65,051	72,969
Intangible fixed assets	13,799	15,794	17,555
<i>of which goodwill</i>	11,762	13,733	15,368
Investment properties	3,910	2,165	842
Tangible assets	4,383	3,514	2,973
Current tax assets.....	2,083	1,156	881
Deferred tax assets.....	872	1,218	1,209
Other assets	7,531	8,611	9,806
Prepaid expenses and accrued income.....	8,371	6,325	6,721
Group of assets classified as held for sale	250	-	-
Total assets	1,857,065	1,715,681	1,794,687
Liabilities and equity			
Liabilities			
Amounts owed to credit institutions	139,598	136,766	231,687
Deposits and borrowings from the public.....	561,696	534,237	504,424
Financial liabilities for which customers bear the investment risk.....	96,449	100,988	80,132
Debt securities in issue.....	781,458	686,517	703,258
Short positions securities.....	30,603	34,179	40,411
Derivatives	90,484	65,935	72,172
Current tax liabilities	472	317	1,495
Deferred tax liabilities	3,183	1,734	720
Pension provisions.....	1,562	1,662	1,735
Insurance provisions.....	1,878	2,100	4,160
Other liabilities and provisions.....	13,309	13,950	12,136
Accrued expenses and prepaid income.....	18,612	15,074	14,400
Subordinated liabilities.....	19,531	27,187	37,983
Liabilities directly associated with group of assets classified as held for sale	97	-	-
Total liabilities	1,758,932	1,620,646	1,704,713

SEK million**Equity**

Non-controlling interests	140	138	304
Equity attributable to the shareholders of the Issuer	97,993	94,897	89,670
Total equity	98,133	95,035	89,974
Total liabilities and equity	1,857,065	1,715,681	1,794,687

As of December 31,		
2011	2010	2009
140	138	304
97,993	94,897	89,670
98,133	95,035	89,974
1,857,065	1,715,681	1,794,687

SEK million**CASH FLOW STATEMENT**

Cash and equivalents at beginning of the period.....	164,307	17,109
Cash flow from operating activities	(27,948)	(58,134)
Cash flow from investing activities.....	1,225	220
Cash flow from financing activities.....	(5,457)	(52,640)
Cash flow for the period	(32,180)	(5,274)
Exchange rate differences on cash and cash equivalents.....	(99)	119
Cash and equivalents at end of the period	132,028	11,954

For the six months ended June 30,	
2012	2011

164,307	17,109
(27,948)	(58,134)
1,225	220
(5,457)	(52,640)
(32,180)	(5,274)
(99)	119
132,028	11,954

SEK million**CASH FLOW STATEMENT**

Cash and equivalents at beginning of the year.....	17,109	37,879	29,060
Cash flow from operating activities	80,585	(13,787)	(126,660)
Cash flow from investing activities.....	102	1,192	(718)
Cash flow from financing activities.....	66,573	(6,345)	137,407
Cash flow for the year	147,260	(18,940)	10,029
Exchange rate differences on cash and cash equivalents.....	(62)	(1,830)	(1,210)
Cash and equivalents at end of the year	164,307	17,109	37,879

For the year ended December 31,		
2011	2010	2009
17,109	37,879	29,060
80,585	(13,787)	(126,660)
102	1,192	(718)
66,573	(6,345)	137,407
147,260	(18,940)	10,029
(62)	(1,830)	(1,210)
164,307	17,109	37,879

KEY RATIOS*

	As of or for the six	As of or for the year ended December 31,		
	months ended June 30,	2011	2010	2009
	2012			
Return on equity	13.5%	12.2%	8.1%	(12.5)%
Earnings per share, SEK	5.09	9.53	6.43	(10.66)
Cost/income ratio.....	0.48	0.53	0.57	0.51
Equity per share, SEK	86.92	84.40	81.84	77.33
Capital quotient excluding complement**	2.42	2.37	2.30	2.19
Tier 1 capital ratio, excluding complement**.....	18.2%	17.2%	15.2%	13.5%
Capital adequacy ratio, excluding complement**	19.4%	18.9%	18.4%	17.5%
Tier 1 capital ratio, transition rules**, %.....	11.4%	11.2%	11.0%	10.4%
Capital adequacy ratio**	12.2%	12.3%	13.3%	13.5%
Credit impairment ratio, net	0.07%	(0.14)%	0.20%	1.74%
Share of impaired loans, gross	1.53%	1.87%	2.53%	2.85%
Risk-weighted assets, new rules**, SEK billion	485	492	541	603
Risk-weighted assets, transition rules**, SEK billion ...	771	757	750	603
Full time employees.....	15,688	16,287	17,224	19,277

* See section "Definitions".

** Risk-weighted assets are defined by the capital adequacy rules in Sweden and represent a measure of the Group's credit risk-taking. The capital adequacy rules changed in 2007, and accordingly, the Group is required to present its risk-weighted assets in accordance with the old rules, new rules and transition rules. The capital adequacy rules also define the computations for capital quotient, Tier 1 capital ratio and the capital adequacy ratio. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Capital Adequacy" for further information, including the timing and implications of the risk-weighted asset rules. All tier 1 capital contributions are based on transition rules according to FFFS 2010:10.

Ratings

The Group/Issuer¹ has been assigned ratings by Standard & Poor's, Moody's and Fitch as set forth in the table below:

	Standard & Poor's, Stable Outlook		Moody's, Stable Outlook		Fitch, Stable Outlook	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
As of June 30, 2012	A-1	A+	P-1	A2	F1	A+

On February 15, 2012, Moody's announced a review for downgrade of 141 European banks and later the same day, placed on review for downgrade the Issuer's A2 long-term debt and deposit ratings. The P-1 short term rating was also placed on review for downgrade. On May 24, 2012, Moody's announced the results for Swedish banks as part of its review of European banks. The Group and Swedbank Mortgage's ratings were reaffirmed at an unchanged level (A2/P-1) with a stable outlook.

During the fourth quarter of 2011 the Issuer's credit rating from Standard & Poor's was raised to A+.

On June 28, 2012, Standard & Poor's reaffirmed the Issuer's and Swedbank Mortgage's long- and short-term ratings (A+/A-1) with a stable outlook.

On July 28, 2012, Fitch upgraded the Issuer's Long-Term Issuer Default Rating to A+ from A and affirmed the stable outlook on the rating and reaffirmed the Issuer's Short-Term debt at F1.

The Group's aim is to maintain a credit rating on par with that of the banks with the highest credit ratings in the Nordic region.

In the event of any change in the ratings described above or in the outlook for such ratings, or the placing on "Creditwatch" or similar publication of formal review by the relevant rating agency, such action will be disclosed in a supplement to the Prospectus.

¹ The ratings of Standard & Poor's are assigned to both the Issuer and the Group. The ratings of Fitch and Moody's are assigned only to the Issuer.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion on the financial condition and result of operations of the Issuer should be read in conjunction with the audited consolidated financial statements of the Group as of and for the years ended December 31, 2011, 2010 and 2009 and condensed interim financial information as of and for the six-month periods ended June 30, 2012 and 2011 which were incorporated by reference in this Prospectus, as well as with the information presented under "Selected Financial Information" and "Selected Statistical and Other Information".

The following discussion contains forward-looking statements that are based on estimates and assumptions that are subject to risks and uncertainties. The actual results may differ materially from what is discussed in the forward-looking statements as a result of various factors, including those set forth in "Risk Factors".

Overview

As of June 30, 2012, the Group served a total of more than 7.8 million private customers and 600,000 corporate customers through more than 700 branches, including the branches of the independent savings banks, in 13 countries, primarily in its principal markets of Sweden, Estonia, Latvia and Lithuania. The Group offers a broad range of services, including retail banking, corporate and investment banking, asset management and insurance, with the majority of the Group's income generated from its retail banking operations. As of June 30, 2012, the Group's loans to the public amounted to SEK 1,179 billion, excluding repurchase agreements and loans to the Swedish National Debt Office amounting to SEK 50 billion. The Group recorded SEK 9,414 million in profit before impairments for the first half of 2012 and SEK 15,646 million in profit before impairments for the year ended December 31, 2012. The Group has four business areas: (i) Retail, which generated the majority of the Group's consolidated income as of June 30, 2012, (ii) Large Corporates & Institutions, (iii) Baltic Banking and (iv) Asset Management. In addition, the Group's financial reporting includes a Group Functions & Other segment covering the bank's group functions including Group Business Support as well as Russia, Ukraine and Ektornet.

Market Share¹

Market share, Sweden	As of May 31,	As of December 31,		
	2012	2011	2010	2009
Private market				
Deposits	22%	23%	24%	24%
Lending	25%	25%	26%	26%
<i>of which mortgage lending</i>	26%	26%	27%	28%
Corporate market				
Deposits	16%	16%	17%	16%
Lending	17%	17%	17%	18%
Market share, Estonia				
Private market				
Deposits	54%	54%	55%	55%
Lending	47%	47%	47%	48%
<i>of which mortgage lending</i>	46%	46%	47%	47%
Corporate market				
Deposits	40%	41%	40%	43%
Lending	35%	36%	40%	41%

¹ Statistics Sweden, Estonian Central Bank, Association of Commercial Banks of Latvia, The Financial and Capital Market Commission (Latvia), Association of Lithuanian Banks, public interim reports and Swedbank estimates

Market share, Latvia	As of May 31,	As of December 31,		
	2012	2011	2010	2009
Private market				
Deposits	24%	23%	23%	23%
Lending	28%	27%	27%	27%
<i>of which mortgage lending</i>	28%	26%	27%	27%
Corporate market				
Deposits	10%	10%	10%	11%
Lending	18%	18%	21%	24%

Market share, Lithuania	As of May 31,	As of December 31,		
	2012	2011	2010	2009
Private market				
Deposits	35%	38%	32%	32%
Lending	27%	25%	26%	26%
<i>of which mortgage lending</i>	25%	25%	25%	25%
Corporate market				
Deposits	25%	25%	22%	21%
Lending	20%	20%	21%	22%

Significant Factors Affecting Results of Operations and Business Conditions

It is the Group's view that its business, results of operations and financial condition have been affected, and may continue to be affected by the significant factors described below. The impact of these and other potential factors may vary significantly in the future. Unanticipated events relating to the aftermath of the global financial crisis and the economic conditions mean that past performance is less of a predictor of future performance than is usually the case.

Global Slowdown if Sovereign Debt Crisis Worsens¹

The year 2012 began positively with strengthened confidence in economic development, partly as a result of the European Central Bank's liquidity injection into European banks. Since the end of the first quarter, the markets have refocused on sovereign economic challenges and their connection to the banking system. As a result, the outlook deteriorated and interest rates fell. Towards the end of the first half-year, additional political initiatives were taken with the aim of stimulating an economic recovery, which thus far have had some positive effects on European markets, however, significant uncertainty concerning economic conditions remains, with a risk of recession in Europe.

The global slowdown in the end of 2011 continued during 2012 but was less pronounced. The GDP growth figures for the first quarter were actually better than expected, except for the economies in the southern Europe, including Greece, Spain and Italy². Despite a positive performance in the first quarter, the world economy is still fragile and the risks for a renewed slowdown have increased during recent months. The impacts of the European debt crisis and renewed concerns in global financial markets – falling equity prices and higher credit spreads – still have a negative effect on households' and firms' confidence in the market. In the emerging markets growth performance started to decrease, driven by a weaker global demand and a restrictive economic policy which several countries introduced to avoid overheating. The sovereign debt crisis, especially in the euro area, and uncertainty relating to how politicians will handle budget deficits, austerity programs and reforms are a decisive risk factor for the global outlook.

Growth in Sweden and the Baltic economies was among the highest in Europe up to the third quarter last year. In the fourth quarter of 2011 however, economic indicators showed a significantly weaker performance. The strongest recovery was in Estonia, where real GDP rose by 7.6 per cent in 2011, but the production level is still far below the pre-crisis level in 2008. In Lithuania and Latvia the growth trend has also been positive and the unemployment rate has decreased rapidly, although from a high level. In Sweden, real GDP increased by 3.9 per cent in 2011. The major growth engine in the Swedish economy came from exports and

¹ Statistical offices in Sweden, Estonia, Latvia and Lithuania

² Eurostat

investments while growth in consumption was moderate. Although growth was better than expected in the beginning of 2012, the average growth rate in Sweden and the Baltic economies is expected to be lower compared to last year partly due to a weaker global demand.¹

General Macroeconomic Factors²

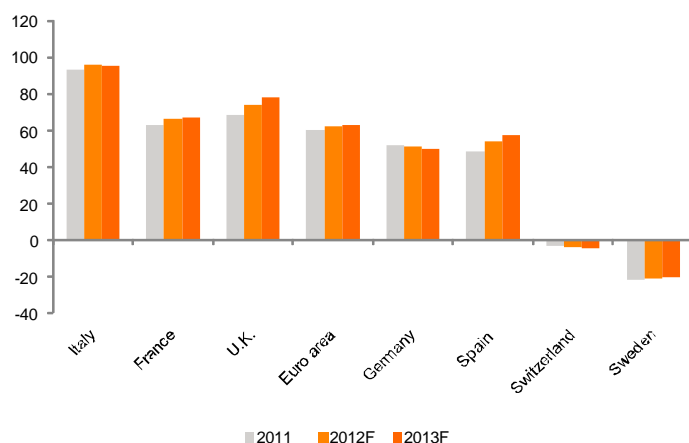
The growth contribution from the emerging markets to the global economy is increasing and is expected to grow further when several OECD-countries are growing far below their potential. In countries with the largest imbalances – Greece, Spain, Portugal and Ireland – GDP is shrinking and will continue to do so during the coming year. The economies in the Nordic countries and Germany generated growth rates exceeding the EU average in 2011 partly due to smaller imbalances and less restrictive fiscal policies. In 2012, however, the growth contributions from these countries are expected to weaken but are still likely to show higher growth rates than the EU-average.³

The macroeconomic environment is the major driver of the Group's earnings. In particular it affects the demand for banking services and pricing as well as asset quality and accordingly impacts the credit and other risk the Group undertakes in the normal course of its business. The development of the Group's balance sheet and income statement is to a large extent dependent on the general macroeconomic development.

Sweden

Sweden's sovereign rating of Aaa/AAA/AAA was maintained by all rating agencies during the first half of 2012.⁴ Swedish GDP increased during 2011 by 3.9 per cent after a strong rebound of 6.2 per cent in 2010. That means the drop in production that occurred during 2009 has been restored. The improvement in public finances continues with a public deficit and public debt among the lowest in the EU. Current account balances showed a surplus of 6.8 per cent in 2010 and increased to 7.2 per cent of GDP in 2011 due to a strong export performance. This means Sweden is among the countries in the world with the largest surplus. Although growth of Swedish GDP is expected to decelerate during 2012 the surplus in the current account balance should still be sizeable.

General government net financial liabilities, percentage of nominal GDP



Source: OECD "Economic Outlook 91"

¹ Swedbank Economic Outlook, August 2012

² Statistical offices in Sweden, Estonia, Latvia and Lithuania

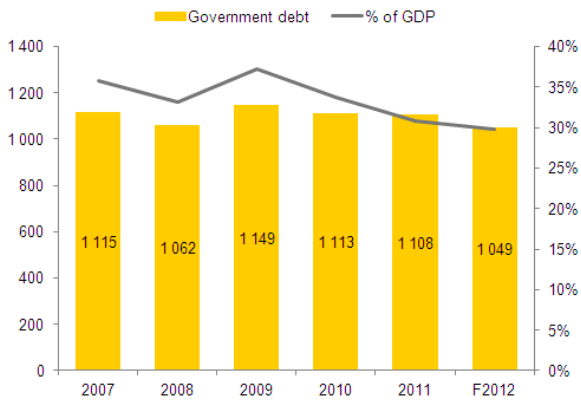
³ Swedbank Economic Outlook, August 2012

⁴ Moody's, Standard & Poor's and Fitch

The chart below shows the ratio of Swedish debt to GDP for the periods indicated.

Swedish Debt to GDP in SEK billion

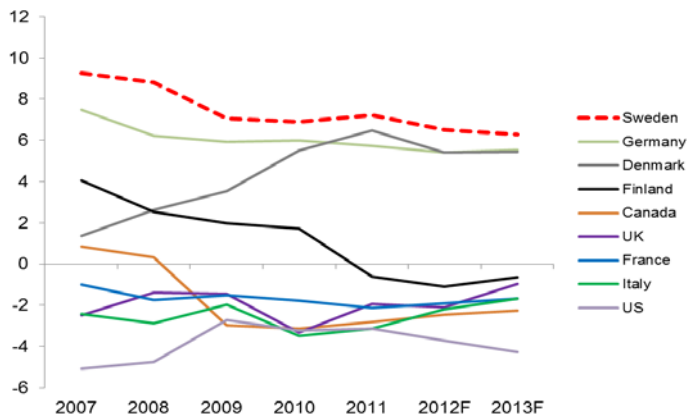
SEK billion



Source: Swedish Government budget statement

The recovery of the Swedish economy in 2010 and 2011 has strengthened public finances. With a minor surplus in the general budget balance last year of 0.2 per cent of GDP, Sweden stands out positively in comparison with other countries. Debt-to-GDP is expected to be 36.5 per cent for 2011¹. The main drivers behind the robust public finances are a stronger labour market and lower expenditures to households and on labour market programmes. A minor deficit is expected for 2012 due to higher public expenditures.

Current account balance as a percentage of GDP

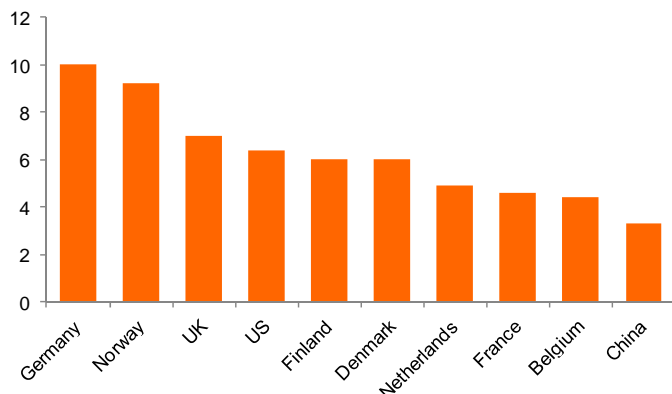


Source: OECD "Economic Outlook 91"

¹ Statistics Sweden

The total value of exports and imports amounted to SEK 1,214 billion and SEK 1,136 billion, respectively, in 2011.¹ As set out below, Sweden's main export partners during that year were Germany, Norway, the UK and the U.S.

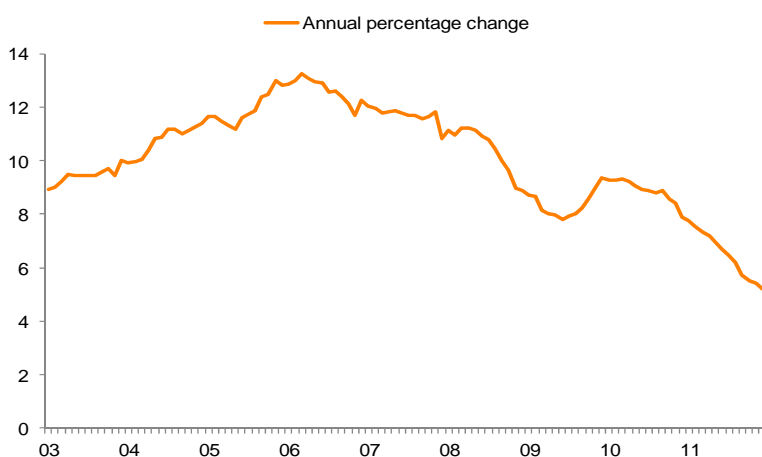
Largest export countries



Source: Statistics Sweden

A gradual increase in business activity has been followed by increased hiring needs in the private service sector and several firms have reported a lack of labour. At the same time, the labour supply has grown due to less favourable benefits in social security and a growing influx of youth into the labour market. The slowdown in the unemployment has therefore been modest during the latest 12 months. In June 2012 the seasonally adjusted unemployment rate was 7.5 per cent which was more or less the same as one year earlier. However, this is a clear improvement from the unemployment rate at 8.4 per cent in 2010². The improvement in the Swedish labour market has led to an increase in household confidence. Credit expansion to Swedish households slowed last year, partly due to weaker loan demand, but also as a result of tighter lending policy from the financial institutions. This trend has continued in 2012.

Pace of household borrowing declines



Source: Riksbanken Financial Stability Report, 2011-01-29, Statistics Sweden (SCB), 2012-01-27

¹ Statistics Sweden

² Statistics Sweden

A higher savings ratio and uncertainties about the global outlook dampened growth in private consumption and investment plans in 2011, and growth in real estate, especially, has been revised downward. In the first half of 2012 however, domestic demand improved, driven by surprisingly strong growth in gross fixed investments.

Due to increased resource utilisation and growing household debt, the Swedish Central Bank gradually raised its benchmark interest rate from 1 per cent in the beginning of 2011 to 2 per cent in July 2011. In the second half of 2011, with growing turmoil in the financial markets and signals of a significantly weaker Swedish growth, the Central Bank decided in December 2011 and April 2012 to cut the interest rates by 50 basis points to 1.50 per cent. Although there were significant swings in the financial markets and lower risk appetite, the Swedish Krona has appreciated strongly in 2012, which could be a challenge for Swedish exporters. During 2011, this impacted the Group's net interest income positively. The factors positively affecting net interest income during 2011 were higher interest rates in mortgage portfolio and higher margins in the large corporate portfolio in Sweden. Net interest income in Sweden increased from SEK 10,738 million in 2010 to SEK 13,248 million in 2011, which is an increase by SEK 2,510 million or 23 per cent.

Sweden accounted for 68 per cent of the Group's total income for the year ended December 31, 2011, as compared to 70 per cent in the year ended December 31, 2010. Net commissions were impacted negatively in 2011 by decreased customer activity and by a weaker stock market as compared to 2010, particularly in the second half of 2011. For the year ended December 31, 2010, net commissions were impacted positively by increased customer activity leading to increased sales and by a strong stock market.

Rate of GDP growth (contraction) in Sweden for the following periods:¹

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Sweden.....	3.9%	6.1%	(5.1)%

The Baltic Countries²

The recovery in the Baltic economies was broader in 2011 and less export-led than in 2010. A favourable demand composition and improved competitiveness, due to lower labour costs and higher productivity growth, have had a positive effect on exports. A strong rebound in manufacturing contributed to spill over effects on the domestic demand. Investments increased significantly in 2011, particularly in the manufacturing sector, due to a higher utilisation rate. Private consumption picked up, driven by improved labour market conditions and falling unemployment rate. Lower food and energy prices have also stimulated household spending. Emigration and a shrinking labour supply is a challenge for the Baltic economies and in some industries the lack of a qualified labour force has already increased. The budget consolidation in Latvia and Lithuania continued. The public deficit has decreased significantly in Latvia and Lithuania, and the possibility of Euro adoption in 2014 is still possible, while Estonia has been a Euro member since January 1, 2011. The largest impact of the economic recovery in the Baltic region is an improved credit quality during 2011. Impaired loans decreased in all Baltic countries during 2011. The underlying demand for credits in the Baltic region remains limited and the lending volumes decreased by SEK 11 billion in 2011.

The Baltic countries accounted for 20 per cent of the Group's total income for the year ended December 31, 2011. Lending volumes to the public decreased during 2011. Despite increased sales activity in the second half of 2011, the general deleveraging trend in the Baltic countries continued among corporate and private clients. The main impact on the Baltic business has been in the credit impairment area where impairment levels decreased significantly in all Baltic countries. In Latvia and Lithuania, the Group recorded net recoveries of SEK 337 million and SEK 688 million, respectively, in 2011. Estonia recorded credit impairment of SEK 23 million in 2011.

¹ Statistics Sweden (SCB), 2011-12-31, www.scb.se

² GDP and inflation figures from Statistics Estonia, Statistics Latvia and Statistics Lithuania, respectively

Rate of GDP growth (contraction) in the Baltic countries for the following periods¹:

	2011	2010	2009
Estonia.....	7.6%	2.3%	(13.9)%
Lithuania	5.2%	1.4%	(14.8)%
Latvia	5.9%	(0.3%)	(17.7)%

Interest Rates

Fluctuations in short- and medium- to long-term interest rates impact the Group's net interest income differently based upon the re-pricing profile of the Group's interest-earning assets and interest-bearing liabilities, which are set forth in the notes to the audited consolidated financial statements incorporated by reference in this Prospectus (see note G3 in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2011). The Group's re-pricing profile depends upon the pricing terms applicable to its products (including base interest rates and yield curves), the mix of funding and lending instruments in the Group's portfolio and the extent of the Group's use of interest-related derivatives. As a general matter, low interest rate levels have a negative impact on the Group's profitability, since non-interest-bearing liabilities including current accounts with zero per cent interest rate are substantially larger than non-interest-bearing assets. However, the Group's re-pricing profile is to an extent characterised by a higher level of short-term liabilities than short-term assets. As a result, in an environment of declining short-term interest rates the Group generally benefits in the short-term from re-pricing that impacts its interest-bearing liabilities proportionately more than its interest-earning assets.

The impact of a rise or fall of market rates of 100 basis points, which thereafter remain unchanged for a year and where the consolidated balance sheet remains essentially the same, would impact net interest income by SEK 1,311 million and SEK 1,409 million, respectively, for the year ended December 31, 2011.

As interest rates increased in the second half of 2011, the Group's net interest margins started to increase. This is particularly visible on deposit margins.

For more information relating to interest rate risk management see "Risk Management – Market Risks – Interest Rate Risk".

Exchange Rates

The Group's exposure to currency risk that could have an immediate direct effect on profit (which excludes exposures related to holdings in foreign subsidiaries, goodwill and other intangible assets) without taking into account any fluctuations between the EUR and SEK is limited. The currency risk within the Group is largely of structural or strategic nature and is associated with operations in the Baltic countries, Russia and Ukraine. To reduce currency risk, the Group's strategic holdings in foreign operations and subsidiaries are, as far as economically viable, generally funded in each entity's national currency or in a currency that is linked to the country's currency. Operations in the Baltic countries are funded in EUR, whereas operations in Russia and Ukraine are mainly funded in SEK as the option of full local currency funding is not economically viable.

In Estonia, Latvia, Lithuania, Russia and Ukraine, a significant share of lending is in EUR or USD. In the event of a devaluation or depreciation of the domestic currency in any of these countries, three factors would mainly affect the Group's income statement and balance sheet. Firstly, a gain on financial items at fair value would generally arise due to the impact of changes in exchange rates on the assets and liabilities of the subsidiary. Normally, this would produce an exchange rate gain, since the Group has larger assets than liabilities in foreign currencies (EUR or USD). Secondly, a negative translation effect would arise on the Issuer's net investment in the subsidiary, since the subsidiary's equity would be less when expressed in SEK. This negative exchange rate effect would not be reported in the consolidated income statement but

¹ GDP and inflation figures from Statistics Estonia, Statistics Latvia and Statistics Lithuania, respectively

would be recognised in other comprehensive income (i.e. in equity). Thirdly, it would become more difficult for domestic customers to pay the interest and principal on their loans in foreign currencies, which would become higher in the local currency. This would eventually lead to higher impairment losses on loans in the subsidiary and result in a negative effect on the income statement.

As the Swedish Krona appreciated significantly against the Euro, particularly during the first part of 2011, the profit before impairment was impacted positively by SEK 354 million for the year ended December 31, 2011.

For more information relating to exchange rate risk management, see "Risk Management – Market Risks – Currency Risk".

Equity Capital Markets

Net commission in the Asset Management and Insurance segment is directly impacted by fluctuations in global equity capital markets because net commission is related to the value of assets under management. Accordingly, the Group's net commission for the year ended December 31, 2011 was positively impacted due to increased assets under management driven by increased market value. Volatility in stock prices will continue to have a significant effect on the Group's results of operations. A decline in stock market prices by 10 per cent would have reduced the Group's net commission by SEK 268 million in the year ended December 31, 2011.

Funding

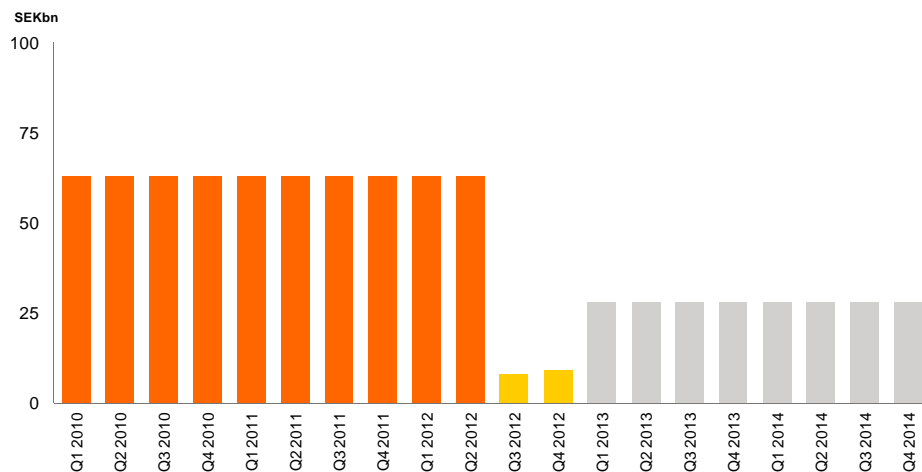
Debt investors have gradually reweighted their portfolios from bonds issued by countries such as Portugal, Italy, Spain and France to those of other countries, such as German and Swedish government bonds. Investors' risk aversion has been reflected in falling equity prices, rising financing costs for debt-burdened Southern European countries and lower yields on bonds from countries that are considered stable, such as Sweden. The escalating sovereign debt crisis has also raised concerns about the exposure of European banks to Southern Europe. Parts of the European banking system have been shut out from the capital markets and are to a large extent being financed by the ECB, which has reintroduced liquidity support with longer maturities.

More than half of the Group's lending consists of Swedish mortgages, which are primarily financed through covered bonds. This leads to a structural limited need for senior funding. The Group is the leading deposit bank in its home markets. Deposit volumes, together with covered bonds and shareholders' equity, nearly cover The Group's total funding requirements. This means that to a great extent the bank is able to choose between funding itself with covered or with unsecured bonds. The Group considers this a strength in part because covered bonds have historically been a more secure funding source. The Group strives to match fund unsecured financing against assets of an equivalent amount and maturity. The Group's senior debt issuance is determined by the bank's liquidity needs and the buffer it wants to maintain in its cover pool in the form of overcollateralisation to manage fluctuations in housing prices. The Group's Board of Directors has established a minimum overcollateralization level in the cover pool that is higher than the legally required minimum. The Group is compliant with these limits.

Both the Group and Swedbank Mortgage have a well-diversified investor base.

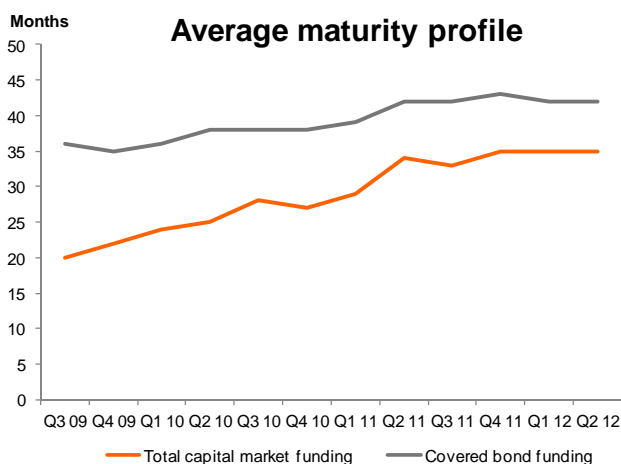
The Group has continued to actively issue long-term debt during 2011 and 2012 to pre-finance future maturities, in particular maturing government guaranteed debt, and to continue to build up its liquidity reserve. In connection with this activity the average maturity profile for all wholesale funding, including both short- and long-term funding programmes, has been prolonged. Since early 2012, the Group's refinancing needs of long-term debt have been significantly lower than in recent years. Of the total long-term funding maturing in 2012, which amounted to a nominal SEK 86 billion at the beginning of the year, a nominal SEK 17 billion remains as of June 30, 2012. The Group estimates the volume of long-term debt it will issue in

2012 at SEK 120 billion, compared with SEK 254 billion issued in 2011. During the first half of 2012, the Group issued a total of SEK 97 billion in long-term debt instruments, of which, SEK 41 billion was in the second quarter. Covered bond issuance during the second quarter amounted to SEK 20 billion, while issued senior debt amounted to SEK 19 billion.



Average term funding issuance are represented by the orange bars, maturities in 2012 by the yellow bars, and average quarterly term funding need by the grey bars.

Source: Swedbank interim reports



Source: Swedbank interim reports

The Group's efforts relating to funding and liquidity have received positive acknowledgement from Sweden's Riksbank in its semi-annual Financial Stability Report dated June 1, 2012 (full report at <http://www.riksbank.se/en/Press-and-published/Reports/Financial-Stability-Report/>). The contents of this website do not form part of this Prospectus and investors should not rely on it.)

Valuation of Financial Instruments at Fair Value

The Group recognises certain of its assets and liabilities at fair value. The value of these assets and liabilities has fluctuated in the past and will fluctuate in the future, which may have a direct impact on the Group's results of operations and the structure of its balance sheet. The fair value of financial instruments is determined based on quoted market prices in an active market. Fair value for a financial asset or financial liability in an active market is the current bid or offer price times the number of units of the instrument held. Where a trading portfolio contains both financial assets and financial liabilities which are derivatives of the same underlying instrument, fair value is determined by valuing the gross long and short positions at current

mid-market prices, with an adjustment at portfolio level to the net open long or short position to amend the valuation to bid or offer prices.

When such market prices are not available, generally accepted valuation models such as discounting of future cash flows are used. The valuation models are based on observable market data, such as quoted prices on active markets for similar instruments or quoted prices for identical instruments on inactive markets.

For loans measured at fair value where observable market data on the credit margin are not available at the time of measurement, the Group uses the credit margin for the most recent transaction with the same counterparty.

The table below shows financial instruments carried at fair value as of June 30, 2012, by valuation method.

SEK million	As of June 30, 2012			
	Quoted market price ¹	Valuation models ²	Valuation models ³	Total
Assets				
Treasury bills and other bills eligible to refinancing with central banks	22,036	247	-	22,283
Loans to credit institutions	207	28,165	-	28,372
Loans to the public.....	922	502,762	-	503,684
Bonds and other interest-bearing securities	77,664	28,756	334	106,754
Financial assets for which the customers bear the investment risk.....	101,273	-	-	101,273
Shares and participating interests	1,177	94	15	1,286
Derivatives	187	97,883	-	98,070
Total	203,466	657,907	349	861,722
Liabilities				
Amounts owed to credit institutions	-	17,289	-	17,289
Deposits and borrowings from the public.....	-	43,010	-	43,010
Debt securities in issue.....	53,826	36,460	-	90,286
Financial liabilities for which the customers bear the investment risk.....	-	101,837	-	101,837
Derivatives	562	89,617	-	90,179
Short positions securities.....	17,272	-	-	17,272
Total	71,660	288,213	0	359,873

¹ Level 1 – Financial assets and financial liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. This category includes, for example, Treasury bills and listed shares.

² Level 2 – Financial assets and financial liabilities valued using observable prices or the value is directly linked to certain asset values. This category includes, for example, less liquid bonds, loans to the public and deposits.

³ Level 3 – Financial assets and financial liabilities valued using reasonable assumption such as a comparison with similar counterparties where there is an observable quote. This category includes, for example, corporate bonds and securities in issue.

Critical Accounting Policies and Estimates

The Group's accounting policies are integral to understanding the financial condition and results of operations presented in the consolidated financial statements and the related notes thereto. The Group's significant accounting policies applied in the financial statements are described in note G2 'Accounting policies' in the audited consolidated financial statements of the Group as of and for the years ended December 31, 2011, 2010 and 2009 and which are incorporated by reference in this Prospectus. During 2012 the presentation of compensations to savings banks for sales to their customers of the Group's products and services has been changed. The new presentation, which does not affect the operating result in its entirety, reflects a new in-principle framework agreement governing this compensation, which was entered into in mid-2011, in a more appropriate way. The new agreement includes separate agreements with the individual savings banks and replaced the previous co-operation agreement between the Group and the independent savings banks. Comparative figures for 2011 and 2010 have been restated.

The preparation of financial statements requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reported period. On an ongoing basis, the Group's management evaluates its estimates and judgements, including those related to fair value of financial instruments, allowance for impairment of loans and receivables and impairment of intangible assets. Management bases its estimates and judgements on historical experience and on various other factors that are assessed to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

Valuation of Financial Instruments

The Group's financial instruments are divided into four valuation categories: fair value through profit and loss, loans and receivables, held-to-maturity investments and other financial liabilities. All financial instruments are initially recognised at fair value, which generally corresponds to cost. Subsequent measurement is based on the category under which the financial instruments are accounted for.

The fair value of financial instruments designated at fair value through the profit and loss is re-measured at each balance sheet date. The fair value of financial instruments is determined based on quoted market prices. When quoted such prices are not available, generally accepted valuation models such as discounting of future cash flows are used. Such valuations are based on observable market data, such as quoted prices on active markets for similar instruments or quoted prices for identical instruments on inactive markets. For loans measured at fair value where observable market data on the credit margin are not available at the time of measurement, the credit margin for the most recent transaction with the same counterparty is used. Changed market conditions could result in a significant impact in future periods.

Loans and receivables are initially recognised at fair value. At each balance sheet date, these assets are assessed for potential indicators of impairment: see "Credit Impairments and Provisioning Levels".

In addition, the Group categorises certain financial instruments as "held to maturity investments". These instruments have fixed maturities, are not derivatives and were at initial recognition quoted on an active market. These investments are initially recognised on their trade day at cost and subsequently at amortised cost less any impairment. The Group accounts for these instruments using the same methods as described above in respect of loans and receivables.

Credit Impairments and Provisioning Levels

Receivables measured at amortised cost are tested if loss events have occurred. Individual loans are tested initially, followed by groups of loans with similar credit terms and which are not identified individually. A loss event refers to an event that occurred after the loan was paid out and which has a negative effect on projected future cash flows. Determining loss events for groups of loans carries greater uncertainty, since a number of different events, such as macroeconomic factors, may have had an impact. Loss events include late or non-payments, concessions granted due to the borrower's financial difficulties, bankruptcy or other financial reconstructions, and local economic developments tied to non-payments, such as an increase in unemployment or decreases in real estate or commodity prices.

Where a loss event has occurred, individual loans are classified as impaired loans. Loans whose terms have been significantly changed due to the borrower's economic difficulties and loans that have been non-performing for more than 60 to 90 days should automatically be treated as impaired. The number of days varies in the Group based on the customer's payment habits and the collection processes used in various markets. Such a loan is not considered impaired if there is collateral which covers the capital, accrued and future interest and redundant fees by a satisfactory margin. When a loss event has occurred, a determination is made when in the future the loan's cash flow will be received and its probable size. For impaired loans, interest is not considered to be received, only capital or portions thereof. Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms.

The Group determines first whether there is objective evidence for impairment of each individual loan. Loans for which such evidence is lacking are included in portfolios with similar credit risk characteristics. These portfolios are subsequently measured collectively in the event objective evidence of impairment exists. Any impairment is then calculated for the portfolio as a whole. Homogenous groups of loans with limited value and similar credit risk that have been individually identified as having objective evidence of impairment are measured individually based on the loss risk in the portfolio as a whole. For groups of loans, estimates are based on historical values and experience-based adjustments to the current situation. Provisions for impaired loans are made on the difference between estimated value, i.e. estimated future cash flows discounted by the loan's original effective interest rate, and carrying amounts according to contractual cash flows.

Assumptions about when a cash flow will be received as well as its size determine the size of the provisions. Decisions on provisions are therefore based on various calculations and management's assumptions of current market conditions. Management is of the opinion that provision estimates are important because of their significant size as well as the complexity of making these estimates.

Loan impairments are recognised through profit or loss as credit impairments, which are done either as provisions for individually impaired loans, portfolio provisions or write-offs of impaired loans. Repayments of write-offs and recovery of provisions are recognised within credit impairments. If impairment decreases in subsequent periods, previously recognised impairment losses are reversed. Loans are never recognised at a value higher than what the amortised cost would have been if the write-down had not occurred. The carrying amount of loans is amortised cost less write-offs and provisions. Provisions for estimated losses on guarantees and other contingent liabilities are recognised on the liability side.

In 2009 economic conditions deteriorated significantly, especially in the Baltic countries and Ukraine. During 2010, 2011 and the first half of 2012, the economic conditions have stabilised and improved. The Group's provisions for loans in the Baltic operation therefore decreased during the first half of 2012 from SEK 8,819 million as of December 31, 2011 to SEK 7,123 million as of June 30, 2012 and in the Ukrainian operation from SEK 3,856 million as of December 31, 2011 to SEK 3,620 million as of June 30, 2012. The decrease in provisions is based on the losses that management assumed were likely given the then current economic outlook within the interval for reasonable assumptions. Impaired loans, gross, decreased in the Baltic operations during the first half of 2012 from SEK 16,108 million as of December 31, 2011 to SEK 12,815 million as of June 30, 2012 and in the Ukrainian operations from SEK 5,366 as of December 31, 2011 million to SEK 4,874 million as of June 30, 2012. Due to current economic conditions the subjectivity in the determination of the value of the collateral for these loans was slightly lower than in 2011. An overall decrease in customers' payment ability of an additional 10 per cent would have increased provisions by SEK 1,299 million as of June 30, 2012, of which SEK 156 million is in Estonia, SEK 342 million in Latvia, SEK 214 million in Lithuania, SEK 362 million in Ukraine and SEK 36 million in Russia. The Group's portfolio provision for loans that are not classified as impaired decreased during the first half year 2012 from SEK 2,436 million as of December 2011 to SEK 2,040 million as of June 30, 2012.

Provisions for loans, less amounts released and recoveries of amounts written off in previous years are charged to the line item credit impairment in the income statement. The provisions are deducted from the loans to credit institutions and the loans to the public line items on the balance sheet.

Goodwill Impairment

Goodwill is the excess cost of an acquisition over the fair value of its net assets. Goodwill is not amortised but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, goodwill is allocated to each cash-generating unit or group of cash-generating units. Testing is conducted by calculating the recoverable amount, i.e. the higher of value in use or the realisable value. If the recoverable amount is lower than the carrying amount, the asset is reduced to its recoverable amount. The Group's tests are done by calculating value in use. The

calculation is based on estimated future cash flows from the cash-generating unit that the goodwill relates to and has been allocated to as well as when the cash flows are received. The first three years' cash flows are determined on the basis of the financial plans management has established. Subsequent determinations of the size of future cash flows require more subjective estimates of future growth, margins and profitability levels. In addition, a suitable discount rate is determined that in addition to reflecting the time value of money also reflects the risk that the asset is associated with. As far as possible, the discount rate and assumptions, or portions of the assumptions, are based on external sources. Nevertheless, the calculation is dependent in large part on management's own assumptions.

The Group's goodwill amounted to SEK 11,622 million as of June 30, 2012, of which SEK 8,903 million relates to the investment in the Baltic operations. As of the end of June 2012 there were no indications of a need for impairment testing of any goodwill.

The impairment test for 2011 included an assessed required Tier 1 capital ratio. The higher level of required capital meant that future theoretical distributions, cash flows, will be lower. At the end of 2011, the required Tier 1 capital ratio was increased from 10 per cent to 14 per cent due to the introduction of external regulations requiring higher Tier 1 capital ratio. The increase was the primary reason for an impairment loss amounting to SEK 1,913 million in the Latvian banking operation and SEK 17 million in the Norwegian operations.

The estimates that Management has made are significant to the Group's results and financial position. However, goodwill impairment does not affect either cash flow or the capital adequacy ratio, since goodwill is a deduction in the calculation of the capital base. During 2001, 60 per cent of the Baltic operations were acquired. In 2005 the remaining 40 per cent was acquired. The majority or SEK 9,741 million of the goodwill, before impairment losses, as of December 31, 2011, arose through the acquisition of the remaining non-controlling interest and at the time corresponded to 40 per cent of the operation's total value. Management's assumptions in the calculation of value in use as of December 31, 2011 led to an impairment loss regarding the investment in the Latvian banking operation. Even if the discount rate as of December 31, 2011 had been increased by one percentage point or the growth assumption had been reduced by one percentage point it would not have created any impairment losses in the Estonian and in the Lithuanian banking operation.

In early 2009 the remaining goodwill from the investment in the Ukrainian operations was written off.

Impairment tests on goodwill and other intangible assets are performed at least once a year and whenever there are indications of impairment of any such asset. The impairment tests are made for each cash-generating unit, which means that the goodwill is tested for each Baltic country separately.

Pensions

The Group operates defined benefit pension schemes as described in the consolidated financial statements. The assets of the schemes are measured at their fair values at the balance sheet date. The liabilities of the schemes are estimated by projecting forward the growth in current accrued pension benefits to reflect inflation and salary growth to the date of pension payment, discounted to present value using assumed discount rates. The valuation of the pension provision is based on actuarial valuations.

The actuarial valuations used to estimate the pension liability is based on a number of assumptions related to mortality, price inflation, discount rates, pension increases, and earnings growth that are based on past experience and current economic data, such as agreements between trade unions and employers.

These assumptions are highly susceptible to change from period to period, and any change in the assumption could result in a significant difference between the Group's estimates of the scheme liabilities

and actual liabilities. Such a change in estimate could significantly alter the amount of the surplus or deficit recognised in the balance sheet and the pension cost charged to the profit and loss.

Recent Developments

On July 25 Fitch upgraded the Issuer's long-term rating to A+ from A with a stable outlook. The short-term rating was affirmed at F-1.

Consolidated Income Statement

SEK million	For the six months ended June 30,		For the year ended December 31,		
	2012 ¹	2011	2011	2010	2009 ²
INCOME STATEMENT DATA					
Net interest income.....	10,460	9,215	19,014	16,228	20,765
Net commissions	4,751	4,868	9,597	10,116	7,825
Net gains and losses on financial items at fair value	1,214	766	1,584	2,400	2,770
Share of profit or loss of associates.....	417	395	767	624	866
Other income	1,236	1,834	3,083	2,166	2,556
Total income	18,078	17,078	34,045	31,534	34,782
Staff costs	(4,806)	(4,857)	(9,917)	(9,392)	(9,201)
Other expenses	(3,858)	(4,143)	(8,482)	(8,740)	(8,647)
Total expenses	(8,664)	(9,000)	(18,399)	(18,132)	(17,848)
Profit before impairments	9,414	8,078	15,646	13,402	16,934
Impairment of intangible assets	4	-	1,960	37	1,305
Impairments of tangible assets	165	17	174	600	449
Credit impairments.....	472	(1,296)	(1,911)	2,810	24,641
Operating profit (loss)	8,773	9,357	15,423	9,955	(9,461)
Tax expense	2,179	2,045	3,669	2,472	981
Profit for the period	6,594	7,312	11,758	7,483	(10,442)
Non-controlling interests	7	8	14	39	69

Net Interest Income

Consolidated net interest income increased by 14 per cent to SEK 10,460 million for the six months ended June 30, 2012, compared to SEK 9,215 million for the six months ended June 30, 2011. The repricing of lending within Retail and Large Corporates & Institutions affected net interest income positively. Moreover, the fee for the state-guaranteed funding for the six months ended June 30, 2012 decreased by SEK 417 million due to maturing state-guaranteed funding for the six months ended June 30, 2012. These trends were offset by lower STIBOR rates and increased competition within Retail.

The stability fee, which all banks pay and is unrelated to state-guaranteed funding, amounted to SEK 288 million for the six months ended June 30, 2012, compared to SEK 253 million for the six months ended June 30, 2011. Smaller lending portfolios in Baltic Banking as well as in Russia and Ukraine affected net interest income negatively.

Consolidated net interest income increased by 17 per cent to SEK 19,014 million in 2011, compared to SEK 16,228 million in 2010. The factors positively affecting net interest income were higher interest rates in Sweden and slightly higher Euribor rates during the first half of the year. Moreover, the fee for state-guaranteed funding decreased by SEK 421 million. The stability fee doubled to SEK 545 million in 2011, compared from SEK 223 million in 2010. Increased expenses for liquidity reserves and lower returns

¹ During the first quarter 2012 the assumptions for the internal capital allocation were changed due to expected changes in capital adequacy requirements. This change means that more capital is allocated to all business areas, which affects net interest income positively for all business areas and negatively for Group Treasury.

² Amounts for 2009 have not been restated to reflect our new presentation of the Compensations to Savings Banks. The change affects Total income and Total expenses including items such as Interest income, Commission expenses and Other expenses, but not the operating result in its entirety.

on the investment portfolio used to hedge interest rates on current accounts and equity also adversely affected net interest income.

Consolidated net interest income decreased by 21 per cent to SEK 16,329 million in 2010, compared to SEK 20,765 million in 2009. Net interest income from the lending and deposit portfolio decreased by SEK 938 million as a result of decreased volumes outside Sweden and decreased volumes in the corporate segment in the Nordic countries. In addition, extended duration in wholesale funding, increased costs for liquidity reserves and lower market interest rates have impacted net interest income negatively.

Interest Income

Consolidated interest income was SEK 27,679 million for the six months ended June 30, 2012, compared to SEK 25,259 million for the six months ended June 30, 2011. Interest rates on loans to the public increased from 3.84 per cent on average in the first half of 2011 to 4.08 per cent on average in the first half of 2012. Interest rates on loans to credit institutions increased from 0.85 per cent for the six months ended June 30, 2011 compared to 1.15 per cent for the six months ended June 30, 2012. Interest bearing securities decreased slightly from SEK 1,634 for the six months ended June 30, 2011 to SEK 1,574 in the first half of 2012. Other interest income and derivative interest income increased from SEK 300 for the six months ended June 30, 2011 to SEK 629 in the first half of 2012.

Consolidated interest income was SEK 53,577 million in 2011, compared to SEK 39,430 million in 2010. The higher general market rates impacted income positively in 2011 compared to 2010. Interest rates on loans to the public increased from 3.07 per cent on average in 2010 to 4.03 per cent on average in 2011 and interest rates on loans to credit institutions increased from 0.43 per cent in 2010 to 0.91 per cent in 2011. The decrease in the item "Other" below between 2011 and 2010 is related to derivatives.

The components of interest income are set out below:

SEK million	For the six months ended June 30,		For the year ended December 31,		
	2012¹	2011	2011	2010	2009
Loans to credit institutions	618	836	1,805	785	684
Loans to the public.....	24,858	22,489	47,509	37,417	46,943
Interest-bearing securities	1,574	1,634	3,429	1,295	2,447
Other	629	300	834	(67)	6,325
Total	27,679	25,259	53,577	39,430	56,399

Interest Expenses

Consolidated interest expenses were SEK 17,219 million for the six months ended June 30, 2012, compared to SEK 16,044 million for the six months ended June 30, 2011. Consolidated interest expenses were SEK 34,563 million in 2011, compared to SEK 23,202 million in 2010 and SEK 35,634 million in 2009². As market rates increased in 2011 the positive impact on interest income has partly been off-set by higher interest expenses. Debt securities in issue expenses increased following increased funding volumes for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This increase related mainly to the increased issuance of covered bonds and interest-bearing bonds. The components of interest expense are set out below:

¹ During the first quarter 2012 the assumptions for the internal capital allocation were changed due to expected changes in capital adequacy requirements. This change means that more capital is allocated to all business areas, which affects net interest income positively for all business areas and negatively for Group Treasury.

² Amounts for 2009 have not been restated to reflect our new presentation of the Compensations to Savings Banks. The change affects Total income and Total expenses including items such as Interest income, Commission expenses and Other expenses, but not the operating result in its entirety.

SEK million	For the six months ended June 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
Loans to credit institutions	599	630	1,305	1,244	3,207
Deposits and borrowings from the public.....	3,944	3,335	7,585	4,272	6,341
Debt securities in issue.....	11,236	10,984	22,847	21,576	21,756
Subordinated liabilities.....	555	609	1,244	1,408	1,970
Other	885	486	1,582	(5,298)	2,360
Total	17,219	16,044	34,563	23,202	35,634

Net Commissions

SEK million	For the six months ended June 30,	
	2012	2011
Asset management.....	1,829	1,993
Payment processing	1,504	1,550
Lending	322	285
Brokerage	189	264
Corporate Finance	189	126
Other	718	650
Total	4,751	4,868

SEK million	For the year ended December 31,		
	2011	2010	2009¹
Asset management.....	3,808	3,966	2,637
Payment processing	2,455	1,747	1,909
Cards	771	1,599	1,479
Lending	803	809	470
Brokerage	470	577	628
Corporate Finance	154	314	221
Other	1,136	1,104	481
Total	9,597	10,116	7,825

Consolidated net commissions decreased by 2 per cent to SEK 4,751 million for the six months ended June 30, 2012, compared to SEK 4,868 million for the six months ended June 30, 2011. The decrease in 2012 was mainly the result of lower commissions income from asset management and securities trading, partly offset by an increase in income from corporate finance as well as from product and Key Customer Offering within Retail. The Key Customer Offering launched in 2010, and together with Key Customer Plus, Premium and Private Banking, provides a broad range of services for customers in the private market.

Consolidated net commissions decreased by 5 per cent to SEK 9,597 million in 2011, compared to SEK 10,116 million in 2010. The decrease in 2011 was mainly the result of lower commissions income from corporate finance, securities trading, asset management and card commissions due to lower economic activity, as well as lower average stock values. Consolidated net commission increased by 22 per cent in 2010, from SEK 7,825 million in 2009 to SEK 9,525 million in 2010. (Amounts for 2009 have not been restated to reflect our new presentation of the Compensations to Savings Banks. The change affects interest income, commission expenses and other expenses, but not the result in its entirety.) Income from stock market related operations such as asset management decreased by SEK 158 million in 2011 compared to an increase of SEK 1,329 million in 2010. The decrease in 2011 was due to a sharp fall during the second half of 2011 following global stock market volatility.

Net Gains and Losses on Financial Items at Fair Value

SEK million	For the six months ended June 30,	
	2012	2011
Fair value through profit and loss*	273	83
Hedge accounting at fair value	153	96
Ineffective part in hedging of net investments in foreign operations.....	53	-
Financial liabilities valued at amortised cost.....	53	(39)

¹ Net Commission due to Compensation to Savings Banks not restated for the year ended 2009.

Change in exchange rates.....	682	626
Total	1,214	766

SEK million	For the year ended December 31,		
	2011	2010	2009
Valuation category, fair value through profit and loss.....	862	(10,833)	(8,314)
Other financial instruments	(653)	11,388	10,107
Hedge accounting at fair value	(93)	231	(204)
Ineffective part in hedging of net investments in foreign operations.....	-	-	(34)
Financial liabilities valued at amortised cost.....	17	115	232
Change in exchange rates.....	1,451	1,499	983
Total	1,584	2,400	2,770

*For the six month period ended June 30, Fair value through profit and loss includes the line items Valuation category, Fair value through profit and loss, Trading and derivatives as well as Other financial instruments.

SEK million	For the six months ended June 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
Financial instrument for trading related business ¹	996	742	1,232	2,307	3,087
Financial instrument intended to be held until contractual maturity ²	218	24	352	93	(317)
Total	1,214	766	1,584	2,400	2,770

Consolidated net gains on financial items at fair value increased by 58 per cent to SEK 1,214 million for the six months ended June 30, 2012, compared to SEK 766 million for the six months ended June 30, 2011. Large Corporates & Institutions reported higher net gains and losses on financial items at fair value due to stronger results within fixed income and currency trading.

Consolidated net gains on financial items at fair value decreased by 34 per cent to SEK 1,584 million in 2011, compared to SEK 2,400 million in 2010. Large Corporates & Institutions recorded lower income of financial items at fair value due to weaker trading related income. Within Group Treasury, lower results due to negative funding related valuation effects were recorded.

Consolidated net gains on financial items at fair value decreased by 13 per cent to SEK 2,400 million in 2010 compared to SEK 2,770 million in 2009. The trading result in Large Corporates & Institutions was very high in 2009, however, due to very favourable market conditions. Within Group Treasury (Group Functions), the market valuation of funding operations positively affected net gains and losses on financial items at fair value. The impact on earnings of these changes in value will be small over time, although there could be considerable volatility between quarters.

Share of Profit or Loss in Associates

The consolidated share of the profit in associates increased by 6 per cent to SEK 417 million for the six months ended June 30, 2012, compared to SEK 395 million for the six months ended June 30, 2011.

The consolidated share of the profit in associates increased by 22 per cent to SEK 767 million in 2011, compared to SEK 624 million in 2010, primarily as a result of income from jointly owned banks in Sweden. The consolidated share of profit in associates in 2010 decreased by 28 per cent from SEK 866 million in 2009 to SEK 624 million in 2010. This was due to a one-off dividend of the Group share in Visa Sweden when Visa Inc. was listed on the New York Stock Exchange.

Net Insurance

Net insurance decreased by 17 per cent in 2011 from SEK 612 million in 2010 to SEK 506 million in 2011.

¹ Net gains and losses on financial instruments that are held with trading related businesses.

² Net gains and losses on financial instruments that are held within non-trading related businesses.

Net insurance increased to SEK 321 million through the six months ended June 30, 2012, compared to SEK 275 million through the six months ended June 30, 2011.

Net insurance decreased by 17 per cent in 2011 from SEK 612 million in 2010 to SEK 506 million in 2011. Net insurance decreased to SEK 612 million in 2010, compared to SEK 647 million in 2009. This is mainly attributable to lower volumes but to some extent is offset by increased margins on life insurance with payment protection.

Other Income

Consolidated other income includes capital gains and losses on the sale of ownership interests in subsidiaries and associates to the extent they do not represent an independent service line or a significant business conducted within a geographical area. Other income also includes capital gains and losses on the sale of tangible assets. Consolidated other income decreased by 41 per cent to SEK 915 million for the six months ended June 30, 2012 compared to SEK 1,559 million for the six months ended June 30, 2011. During the first half of 2011 Swedbank received one-off revenue of SEK 716 million from a settlement with the Lehman Brothers bankruptcy estate.

Consolidated other income increased by 66 per cent to SEK 2,577 million in 2011 compared to SEK 1,554 million in 2010, primarily due to the settlement with the bankruptcy estate of Lehman Brothers. Sales of assets taken over also contributed positively during 2011 with increased income by SEK 353 million.

Consolidated other income decreased by 19 per cent to SEK 1,554 million in 2010, compared to SEK 1,909 million in 2009, primarily due to disposal of 11 branches in Sweden generating SEK 397 million of income in 2009.

Staff Costs

SEK million	For the six months ended June 30,	
	2012	2011
Staff cost.....	4,409	4,582
Variable staff cost.....	397	275
Total	4,806	4,857

SEK million	For the year ended December 31,		
	2011	2010	2009
Salaries and remuneration.....	6,399	6,159	6,062
Compensation through shares in Swedbank AB (Issuer).....	159	31	-
Social insurance charges.....	1,956	1,839	1,827
Pension costs.....	1,013	1,042	980
Allocation to profit-sharing funds.....	-	-	2
Training costs.....	120	88	99
Other staff costs.....	270	233	231
Total	9,917	9,392	9,201

Consolidated total staff costs decreased by 1 per cent to SEK 4,806 million for the six months ended June 30, 2012, compared to SEK 4,857 million for the six months ended June 30, 2011. Staff costs decreased by SEK 173 million which were offset by increases in variable staff cost to SEK 397 million. Since July 1, 2010 Swedbank has paid parts of its variable remuneration in the form of shares. This remuneration is accrued as an expense until the shares are settled. As a result, variable remuneration allocated to employees during the period differs from the recognised amount. The purpose of the programme is to build long-term commitment among employees through deferred remuneration in the form of shares.

Consolidated staff costs increased by SEK 525 million or 6 per cent to SEK 9,917 million in 2011 compared to SEK 9,392 million in 2010. The increase was mainly attributable to one-off restructuring expenses that totalled SEK 430 million during 2011 and increased variable staff costs.

Consolidated staff costs increased by SEK 191 million or 2 per cent to SEK 9,392 million in 2010, compared to SEK 9,201 million in 2009. The increase was primarily attributable to increased variable pay of SEK 323 million and increased personnel redundancy costs of SEK 67 million. This was partly offset by lower fixed salaries.

Other Expenses

SEK million	For the six months ended June 30,		
	2012	2011	
Premises and rents	645	674	
IT expenses	818	801	
Telecommunications, postage	117	128	
Advertising, public relations, marketing	156	178	
Consultants	145	317	
Compensation to Savings banks	311	271	
Other purchased services	308	387	
Security transport and alarm systems	203	221	
Supplies	72	102	
Travel	92	123	
Entertainment	25	44	
Repair/maintenance of inventories	78	104	
Other expenses	433	347	
Total	3,403	3,697	

SEK million	2011	2010	2009 ¹
Premises and rents	1,337	1,379	1,572
IT expenses	1,696	1,634	1,818
Telecommunications, postage	251	271	321
Advertising, public relations, marketing	401	360	433
Consultants	530	904	*
Consulting and outside services	-	-	1,654
Compensation to Savings banks	530	490	-
Other purchased services	821	794	*
Security transport and alarm systems	436	440	480
Supplies	201	248	258
Travel	239	229	217
Entertainment	86	98	104
Repair/maintenance of inventories	168	200	186
Other expenses	775	743	715
Total	7,471	7,790	7,758

*The line items Consultants and Other purchased services are presented as the single line item Consulting and outside services for the year ended December 31, 2009 as the amounts cannot be split for that year.

Consolidated other expenses decreased by SEK 294 million or 8 per cent to SEK 3,403 million for the six months ended June 30, 2012, compared to SEK 3,697 million for the six months ended June 30, 2011. This was primarily due to a decrease of consulting costs by SEK 172 million.

Consolidated other expenses decreased by SEK 319 million or 4 per cent to SEK 7,471 million in 2011, compared to SEK 7,790 million in 2010, primarily due to lower costs for consultants and lower rents due to fewer branches during the year.

Consolidated other expenses decreased by SEK 458 million or 6 per cent to SEK 7,300 million in 2010, compared to SEK 7,758 million in 2009 (amounts for 2009 have not been restated to reflect our new presentation of the Compensations to Savings Banks. The change affects interest income, commission expenses and other expenses, but not the result in its entirety.) This was primarily attributable to lower IT expenses and lower rents due to fewer branches during the year ended December 31, 2010.

¹Comparative figures for 2009 have not been restated to reflect our new presentation of the Compensations to Savings Banks. The change affects Total income and Total expenses including items such as Interest income, Commission expenses and Other expenses, but not the operating result in its entirety.

Depreciation and Amortisation

Consolidated depreciation and amortisation increased by 2 per cent to SEK 455 million for the six months ended June 30, 2012, compared to SEK 446 million for the six months ended June 30, 2011.

Consolidated depreciation and amortisation increased by 6 per cent to SEK 1,011 million in 2011, compared to SEK 950 million in 2010. This is mainly attributable to the depreciation of property held within Ektornet.

Consolidated depreciation and amortisation increased by 7 per cent to SEK 950 million in 2010, compared to SEK 889 million in 2009. This is mainly attributable to a one-off amortisation of intangible assets in the insurance company.

Impairment of Intangible Assets

Impairment of intangible assets amounted to SEK 4 million for the six months ended June 30, 2012, compared to no impairment of intangible assets for the six months ended June 30, 2011.

Impairment of intangible assets, all of which was goodwill, amounted to SEK 1,960 million in 2011, which is an increase by SEK 1,923 million from 2010. The impairment of intangible assets in 2011 is primarily attributable to the Latvian operation following indications that the recoverable amount of the assets was lower than their carrying amount. As a result of the non-deductible goodwill impairment and write down, a higher effective tax rate was imposed for the year ended December 31, 2011.

Impairments of intangible assets, all goodwill, amounted to SEK 37 million in 2010. Impairments of intangible assets, principally goodwill, amounted to SEK 1,305 million in 2009. The impairment of intangible assets in 2010 is attributable to the Russian Banking operation by SEK 14 million and to the Baltic Banking group by SEK 23 million.

Impairment of Tangible Assets

Impairment of tangible assets amounted to SEK 165 million for the six months ended June 30, 2012, reflecting an increase in tangible asset write-downs of SEK 148 million held within Ektornet compared to the six months ended June 30, 2011. This was primarily due to property appraisals within Ektornet.

Impairment of tangible assets amounted to SEK 174 million in 2011, a decrease by SEK 426 million from 2010. This is mainly attributable to properties and repossessed leasing assets due to lower impairments in Baltic Banking and Ukraine.

Impairment of tangible assets for the year ended December 31, 2010 amounted to SEK 600 million, an increase by SEK 151 million from 2009. This is mainly attributable to properties in Ukraine and repossessed assets, leased heavy vehicles. Impairment of properties values within Ektornet has also had a negative effect.

Credit Impairment

Credit impairments amounted to SEK 472 million for the six months ended June 30, 2012, compared to net credit recoveries of SEK 1,296 million for the six months ended June 30, 2011. The credit impairments are primarily attributable to Ukraine, while the Baltic countries reported net recoveries. During the first half of 2011 net recoveries were reported in Baltic Banking, Russia and Ukraine.

Net credit recoveries amounted to SEK 1,911 million in 2011 compared to credit impairment of SEK 2,810 million in 2010. Recoveries were primarily generated from Baltic Banking and Russia and Ukraine.

Net credit impairment amounted to SEK 2,810 million in 2010, compared to a net credit impairment of SEK 24,641 million in 2009, corresponding to a credit impairment ratio of 0.14 per cent in 2011, 0.20 per cent in 2010 and 1.74 per cent in 2009. The Baltic Banking operation decreased credit impairment by SEK 11,525 million to SEK 3,363 million in 2010. Of total credit impairment SEK 1,399 million related to provision in 2010. Net write-offs amounted to SEK 1,405 million, which was a decrease by SEK 1,442 million in 2010.

Tax Expense

Consolidated profit before tax amounted to SEK 8,773 million for the six months ended June 30, 2012, compared to SEK 9,357 million for the six months ended June 30, 2011. The consolidated tax expense recorded was SEK 2,179 million for the six months ended June 30, 2012 compared to SEK 2,045 million for the six months ended June 30, 2011, giving an effective tax rate of 25 per cent for the six months ended June 30, 2012 compared to 22 per cent for the six months ended June 30, 2011. The effective tax rate for the first half-year 2012 has been negatively affected by the loss reported in Ukraine, for which no deferred tax assets have been booked. The opposite was true in the first half-year 2011, when Ukraine reported a profit without a tax expense by offsetting the profit against previous tax loss carry-forwards.

Consolidated profit before tax amounted to SEK 15,423 million in 2011, compared to SEK 9,955 million in 2010. The consolidated tax expense recorded was SEK 3,669 million in 2011 compared to SEK 2,472 million in 2010, giving an effective tax rate of 24 per cent in 2011 compared to 25 per cent in 2010.

Consolidated profit before tax amounted to SEK 9,955 million in 2010, compared to a loss of SEK (9,461) million in 2009 and the consolidated tax expense was SEK 2,472 million in 2010, compared to SEK 981 million in 2009, giving an effective tax rate of 25 per cent in 2010, compared to (10) per cent in 2009.

Profit Attributable to the Shareholders of the Issuer

Consolidated profit attributable to the shareholders of the Issuer recorded for the six months ended June 30, 2012 was SEK 6,587 million compared to SEK 7,304 million for the six months ended June 30, 2011. Return on equity was 13.5 per cent for the six months ended June 30, 2012 compared to 15.3 per cent for the six months ended June 30, 2011. Cost/income ratio was 0.48 for the six months ended June 30, 2012 and 0.53 for the six months ended June 30, 2011.

Consolidated profit for the year attributable to the shareholders of the Issuer in 2011 recorded was SEK 11,744 million compared to SEK 7,444 million in 2010. Return on equity was 12.2 per cent in 2011 compared to 8.1 per cent in 2010. Cost/income ratio was 0.53 for 2011 and 0.57 in 2010.

Consolidated profit for the year attributable to the shareholders of the Issuer in 2010 was SEK 7,444 million, compared to a loss of SEK (10,511) million in 2009. Return on equity was 8.1 per cent in 2010, compared to (12.5) per cent in 2009. Cost/income ratio was 0.57 in 2010, compared to 0.51 in 2009.

Results of Operations – Segmental Presentation

The segmental income statement data set out below does not include intra-group eliminations. The effects of the Issuer's ownership of Swedbank AS are included in Baltic Banking in the form of financial costs, Group goodwill and amortisation of the surplus value in the lending and deposits portfolios identified at the time of the acquisition in 2005. The effects of the Issuer's ownership of JSC Swedbank, which include the Group's operations in Russia and Ukraine, are included in the segment Group Functions & Others.

Effective January 1, 2012, in order to reflect organisational changes implemented in the Group's business area organisation the Group reduced its six operating segments to four, as the business segments Russia, Ukraine and Ektornet were moved to the business segment Group Functions & Other. The previous separate operating segments Russia & Ukraine and Ektornet were transferred to Group Functions & Others. In

addition, the presentation of compensation to savings banks for sales to their customers of the Group's products and services has been changed during 2012. The reorganisation follows the Group's strategy to further concentrate its operations in Russia and Ukraine and exit the retail segments in both countries as well as to better align the business areas to appropriate segments for improved simplicity, efficiency and transparency. Comparative figures for 2010 and 2011 have been restated below. The data for 2009 presented below is not restated. Please also refer to notes G5 of the 2010 and 2011 Annual Reports, respectively, for the original segmental reporting.

SEK million	For the six months ended June 30,		For the year ended December 31,	
	2012	2011 (restated)	2011 (restated)	2010 (restated)
Retail				
Net interest income	6,811	5,930	12,317	10,066
Net commission	2,509	2,608	5,183	5,227
Net gains and losses on financial items at fair value ..	105	99	216	196
Share of profit of associates	411	394	769	624
Other income	425	371	706	880
Total income	10,261	9,402	19,191	16,993
Large Corporates & Institutions				
Net interest income	1,712	1,707	3,514	2,755
Net commission	780	754	1,340	1,609
Net gains and losses on financial items at fair value ..	964	386	705	1,434
Share of profit (loss) of associates	6	1	(5)	(1)
Other income	17	736	748	59
Total income	3,479	3,584	6,302	5,856
Baltic Banking				
Net interest income	1,782	2,014	3,910	3,771
Net commission	749	682	1,454	1,538
Net gains and losses on financial items at fair value ..	137	116	280	341
Share of profit (loss) of associates	-	-	-	-
Other income	214	225	503	532
Total income	2,882	3,037	6,147	6,182
Asset Management				
Net interest income	8	4	-	(17)
Net commission	753	806	1,560	1,592
Net gains and losses on financial items at fair value ..	4	(5)	(9)	9
Share of profit (loss) of associates	-	-	-	-
Other income	1	-	5	4
Total income	766	805	1,556	1,588
Group Functions & Other				
Net interest income	149	(436)	(714)	(291)
Net commission	(70)	(7)	2	70
Net gains and losses on financial items at fair value ..	4	170	392	420
Share of profit (loss) of associates	-	-	3	1
Other income	1,064	866	1,861	1,291
Total income	1,147	593	1,544	1,491
Consolidated total income				
Consolidated total income	18,078	17,078	34,045	31,534
Consolidated staff costs	(4,806)	(4,857)	(9,917)	(9,392)
Consolidated other expense	(3,403)	(3,697)	(7,471)	(7,790)
Consolidated depreciations and amortisations	(455)	(446)	(1,011)	(950)
Consolidated total expense	(8,664)	(9,000)	(18,399)	(18,132)
Consolidated profit before impairments				
Consolidated profit before impairments	9,414	8,078	15,646	13,402
Impairment of intangible assets	4	-	1,960	37
Impairment of tangible assets	165	17	174	600
Credit impairments	472	(1,296)	(1,911)	2,810
Consolidated operating profit (loss)	8,773	9,357	15,423	9,955
Consolidated tax expense	(2,179)	(2,045)	(3,669)	(2,472)
Consolidated profit for the period	6,594	7,312	11,754	7,483
Consolidated profit for the year attributable to:				
Shareholders of the Issuer	6,587	7,304	11,744	7,444
Consolidated non-controlling Interests	7	8	14	39

For information on consolidated income statement data see "Consolidated Income Statement"

SEK million	For the year ended December 31, 2009¹
Retail	
Net interest income	11,166
Net commission	3,672
Net gains and losses on financial items at fair value	150
Net Insurance	267
Share of profit of associates	864
Other income	1,078
Total income	17,197
Large Corporates & Institutions	
Net interest income	3,712
Net commission	1,609
Net gains and losses on financial items at fair value	2,583
Share of profit (loss) of associates	-
Other income	108
Total income	8,012
Baltic Banking	
Net interest income	4,235
Net commission	1,655
Net gains and losses on financial items at fair value	719
Net Insurance	368
Share of profit of associates	1
Other income	394
Total income	7,372
Asset Management	
Net interest income	(23)
Net commission	655
Net gains and losses on financial items at fair value	42
Share of profit (loss) of associates	-
Other income	16
Total income	690
Russia & Ukraine	
Net interest income	1,766
Net commission income	101
Net gains and losses on financial items at fair value	(44)
Share of profit (loss) of associates	-
Other income	14
Total income	1,837
Ektornet	
Net interest income	(1)
Net commission	-
Net gains and losses on financial items at fair value	2
Other income	-
Total income	1
Group Functions	
Net interest income	(80)
Net commission	86
Net gains and losses on financial items at fair value	(683)
Share of profit (loss) of associates	1
Other income	4,456
Total income	3,780

¹ Amounts for 2009 have not been restated to reflect our new presentation of the Compensations to Savings Banks. The change affects Total income and Total expenses including items such as Interest income, Commission expenses and Other expenses, but not the operating result in its entirety.

Assets

Total assets decreased by 1 per cent to SEK 1,834 billion from SEK 1,857 billion between June 30, 2012 and December 31, 2011. The decrease was mainly driven by decreases in cash and balance with central banks.

Total assets increased by 8 per cent to SEK 1,857 billion from SEK 1,716 billion between December 31, 2011 and December 31, 2010. The increase was mainly driven by increases in cash and balance with central banks, derivatives and loans to the public.

Total assets decreased 4 per cent to SEK 1,716 billion from SEK 1,795 billion between December 31, 2010 and December 31, 2009. The decrease in total assets was mainly driven by a decrease in loans to the public primarily outside Sweden and in the corporate sector.

Liabilities

Total liabilities decreased by 1 per cent to SEK 1,736 billion from SEK 1,759 billion between June 30, 2012 and December 31, 2011. The decrease in total liabilities was mainly attributable to decreases in amounts to credit institutions and short positions and securities.

Total liabilities increased by 9 per cent to SEK 1,759 billion from SEK 1,621 billion between December 31, 2011 and December 31, 2010. The increase in total liabilities was mainly attributable to increases in deposits and borrowings from the public and debt securities in issue.

Total liabilities decreased 5 per cent to SEK 1,621 billion from SEK 1,705 billion between December 31, 2010 and December 31, 2009. The decrease in total liabilities was mainly driven by central bank repos which decreased by SEK 116 million. As of December 31, 2010 commercial paper and bonds with state guarantees decreased by SEK 87 million, having been replaced by covered bond loans.

Liquidity and Capital Resources

Liquidity

Liquidity risk refers to the risk of not being able to meet payment obligations at maturity without significant increase in cost of obtaining means of payment (due to high borrowing costs or low prices when divesting assets).

The Group's most important internal metric used to limit and manage liquidity risk is the survival horizon, a stress test measuring how long the bank can meet its contractual cash flows without access to capital market financing. This metric is the most important factor used in determining the Group's funding strategy and plan. The measurement assumes that the bank can pledge high-quality assets with central banks. Securities with low credit rating or those issued by the bank are not included. The Group's Board of Directors has established a minimum survival horizon limit for the Group.

The Board of Directors has also set a floor for Group Treasury's liquidity portfolio. The portfolio needs to exceed a certain volume and has to be invested in liquid and pledgeable assets (not to be confused with the liquidity reserve, which in addition to the liquidity portfolio includes liquidity placed with central banks and in the overnight market). The minimum size of the liquidity portfolio is a complementary measure to the survival horizon, since it does not provide any information on how the liquidity portfolio is financed.

The liquidity risks are measured and reported daily through analyses of the Group's cumulated net financing requirement, based on daily contractual cash flows and the volume of liquid assets eligible for refinancing. These measures, showing the Group's expected future cash flows, provide important information for liquidity

risk management and for the planning of the Group's funding. Impacts from non-contractual cash flows are measured through different simulations and stress tests.

Management of the Issuer is of the opinion that the Group's working capital (i.e. its ability to access cash and other available liquid resources) is sufficient for it to meet its liabilities as they become due for a period of 12 months after the date of this Prospectus.

For more information regarding liquidity risk management, see "Risk Management".

Sources of Funding

The Group's funding strategy includes having a diversified investor base by using various funding sources and aiming to avoid funding concentrations. The main funding sources include deposits and borrowings from the public and the domestic and international wholesale capital markets. The Group utilises a number of different funding programmes for its short and long-term funding, including programmes for commercial paper, certificate of deposit, covered bond and senior unsecured debt.

During the autumn of 2008, access by banks to wholesale funding markets was substantially reduced and the cost of funding had increased. This trend was exacerbated by the collapse of Lehman Brothers in September 2008. From the end of December 2008 until August 2009, the Group used the Swedish Government Guarantee Programme as its main funding source both for bonds and commercial paper. No new funding has been raised under the Guarantee Programme since August 2009 and consequently the Group exited the Guarantee Programme in April 2010. The Issuer has gradually replaced its outstanding issues of state guaranteed debt primarily with covered bonds. As of December 31, 2011 the outstanding government guaranteed issues amounted to SEK 76 billion. The issuer believes that this transaction will be beneficial to its not interest income as well as improve investor and rating agency assessment of its creditworthiness. During 2011 and the first six months of 2012 the Group issued in total SEK 254 billion and SEK 97 billion, respectively, of long term debt. This was primarily done by issuance of covered bonds and through public and private transactions executed in various markets, currencies and maturities.

The table below shows the breakdown of the Group's different funding sources as of June 30, 2012:

The Group SEK million, notional amounts, as of June 30, 2012	Total
Amount owed to credit institutions, short-term.....	125,956
Amount owed to credit institutions, long-term.....	2,701
Deposits and borrowings from the public.....	559,955
Debt securities in issue, short-term	121,861
Debt securities in issue, long-term.....	664,599
Subordinated liabilities.....	17,023
Total	1,492,095

Maturing Debt

As of June 30, 2012, the Group had external outstanding long-term issued debt amounting to nominal SEK 17 billion maturing in the second half of 2012 and nominal SEK 100 billion maturing in 2013, including maturing subordinated debt.

The maturity distribution of the Group's funding sources is reflected in the following tables:

Maturity distribution of the Group, as of June 30, 2012

SEK million	<3 mths	3 mths-1yr	1-5 yrs	5-10 yrs	>10 yrs	Discount effect / no maturity	Total
Amount owed to credit institutions	124,797	1,159	2,272	453	-	(24)	128,657
Deposits and borrowings from the public	516,655	37,871	5,031	120	102	176	559,955
Debt securities in issue, short-term	100,011	21,798	209	-	-	(157)	121,861
Debt securities in issue, long-term.....	7,363	97,011	496,589	40,259	16,430	6,947	664,599
Subordinated liabilities.....	-	-	-	8,003	7,885	1,135	17,023
Total	748,826	157,839	504,101	48,835	24,417	8,077	1,492,095

Maturity distribution of the Group, as of December 31, 2011

SEK million	<3 mths	3 mths-1yr	1-5 yrs	5-10 yrs	>10 yrs	Discount effect / no maturity	Total
Amount owed to credit institutions	134,391	3,774	2,521	331	-	1,419	139,598
Deposits and borrowings from the public	522,157	33,345	5,896	201	97	-	561,696
Debt securities in issue, short-term	113,801	10,297	-	-	-	-	124,098
Debt securities in issue, long-term.....	906	77,970	482,185	70,021	17,473	8,805	657,360
Subordinated liabilities.....	-	-	-	10,239	8,231	1,061	19,531
Total	771,255	125,386	490,602	80,792	25,801	8,447	1,502,283

Maturity distribution of the Group, as of December 31, 2010

SEK million	<3 mths	3 mths-1yr	1-5 yrs	5-10 yrs	>10 yrs	Discount effect / no maturity	Total
Amount owed to credit institutions	125,072	8,971	2,880	391	13	(561)	136,766
Deposits and borrowings from the public	504,180	23,492	6,219	256	90	-	534,237
Debt securities in issue, short-term	50,869	14,541	-	-	-	-	65,410
Debt securities in issue, long-term.....	42,905	135,848	388,992	45,557	13,207	(5,402)	621,107
Subordinated liabilities.....	-	-	-	17,364	8,942	881	27,187
Total	723,026	182,852	398,091	63,568	22,252	(5,082)	1,384,707

The average maturity of all capital market funding arranged through the Group's short- and long-term programmes was 35 months as of June 30, 2012. Long-term funding with an original maturity of over one year had an average maturity of 41 months, of which 42 months for covered bonds and 31 months for senior funding. The average maturity of long-term funding issued during the second quarter was 47 months. The Group's short-term funding is used mainly as a cash management tool.

Deposits from the Public

The Group is among the market leaders in deposits in all of its home markets and its market shares have remained stable in all those markets throughout the crisis. As of June 30, 2012, the Group's total deposits and borrowings from the public amounted to SEK 560 billion. The Group's deposit base is largely stable and has shown very small movements during 2011 and the first six months of 2012.

Covered Bonds

Swedbank Mortgage's lending to the public is financed through capital market borrowing, primarily covered bonds. Swedbank Mortgage is the sole issuer of covered bonds within the Group. Swedbank Mortgage is the market leading mortgage lender in Sweden with a market share of 26 per cent as of December 31, 2011 as measured in terms of lending to individual households and 26 per cent as of December 31, 2010.¹ Its more

¹ Statistics Sweden (SCB).www.scb.se

than one million customers include Swedish homeowners, businesses, tenant-owner associations, municipalities and agricultural and forestry businesses.

Other Issued Debt

As a further source of funding, the Group had outstanding issued subordinated liabilities, mainly accounted as Tier 1 or Tier 2 capital for the purposes of capital adequacy, amounting to SEK 20 billion as of December 31, 2011. See also "Approval to Buy Back Certain Subordinated Debt Instruments" below.

Interbank Funding

The Group's interbank funding is mainly programme-financed through the capital markets and only a minor part of the funding comes from loans or deposits from credit institutions, which amounted to SEK 128,657 million as of June 30, 2012 and SEK 139,598 million as of December 31, 2011.

Approval to Buy Back Certain Subordinated Debt Instruments

The Group has, over the course of the last years, received offers from investors to buy back some of the subordinated debt instruments issued by the Group. As a service to its debt investors, the Group has applied for, and been granted, approval from the Swedish FSA to buy back some of these instruments subject to optional redemption during 2012. The approval is in respect of a total amount of up to SEK 6 billion of loans included as Tier 2 in the capital base. As of August 31, 2012, SEK 2.3 billion had been redeemed.

Furthermore, it is the Group's current intention to call its subordinated debt instruments subject to optional redemption during 2012. The Group has a right to redeem these securities, provided that the Swedish FSA grants its approval. The Group will make its final decision regarding such redemption in connection with the call date. For the remainder of 2012, there are two upcoming call dates in September and three in December.

Capital Adequacy

The following table sets forth the Group's capital adequacy data as of the dates indicated.

SEK million	As of June 30,	As of December 31,		
	2012	2011	2010	2009
Shareholder's equity according to the Group's balance sheet	98,389	97,993	94,897	89,670
Non-controlling interests	155	140	138	304
Anticipated dividend.....	(3,294)	(5,825)	(2,995)	-
Deconsolidation of insurance companies	(2,336)	(1,980)	(1,395)	(1,130)
Associated companies consolidated according to purchase method.....	1,970	1,742	1,332	1,659
Shareholder's equity financial group	94,884	92,070	91,997	90,503
Unrealised value changes in financial liabilities due to changes in own creditworthiness	43	(23)	(10)	-
Goodwill	(11,064)	(11,085)	(12,966)	(14,594)
Deferred tax assets.....	(720)	(843)	(1,213)	(1,206)
Intangible assets.....	(1,701)	(1,767)	(1,794)	(2,352)
Net provisions for reported IRB credit exposures.....	(724)	(748)	(534)	(309)
Cash flow hedges	(19)	(268)	44	769
Shareholdings deducted from Tier 1 capital	(34)	(34)	(34)	(27)
Less shares in insurance companies.....	-	-	-	(313)
Total core Tier 1 capital.....	80,665	77,302	75,470	72,471
Tier 1 capital contribution with step up	7,016	7,018	6,380	8,683
Tier 1 capital contribution without step up	535	535	535	535
Total Tier 1 capital	88,216	84,855	82,385	81,689
Undated subordinated loans.....	1,211	1,616	2,458	4,273
Fixed-term subordinated loans	8,289	10,389	18,313	23,687
Deduction remaining duration.....	-	-	-	(1,249)
Net provisions for reported IRB credit exposures.....	(724)	(748)	(534)	(309)
Shareholdings deducted from Tier 2 capital	(34)	(34)	(34)	(340)
Total Tier 2 capital	8,742	11,223	20,203	26,062

Less shares in insurance companies.....	(2,898)	(2,905)	(2,901)	(1,966)
Total capital base	94,060	93,173	99,687	105,785
Risk-weighted assets	485,387	492,337	541,327	603,431
Capital requirement for credit risks, standardised approach	2,286	2,427	2,723	3,454
Capital requirement for credit risks, IRB	30,468	30,850	33,678	37,997
Capital requirement for settlement risks	1	1	0	0
Capital requirement for market risks.....	1,750	1,750	2,340	2,579
of which risks in the trading book outside VaR.....	516	455	638	784
of which currency risks outside VaR.....	739	766	1,443	1,468
of which risks where VaR models are applied.....	495	529	259	327
Capital requirement for operational risks.....	4,326	4,359	4,565	4,244
Capital requirement	38,831	39,387	43,306	48,274
Complement during transition period.....	22,854	21,154	16,729	14,483
Capital requirement including complement	61,685	60,541	60,035	62,757
Capital quotient excluding complement.....	2.42	2.37	2.30	2.19
Core Tier 1 capital ratio,%, excluding complement	16.6	15.7	13.9	12.0
Tier 1 capital ratio,%, excluding complement	18.2	17.2	15.2	13.5
Total capital adequacy ratio,%, excluding complement.....	19.4	18.9	18.4	17.5
Capital quotient, transition rules	1.52	1.54	1.66	1.69
Core Tier 1 capital ratio,%, transition rules.....	10.5	10.2	10.1	9.2
Tier 1 capital ratio,%, transition rules.....	11.4	11.2	11.0	10.4
Total capital adequacy ratio,%, transition rules	12.2	12.3	13.3	13.5

The core Tier 1 capital ratio according to Basel II strengthened during the first half-of 2012 to 16.6 per cent as of June 30 2012 (15.7 per cent on December 31, 2011).

Core Tier 1 capital increased by SEK 3,363 million from the beginning of 2012 to SEK 80,665 million as of June 30, 2012. The increase was mainly due to profit for the period (after the anticipated dividend). As of June 30, 2012 Tier 2 capital decreased by about SEK 2,481 million from the beginning of 2012, mainly due to the redemption of subordinated loans. The Group's risk weighted assets decreased by SEK 6,950 million or approximately 1.4 per cent from the beginning of 2012 to SEK 485,387 million as of June 30, 2012. The risk weighted amount for credit risks decreased by SEK 6,546 million, from the beginning of 2012 to June 30, 2012, mainly owing to institutional exposures. A model update for exposures to small and medium-sized enterprises ("SME") was approved by the Swedish Financial Supervisory Authority during the second quarter, which led to a reduction in the risk-weighted amount of SEK 6,546 million. The risk weighted amounts for market risks and operational risks were practically unchanged during the six months ended June 30, 2012.

The core Tier 1 capital ratio according to Basel III was 15.5 per cent as of June 30, 2012, compared to 14.7 per cent as of December 31, 2011, according to the Group's estimate based on prevailing knowledge of future regulations. The Group estimates that the Basel III regulations will negatively affect its core Tier 1 capital ratio by 1.1 percentage points when introduced in 2013. EU negotiations on future regulations have been postponed, however, and implementation could be delayed. Amendments to the international accounting standard for pensions ("IAS 19"), which are scheduled to enter into effect in 2013, could have a negative effect of approximately 0.4 percentage points.

Swedish supervisory authorities are conducting a review of risk weights for mortgage lending. The Swedish Financial Supervisory Authority had previously announced that a proposal of increased risk weights would be presented before the summer, but the timetable for the project has now been revised. The outcome of the review is uncertain, but an increase in the Group's average risk weight for mortgage lending to a level of 10 to 15 per cent would reduce the core Tier 1 capital ratio by 1.0 to 1.9 percentage points. The Group believes that its work to increase capital efficiency would partly offset the negative effect of the higher risk weights on mortgage lending. The Group is working to introduce an advanced internal risk classification model ("IRBA") to measure credit risks for corporate exposures. An application to use IRBA is expected to be submitted to the Swedish Financial Supervisory Authority in late 2012. Approval is expected in the second half of 2013 at the earliest.

Rights Offerings in 2009

The Issuer undertook a rights offering of SEK 15.1 billion in September 2009 with preferential rights for holders of the Issuer's existing shares. The reasons for the rights offering included strengthening the Issuer's financial position in view of the turbulence in the capital markets and the increasingly uncertain macroeconomic outlook at that time.

Off-Balance Sheet Obligations

The Group has no significant off-balance sheet obligations other than those entered into in the ordinary course of business.

Cash Flow

The tables below show the composition of the Group's cash flow for the six months ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009.

<u>SEK million</u>	For the six months ended June 30,	
	2012	2011
CASH FLOW STATEMENT		
Cash and cash equivalents at beginning of the period	164,307	17,109
Cash flow from operating activities	(27,948)	(58,134)
Cash flow from investing activities	1,225	220
Cash flow from financing activities	(5,457)	52,640
Cash flow for the period	(32,180)	(5,274)
Exchange differences on cash and cash equivalents	(99)	119
Cash and cash equivalents at end of the period	132,028	11,954

<u>SEK million</u>	For the year ended December 31,		
	2011	2010	2009
CASH FLOW STATEMENT			
Cash and equivalents at beginning of the year	17,109	37,879	29,060
Cash flow from operating activities	80,585	(13,787)	(126,660)
Cash flow from investing activities	102	1,192	(718)
Cash flow from financing activities	66,573	(6,345)	137,407
Cash flow for the year	147,260	(18,940)	10,029
Exchange rate differences on cash and cash equivalents	(62)	(1,830)	(1,210)
Cash and equivalents at end of the year	164,307	17,109	37,879

Operating Activities

Cash flow from operating activities is based on operating profit for the year 2011. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are parts of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 51,728 million in 2011 compared to SEK 45,835 million in 2010 and interest payments of SEK 37,342 million in 2011 compared to SEK 30,817 million in 2010. Cash flow for the year 2009 includes interest receipts of SEK 55,072 million and interest payments of SEK 38,817 million. Capitalised interest is included.

Investing Activities

Investing activities consist of purchases and sales of businesses and other fixed assets such as owner-occupied properties, investment properties and equipment, associated companies and strategic financial assets. Holdings of interest-bearing securities held to maturity and strategic shareholdings in companies other than subsidiaries and associated companies are recognised as strategic financial assets. During the first half year 2012 Ektornet reposessed properties valued at SEK 765 million, the majority of which were in Latvia and Lithuania. During 2011, other tangible assets were acquired for SEK 4,396 million

compared to SEK 2,411 million in 2010. Holdings of maturing bonds amounted to SEK 1,923 million compared to SEK 3,463 million in 2010. Capital contributions were paid in 2011 to Bankernas Automatbolag AB Bergslagens of SEK 12 million and to Rosengård Invest AB of SEK 3 million. In 2011, First Securities Services A/S, a subsidiary of Norwegian First Securities A/S, was disposed of for SEK 6 million. In 2010, the associated company Bergslagens Sparbank AB was sold for SEK 140 million.

Financing Activities

The non-controlling interest in the Norwegian subsidiary First Securities A/S was acquired in 2010. Cash flow for the transaction amounted to SEK 621 million.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and balances with central banks, which correspond to the balance sheet item Cash and balances with central banks. Cash and cash equivalents in the statement of cash flow are defined according to IAS 7 and do not correspond to what the Group considers liquidity.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the capitalisation of the Group as of June 30, 2012. The table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements of the Group incorporated by reference in this Prospectus.

Capitalisation and Indebtedness

<u>SEK million</u>	<u>As of June 30, 2012</u>	<u>Total capitalisation</u>
		(%)
Senior long-term debt ¹	77,766	40.2
Subordinated long-term debt ²	17,023	8.8
Total long-term debt	94,789	49.0
Share capital	24,904	12.9
Reserves	14,838	7.7
Retained earnings	52,215	27.0
<i>of which dividend</i>	(5,825)	
<i>of which Share based payments to employees</i>	158	
<i>of which Associates' acquisition of shares in Swedbank AB</i>	(6)	
Profit for the year	6,587	3.4
Total shareholder's equity	98,544	51.0
Total capitalisation and Indebtedness	193,333	100.0

¹ Stated as "Other interest-bearing bonds" in the Group's interim report.

² Stated as "Subordinated liabilities" in the Group's interim report.

SELECTED STATISTICAL AND OTHER INFORMATION

The information below is unaudited and derived from the unaudited financial records of the Issuer and should be read in conjunction with the Group's consolidated financial statements and accompanying notes incorporated by reference in this Prospectus, as well as with the section "Presentation of Certain Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operation".

Distribution of Assets, Liabilities and Shareholders' Equity

Average Balance Sheet Information and Information on Interest Rates

The following tables set forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, other assets and liabilities, the interest generated from such assets and liabilities and average annualised return rate at each date presented. Average balances were calculated on the basis of monthly data.

<u>SEK million</u>	<u>As of June 30, 2012</u>		
	<u>Average balance</u>	<u>Interest</u>	<u>Average rate</u>
Assets			
Loans to credit institutions	107,218	618	1.15%
Loans to the public.....	1,218,852	24,858	4.08%
Bonds and other interest-bearing securities	120,557	1,574	2.61%
Total interest-earning assets	1,446,627	27,050	3.74%
Derivatives and other interest bearing assets.....	101,419	341	-
Other non-interest bearing assets	300,397	288	-
Total average assets	1,848,443	27,679	2.99%
Liabilities			
Amounts owed to credit institutions	134,681	599	0.89%
Deposits and borrowings from the public.....	579,492	3,944	1.36%
<i>of which deposit guarantee fees</i>	-	269	-
Debt securities in issue,	780,241	11,236	2.88%
<i>of which commissions for funding with state guarantee</i>	-	221	-
Subordinated liabilities	18,588	555	5.97%
Total interest-bearing liabilities	1,513,002	16,334	2.16%
Derivatives and other interest bearing liabilities	89,515	548	-
Other non-interest bearing liabilities	148,000	337	-
<i>of which stability fee</i>	-	288	-
Total liabilities	1,750,517	17,219	1.97%
Equity	97,926	0	-
Total average liabilities and equity	1,848,443	17,219	1.86%
Net interest income	10,460		
Net interest margin	1.13%		

<u>SEK million</u>	<u>As of June 30, 2011</u>		
	<u>Average balance</u>	<u>Interest</u>	<u>Average rate</u>
Assets			
Loans to credit institutions	197,715	836	0.85%
Loans to the public.....	1,171,687	22,489	3.84%
Bonds and other interest-bearing securities	122,161	1,634	2.68%
Total interest-earning assets	1,491,563	24,959	3.35%
Derivatives and other interest bearing assets.....	65,540	192	-
Other non-interest bearing assets	169,573	108	-
Total average assets	1,726,676	25,259	2.93%
Liabilities			
Amounts owed to credit institutions	131,009	630	0.96%
Deposits and borrowings from the public.....	526,018	3,335	1.27%

As of June 30, 2011

SEK million	Average balance	Interest	Average rate
<i>of which deposit guarantee fees</i>	-	248	-
Debt securities in issue,	729,848	10,984	3.01%
<i>of which commissions for funding with state guarantee</i>	-	638	-
Subordinated liabilities.....	23,694	609	5.14%
Total interest-bearing liabilities	1,410,569	15,558	2.21%
Derivatives and other interest bearing liabilities	72,511	197	-
Other non-interest bearing liabilities	147,664	289	-
<i>of which stability fee</i>	-	253	-
Total liabilities	1,630,744	16,044	1.97%
Equity	95,451	-	-
Total average liabilities and equity	1,726,195	16,044	1.86%
Net interest income	9,215		
Net interest margin	1.06%		

As of December 31, 2011

SEK million	Average balance	Interest	Average rate
Assets			
Loans to credit institutions	198,535	1,805	0.91%
Loans to the public.....	1,180,486	47,509	4.02%
Bonds and other interest-bearing securities	119,511	3,429	2.87%
Total interest-earning assets	1,498,532	52,743	3.52%
Derivatives and other interest bearing assets.....	77,453	283	-
Other non-interest bearing assets	200,564	551	-
Total average assets	1,776,549	53,577	3.02%
Liabilities			
Amounts owed to credit institutions	133,654	1,305	0.98%
Deposits and borrowings from the public.....	544,158	7,585	1.39%
<i>of which deposit guarantee fees</i>	-	506	-
Debt securities in issue,	758,494	22,847	3.01%
<i>of which commissions for funding with state guarantee</i>	-	1,163	-
Subordinated liabilities.....	22,176	1,244	5.61%
Total interest-bearing liabilities	1,458,482	32,981	2.26%
Derivatives and other interest bearing liabilities	76,724	945	-
Other non-interest bearing liabilities	144,774	637	-
<i>of which stability fee</i>	-	545	-
Total liabilities	1,679,980	34,563	2.06%
Equity	96,569	0	-
Total average liabilities and equity	1,776,549	34,563	1.95%
Net interest income	19,014		
Net interest margin	1.07%		

As of December 31, 2010

SEK million	Average balance	Interest	Average rate
Assets			
Loans to credit institutions	182,646	785	0.43%
Loans to the public.....	1,222,955	37,417	3.06%
Bonds and other interest-bearing securities	129,977	1,295	1.00%
Total interest-earning assets	1,535,578	39,497	2.57%
Derivatives and other interest bearing assets.....	81,333	(272)	-
Other non-interest bearing assets	161,855	205	-
Total average assets	1,778,766	39,430	2.22%
Liabilities			
Amounts owed to credit institutions	212,335	1,244	0.59%
Deposits and borrowings from the public.....	520,004	4,272	0.82%
<i>of which deposit guarantee fees</i>	-	431	-
Debt securities in issue,	711,066	21,576	3.03%
<i>of which commissions for funding with state guarantee</i>	-	1,584	-

<u>SEK million</u>	As of December 31, 2010		
	Average balance	Interest	Average rate
Subordinated liabilities	32,374	1,408	4.35%
Total interest-bearing liabilities	1,475,779	28,500	1.93%
Derivatives and other interest bearing liabilities	76,921	(5,583)	-
Other non-interest bearing liabilities	134,586	285	-
<i>of which stability fee</i>	-	223	-
Total liabilities	1,687,286	23,202	1.38%
Equity	91,480	-	-
Total average liabilities and equity	1,778,766	23,202	1.30%
Net interest income	16,228		
Net interest margin	0.91%		

<u>SEK million</u>	As of December 31, 2009		
	Average balance	Interest	Average rate
Assets			
Loans to credit institutions	139,081	684	0.49%
Loans to the public	1,270,736	46,943	3.69%
Bonds and other interest-bearing securities	126,290	2,447	1.94%
Total interest-earning assets	1,536,107	50,074	3.26%
Derivatives and other interest bearing assets	103,385	6,167	-
Other non-interest bearing assets	141,874	158	-
Total average assets	1,781,366	56,399	3.17%
Liabilities			
Amounts owed to credit institutions	307,713	3,207	1.04%
Deposits and borrowings from the public	484,842	6,341	1.31%
<i>of which deposit guarantee fees</i>	-	417	-
Debt securities in issue,	653,456	21,756	3.33%
<i>of which commissions for funding with state guarantee</i>	-	1,802	-
Subordinated liabilities	42,749	1,970	4.61%
Total interest-bearing liabilities	1,488,760	33,274	2.24%
Derivatives and other interest bearing liabilities	97,543	2,094	-
Other non-interest bearing liabilities	110,891	266	-
<i>of which stability fee</i>	-	224	-
Total liabilities	1,697,194	35,634	2.10%
Equity	84,172	-	-
Total average liabilities and equity	1,781,366	35,634	2.00%
Net interest income	20,765		
Net interest margin	1.17%		

Changes in Interest Income; Volume and Rates Analysis

The following tables set forth the effect of changes in the Group's interest income resulting from fluctuations in the average volumes and average yield rate at each date presented. The presentation of compensation to savings banks for sales to their customers of the Group's products and services was changed in 2012. Comparative figures for 2010 and 2011 have been restated below to reflect the presentation adopted in 2012. The data for 2009 presented below is not restated.

<u>SEK million</u>	June 30, 2012 compared to December 31, 2011		
	Average volume	Average interest	Net change
Assets			
Loans to credit institutions	(91,317)	(569)	(91,866)
Loans to the public	38,366	2,207	40,573
Bonds and other interest-bearing securities	(1,046)	(281)	(765)
Total interest on interest-earning assets	(51,905)	1,357	(50,548)
Derivatives and other interest bearing assets	123,799	424	124,223

June 30, 2012 compared to December 31, 2011

	Increase/(decrease) due to changes		
<u>SEK million</u>	<u>Average volume</u>	<u>Average interest</u>	<u>Net change</u>
Total interest income	71,894	1,781	73,675
Liabilities			
Amounts owed to credit institutions	1,027	(107)	920
Deposits and borrowings from the public.....	35,334	303	35,637
Debt securities in issue.....	21,747	(375)	21,372
Subordinated liabilities.....	(3,588)	(134)	(3,722)
Total interest on interest-bearing liabilities	(54,520)	(313)	54,207
Derivatives and other interest-bearing liabilities	16,017	188	16,205
Total interest expense	(70,537)	(125)	70,412

December 31, 2011 compared to December 31, 2010

	Increase/(decrease) due to changes		
<u>SEK million</u>	<u>Average volume</u>	<u>Average interest</u>	<u>Net change</u>
Assets			
Loans to credit institutions	15,889	1,020	16,909
Loans to the public.....	(42,469)	10,092	(32,377)
Bonds and other interest-bearing securities	(10,466)	2,134	(8,332)
Total interest on interest-earning asset	(37,046)	13,246	(23,800)
Derivatives and other interest-earning assets	34,829	901	35,730
Total interest income	(2,217)	14,147	11,930
Liabilities			
Amounts owed to credit institutions	(78,681)	61	(78,620)
Deposits and borrowings from the public.....	24,154	3,313	27,467
Debt securities in issue.....	47,428	1,271	48,699
Subordinated liabilities.....	(10,198)	(164)	(10,362)
Total interest on interest-bearing liabilities	(17,297)	4,481	(12,816)
Derivatives and other liabilities	9,991	6,880	16,871
Total interest expense	(7,306)	11,361	4,055

December 31, 2010 compared to December 31, 2009

	Increase/(decrease) due to changes		
<u>SEK million</u>	<u>Average volume</u>	<u>Average interest</u>	<u>Net change</u>
Assets			
Loans to credit institutions	43,565	101	43,666
Loans to the public.....	(47,781)	(9,526)	(57,307)
Bonds and other interest-bearing securities	3,687	(1,152)	2,535
Total interest on interest-earning assets	(529)	(10,577)	(11,106)
Derivatives and other interest bearing assets.....	(2,071)	(6,392)	(8,463)
Total interest income	(2,600)	(16,969)	(19,569)
Liabilities			
Amounts owed to credit institutions	(95,346)	(1,963)	(97,341)
Deposits and borrowings from the public.....	35,162	(2,069)	33,093
Debt securities in issue.....	57,610	(180)	57,430
Subordinated liabilities.....	(10,375)	(562)	(10,937)
Total interest on interest-bearing liabilities	(12,949)	(4,774)	(17,755)
Derivatives and other liabilities	3,073	(7,658)	(4,585)
Total interest expense	(9,876)	(12,432)	(22,340)

Investment Portfolio

The following tables set forth information regarding the Group's investment portfolio of debt securities at the dates presented, together with information regarding when the instruments comprising the portfolio are due to mature:

SEK million	Book value		Book value	
	As of June 30		As of December 31	
	2012	2011	2010	2009
Treasury bills				
Swedish government	17,545	19,391	23,454	72,909
Swedish municipalities	507	115	792	11
Foreign governments	5,206	6,347	10,678	15,804
Total	23,258	25,853	34,924	88,724
Bonds				
Swedish mortgage entities	66,401	65,359	60,904	48,315
Other Swedish entities				
Non-financial institutions ¹	4,449	5,008	5,005	6,823
Other financial institutions ¹	4,168	9,593	6,402	7,494
Foreign issuers	33,200	32,498	24,341	19,259
Total	108,267	112,458	96,652	81,891

SEK million	Book value			
	As of June 30, 2012			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Treasury bills				
Swedish government	1,363	3,237	7,006	5,939
Swedish municipalities	315	192	-	-
Foreign governments	2,861	1,928	283	134
Total	4,539	5,357	7,289	6,073
Bonds¹				
Swedish mortgage entities	23,402	40,174	181	2,644
Other Swedish entities				
Non-financial institutions	3,185	1,254	60	-
Other financial institutions	1,577	2,055	536	-
Foreign issuers	11,403	20,332	786	678
Total	39,567	63,815	1,563	3,322

¹There are no issuers where the aggregated book value of the securities exceeds 10 per cent of shareholders' equity.

Types of Loans

The following table sets forth a breakdown of the Group's loan portfolio at the dates presented:

SEK million	As of June 30,		As of December 31,	
	2012	2011	2010	2009
Private mortgage	635,978	632,035	619,316	595,649
Private other	37,528	38,823	41,313	53,666
Agriculture, forestry, fishing	64,590	62,630	59,512	58,274
Manufacturing	46,191	31,611	32,943	38,031
Public sector and utilities	18,209	15,007	16,256	15,872
Construction	16,083	13,903	14,410	15,777
Retail	30,060	25,187	25,115	30,943
Transportation	14,635	11,957	13,749	16,954
Shipping	23,797	23,669	15,759	13,454
Hotels and restaurants	6,674	6,646	7,287	7,996
Information and communication	2,316	2,483	2,280	1,881
Finance and insurance	19,418	16,774	10,834	10,047
Property management	159,613	148,026	154,118	173,756
Housing co-operatives	79,966	71,556	71,912	70,913
Professional services	11,778	30,921	28,699	38,811
Other corporate lending	25,077	50,246	54,209	76,006
Financial institutions	143,655	142,431	207,722	190,785
Loans to credit institutions and the public	1,335,568	1,323,905	1,375,434	1,408,815
Total provisions	12,991	15,256	21,791	26,017
Total loans, net	1,322,577	1,308,649	1,353,643	1,382,798

Maturities of Loans

The following table sets forth maturities of the Group's loan portfolio as of December 31, 2011:

SEK million	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Fair value adjustment s	Total on Balance sheet
Loans to credit institutions						
Swedbank AB (the Issuer)	87,652	4,702	215	396	-	92,965
<i>of which repurchase agreements</i>	32,468	-	-	-	-	32,468
Swedbank Mortgage	7	-	-	-	-	7
Swedbank Finans AB	460	-	-	-	-	460
Swedbank Robur	11	-	-	-	-	11
Swedbank Babs AB	43	-	-	-	-	43
Ölands Bank AB	3	-	-	-	-	3
Other	2,850	-	-	-	856	3,706
Total	91,026	4,702	215	396	856	97,195
Loans to the public						
Swedbank AB (the Issuer)	155,912	87,043	35,503	51,806	-	330,264
<i>of which repurchase agreements</i>	42,383	-	-	-	-	42,383
Swedbank Mortgage	13,619	29,556	32,962	635,262	5,296	716,695
Swedbank Finans AB	5,571	19,283	6,848	1,114	-	32,816
Swedbank Robur	-	-	-	-	-	-
Ölands Bank AB	314	387	298	1,298	-	2,297
Other	32,583	44,808	22,120	32,398	(2,529)	129,380
Total	207,999	181,077	97,731	721,880	2,767	1,211,454

Risk Elements

Impaired Loans

The following tables set forth information regarding the amounts of impaired loans. Impaired loans are those loans in respect of which the Group has made an assessment that a customer will not be able to meet its financial obligations to the Group.

SEK million	As of June 30,	As of December 31,		
	2012	2011	2010	2009
Impaired loans	20,394	24,805	34,778	40,132

The following table sets out gross interest income that would have been recorded if the loans had been current:

SEK million	As of June 30,	As of December 31,		
	2012	2011	2010	2009
Gross interest income	438	1,092	1,707	1,994

The following table sets out interest income on those loans that were included in the profit for the year:

SEK million	For the six months ended June 30*,	For the year ended December 31,		
	2012	2011	2010	2009
Interest income	222	560	535	505

*This figure been calculated using the actual non-accruing loan balances and the average interest rates of 5.9 per cent for the respective loan category.

Analysis of Credit Impairments for Loans

The following table sets out information regarding the Group's allowance for credit impairments as of the dates presented:

SEK million	As of June 30,	As of December 31,		
	2012	2011	2010	2009
Balance at the beginning of the year	15,256	21,791	26,017	6,354
New provisions	524	1,180	4,742	17,159
Utilisation of previous provisions	(2,199)	(3,300)	(2,410)	(468)
Reversal of previous provisions	(645)	(3,481)	(1,605)	(303)
Portfolio provisions for loans that are not individually assessed as impaired	142	(829)	(1,738)	4,752
Change in exchange rates	(87)	(105)	(3,220)	(1,477)
Balance at the end of the year	12,991	15,256	21,791	26,017
Total provision ratio for impaired loans (including portfolio provision in relation to loans that individually are assessed as impaired)	64%	62%	63%	65%
Provision ratio for individually assessed impaired loans	54%	52%	53%	52%

Allocation of the Allowance for Credit Impairments

The following tables set forth an analysis of the Group's allocation of its allowance for credit impairments as of the dates presented:

SEK million	As of June 30,		As of December 31,		As of June 30,		As of December 31,	
	2012	Per cent of loans in each category to total gross loans	2011	Per cent of loans in each category to total gross loans	2010	Per cent of loans in each category to total gross loans	2009	Per cent of loans in each category to total loans
Private mortgage	2,724	47.6	3,212	47.7	2,876	45.0	2,372	42.3
Private other	1,266	2.8	1,463	2.9	1,402	3.0	2,097	3.8
Agriculture, forestry, fishing	327	4.8	407	4.7	421	4.3	449	4.1
Manufacturing	1,704	3.5	1,866	2.4	3,614	2.4	3,969	2.7
Public sector and utilities	65	1.4	65	1.1	85	1.2	80	1.1
Construction	779	1.2	712	1.1	1,661	1.0	2,135	1.1
Retail	1,348	2.3	1,620	1.9	2,125	1.8	2,678	2.2
Transportation	203	1.1	268	0.9	688	1.0	966	1.2
Shipping	326	1.8	378	1.8	154	1.1	47	1.0
Hotels and restaurants	126	0.5	234	0.5	377	0.5	444	0.6
Information and communication	58	0.2	71	0.2	64	0.2	35	0.1
Finance and insurance	95	1.5	112	1.3	140	0.8	111	0.7
Property management	2,612	12.0	3,362	11.2	5,922	11.2	7,376	12.3
Housing co-operatives	94	6.0	89	5.4	83	5.2	23	5.0
Professional services	437	0.9	578	2.3	686	2.1	834	2.8
Other corporate lending	762	1.9	756	3.8	1,417	3.9	2,215	5.4
Credit institutions	65	10.8	63	10.8	76	15.1	185	13.5
Subtotal	12,991	100.0	15,256	100.0	21,791	100.0	26,016	100.0

Short-Term Borrowings

The following table sets out information regarding the Group's short-term borrowings for the periods presented:

	As of June 30, 2012					As of December 31, 2011					As of December 31, 2010					As of December 31, 2009				
	Period end balance	Average balance	Maximum month end balance	Average interest rate during the period (%)	Average interest rate at period end (%)	Period end balance	Average balance	Maximum month end balance	Average interest rate during the period (%)	Average interest rate at period end (%)	Period end balance	Average balance	Maximum month end balance	Average interest rate during the period (%)	Average interest rate at period end (%)	Period end balance	Average balance	Maximum month end balance	Average interest rate during the period (%)	Average interest rate at period end (%)
SEK million																				
Amounts owed to credit institutions																				
Swedish banks.....	37,556	38,313	58,305	-	-	58,268	58,226	103,586	-	-	103,563	111,528	160,693	-	-	138,212	199,345	266,182	-	-
Other Swedish credit institutions	9,858	10,729	16,804	-	-	7,897	8,434	10,043	-	-	7,691	22,602	47,517	-	-	4,757	5,828	79,792	-	-
Foreign banks	79,811	84,010	97,365	-	-	71,804	65,244	99,454	-	-	23,935	76,605	105,069	-	-	87,948	102,065	127,498	-	-
Other foreign credit institutions..	1,432	1,629	2,204	-	-	1,629	1,750	3,386	-	-	1,577	1,632	3,308	-	-	770	475	1,334	-	-
Total.....	128,657	134,681	174,678	0.89	0.93	139,598	133,654	216,469	0.98	0.93	136,766	212,367	316,587	0.6	0.9	231,687	307,713	474,806	1.0	1.4
Debt securities in issue																				
Debt securities in issue	786,460	780,241	800,820	-	-	781,458	758,494	819,230	-	-	686,517	711,066	741,445	-	-	703,257	653,456	703,257	-	-
Total.....	786,460	780,241	800,820		2.86	781,458	758,494	819,230		2.92	686,517	711,066	741,445		3.03	703,257	653,456	703,257		3.33

Deposits

Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or pre-authorized transfers for the purpose of making payments to third persons or others.

Savings accounts are accounts with the primary purpose of accumulating funds over a period of time. With savings accounts customers may make withdrawals, but do not have the flexibility of using checks to do so. Some savings accounts require funds to be kept on deposit for a minimum length of time, but most permit unlimited access to funds.

Other deposits consist mainly of bank drafts and currency accounts.

The following tables set forth information regarding the Group's deposit base at the dates presented:

<u>SEK million</u>	<u>For the six months ended June 30,</u>	<u>For the year ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Interest paid to the customer	3,944	7,585	4,272	6,341
Volumes, average	579,492	544,158	520,004	484,842
Interest rate	1.36%	1.39%	0.82%	1.31%

As of June 30, 2012

<u>SEK million</u>	<u>Within 3 months</u>	<u>3 months-1yr</u>	<u>1-5 yrs</u>	<u>5-10 yrs</u>	<u>Over 10 yrs</u>	<u>Without maturity date / change in value</u>
Maturity of deposits	516,655	37,871	5,031	120	102	(176)

Return on Equity and Assets

The following table sets out the Group's return on total assets, return on equity, dividend payout ratio and equity to assets ratio as of the dates presented:

	<u>For the six months ended June 30,</u>		<u>For the year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Return on assets	0.7%	0.7%	0.4%	(0.6)%
Return on equity	13.5%	12.2%	8.1%	(12.5)%
Dividend pay-out ratio	50%	50%	40%	-
Equity to assets ratio	5.3%	5.3%	5.5%	5.0%

RISK MANAGEMENT

A central part of the Issuer's activities consists of identifying, measuring, controlling and reporting internally the risks associated with its operations. The Issuer has identified the risks that its operations generate and has designed a generic process for managing them. The process is described in the Group's enterprise risk management ("ERM") policy and it encompasses all risk areas and business units. The principal risks facing the Issuer's business segments are credit risk, liquidity risk, market risk (which encompasses interest rate, currency, share price and derivative risks) and operational risk. The purpose of the Issuer's risk management process is to continuously evaluate, monitor and manage the size and concentration of these risks.

The Group's Risk Management Builds on Three Lines of Defence

Successful risk management requires a strong risk culture and a common approach that permeates throughout the entire Group. The Group builds its approach to risk management on the concept of three lines of defence, which means a clear division of responsibilities between the risk owner (the business units), the control functions (Group Risk and Compliance), and the Internal Audit. The Board of Directors has the ultimate responsibility for the Group's risk-taking and capital assessment. Through an ERM policy, the Board of Directors provides guidelines for the Issuer's CEO on risk management and risk control, and how these functions support the business strategy. This policy specifies the risk appetite, the concept of three lines of defence, the risk process, the risk universe (i.e. the risks the Issuer has identified), and the fundamental principles of risk management, as well as roles and responsibilities. In addition to this framework, and serving as protection against unforeseen losses, the Issuer also maintains a capital reserve. The ERM policy includes guidelines for the size of this reserve based on the level of risk currently being taken by the Group.

Three levels of risk management

Business operations	Risk and control functions	Internal audit
Risk ownership	Risk control and compliance	Risk assurance
Owns risk and risk management activities. Performs necessary controls to secure acceptable risk exposure	Establishes policies and framework, facilitates risk assessment and independent follow-up	Tests, validates and assesses efficiency in governance, risk management and internal control processes and activities
<i>First line of defence</i>	<i>Second line of defence</i>	<i>Third line of defence</i>

First Line of Defence – Risk Management by Business Operations

Each of the Group's business units and subsidiaries bears full responsibility for the risks its operations engender. The local branch offices are closest to the Group's customers; they have the primary knowledge about the customer and the specific markets where the customer operates. As a responsible financial partner, it is in the Group's interest that its customers do not take undesirable risks. Through the use of personal meetings, the Group gives customers advice on their overall financial situation and personal risk profile. In lending, the Group's decisions are based on the customer's cash flow, solvency and collateral.

By keeping responsibility close to the customer, the Group's staff can respond timely if problems arise. Clear procedures and processes govern how credits are approved, reviewed and managed in the event that a borrower experiences difficulty in meeting its payment obligations. When a company has, or might have financial problems, the Group's special units for problem loans is involved as early as possible to find a solution that helps the customer and decreases the Group's risk.

Risk management is based on clear-cut targets and strategies, policies and guidelines explaining how the Group operates in various contexts, an efficient operating structure, and a simple and clear process for reporting and escalation. Standardised risk classification tools provide support in the credit approval process.

Second Line of Defence – Risk and Control Functions

The second line of defence, Group Risk, lies under the Issuer's Chief Risk Officer ("CRO"), and consists of a number of specialised units, essentially organised by risk type. Also included here is the Group's unit for problem loans, the Financial Restructuring & Recovery units ("FR&R").

These functions are independent from the business organisation providing specialist competence within the risk area. They are responsible for upholding principles and frameworks for risk management and facilitating risk assessment. They also work to promote a sound risk culture through guidance, support and supervision and by training employees throughout the Group.

The risk organisation conducts regular analyses of how external and socio-economic events might impact the Group. All risks are assessed based on the likelihood of a particular event and its consequences. In addition, stress tests are carried out to assess the effects of more dramatic – but nonetheless possible – macroeconomic or regulatory changes, such as the effects of falling home prices, rising unemployment and low or negative economic growth. These stress tests help the Group assess whether measures need to be taken to mitigate the identified risks.

Depending on the risk assessment, Group Risk has different responsibilities. For the most serious risks, Group Risk acts more directly to prevent and manage such risks.

A special credit risk unit issues internal regulations, such as mandate structures for credit decisions, and minimum requirements for customer cash flow and collateral. Moreover, in larger credit exposures, specialists from the risk organisation are called upon to support the business organisation in the assessment of risk. For exposures above certain sizes, decisions are taken in credit committees with participation from the credit risk organisation in order to provide duality together with the business organisation.

Each major business area has a local credit risk function and a function for compliance and operational risk; the latter identifies and reports compliance risks and operational risks and helps management to address these risks.

Third Line of Defence – Internal Audit

Internal Audit is a centralised, independent Group function, directly reporting to the Board of Directors of the Issuer. The role of Internal Audit is to review and evaluate whether the Group's network of risk management, control and governance processes are adequate and functioning. Internal Audit generates value by contributing to lasting improvements in operations and is also assigned to identify and minimise activities that do not add value to the Group's business or support processes.

Internal Audit's work is risk and process based. The audit plan is established through an annual risk assessment, which also considers specific audit activities stipulated by the applicable regulatory framework under which the Group operates. Quarterly risk assessments are performed to calibrate the audit plan and to optimise the utilisation of resources.

In fulfilling its role, Internal Audit performs compliance audits, operational audits and governance audits and can also, under certain conditions, provide consulting services. Where deficiencies are identified, mitigating actions are agreed with management and followed up on a quarterly basis.

The conclusions from performed audit activities, including follow-up of agreed actions, are reported to the Board of Directors, the Audit Committee, the CEO and Executive Management on a quarterly basis.

Credit Risk

Credit risk is defined as the risk that a counterparty will not meet its financial obligations to the Group, and the risk that pledged collateral will not cover the claims. Credit risk includes concentration risk, which means large individual exposures as well as significant exposures to groups of counterparties whose probability of default is driven by common underlying factors, such as sector, economy, geographical location, or type of instrument.

Lending

During 2012, the Group believes it has demonstrated stable performance of its credit portfolio and asset quality. Minor credit impairments were observed in Sweden, with the overall portfolio quality remaining strong. There were continuing credit impairment reversals in the Baltic countries relating primarily to the revaluation of collateral and rating upgrades following successful restructuring activities in the corporate portfolio, while Russia and Ukraine experienced new losses related to the Group's exit from retail banking in these markets.

Lending to private individuals in Sweden continued to grow in 2012, albeit at a slower pace than what was experienced in 2011. Corporate lending in Sweden also increased, mainly to large corporates. Lending portfolios in the Baltic countries stabilised and new lending volumes started to increase again. In Russia and Ukraine, lending decreased, fostered by the Group's exit from retail banking. Although the Group's credit and asset quality has improved, the macroeconomic uncertainty increased significantly in 2011, driven primarily by the sovereign debt and fiscal situation in the Eurozone and in the US, which negatively affected economic growth in Europe and other parts of the world. Meanwhile, the Swedish economy has performed relatively well, with low unemployment and corporate default levels, a balanced budget, and low sovereign debt. However, the outlook remains uncertain for economic growth in the Group's home markets.

Risk reducing activities continued in a selective manner. The Group's continued restrictive stance on mortgages in Sweden is one explanation for the slowdown in the growth in this segment. The Group's credit policy is conservative and goes beyond regulatory requirements introduced by the Swedish FSA in 2010, where the Swedish FSA limits the loan-to-values ("LTV") on new mortgage lending to a maximum of 85 per cent. More than 60 per cent of the Group's customers are making payments on their principal and the amortisation requirements for second mortgages were raised in 2010.

Impaired loans continued to decrease in all Baltic countries, Russia and Ukraine as a result of amortisation, restructurings, and write-offs and as customers started performing on their loans. As a consequence of the Group's improved credit quality, a lower inflow of impaired loans together with the review of the entire credit portfolio, the Baltic FR&R unit has been scaled back to better reflect current demand. Bad debts in the Group's business area Retail remained at a low level. Most of the credit impairments came from companies that have had problems for an extended period of time.

The following table sets out the Group's carrying amount of loans to the public and credit institutions as of June 30, 2012:

SEK million	Loans which are not impaired				Impaired loans			Total
	Before portfolio provisions		Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	
	Performing	Past due >60 days						
GEOGRAPHICAL DISTRIBUTION								
Sweden	1,024,247	700	756	1,024,191	1,999	960	1,039	1,025,230
Estonia	50,659	57	288	50,428	2,823	1,275	1,548	51,976
Latvia	28,111	35	594	27,552	5,884	2,829	3,055	30,607
Lithuania	30,485	161	241	30,405	4,108	1,896	2,212	32,617
Russia	3,628	7	66	3,569	598	289	309	3,878
Ukraine	1,606	34	8	1,632	4,874	3,612	1,262	2,894
Norway	22,947	0	48	22,899	31	26	6	22,905
Denmark	1,182	14		1,197	14	3	11	1,207
Finland	5,950			5,950			0	5,950
USA	1,556		4	1,552			0	1,552
Other	202		32	171			0	171
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1,170,573	1,008	2,036	1,169,545	20,332	10,890	9,442	1,178,987
SECTOR/INDUSTRY								
Private customers	745,069	603	475	745,197	7,800	3,609	4,191	749,388
Mortgage loans, private	629,332	590	252	629,670	6,056	2,472	3,584	633,254
Housing cooperatives	79,927	0	77	79,850	39	17	22	79,872
Other, private	35,810	13	146	35,677	1,705	1,120	585	36,262
Corporate customers	425,504	405	1,561	424,348	12,532	7,281	5,251	429,599
Agriculture, forestry, fishing	64,009	63	57	64,015	518	270	248	64,263
Manufacturing	43,630	92	233	43,489	2,469	1,471	998	44,487
Public sector and utilities	18,088	20	38	18,070	101	27	74	18,144
Construction	15,043	0	111	14,932	1,040	668	372	15,304
Retail	28,268	8	142	28,134	1,784	1,206	578	28,712
Transportation	14,316	4	65	14,255	315	138	177	14,432
Shipping	23,318	0	40	23,278	479	286	193	23,471
Hotels and restaurants	6,476	3	44	6,435	195	82	113	6,548
Information and communications	2,233	0	18	2,215	83	40	43	2,258
Finance and insurance	19,312	0	21	19,291	106	74	32	19,323
Property management	155,703	158	557	155,304	3,752	2,055	1,697	157,001
Professional services	11,046	32	113	10,965	700	324	376	11,341
Other corporate lending	24,062	25	122	23,965	990	640	350	24,315
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1,170,573	1,008	2,036	1,169,545	20,332	10,890	9,442	1,178,987
Swedish National Debt Office	6,483	0	0	6,483				6,483

SEK million	Loans which are not impaired				Impaired loans			Total
	Before portfolio provisions		Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	
	Performing	Past due >60 days						
Loans to credit institutions	65,921	0	4	65,918	62	61	1	65,918
Loans to Swedish National Debt Office, repurchase agreements	289	0	0	289				289
Loans to credit institutions, repurchase agreements	28,165	0	0	28,165				28,165
Loans to public, repurchase agreements	42,735	0	0	42,735				42,735
Loans to the public and credit institutions	1,314,166	1,008	2,040	1,313,134	20,394	10,951	9,443	1,322,577

The following table sets out the Group's past due loans, as of June 30, 2012:

Past due loans that are not impaired, SEK million

Valuation category, loans and receivables	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Total
Loans with past due amount,	324	1,343	977	2,092	7	50	0	14	4,807
5-30 days	122	851	701	1,619	0	15	0	-	3,308
31-60 days	180	435	241	312	0	1	0	-	1,169
more than 60 days	22	57	35	161	7	34	0	14	330
Valuation category, fair value through profit or loss									
Loans with past due amount,	1,999								1,999
5-30 days	845								845
31-60 days	476								476
more than 60 days	678								678
Total	2,323	1,343	977	2,092	7	50	0	14	6,806

The Group's Internal Risk Classification System

The risk classification system is a key part of the credit process and comprises work and decision-making processes for lending, credit monitoring and quantification of credit risk. The risk classification system thus serves as a business-support tool to facilitate effective decision-making. The Group's internal risk classification system is the basis for:

- Risk assessment and credit decisions;
- Monitoring and managing credit risk (including migrations);
- Calculating risk-adjusted profitability (including RAROC);
- Calculating portfolio provisions;
- Developing credit strategy and risk management activities;
- Reporting credit risks to the Issuer's Board of Directors, CEO and senior management; and
- Estimating capital requirements and capital allocation.

Risk class is determined and tested in connection with credit decisions. It also affects the requirements on depth of analysis and documentation and governs the way in which customers are monitored. As a result, low-risk transactions can be approved through a simpler and faster credit process. Risk classification is also a key element in monitoring individual credit exposures. The system governs the monitoring processes in various ways, ensuring, for example, that a weak risk class is tested separately, followed by a decision on possible measures.

The risk classification is a key element in the monitoring of credit exposures. The Issuer has been granted permission to use an internal rating-based ("IRB") approach as a basis for calculating capital requirements for credit risk. The IRB approach is used for the majority of the Group's credit exposures, with sovereign credit exposures and the credit portfolios in Ukraine and Russia being the main exceptions. For exposures that do not apply the IRB approach, an external classification is used instead, primarily the Swedish FSA's standard method, or they are none-rated.

The goal of the risk classification is to predict defaults that may occur within the next 12 months. The classification is expressed on a scale of 23 classes, where 0 represents the greatest risk and 21 represents the lowest risk of default, with one class for defaulted loans. The table below describes the Group's risk classification and how it relates to the probability of default ("PD") within 12 months as well as an indicated rating from Standard & Poor's. Of the total IRB-assessed exposures, 76 per cent falls into the risk classes 13-21, so-called investment grade, where the probability of default is considered low. 41 per cent of the exposures have been assigned a risk class of 18 or higher, which corresponds to a rating of AAA from the major ratings agencies.

Risk grade according to IRB methodology:

Internal rating	Risk grade	PD (%)	Standard & Poor's
Default	-	100	D
High risk	0-5	>5.7	C to B
Augmented risk	6-8	2.0-5.7	B+
Normal risk	9-12	0.5-2.0	BB- to BB+
Low risk	13-21	<0.5	BBB- to AAA

The following table sets out the Group's maximum credit risk exposure distributed by rating, as of June 30, 2012:

SEK million	Retail	Corporates	Institutions	Other	Total
Exposure At Default					
Low risk	706,106	244,080	127,139	-	1,077,325
Normal risk	99,369	106,495	1,805	-	207,669
Augmented risk	36,118	49,649	714	-	86,481
High risk	19,893	11,447	191	-	31,531
Defaults	7,700	7,599	75	-	15,374
Non-rated	-	4,964	-	18,639	23,603
Standardised method	11,817	6,253	2,996	210,380	231,446
Total	881,003	430,487	132,920	229,019	1,673,429

Management of Credit Risks

Responsibility for Credit Risks

A basic principle in the Group's lending operations is that each business unit bears full responsibility for its credit transactions and associated credit risks including to ensure that adequate internal control is integrated in the credit process. Each business unit develops and maintains a balanced credit risk, in keeping with the business strategy and credit policy of the Group. It is achieved through lending to customers with a high debt service coverage ratio, a strong collateral position and diversification within and between sectors and

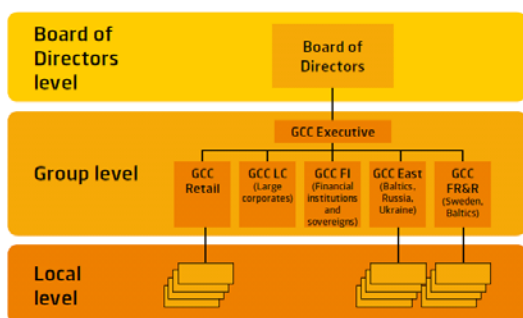
regions. Moreover, each transaction has to satisfy a set of profitability targets, including a required risk-adjusted return and the Group's focus on building strong, long-term business relationships.

Duality from Credit Committees

In decisions relating to credit risk the independent credit risk organisation achieves duality with the business through credit committees, which are normally chaired by the credit risk organisation. For exposures above certain sizes, credit decisions are taken in credit committees with participation from the credit risk organisation in order to, independently from the profit generating unit, validate that the credit decision is in accordance with the Group's credit strategy, risk appetite and limits. To ensure adequate risk awareness and expertise in the assessment of larger individual customer commitments, credit committees bring together staff with expertise and experience in the relevant types and sizes of lending. The Group applies fixed mandates for the size of the credit matters that each committee level may address.

The largest customer commitments must be decided by the Group's Board of Directors, though the second highest credit committee level, GCC Executive, decides on the vast majority of the Group's large commitments. Below these levels, there are credit committees on Group level based on customer type or geography, who take decisions on proposals when local mandates are exceeded, all with participation from the credit risk organisation in order to secure the credit quality and to ensure that risk considerations are taken into account appropriately.

Below is a table showing this system:



Granting Credits

The Group's credit process is designed to support the Group's strategy of maintaining a well diversified and balanced risk profile, and a balance between risk and returns. All lending is governed by the Group's general business strategy, credit policy and more specific regulations concerning qualitative standards in credit process, credit decisions and mandates.

Lending to both private individuals and corporates is governed by credit processes that include automated decision-making support, where a key component is the counterparty's rating. Hence, the Group's internal risk rating system is also primarily a business support tool that facilitates an efficient credit process where counterparties with high risk are automatically denied, or subjected to further analysis.

The Group strives to obtain adequate collateral. Collateral for granted credits varies depending on the assessed risk and choice of product. The valuation of collateral is based on a thorough review and analysis of the pledged asset. In accordance with the Group's instructions, the assigned value of the particular collateral is based on a conservative assessment of the market value.

Working with Distressed Credits

Each business unit is responsible for watching signals and conditions that might suggest whether the level of credit risk in individual exposures has increased. In situations where increased risk is observed, a series of actions is taken immediately. These actions are customised for each case and are decided based on the individual requirements of each specific case. The earliest possible intervention in such cases increases the number of alternative courses of action, improving the ability to minimise the Group's risk or losses.

The Group also has special FR&R who support the business units when risk has increased on certain exposures. These units provide expertise in managing risk, insolvency and restructuring, and can even take over responsibility for the exposures when necessary. In times of economic downturn, FR&R operations are allocated greater resources. The FR&R unit has been in continuous operation since Sweden's bank crisis in the early 1990s.

In the past three years the Group's infrastructure and capacity for managing its distressed credits was increased substantially. FR&R is separate from the credit organisation and has separate management. It works to coordinate and facilitate efforts of the business related to restructuring, and is focused on making the best use of resources and creating value.

When managing problem exposures, FR&R takes an asset and an owner perspective, seeking to protect the Group's position of balancing capital, liquidity, cash flow and reputation. FR&R evaluates and implements individual restructuring solutions with the customer, or if no alternatives are available, it takes recovery actions.

During the peak of the crisis at the end of 2009, the FR&R portfolio managed in the Baltic countries reached SEK 39 billion, but as of December 31, 2011 the portfolio was SEK 14 billion. As of June 30, 2012 it had decreased to SEK 11 billion, due to improved portfolio quality and exits from workout cases.

As a consequence of the bank's improved credit quality, together with a lower inflow of impaired loans, the FR&R units are being scaled down to better fit demand.

Working with Repossessed Assets

Reposessed real estate assets are managed through Ektornet AB, whose purpose is to maximise recovery value. The Group's goal is to obtain as much value as possible, for its reposessed real estate assets, which means it may retain them through an economic downturn in the business cycle in cases where it is considered advantageous.

Ektornet operates as an independent unit within the Group. The reposessed real estate assets are managed with its own staff with expertise in property management and property sales. In 2011 and 2012, the structure of Ektornet continued to adjust to new demands as the organisation shifted from taking over properties to managing them. At the end of 2011 Ektornet's portfolio of reposessed assets reached SEK 5.8 billion and by the end of June 30, 2012 it had decreased by SEK 186 million to SEK 5.6 billion.

For managing other types of reposessed assets (besides real estate), such as shares in companies, the Group has a special entity, FR&R Invest.

Counterparty Risk

Counterparty risk refers to the risk that the counterparty to a trading transaction will not meet its financial obligations towards Swedbank, and that collateral held would not be enough to cover the claims. This definition includes, for example, repurchase agreements, derivatives, securities financing and money market transactions.

Measuring Counterparty Risks

Depending on the instrument type, the Group uses different techniques for calculating its counterparty exposure; for on-balance instruments such as Money Market loans and bond holdings, the exposure value is equal to the loan amount and the bond nominal, respectively. For off-balance instruments, where the future exposure is a function of the market value of the underlying instrument, the exposure value is equal to the current market value of the contract plus an add-on for potential future market movements.

The Group employs mathematical models for estimating the add-ons; based on a model of the underlying risk factors, a conservative estimate of the derivative's possible fluctuation in value is calculated. Risk measurement and evaluation is an ongoing process and the Group makes regular assessments, for example through specifying detailed internal add-ons for a number of instruments and their maturities. The internal risk add-on factors are reviewed at least annually and are based on valuations such as simulations of asset price volatility. These assessments facilitate the monitoring of risks and help to ensure relevance of limits to the counterparties. The exposures are calculated and checked daily.

In addition to traditional exposure measurements, the Group uses ad-hoc stress tests to estimate the effects of negative outcomes not captured by the regular add-on methodology.

Mitigating Counterparty Risks

The Group restricts the size of its counterparty risk exposures by setting limits on the exposure to the counterparty, asset class, product, duration and settlement. The limits are set in Swedbank's regular credit process, which is designed to support the bank's strategy of maintaining a well-diversified and balanced risk profile with balance between risk and returns.

The Group continuously mitigates counterparty risk by means of, *inter alia*, netting, use of collateral and central clearing.

Netting and Collateral Management

The Group actively minimises its credit risks by establishing netting agreements with counterparties. A netting agreement means that in a default situation, only the net exposure of all contracts entered with that counterparty will be affected.

The Group strives to have International Swaps and Derivatives Association ("ISDA") Master Agreements with Credit Support Annexes ("CSA") agreements in place with all relevant counterparties. For counterparties with whom such agreements have been entered into, exposures can be offset, reducing them to pre-defined threshold levels by making collateral calls on a daily basis.

To reduce the potential market risk embedded in the collateral management, the Group applies rating-based and tenor-based haircuts and mainly accepts cash as collateral (over 95 per cent of received collateral is cash).

The threshold levels are agreed bilaterally, based on an assessment of the creditworthiness of each counterparty. The thresholds are normally set to zero in order to limit the non-margined exposure.

Credit Derivatives

A small part of the counterparty risk exposure is reduced by credit derivatives. Instead of using credit derivatives to mitigate counterparty risk in its trading operations, the Group prefers to take collateral from its counterparties. As of June 30, 2012, 0.25 per cent of the Group's total credit exposures were covered by credit default swaps (0.09 per cent when netting out single counterparties and indices).

CVA

Credit valuation adjustment (“CVA”) is by definition the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty’s default. In other words, CVA is the market value of counterparty credit risk. For the management of counterparty credit risk with respect to all OTC derivatives, the Group calculates a portfolio adjustment on counterparty level once a month. This adjustment is charged against the Group’s income under the item “net gains and losses”.

Liquidity Risk

Liquidity risk refers to the risk of not being able to meet payment obligations at maturity without significant increase in the cost of obtaining means of payment (due to high borrowing costs or low prices when divesting assets).

Funding and Liquidity Strategy

The Group’s funding strategy is based on the structure of its assets. More than half of the Group’s lending consists of Swedish mortgages, which are primarily financed through covered bonds. Deposit volumes, together with covered bonds and shareholders equity, nearly cover the Group’s total funding requirements. This means that the Group is typically able to choose between funding itself with covered or with unsecured bonds. The Group uses a number of different funding programmes for its short and long-term funding, including programmes for commercial papers, certificates of deposit, covered bonds and senior unsecured debt. During 2011, the Group issued a total of SEK 254 billion of long-term debt to meet its refinancing needs and to further build up liquidity. During the first half of 2012, the Group issued a total of SEK 97 billion in long-term debt instruments, of which SEK 41 billion was in the second quarter. This was primarily done by using the Group’s main funding source, covered bonds, through public and private transactions executed in various markets, currencies and maturities. The table below outlines the Group’s liquidity reserve, using a template defined by the Swedish Bankers Association as of June 30, 2012.

Liquidity reserve	Total SEK million
Cash and holdings in central banks ¹	132,028
Deposits in other banks available overnight ¹	270
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks ¹	22,265
Securities issued or guaranteed by municipalities or public sector entities ¹	396
Covered bonds ¹	56,577
<i>of which issued by other institutions</i>	56,577
<i>of which own issued</i>	-
Securities issued by non-financial corporates ¹	-
Securities issued by financial corporate (excl. covered bonds) ¹	2,846
Total	214,382
Additional liquid assets, Group ²	67,474

¹ 95 per cent of the securities in the liquidity reserve as included in the table above per Q2 2012 are rated AAA

² 88 per cent of the additional assets fulfil the Liquidity Reserve definition by the Swedish Bankers’ Association except for that they are held outside the Treasury department.

The Group holds a liquidity reserve containing a portfolio of liquid and pledgeable assets and liquidity placed with central banks and in the overnight market. The reserve serves the purpose of lowering the Group’s liquidity risk. However, the liquidity reserve needs to be adjusted over time to meet changing refinancing requirements. As of June 30, 2012, the Group’s liquidity reserve was SEK 214,382 million, of which SEK 203,663 million consisted of AAA-rated liquid instruments and SEK 132,028 million of deposits with central banks.

In addition, liquidity risks are measured and monitored with various measurements including Liquidity Coverage Ratio (“LCR”), Net Stable Funding Ratio (“NSFR”) and Over Collateralisation (“OC”). LCR is a

measure of the Group's liquidity reserve's ability to manage short-term outflows in stressed situations. NSFR is used to measure the maturity matching between assets and liabilities on the Group's balance sheet.

The liquidity reserve and LCR will likely fluctuate over time depending on the maturity structure of the Group's securities in issue. Since mid-2011, the Group reports its monthly LCR to the Financial Supervisory Authority. The Group's LCR measure has averaged more than 100 per cent since such time. As of June 30, 2012, LCR for the Group amounted to 152 per cent and NSFR to 91 per cent.

Management of Liquidity Risk

The Board of Directors has established tolerance limits for Liquidity Risk in terms of minimum survival period, over-collateralisation requirements and liquidity portfolio size and composition. Liquidity risk, being an integral part of the Group's business operation, is continually measured, monitored, forecasted and analysed from different time horizons, aiming to ensure that the Group has adequate cash or cash-equivalents in order to meet its obligations in a timely manner, without incurring substantially higher cost.

In accordance with the Board of Directors' liquidity risk framework, Group Treasury has the overall responsibility for managing liquidity within the mandate given by the Board of Directors and CEO. The objective of this framework is to ensure that the Group is always able to meet its daily liquidity obligations as well as to secure the continuity of operations during a period of liquidity stress. The risk control unit, as part of the framework, monitors and reports liquidity risk exposure across the group. The Group's liquidity risk taking is governed by different cash flow limits, established on different levels for individual currencies and combined currencies.

The Group has special continuity plans to manage any serious disruption in the liquidity situation at the group level and locally in the countries where the Group has significant business operations. The Group conducts liquidity stress tests frequently in order to increase readiness and ensure that the Group is able to manage distressed situations, such as impaired access to various funding sources.

Measurement

As part of the liquidity risk policy set by the Board of Directors, a minimum survival horizon limit has been established. This internal metric measures the amount of days with positive cumulative net cashflows considering the Group's total contractual cash flows if it had no access to wholesale market financing. The model assumes that the liquidity-generating capacity of the Group's liquid assets is still intact. In addition, severe stress tests are run regularly with an aim to increase readiness for liquidity disturbances on the debt market. The stress tests take both idiosyncratic and market-related problems into account, whereas analyses encompass the effect of a combination of the two. Specific sensitivity analyses of the effect of house price declines on the cover pool are run regularly.

Liquidity risks are also monitored through additional measures including LCR, NSFR and OC. The LCR is a regulatory metric that aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets – a liquidity reserve, to meet its liquidity needs for the next 30-day time horizon under a significantly severe liquidity stress scenario specified by the supervisors. The NSFR is another regulatory metric which shows a bank's ability to manage stressed liquidity situations over a one-year horizon. The OC level, defined as the unused room for new issuance of covered bonds, must never fall below a minimum level, set by the Board of Directors.

For more information relating to liquidity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources".

Market Risks

Market risks refers to the risk that changes in interest rates, exchange rates and share prices will lead to a decline in the value of the Group's net assets, including derivatives.

Interest Rate Risk

Interest rate risk refers to the risk that the value of the Group's assets, liabilities and interest-related derivatives may be negatively affected by changes in interest levels.

The Group's interest rate risks arise when interest fixing periods on assets and liabilities, including derivatives, do not coincide. The Group's fixed-rate assets consist primarily of loans. The interest rate risk in these assets is largely eliminated either through fixed-term funding or through the use of interest rate swap contracts. The vast majority of the Group's fixed interest rate loans have credit agreements that do not permit borrowers to pay off the loan early without compensating the Group via a prepayment fee for any losses that may arise due to changes in interest rates since loan origination. On the liabilities side, some demand deposit accounts with floating interest rates can also be considered to have fixed interest exposure. A cut in key interest rates may not necessarily translate into the same cut in rates for certain accounts which are already set with low interest.

Interest rate risk is measured in the Group for all positions, including those recorded at fair value and those recorded at accrued value.

**Change in value of assets and liabilities, including derivatives,
if the market interest rate rises by one percentage point, as of June 30, 2012**

SEK million	<3 mths.	3-6 mths.	6-12 mths.	1-2 yrs.	2-3 yrs.	3-4 yrs.	4-5 yrs.	5-10 yrs.	>10 yrs.	Total
SEK.....	(316)	(76)	(299)	(621)	393	318	152	(68)	84	(432)
Foreign currency..	(57)	(32)	104	79	24	19	(51)	38	(19)	105
Total	(373)	(109)	(195)	(542)	418	337	102	(30)	65	(327)

In the table above, part of deposits from the public that are payable on demand have been assigned a fixed interest period of between two to three years.

Of which financial instruments at fair value

SEK.....	(501)	(37)	141	15	(291)	87	76	(142)	108	(544)
Foreign currency..	(18)	18	96	99	31	47	(24)	63	6	318
Total	(519)	(18)	237	114	(260)	134	52	(79)	114	(225)

Currency Risk

Currency risk refers to the risk that the value of the Group's assets, liabilities and derivatives may be affected negatively as a consequence of changes in exchange rates.

Currency risk within the Group is largely structural or strategic in nature and is primarily associated with operations in the Baltic countries, Russia and Ukraine. Relative to these operations, the currency risks in the trading operations are small. The Group manages currency risks by maintaining the total value of assets and liabilities, including derivatives, at a desired level using derivatives such as cross-currency interest rate swaps and currency forwards.

A large part of the lending operations in the Baltics is denominated in euros, while portions of the deposits are denominated in the local currency. With Estonia's entry into the Eurozone at the start of 2011, a significant part of this risk was reduced. Swedbank Ukraine has outstanding loans denominated mainly in USD, while deposits are primarily denominated in Ukrainian Hryvnias. Swedbank Russia lends predominantly in USD, while its deposits are mainly denominated in Russian roubles.

Other currency risks arise in connection to equity holdings in strategic foreign operations in the Baltics, Ukraine and Russia. To reduce currency risk, where possible, these holdings are generally funded in each country's national currency or in a currency that is linked to the country's currency. But in some cases, these holdings have been financed in SEK or USD. To a certain extent, currency risk in these strategic holdings is limited by the liability positions in local currencies within each foreign unit.

The table below outlines the Group's currency positions as of June 30, 2012. A considerable share of the currency positions detailed in the table pertains to the Issuer's holdings in foreign subsidiaries; value changes in these positions do not affect net income. A general shift in exchange rates between the Swedish krona and foreign currencies of 5 per cent as of June 30, 2012 would have a direct negative effect on the Group's reported profit of SEK 5 million compared to SEK -36 million as of the year end 2011.

SEK million	SEK	EUR	USD	GBP	LVL	LTL	RUB	UAH	Other	Total
Assets										
Cash and balances with central banks	2,014	87,622	31,656	49	2,259	2,144	395	91	5,798	132,028
Loans to credit institutions ...	68,773	12,418	7,027	143	95	304	891	1,272	3,160	94,083
Loans to the public	1,027,991	115,426	40,664	1,495	3,114	8,510	1,294	1,054	28,946	1,228 494
Interest-bearing securities ...	90,832	26,740	6,063	-	49	528	-	48	7,265	131,525
Other assets, not distributed	247,940	-	-	-	-	-	-	-	-	247,940
Total	1,437,550	242,206	85,410	1,687	5,517	11,486	2,580	2,465	45,169	1,834,070
Liabilities										
Amounts owed to credit institutions	78,634	16,132	24,532	1,488	9	255	-	3	7,604	128,657
Deposits and borrowings from the public	428,938	69,273	16,834	2,591	9,496	27,361	1,027	209	4,226	559,955
Debt securities in issue,	402,492	238,031	113,873	10,807	-	131	-	-	38,149	803,483
Other liabilities, not distributed	243,431	-	-	-	-	-	-	-	-	243,431
Equity	98,544	-	-	-	-	-	-	-	-	98,544
Total	1,252,039	323,436	155,239	14,886	9,505	27,747	1,027	212	49,979	1,834,070
Other assets and liabilities, including positions in derivatives	-	-	-	-	-	-	-	-	-	-
Net position in currency	-	99,699	69,802	13,168	5,485	4,866	(1,769)	(489)	5,023	-

Share Price Risk

Share price risk refers to the risk that the value of the Group's equity holdings and equity-related derivatives may be affected negatively as a consequence of changes in share prices.

Exposure to share price risk arises in the Group due to holdings in equities and equity-related derivatives. The Group's equity trading operation is primarily customer-driven and for the purpose of providing liquidity to the customer base. Positions in the trading operations are normally such that only small losses can arise from large share price movements. The Group measures and limits share price through a risk matrix that maps the outcome of 80 different scenarios where share prices are changed by a maximum of +/- 20 per cent and volatilities by a maximum of +/- 30 per cent. There is a limit in place for the worst outcome from this matrix. As of June 30, 2012, the worst outcome would entail a decline in the value of the trading operation's positions by SEK 24 million as compared to SEK 17 million as of December 31, 2011.

Credit Spread Risk

Credit spread risk refers to the risk that the value of the Group's assets and liabilities, including derivatives, may fluctuate due to changes in the issuer-specific interest mark-up (i.e. the credit spread). The Group's credit spread risks are concentrated in operations that hold coupon-bearing securities issued by sovereign

states, financial companies or other corporations. These activities are conducted mainly in client-related businesses within the trading operations and in the Group's liquidity portfolio.

As of June 30, 2012, an increase in all issuer-specific spreads by 1 basis point would have reduced the value of the Group's interest-bearing assets, including derivatives, by SEK 14 million as compared to a reduction of SEK 12 million as of December 31, 2011.

Risk Measurement

The Group measures market risks by using Value-at-Risk ("VaR"), a model-based risk measure. The VaR model employs movements in factors such as interest rates, stock prices, exchange rates and implicit volatilities to estimate a probability distribution for the value change of the Group's total portfolio. The probability distribution is estimated daily using a Monte Carlo simulation based on historical market data over the past year. The VaR levels are produced using a 99 per cent confidence level over a one-day time horizon.

The Group's VaR model is in full compliance with regulatory requirements.

Any breaches of VaR for positions in the trading book are reported to the Swedish FSA.

In addition to regular VaR described above, the Group also has a stressed VaR model. The stressed VaR model is similar to regular VaR except that it uses a period of significant financial stress to estimate the probability distribution of the portfolio's returns. The Group uses both regular and stressed VaR to calculate market risk capital for the trading book, as per the Capital Requirements Directive ("CRD III"). This is designed to reduce the procyclicality of the capital requirement for market risk.

Occasionally, historical correlations used in the VaR calculation do not apply, for example in a stressed financial markets situation. Therefore, the Group also applies complementary risk measures and has established limits based on sensitivity to changes in specific market prices. In addition, the Group carries out both regular and ad-hoc stress tests throughout the year to estimate potential losses in case of extraordinary market conditions.

The VaR was higher for the six months ended June 30, 2012 compared to the year ended December 31, 2011, as set out below.

SEK million	As of or for the period ended							
	June 30, 2012				December 31, 2011			
	Max	Min	Average	Year end	Max	Min	Average	Year end
VaR								
Interest rate risk	131	92	111	119	186	56	108	91
Currency risk.....	14	3	7	9	29	2	7	7
Share price risk.....	14	4	7	5	14	2	6	5
Diversification	-	-	(22)	(23)	-	-	(20)	(19)
Total	123	85	103	110	175	52	101	84

Management of Market Risks

The Board of Directors is the governing body for all of the Group's activities that could give rise to market risks. Only risk-taking units, i.e. units assigned a risk mandate by the CEO, are permitted to take financial risks. These units measure, monitor and report risks daily to the CEO and senior executives of the Group. Each risk-taking unit has limits for different types of risks, and runs a daily procedure to monitor these risks systematically.

The dominant market risks within the Group are structural or strategic in nature and are managed centrally by Group Treasury, which is responsible for minimising possible negative impacts on the Group's net income

and equity. Relative to other risk factors (e.g. credit risk), the Group's market risks are low. For the purpose of capital adequacy calculation, market risks accounted for approximately 5 per cent of the total risk-weighted amount as of June 30, 2012.

Derivatives

Derivatives are financial instruments whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index. Derivatives are used throughout the Group to manage both interest rate risk and currency risk. The trading operation uses derivatives to meet customer needs and, as part of market-maker activities, to cover and take market risk positions. Other units use derivatives primarily to reduce interest rate, currency and credit spread risks associated with services offered to customers or with funding its operations.

Operational Risks

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes or routines, human error, faulty systems or external events. The definition includes legal risk and compliance risk.

Operational risks in the Group were reduced in 2011, but risk levels are still considered higher than normal. The overall operational risk level for Swedbank Group remains unchanged at "High". Main risk drivers continue to be IT and system risk alongside external risk as a direct effect of instability in the macroeconomic environment and the increasing number of recorded Trojan attacks towards our customers. As for any major financial institution, the Group is subject to an increasing risk of cyber attacks. The risk level is expected to be further reduced in the second half of 2012 as operational risk management is continually evolving.

Management of Operational Risks

Group Operational Risk is responsible for uniform, Group-wide operational risk measurement and reporting to the Board of Directors, the CEO and the Group Executive Committee. An analysis of the risk level in all business is performed quarterly and reported to each local management as well as to the Board of Directors, the CEO and the Group Executive Committee.

The Group uses the compliance to the operational risk policy in the areas of incident management and continuity management in the first line. The Group tries to continuously develop and improve the methods it uses to manage operational risk and has launched a programme to implement and use an advanced measurement approach in order to calculate the capital requirement for operational risk. This includes further improving the Group's risk culture, risk management tools and routines in order to effectively manage operational risks and incidents.

The Board of Directors' policy on operational risk requires that operational risk shall be kept at the lowest level possible taking into account business strategy, market sentiment, regulatory requirements, rating ambitions and the capacity to absorb losses through earnings and capital. Risk Management shall be conducted according to sound practice.

Measures are implemented to reduce all risks not considered to be acceptable. The central components of these regulations consist of the Board of Directors' enterprise risk management policy and its policy on operational risk. Since operational risk is an extensive discipline, operational risks are also addressed in other disciplines' instructions such as security management, continuity management, incident management, crisis management and compliance.

Among other things, the operational risk regulations include:

- Basic principles;
- The Group's risk appetite and operational risk level tolerance limits;
- Description of organisation, roles and responsibilities;
- Reporting requirements; and
- Operational risk management principles, methods, tools and techniques.

The Group's internal regulation comprises rules for managing compliance risks. The central component of the internal regulation is the compliance instruction issued by the CEO. The aim of the internal rules is to ensure that the Group always meets the quality requirements and standards of behaviour expected by customers and financial regulators.

Security and continuity management comprises the analyses, planning and mitigating actions that are made throughout the organisation to control and manage risk. The Group works proactively with security management to protect all types of assets, i.e. personnel, tangible and intangible assets, by utilising technical, organisational and administrative control measures. The Group's security management model is derived from the international standard ISO/IEC 27002:2005 Code of Practice for Information Security Management. The Group coordinates efforts to prevent and/or strengthen its ability to manage serious events, such as IT disruptions, natural disasters, financial disturbances and pandemics, which may affect the Group's ability to maintain services and offerings. The principles for security, continuity, incident and crisis management are defined in a Group-level framework. A Group-level crisis management team coordinates and communicates internally and externally. In addition, continuity plans are in place for business-critical operations and services that are critical to society. During the first half of 2012, Group Operational Risk and all business areas have worked actively in order to prepare for a potential euro breakup scenario, and updated as well as tested continuity plans. The plans describe how the Group operates in the event of a serious disruption. The Group also has insurance protection, with an emphasis on catastrophe protection, for significant parts of its operations.

MANAGEMENT

Board of Directors

The Swedbank AB Board of Directors (the "Board") has overall responsibility for managing the Group's affairs in the interest of both the Issuer and the shareholders. The Board consists of ten members elected at the Annual General Meeting ("AGM"). The majority of members elected at the AGM are independent in relation to the Issuer and the Group Executive Committee and independent in relation to the Issuer's major shareholders. The Board also includes two employee representatives in accordance with special agreements with the Financial Sector Union of Sweden and Akademikerföreningen.

The members of the Board, their year of birth, the year of their initial election as a director and the year of their initial appointment as an employee representative, their position, whether or not they are independent according to the requirements set out in NASDAQ OMX Stockholm's Rule Book for Issuers (the "Rule Book") and the Swedish Code of Corporate Governance (the "Code"), are set forth in the table below:

Name	Year of birth	Board member since	Position	Independent/dependent
Lars Idermark	1957	2010	Chair	Independent
Anders Sundström	1952	2009	Deputy Chair	Dependent in relation to the Issuer's major shareholders
Ulrika Francke	1956	2002	Member	Independent
Olav Fjell	1951	2011	Member	Independent
Göran Hedman	1954	2010	Member	Dependent in relation to Issuer due to employment and independent in relation to the Issuer's major shareholders
Anders Igel	1951	2009	Member	Independent
Charlotte Strömberg	1959	2012	Member	Independent
Pia Rudengren	1965	2009	Member	Independent
Karl-Henrik Sundström	1960	2009	Member	Independent
Siv Svensson	1957	2010	Member	Independent
Kristina Janson	1953	2009	Employee Representative	--
Jimmy Johnsson	1976	2010	Employee Representative	--

Details as to the education and experience of the Board members are listed below:

Lars Idermark: Mr. Idermark has been a member of the Board for eleven years and has been involved in the operations of the Group for seven years. He earned his Masters of Business Administration. Before joining Swedbank, Mr. Idermark was the President and CEO of Post Nord AB, President and CEO of FK/Coop (the Swedish Cooperative Union), President and CEO of the Second Swedish National Pension Fund, Deputy President and CEO of Capio AB, Executive Vice President and Deputy President and CEO of FöreningsSparbanken, which is part of the Group, CFO and Executive Vice President at Föreningsbanken and President and CEO of LRF Holding AB. Lars is also a board member at the Chalmers University of Technology Foundation.

Anders Sundström: Mr. Sundström has been a member of the Board for nine years and has been involved in the operations of the Group for two years. He earned his university degree in Social Sciences. Before joining Swedbank, Mr. Sundström was the President of Folksam ömsesidig sakförsäkring and Folksam ömsesidig livförsäkring, the Minister for Employment, Minister for Enterprise and Energy and Minister for Social Affairs, was a Commissioner for the Piteå municipality, a Member of Parliament and the CEO and Chair of the Board of Directors for Sparbanken. Mr. Sundström is also a board member of Arbetsgivarföreningen KFO, Svensk Försäkring, Svensk Försäkrings Service AB of FIH Holdings A/S and Forsikrings-Aktieselskabet ALKA (DK), Deputy Chair of the International Cooperative and Mutual Insurance Federation ("ICMIF") and the Chair of the Board of Bommersvik AB, Förenade Liv Grupp-försäkring AB, KPA AB, KPA Pensionsförsäkring AB and Konsumentkooperationens pensionsstiftelse.

Ulrika Franke: Ms. Franke has been a member of the Board for 17 years. She earned her university degree. Before joining Swedbank, Ms. Franke was the President and CEO of Tyréns AB, President and CEO of SBC Sveriges Bostadsrättscentrum AB, the Administrative Director and City Commissioner of the City of Stockholm and President of Fastighets AB Brommstaden. Ms. Franke is also a Board member at AKT II Ltd, Hexagon AB, Johanneberg Science Park Ek, STD Svensk Teknik och Design, Stockholms Stads Brandförsäkringskontor, the Chair of the Board of Stockholms Stadsteater and the Deputy Chair of the City Council of Stockholm.

Olav Fjell: Mr. Fjell has been a member of the Board for one year and has been involved in the operations of the Group for 13 years. Mr. Fjell earned his Bachelors of Science in Business and Economics. Prior to joining Swedbank Mr. Fjell was the President of Hurtigruten ASA, the President of the Lindorff Group, a Corporate advisor to First Securities, the President of Statoil, the President of Postbanken, a member of the Executive Board at DnB, held various positions at Bergen Bank and DnB and was the CFO at Kongsberg Våpenfabrikk. Mr. Fjell is also the Chair of the Board of Concedon ASA, Franzefross AS, the Deputy Chair of Lotos E&P Norge AS and a Board member of SPTAS.

Göran Hedman: Mr. Hedman has been a member of the Board for nine years and has been involved in the operations of the Group for 37 years. Before coming to Swedbank, Mr. Hedman was the CEO of Sparbanken in Enköping, the Head of analysis at Group Credit Förenings-Sparbanken AB, which is part of Swedbank, was the Deputy Chief Credit Officer and held various other leading management positions at Föreningsbanken AB. Mr. Hedman is also a board member at Sparbanken in Enköping and the Uppsala Chamber of Commerce.

Anders Igel: Mr. Igel has been a member of the Board for three years. He earned his Masters of Science in Electrical Engineering and his Bachelors of Science in Business Economics. Before joining Swedbank, Mr. Igel ran his own company, was the President and CEO of Telia Sonera AB, was the President and CEO of Esselte AB and was the Executive Vice President of Telefonaktiebolaget LM Ericsson. Mr. Igel is also a telecommunications consultant and an industrial advisor to EQT, a group of leading private equity funds with investments in Northern and Eastern Europe, Asia and the U.S. Their activities focus on buyouts, growth financing and infrastructure.

Pia Rudengren: Ms. Rudengren has been a member of the Board for three years. She earned her Bachelors of Science in Business and Economics. Before joining Swedbank, Ms. Rudengren was the Vice President of W Capital Management AB and the CFO of Investor AB. Ms. Rudengren is also a member of the Board of Duni AB, Metso Oyj, Tikkurila Oyj, WeMind Digital Psykologi AB and the Chairman of Social Initiative AB.

Karl-Henrik Sundström: Mr. Sundström has been a member of the Board for three years. Before joining Swedbank, Mr. Sundström was the CFO and Vice President of NXP Semiconductors and served in various roles at Telefonaktiebolaget LM Ericsson, including as its CFO and Vice President, Head of Global Services and the Head of Australia and New Zealand. Mr. Sundström is also a Board member at Exencotech AB.

Siv Svensson: Mr. Svensson has been a member of the Board for two years and has been involved in the operational side of Swedbank for 25 years. He earned his Bachelors of Science in International Economics. Before joining Swedbank, Mr. Svensson was the President and CEO of Sefina Finance AB and Sefina Svensk Pantbelåning AB, held several positions at Nordea AB including the Vice President, the Regional Head, the Group Controller and the Nordic Head of Global Operation Services, was the Group Controller of Merita Nordbanken AB and the Administrative Head at PK Fondkommission AB. Mr. Svensson is also the Deputy Chair of Svenska Pantbanksföreningen.

Kristina Janson: Ms. Janson has been an employee representative to the Board since 2009 and has been involved in the operations of the Group for 39 years. Ms. Janson is also the Chair of the Financial Sector Union at Swedbank and a retail advisor, administrative manager and deputy branch manager in the retail

segment of Swedbank. Ms. Janson is also a board member at SPK. SPK administers and manages occupational pensions for the employees of Swedbank, Swedish savingsbanks and other companies that apply the pension agreement of the Swedish banking industry.

Jimmy Johnsson: Mr. Johnsson has been an employee representative to the Board since 2010 and has been involved in the operations of the Group for twelve years. Mr. Johnsson has worked as a system manager in Swedbank Försäkring AB and Swedbank Robour AB. He was also a sales manager at Lux Svenska AB and at AB Norrtälje Bilcentral. Mr. Johnsson is also a board member at FöreningsSparbanken Abs resultatandelsstiftelse Kopparmyntet, the Guldeken Foundation and SPK.

The office address of the members of the Board of Directors is c/o Swedbank AB (publ), Brunkebergstorg 8, SE-105 34 Stockholm, Sweden. None of the Board members have any family relationship with any other Board of Directors member or members of the Group Executive Committee.

During the last five years none of the members of the Board of Directors have been involved in any bankruptcies, receiverships or liquidations in any capacity as a member of the Board of Directors of a company or members of the management of a company. None of the members of the Board of Directors have been convicted in relation to fraudulent offences during the last five years or been subject to any public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies), and none of the directors have been disqualified by a court from acting as members of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the last five years.

There are no potential conflicts of interest between any duties owed to the Issuer by any member of the Board of Directors of the Issuer, listed above, and their private interests or other duties.

Some or all of the members of the Board of Directors are customers of the Issuer and accordingly have ordinary customer relationships with the Issuer.

The members of the Board of Directors are not entitled to any benefits upon retirement from the Board.

Group Executive Committee

The table below sets forth the name, year of birth, current position and years of employment of the members of the Group Executive Committee.

Name	Year of birth	Position	Employed Since
Michael Wolf	1963	President and CEO	2008
Thomas Backteman	1965	Head of Corporate Affairs	2009
Håkan Berg	1955	CRO, Chief Risk Officer	1985
Mikael Björknert	1966	Head of Group Business Support	2010
Birgitte Bonnesen	1956	Head of Baltic Banking	1987
Göran Bronner	1962	CFO, Chief Finance Officer	2009
Catrin Fransson	1962	Head of Retail	1987
Magnus Geeber	1969	Head of Large Corporates & Institutions	1990
Marie Hallander Larsson	1961	Head of Group Human Resources	2009
Cecilia Hernqvist	1960	Head of Group Legal	1990

Michael Wolf: Mr. Wolf earned his Masters of Science in Business and Economics. He has worked as the CEO of Intrum Justitia, has been the Vice President, CFO and held other various positions within Skandia and held various positions within SEB. Mr. Wolf is also a board member of the Stockholm Chamber of Commerce, Svenska Bankföreningen and Telge Tillväxt.

Thomas Backteman: Mr. Backteman earned his Bachelors of Science in Business and Economics.

Håkan Berg: Mr. Berg earned his Masters of Law.

Mikael Björknert: Mr. Björknert earned his Bachelors of Science in Business and Economics.

Birgitte Bonnesen: Ms. Bonnesen earned her Masters of Arts in Economics and Modern Languages.

Göran Bronner: Mr. Bronner earned his Bachelors of Science in Business and Economics.

Catrin Fransson: Ms. Fransson earned her Bachelors of Science in Business and Economics.

Magnus Geeber: Mr. Geeber studied business for his upper secondary school degree.

Marie Hallander Larsson: Ms. Larsson earned her Diploma in Business Administration and her Bachelors of Science in Psychology and Education.

Cecilia Hernqvist: Ms. Hernqvist earned her Masters of Laws.

The office address of the members of the Group Executive Committee is c/o Swedbank AB (publ), SE-105 34 Stockholm, Sweden. None of the members of the Group Executive Committee has any family relationship with any other member of the Group Executive Committee or member of the Board of Directors.

None of the members of the Group Executive Committee have, during the past five years, been involved in any bankruptcies, receiverships or liquidations in any capacity as a member of the Board of Directors of a company or members of the management of a company. None of the members of the Group Executive Committee have been convicted in relation to fraudulent offences during the last five years or been subject to any public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies), and none of the members of the Group Executive Committee have been disqualified by a court from acting as members of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the last five years.

There are no potential conflicts of interest between any duties owed to the Issuer by any member of the Group Executive Committee, listed above, and their private interests or other duties.

Some or all of the members of the Group Executive Committee are customers of the Issuer and accordingly have ordinary customer relationships with the Issuer.

The Board of Directors' Organisation and Work

The Board sets operational goals and strategies; appoints, dismisses and evaluates the CEO; ensures that effective systems are in place to monitor and control operations and that laws and regulations are followed; and ensures that the information released to the public is transparent and accurate. The Board makes the final decision on the appointment/dismissal of the CFO and the CRO. The delegation between the Board of Directors, the Chair of the Board of Directors and the CEO is determined annually in the Board's instruction for the CEO. Special instructions are also in place for the Board's committees. For further information on the Board of Directors' work and organisation, refer to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2011 which are incorporated by reference in this Prospectus. More information on the work of the Board's committees can be found below.

Risk and Capital Committee

The role of the Risk and Capital Committee is to support the Board in its risk management work. However, the Board has ultimate responsibility for the risks taken by the Group and for assessing its capital requirements. The Board ensures that routines are in place to identify and define risks relating to business activities as well as to measure and control risk-taking. Through the Board's risk and capital policy, the CEO receives guidelines for risk governance and management, risk control, risk and capital evaluation, and

capital management. The policy describes the connection between risk and capital as well as how risk and capital management support the business strategy.

The Committee covers the following areas:

- Market risk;
- Credit risk;
- Liquidity and funding (e.g. limits on liquidity risk); and
- Capital (e.g. monitoring the capital base, risk-weighted assets and related governance models)

Each month the committee receives a special risk report from the Group's risk control committee including the Group's credit risk, liquidity risk and market risk performance. The CEO is not a member of the committee but normally attends its meetings. The members of the committee have special competence and experience working with risks. Key areas of focus during 2011 have included:

- Internal Capital Adequacy Assessment Process ("ICAAP") and other capital-related issues;
- the Group's limits and exposures as a result of the crisis in Europe;
- stress tests of various credit portfolios;
- the size of the Group's liquidity portfolio and other liquidity issues; and
- funding-related issues and strategies, especially with regard to covered bonds.

Compensation Committee

The Board's Remuneration Committee monitors, evaluates and prepares remuneration issues for resolution by the Board. The Committee ensures that remuneration systems in the Group generally conform to effective risk management and are designed to reduce the risk of exaggerated risk-taking. Remuneration systems must also comply with all applicable rules, such as those of the Code and the Swedish FSA.

The work of the Remuneration Committee includes:

- Salary, pension, variable staff costs and other benefits for senior executives according to the guidelines adopted by the AGM and for the Head of Internal Audit;
- The Board's proposal to the AGM regarding remuneration guidelines for senior executives;
- The Board's remuneration policy;
- Decisions according to or deviations from policies in the remuneration area;
- An annual review and evaluation of the effectiveness of the remuneration instructions; and
- Preparation and recommendation to the Board on remuneration to consultants in cases where total remuneration exceeds SEK 20 million.

The chair of the committee, who may be the Chair of the Board, should have the knowledge and experience in risk analysis required to make an independent evaluation of the suitability of the Group's remuneration policy. The members of the committee should also have the appropriate knowledge and experience as

regards executive remuneration issues and risk management. Members must be independent in relation to the Group and its executive management. Key areas of focus during 2011 have included:

- Allocation of the Group's performance and share-based remuneration programme and other issues associated with the programme;
- Total remuneration for newly appointed senior executives;
- A new collective pension agreement for the Swedish market; and
- Remuneration guidelines for senior executives.

Audit and Compliance Committee

The Audit and Compliance Committee, through its work and in consultation with the outside auditor, the Head of Internal Audit and the Group Executive Committee, provides the Board with information on business activities. Its purpose is to identify any deficiencies in routines and in the organisation in terms of governance, risk management and control.

The work of the Audit and Compliance Committee is focused on internal control and governance processes and their adequacy, as well as monitoring the effectiveness of the Group's internal audit, internal controls and risk management with respect to financial reporting. Its work also encompasses the quality of the financial reporting and whether the reporting complies with current laws, applicable accounting standards and other requirements for listed companies. In the area of compliance, the information includes whether the work within the Group is being conducted in accordance with external laws and regulations and internal policies and instructions, as well as information on ongoing contacts with supervisory authorities in countries where the Group has operations. The focus in terms of operational risks is mainly on information about them and how these risks are managed. The Audit and Compliance Committee also reviews the internal and external auditors' work to ensure that it has been conducted effectively and in an otherwise satisfactory manner. Based on the information presented, the committee proposes measures that are decided on by the Board where deemed necessary.

The Head of Internal Audit attends the committee's meetings. The majority of the members must be independent in relation to the Group and its executive management. At least one member must also be independent in relation to the Group's major shareholders. At least one member must have special competence in accounting or auditing. For further information on the work within the Audit and Compliance committee, refer to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2011 which are incorporated by reference in this Prospectus.

Remuneration of the Board of Directors and Senior Executives

For 2011, total annual board fees of SEK 1,700 thousand to the Chair, SEK 1,025 thousand to the Deputy Chair and SEK 4,675 thousand, in the aggregate, to the ordinary members were approved by the AGM. Furthermore, the AGM approved a fee of SEK 250,000 to each member of the Risk and Capital Committee (formerly named Credit Committee), SEK 175,000 to the Chair of the Audit and Compliance Committee (formerly named Audit Committee), SEK 125,000 to each ordinary member of the Audit and Compliance Committee and SEK 100,000 to each member of the Remuneration Committee. Board fees are not paid to Employee Representatives or persons having an employment contract with the Issuer.

Limitations Regarding Board Fees due to Agreement with the Swedish National Debt Office

In 2011, total compensation paid to members of the Issuer's Board of Directors and Chair, the President and other members of the Group Executive Committee (key management personnel) was SEK 99 million,

compared to SEK 81 million in 2010. For additional information on compensation, severance payments, benefits and pension commitments for the members of the Board of Directors and Group Executive Management, see note G12 'Staff costs' in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2011 incorporated by reference in this Prospectus.

Auditor

The Auditor is appointed by the AGM after being nominated by the Nomination Committee. The Auditor is elected for a period of one year. The Auditor presented his review and comments to the Board of Directors and the Audit and Compliance Committee four and five times respectively during the current mandate, one of which no one from the executive management was present. In addition, the Auditor regularly meets the Chair of the Board and the Chair of the Audit and Compliance Committee. The Group's interim reports are reviewed by its Auditor.

In accordance with its Articles of Association, the Issuer shall have no less than one or more than two authorised public accountants. The appointed Auditor is Deloitte AB, Sweden, with Authorised Public Accountant Svante Forsberg as responsible Auditor. Svante Forsberg has supervised auditing duties for the Group since 2010.

Corporate Governance

The Group's corporate governance lays the foundation for enhanced profitability and ensures the Group's governance as a bank is focused on close customer relationships and advisory services. This is done through a decentralised business model where business decisions are made as close to the customer as possible. Corporate governance at the Group comprises carefully considered rules on management, control and delegation of responsibility between the shareholders, the Board of Directors and the executive management. The goal is to maintain the trust of customers and the public and to help many households and businesses achieve a sound and sustainable financial situation. This corporate governance report has been prepared by the Group's Board in accordance with the Code.

Annual General Meeting

The AGM is the Group's highest decision-making body, where the shareholders exercise their rights. The AGM is normally held before the end of April, or under special circumstances not later than June 30. The AGM is normally held in Stockholm. The time and location are published in the Group's year-end report and on its website. The notice of the AGM is usually published five weeks in advance in the Swedish daily newspapers Dagens Nyheter and Svenska Dagbladet as well as Post och Inrikes Tidningar (the Official Swedish Gazette) and at least one other.

The 2011 AGM was held in Stockholm on Friday, March 25. A total of 890 shareholders attended personally or by proxy. They represented slightly over 52 per cent of the votes in the bank. The 2011 AGM was attended by all members of the Board of Directors and all members of the Group Executive Committee as well as the Chief Auditor. All nominated directors were present except Olav Fjell, who instead introduced himself in a short video broadcast.

Nomination Committee

The Nomination Committee is the shareholders' governing body, which nominates Board members and the Auditor and proposes their fees, among other things. The nomination committee proposed in early 2012 Charlotte Strömberg as a new member of the Board of Directors. The Nomination Committee suggested the re-election of Board members Olav Fjell, Ulrika Francke, Göran Hedman, Lars Idermark, Anders Igel, Pia Rudengren, Anders Sundström, Karl-Henrik Sundström and Siv Svensson. Helle Kruse Nielsen has declined re-election.

The duties of the Nomination Committee, where applicable, are to submit proposals to the following AGM for decision regarding:

- The election of a Chair of the AGM;
- Fees for the Board members and Auditors;
- The election of the Board members, Chair and Auditors; and
- Principles for appointing the Nomination Committee at the next AGM.

BANKING REGULATION AND SUPERVISION IN SWEDEN

The Banking and financing business

Banks and other companies in the financial sector are subject to extensive regulation in Sweden. This section briefly describes some of the more important regulations governing the Issuer and its Swedish subsidiaries as well as the most important supervisory authorities. The information herein is current as of the date of this Prospectus. Many regulations, particularly in the area of capital adequacy, large exposures and liquidity are presently undergoing substantial changes, some of which are referred to in the section titled "Risk Factors".

General

Banking mortgage lending, leasing and other financing business in Sweden is regulated by the Swedish Banking and Financing Business Act (Sw: *Lagen (2004:297) om bank- och finansieringsrörelse*) (the "BFBA"), which sets out the fundamental requirements for obtaining a license, principal rules for the operations and certain modifications from the companies act that are applicable to banks and credit market companies.

Capital adequacy, large exposures and liquidity

The Act on Capital Adequacy and Large Exposures (Sw: *Lagen (2006:1371) om kapitaltäckning och stora exponeringar*) sets out rules on, *inter alia*, capital adequacy for financial institutions and implements CRD and Basel II requirements. Under such rules, banks and other credit institutions are required to have a capital base that covers credit, market and operational risk at a certain ratio. Broadly, the capital base consists of equity and certain types of debt, whereas the institution's risk exposure can be measured either according to a standardised approach or in accordance with models that have been developed internally by the institutions and approved by the competent authority.

An institution's exposure against a customer or a group of connected customers is considered "large" if the exposure exceeds 10 per cent of the capital base of the institution, and must be reported to the Swedish Financial Supervisory Authority (Sw: *Finansinspektionen*) (the "SFSA"). An exposure against a customer which is larger than 25 per cent of the capital base is not permitted, and in certain situations lower limits apply. An institution's aggregate large exposures may not exceed 800 per cent of the capital base.

Under the SFSA regulation on Management of Liquidity Risk in Credit Institutions and Securities Companies (Sw: *Föreskrifter om hantering av likviditetsrisker för kreditinstitut och värdepappersbolag, FFFS 2010:7*), credit institutions and securities companies must have proper procedures for identifying, measuring and controlling liquidity risk and must also keep a liquidity reserve adopted to the size and the needs of the company. The SFSA proposes that quantitative requirements on liquidity risks, the so called Liquidity Coverage Ratio (LCR), is introduced in Sweden as from January 1, 2013, ahead of the implementation date 2015 according to Basel III and EU regulations.

The Basel Committee on Banking Supervision (the "Basel Committee") published rules for new capital and liquidity standards for banks in 2010 and in early 2011 (the "Basel III regime"). The Basel Committee has also issued minimum requirements to ensure that all classes of regulatory capital instruments absorb losses before taxpayers when banks cease to be viable. The majority of the new Basel III requirements are expected to be implemented throughout the EU between January 1, 2013 and January 1, 2019 through CRR and CRD IV.

In relation to globally systemically important banks ("G-SIBs"), the Basel Committee proposed on November 4, 2011 that such financial institutions should be subject to further buffer requirements to be phased in from

2016 until 2018. This is in line with a G20 communiqué following meetings in February 2011 in which it referenced ongoing work regarding a comprehensive multi-pronged framework with more intensive supervisory oversight; effective resolution capacity, including in a cross-border context; higher loss absorbency measures through a menu of viable alternatives that may include, depending on national circumstances, capital surcharges, contingent capital and bail-in instruments; and other supplementary requirements as determined by the national authorities, including systemic levies.

The Swedish Ministry of Finance, the SFSA and the Central Bank of Sweden (Sw: *Riksbanken*) (“Riksbanken”) announced in November 2011 their plans for early implementation of the Basel III framework, with complete and detailed legislation expected to be presented in 2012 following the EU legislative process. The Swedish Ministry of Finance, the SFSA and Riksbanken also announced that higher capital standards than those set forth in the Basel III framework or the CRD IV proposal would be required from Swedish domestic systemically important banks (“D-SIBs”). Initially, the group of Swedish D-SIBs includes four major Swedish financial institutions, including the Issuer. According to the Swedish authorities’ proposal, the Common Equity Tier 1 (“CET1”) ratio of D-SIBs should be at least 10.0% as of January 1, 2013 and at least 12.0% as of January 1, 2015. In line with the CRD IV proposal, these thresholds include a 4.5% CET1 ratio requirement and a capital conservation buffer of 2.5% but not a countercyclical buffer. In addition, these thresholds include a surcharge for D-SIBs of 3.0% from January 1, 2013 and 5.0% from January 1, 2015. The D-SIB surcharge includes the additional G-SIB loss absorbency requirement stipulated by the Basel Committee on Banking Supervision. As of the date of this Prospectus, the CRR and CRD IV is yet to be finalised and the implementation by the Swedish authorities of the stricter capital adequacy requirements is subject to the approval of the final CRD IV and related regulations. There is no certainty as to the final framework for, or the timing of, the capital adequacy standards that will be ultimately developed and implemented.

Covered bond issuance

Banks and credit market companies may be licensed to issue covered bonds under the Swedish Covered Bond Issuance Act (Sw: *Lagen (2003:1223) om utgivning av säkerställda obligationer*), which sets out the requirements for issuance of covered bonds in terms of permitted assets in the cover pool, valuation of real property and matching between assets and liabilities. Swedish law grants a priority right for the covered bond holders and derivatives counterparties over the assets in the pool.

Foreign exchange and credit control

The Swedish Act on Foreign Exchange and Credit Controls (Sw: *Lagen (1992:1602) om valuta- och kreditreglering*) empowers the Swedish government, following consultation with Riksbanken, to implement foreign exchange controls if Sweden is at war, or if there are exceptional conditions prevailing on account of war, risk of war, serious accident or exceptionally heavy short-term capital movements. If foreign exchange controls have been introduced, the Swedish Government is also entitled to implement credit controls upon request by Riksbanken. Any resolution implementing such controls is required to be submitted to the Swedish Parliament for approval within one month from the resolution. Should this not be done within the stipulated time, the resolution ceases to be valid.

Payment services

The Swedish Payment Services Act (Sw: *Lagen (2010:751) om betaltjänster*) regulates the provision of payment services to the public and contains, *inter alia*, rules on information to customers and time limits for payment transactions.

Deposit guarantees and other consumer protections

In order to protect depositors, Sweden, has a deposit guarantee scheme regulated by the Swedish Act on Deposit Guarantees (Sw: *Lagen (1995:1571) om insättningsgaranti*). Effective from December 31, 2010 the guaranteed amount per saver per institution is the SEK equivalent of EUR 100,000. Under the state-provided guarantee, the Swedish government will compensate customers for money that they have deposited with Swedish banks and certain other institutions if the institution fails. The scheme is managed by the Swedish National Debt Office (Sw: *Riksgälden*), (the “NDO”). The Noteholders claims under the Notes will not benefit from the deposit guarantee scheme.

Loans and other credit granted to individuals and intended for consumer purposes, including home loans, are covered by the Swedish Consumer Credit Act (Sw: *Konsumentkreditlagen (2010:1846)*). Some of the more important features of the act are restrictions on a lender’s right to raise interest rates and fees on an existing credit, restrictions on a lender’s right to terminate the loan early, and a right for the consumer to prepay the loan.

Financial advice to consumers is governed by the Swedish Act on Financial Advice to Consumers (Sw: *Lagen (2003:862) om finansiell rådgivning till konsumenter*), which sets out certain requirements regarding competence of advisors and documentation of given advice as well as liability in case of careless advice.

Money laundering and financing of terrorism

All banks and credit market institutions based in Sweden are subject to Swedish legislation designed to prevent money laundering and financing of terrorism. The Swedish Act on Measures against Money Laundering and Financing of Terrorism (Sw: *Lagen (2009:62) om åtgärder mot penningtvätt och finansiering av terrorism*) prohibits banks and credit institutions from engaging in money laundering activities or financing terrorism and requires those institutions to report transactions suspected of violating this law to the Swedish National Police Board.

Securities trading

Securities trading is regulated by the Swedish Securities Markets Act (Sw: *Lagen (2007:528) om värdepappersmarknaden*). In addition to stipulating requirements for obtaining a license to carry out a securities business, the act contains rules for investor protection and rules governing the operations of the securities company as well as rules on transaction reporting and trading platforms. Certain of the regulations mentioned under the headline “Banking and financing business” above are applicable to securities companies as well.

Asset management

Fund management is governed by the Swedish Investment Funds Act (Sw: *Lagen (2004:46) om investeringsfonder*) which contains basic requirements to obtain a fund management license as well as extensive regulation regarding management of the assets of a fund. Certain of the regulations mentioned under the headline “Banking and financing business” above are applicable to securities companies as well.

Insurance

Insurance business is governed by the Swedish Insurance Business Act (Sw: *Försäkringsrörelselagen (2010:2043)*), under which a license can be obtained to conduct insurance business. This act also contains corporate rules and regulations pertaining to the operations.

Supervision

The SFSA is the supervisory authority for financial and insurance institutions in Sweden. The SFSA issues regulations and supervises the operations of financial institutions with regard to, *inter alia*, capital adequacy and large exposures, liquidity, accounting, governance structures, risk control, consumer protection and procedures for the prevention of money laundering and terrorism financing. The SFSA is empowered with a range of tools to facilitate its supervision, including the right to perform site visits and to interview the employees of an institution under its supervision. Should the SFSA conclude that the operations of an institution are not sound or that the institution otherwise is breaching laws or regulations, it may impose administrative sanctions on the institution, such as disciplinary reprimands, warnings, fines and ultimately revoking its license to operate.

The Riksbanken, which is accountable to the Swedish Parliament, sets monetary policy, is responsible for the execution of Sweden's foreign exchange rate policy, administers Sweden's currency reserves and stands ready under certain circumstances as a lender of last resort to the banks. It also handles the clearing arrangements between the banks.

The Government Support to Credit Institutions Act

The Government Support to Credit Institutions Act (Sw: *Lagen (2008:814) om statligt stöd till kreditinstitut*) is intended to enhance the stability of Sweden's financial system and to address negative impacts on the Swedish economy resulting from the global financial crisis, including systemic illiquidity and high funding costs. Under the Government Support to Credit Institutions Act, the Swedish government is authorised to take a number of measures in support of the financial system, including issuing guarantees and making capital injections to credit institutions.

The NDO is responsible for administering the measures available under the Government Support to Credit Institutions Act and is authorised to intervene with targeted support should a Swedish financial institution encounter financial difficulties that pose a risk of serious disruption to the Swedish financial system. The Swedish Government has the right to compulsorily purchase the shares of a financial institution from its shareholders under certain circumstances.

To finance any support measures, a stabilisation fund has been established. Payments to the fund comprise of charges for guarantees issued, stabilisation charges, deposit guarantee charges and recoveries from previous support measures. The stabilisation charge is mandatory for all credit institutions and other institutions covered by the possibility to receive support.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Trustee, the Principal Paying Agent or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC

DTC has advised the Issuer as follows: "DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the U.S. Securities and Exchange Commission."

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("DTC Notes") as described below and receives and transmits distributions of principal and interest on DTC Notes. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("Owners") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (a "Beneficial Owner") is in turn recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase but are expected to receive written confirmations regarding details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfer of ownership interests in the DTC Notes are accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the DTC Notes, except in the event that the use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration

in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., as nominee of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Issuer or the Principal Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers registered in "street name" or in bearer form, and will be the responsibility of such Participant and not of DTC, the Principal Paying Agent, the other Paying Agents or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest to Cede & Co. is the responsibility of the Issuer or the Principal Paying Agent or any other Paying Agents, as the case may be. Disbursement of payment received by DTC to Direct Participants shall be the responsibility of DTC. Disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The laws of some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, any transfer of beneficial interests in a Registered Global Note to such persons may require that such interests be exchanged for Registered Notes in definitive form. Because DTC can only act on behalf of Direct Participants which, in turn, act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Registered Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of a physical registered certificate.

DTC may discontinue providing its services as securities depository with respect to Registered Notes at any time by giving reasonable notice to the Issuer or the Principal Paying Agent.

Under such circumstances, in the event that a successor securities depository is not obtained, Registered Notes in definitive form would be delivered to individual Holders. In addition, the Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Registered Notes in definitive form would be delivered to individual Holders.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg both hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective

accountholders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

Exchange of Interests in Unrestricted and Restricted Registered Global Notes; Transfers within and between DTC, Clearstream, Luxembourg and Euroclear

In relation to any Tranche, prior to the expiry of the period that ends 40 days after the later of the date of issue of such Tranche and the completion of the distribution of such Tranche (the “distribution compliance period”), a beneficial interest in the relevant Unrestricted Registered Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Restricted Registered Global Note only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of the states of the United States and any other applicable jurisdiction. After expiry of the distribution compliance period, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Restricted Registered Global Note, as set out under “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions”.

Beneficial interests in a Restricted Registered Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Unrestricted Registered Global Note, only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

Any beneficial interest in either the Restricted Registered Global Note or the Unrestricted Registered Global Note relating to any Series that is transferred to a person who takes delivery in the form of a beneficial interest in the other Registered Global Note relating to such Series will, upon transfer, cease to be a beneficial interest in such Registered Global Note and become a beneficial interest in the other Registered Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Registered Global Note for as long as it remains such an interest.

TAXATION

United States Taxation

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below) and, to the extent discussed below in “— FATCA Withholding”, a holder that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, such as Notes with a term of more than 30 years or with certain contingent payment features, and additional or modified disclosure concerning certain U.S. federal income tax consequences relevant to such type of Note may be provided, as appropriate. This summary deals only with purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

General

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount — General”), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. Interest paid by the Issuer on the Notes and OID, if any, accrued with respect to the Notes (as described below under “Original Issue Discount”) generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Original Issue Discount

General

The following is a summary of certain U.S. federal income tax consequences of the ownership of Notes issued with original issue discount (“OID”). The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes.

A Note, other than a Note with a term of one year or less (a “Short-Term Note”), will be treated as issued with OID (a “Discount Note”) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25 per cent of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “instalment obligation”) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest.” A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a

U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the Internal Revenue Service (the "IRS").

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same

series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "de minimis market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Under current law, any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("Variable Interest Rate Notes") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified de minimis amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more

than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or

qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. Additional or modified disclosure concerning proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be provided, as applicable.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount".

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount — General," with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium (described above under "Notes Purchased at a Premium") or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note,

the electing U.S. Holder will be treated as having made the election discussed above under “Market Discount” to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Purchase, Sale and Retirement of Notes

A U.S. Holder’s tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder’s income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under “Original Issue Discount — Market Discount” or “Original Issue Discount — Short Term Notes” or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder’s holding period in the Notes exceeds one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income (or OID) in units of the foreign currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a capital loss when the Note matures.

Sale or Retirement

As discussed above under "Purchase, Sale and Retirement of Notes", a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including payments of OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

Foreign Financial Asset Reporting

Recently enacted legislation imposes reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds U.S. \$50,000 at the end of the taxable year or U.S. \$75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisers regarding the application of this legislation.

FATCA Withholding

Sections 1471 through 1474 of the Code ("FATCA") impose a withholding tax of 30 per cent on a portion of certain payments by non-U.S. entities (such as the Issuer) to persons that fail to meet requirements under FATCA. If the Issuer (or relevant intermediary) enters into and complies with an agreement with the IRS (an

“IRS Agreement”), this withholding tax may be imposed on a portion of payments to (a) certain holders or beneficial owners of Notes that do not provide certain information requested by the Issuer (or any relevant intermediary) and (b) any recipient (including an intermediary) of a payment that has not entered into an IRS Agreement (or otherwise established an exemption from FATCA). Withholding should not be required with respect to payments on the Notes before January 1, 2017 and then only on Notes issued or materially modified after December 31, 2012. Neither a holder nor a beneficial owner of Notes will be entitled to any additional amounts in the event such withholding tax is imposed. Certain beneficial owners may be eligible for a refund of amounts withheld as a result of FATCA.

The future application of FATCA to the Issuer and the holders of Notes is uncertain, and it is not clear at this time what actions, if any, will be required to minimise any adverse impact of FATCA on the Issuer and the holders of Notes. The Issuer has not decided whether it will enter into an IRS Agreement.

It is also uncertain at this time how the reporting mechanism will operate. In particular, certain changes will likely have to occur with the operation of DTC, Euroclear, Clearstream, Luxembourg and other similar clearing systems.

SWEDISH TAXATION

The following summary outlines certain Swedish tax consequences to holders of Notes who are not residents of Sweden for income tax purposes. Purchasers are urged to consult their professional advisers as to the tax consequences of acquiring, holding or transferring Notes.

Under Swedish law as presently in effect, payments of any principal or any amount that for Swedish tax purposes is considered to be interest to the holder of any Note will not be subject to Swedish income tax, provided that such holder is neither (i) resident in Sweden for tax purposes nor (ii) engaged in trade or business in Sweden through a permanent establishment to which the Notes are effectively connected. A person is resident for tax purposes in Sweden if he (a) is domiciled in Sweden or (b) has his habitual abode in Sweden or (c) is present in Sweden for six consecutive months, or (d) has previously been domiciled in Sweden and continues to have an essential connection with Sweden after having moved abroad (for example, is engaged in trade or business in Sweden).

Under Swedish tax law as presently in effect, a holder of Notes who is a private individual not resident for tax purposes in Sweden but who has been domiciled in Sweden or has had a habitual abode in Sweden at any time during the calendar year of disposal or redemption or during the preceding ten calendar years, is subject to capital gains taxation in Sweden upon disposal or redemption of certain Notes that are deemed equity-related for Swedish tax purposes.

Swedish law, as presently in effect, does not provide for deduction or withholding for or on account of taxes on payments of any principal or interest to the holder of any Notes, except on payment of interest, and any other yield on any Notes (excluding capital gains) which is paid at the same time as interest, to a holder who is a private individual (or an estate of a deceased individual) with tax residence in Sweden.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other

countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

ERISA CONSIDERATIONS

The Notes should be eligible for purchase by employee benefit plans and other plans subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and/or the provisions of section 4975 of the Code and by governmental plans (as defined in section 3(32) of ERISA), church plans (as defined in section 3(33) of ERISA) and non-U.S. plans (as described in section 4(b)(4) of ERISA) that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or section 4975 of the Code, subject to consideration of the issues described in this section. ERISA imposes certain requirements on employee benefit plans (as defined in section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under “Risk Factors”.

Section 406 of ERISA and section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the “Plans”)) and certain persons (referred to as parties in interest or disqualified persons) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a plan fiduciary, who engages in a prohibited transaction, may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Dealers or any other party to the transactions contemplated by this Prospectus as completed by any Final Terms may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of section 406 of ERISA or section 4975 of the Code may arise if any of the Notes is acquired or held by a Plan with respect to which the Issuer, the Trustee, the Dealers or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Notes and the circumstances under which such decision is made. Included among these exemptions are section 408(b)(17) of ERISA and section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (“PTCE”) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisers regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Each purchaser and subsequent transferee of any Note will be deemed by such purchase or acquisition of any such Note to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Note through to and including the date on which the purchaser or transferee disposes of such Note, either that (a) it is not a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the

Code or (b) its acquisition, holding and disposition of such Note will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, under any substantially similar federal, state, local, non-U.S. or other law) for which an exemption is not available.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. section 2510.3-101, as modified by section 3(42) of ERISA (the "Plan Asset Regulation") describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the United States Investment Company Act of 1940, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form of debt may be considered an equity interest if it has substantial equity features. If the Issuer was deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the Notes, such plan assets would include an undivided interest in the assets held by the Issuer and transactions by the Issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and section 4975 of the Code. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Notes should not be treated as equity interests for the purposes of the Plan Asset Regulation.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes should determine whether, under the documents and instruments governing the Plan, an investment in such Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any substantially similar U.S. federal, state, local or non-U.S. law).

The sale of any Notes to a Plan is in no respect a representation by the Issuer, the Trustee, the Dealers or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Notes may be sold from time to time by the Issuer to any one or more of the Dealers or to any other person or institution. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated September 3, 2012 and made between the Issuer, the Arranger and the Dealer named therein (as amended and restated or supplemented from time to time, the "Dealer Agreement"). Any such arrangements will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

A Dealer may sell Notes it has purchased from the Issuer as principal to certain other dealers less a concession equal to all or any portion of the discount received in connection with such purchase. The Dealer may allow, and such dealers may re-allow, a discount to certain other dealers. After the initial offering of Notes, the offering price (in the case of Notes to be resold at a fixed offering price), the concession and the reallowance may be changed. The Notes may also be sold at variable prices.

The Issuer may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase Notes in whole or in part.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in accordance with applicable laws and rules.

These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes. If the Dealer creates or the Dealers create, as the case may be, a short position in the Notes, that is, if it sells or they sell Notes in an aggregate principal amount exceeding that set forth in the applicable Final Terms, such Dealer(s) may reduce that short position by purchasing Notes in the open market. In general, purchase of Notes for the purpose of stabilisation or to reduce a short position could cause the price of the Notes to be higher than it might be in the absence of such purchases.

Neither the Issuer nor any of the Dealers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, neither the Issuer nor any of the Dealers makes any representation that the Dealers will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

Under the Dealer Agreement, the Issuer has agreed to indemnify the Dealers against certain liabilities (including liabilities under the Securities Act) they may incur or to contribute to payments the Dealers may be required to make in respect thereof in connection with the issue of Notes under the Programme. The Issuer has also agreed to reimburse the Dealers for certain other expenses in connection with the establishment and any future updates of the Programme and the issue of Notes under the Programme.

No Notes will have an established trading market when issued. From time to time, each of the Dealers may make a market in the Notes, but no Dealer is obligated to do so and may discontinue any market-making activity at any time, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. The offering of the Notes by the Dealers is subject to receipt and acceptance and subject to the Dealers' right to reject any order in whole or in part.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include, among others, securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Dealers and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Issuer. The Dealers have not provided any legal, accounting, regulatory or tax advice with respect to any offering contemplated hereby and the Issuer has consulted its own legal, accounting, regulatory and tax advisers to the extent it deemed appropriate. Certain of the Dealers and their respective affiliates have, directly or indirectly, performed investment and commercial banking or financial advisory services for the Issuer and/or its affiliates for which they have received customary fees and commissions, and they may provide these services to the Issuer and/or its affiliates in the future, for which they also expect to receive customary fees and commissions. In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially Notes offered under the Programme. Any such short positions could adversely affect future trading prices of the Notes offered under the Programme. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes or person wishing to transfer an interest from one Registered Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware, and each beneficial owner of such Notes has been advised, that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

- (iii) that, unless it holds an interest in an Unrestricted Registered Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (iv) that either (A) it is not and for so long as it holds an Note (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets are deemed for purposes of ERISA or the Code to include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) its acquisition, holding and disposition of the Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or in the case of such a governmental, church or non-U.S. plan, under any such substantially similar U.S. federal, state, local or non-U.S. law) for which an exemption is not available;
- (v) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (vi) that Notes initially offered in the United States to QIBs will be represented by one or more Restricted Registered Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Unrestricted Registered Global Notes;
- (vii) that the Notes, other than the Unrestricted Registered Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS NOTE CANNOT BE EXCHANGED FOR A BEARER NOTE.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE (THE “AGENCY AGREEMENT”) OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A,

(3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS ACQUISITION AND HOLDING OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE SECURITIES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE."

FOR PURPOSES OF APPLYING THE ORIGINAL ISSUE DISCOUNT RULES UNDER THE INTERNAL REVENUE CODE OF 1986 (1) THE ISSUE DATE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS [], []; (2) THE YIELD TO MATURITY IS [] (COMPOUNDED SEMI-ANNUALLY); (3) THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT IN THE AMOUNT OF [] PER [] PRINCIPAL AMOUNT; (4) THE [] METHOD SPECIFIED IN THE PROPOSED TREASURY REGULATIONS HAS BEEN USED TO DETERMINE YIELD; AND THE AMOUNT OF ORIGINAL

ISSUE DISCOUNT ALLOCABLE TO THE SHORT INITIAL ACCRUAL PERIOD BEGINNING [] AND ENDING []; [AND] (5) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO SUCH ACCRUAL PERIOD IS U.S.\$[] PER U.S.\$[] PRINCIPAL AMOUNT.¹ [AND (6) THE COMPARABLE YIELD IS []; AND (7) THE PROJECTED PAYMENT SCHEDULE IS [].²

- (viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Notes of which such Notes are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Unrestricted Registered Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE (THE “AGENCY AGREEMENT”) AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE A PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS UNLESS MADE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE SECURITIES ACT.

EXCEPT AS OTHERWISE PROVIDED IN THE APPLICABLE FINAL TERMS, BY ITS ACQUISITION AND HOLDING OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE SECURITIES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY

¹ Include for any Definitive Registered Note issued with “original issue discount” for U.S. federal income tax purposes and issued under Rule 144A.

² Include if the Note is a contingent payment debt instrument.

SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

[FOR PURPOSES OF APPLYING THE ORIGINAL ISSUE DISCOUNT RULES UNDER THE INTERNAL REVENUE CODE OF 1986 (1) THE ISSUE DATE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS [], []; (2) THE YIELD TO MATURITY IS [] (COMPOUNDED SEMI-ANNUALLY); (3) THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT IN THE AMOUNT OF [] PER [] PRINCIPAL AMOUNT; (4) THE [] METHOD SPECIFIED IN THE PROPOSED TREASURY REGULATIONS HAS BEEN USED TO DETERMINE YIELD; AND THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO THE SHORT INITIAL ACCRUAL PERIOD BEGINNING [] AND ENDING []; [AND] (5) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO SUCH ACCRUAL PERIOD IS U.S.\$[] PER U.S.\$[] PRINCIPAL AMOUNT.]¹ [AND (6) THE COMPARABLE YIELD IS []; AND (7) THE PROJECTED PAYMENT SCHEDULE IS [].]²; and

- (ix) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent in another Specified Currency).

To the extent that the Issuer is not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of the Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

United States

Regulation S Category 2, unless otherwise specified in the applicable Final Terms; Rule 144A Eligible if so specified in the applicable Final Terms

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by United States Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder.

¹ Include for any Definitive Registered Note issued with "original issue discount" for U.S. federal income tax purposes and issued under Rule 144A.

² Include if the Note is a contingent payment debt instrument.

In connection with Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver such Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer and its affiliates will have sent to each Dealer to which it sells Notes during the distribution compliance period relating thereto, other than for resales pursuant to Rule 144A, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes that may be purchased by a QIB pursuant to Rule 144A will be U.S.\$200,000.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act (if available).

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means

Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

The United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance

(Chapter 571) of Hong Kong and rules made thereunder or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Chapter 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued, or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571) of Hong Kong and any rules made thereunder.

General

Each Dealer acknowledges that, other than with respect to the admission to listing, trading and/or quotation of the Notes on any listing authority, stock exchange and/or regulated market as may be specified in the applicable Final Terms, no action has been or will be taken in any jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

Final Terms dated []

SWEDBANK AB (publ)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.\$15,000,000,000
Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [] (the "Prospectus") [and the supplement[s] to it dated [] [and []]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [as so supplemented]. Full information on Swedbank AB (publ) (the "Issuer") and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplement[s]] [has] [have] been published [on [] and copies may be obtained from the registered office of the Issuer at Brunkebergstorg 8, SE-105 34 Stockholm, Sweden and from the specified office of the Principal Paying Agent at []].

1. Issuer: Swedbank AB (publ)
2. (i) Series Number: []
(ii) Tranche Number: []
(iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about []]] [Not Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount: []
(i) Series: []
(ii) Tranche: []
5. Issue Price: [] per cent of the Aggregate Nominal Amount [plus accrued interest from []]

6. (i) Specified Denomination(s): []
- (ii) Calculation Amount: []
7. (i) Issue Date: []
- (ii) Interest Commencement Date: [[]/Issue Date/Not Applicable]
8. Maturity Date: []
9. Interest Basis: [[] per cent Fixed Rate]
[[*Reference Rate*] +/- [] per cent Floating Rate]
[Zero Coupon]
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [99]/[100]/[101] per cent. of their nominal amount]
11. Change of Interest Basis: []
12. Put/Call Options: [Issuer Call]/[Investor Put]/[Not Applicable]
13. (i) Status of the Notes: Senior
- (ii) Date Board approval for issuance of Notes obtained: []

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions (Condition 4(a)): [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [] per cent per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [] [and []] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
- (iv) Broken Amount(s): [[] per Calculation Amount payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Dates: [[] in each year] [Not Applicable]

- 15. Floating Rate Note Provisions:**
- Condition 4(b)) [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (iii) Business Centre(s): []
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent): [[] shall be the Calculation Agent] [Not Applicable]
- (vi) Screen Rate Determination:
- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [] month
[LIBOR/EURIBOR/STIBOR/NIBOR/CIBOR/TIBOR/HIBOR]
- Relevant Time: [[] in the Relevant Financial Centre/As per Condition 4(b)(ii)]
- Relevant Financial Centre:
[London/Brussels/Stockholm/Oslo/Copenhagen/Tokyo/Hong Kong]
- Interest Determination Date(s): [Second London business day prior to the start of each Interest Period]
[First day of each Interest Period]
[Second day on which the TARGET2 System is open prior to the start of each Interest Period]
[Second Stockholm business day prior to the start of each Interest Period]
[Second Oslo business day prior to the start of each Interest Period]
[First day of each Interest Period]
[Second Tokyo business day prior to the start of each Interest Period]
[First day of each Interest Period]]
[[] days prior to the start of each Interest Period]
- Relevant Screen Page: []

- (vii) ISDA Determination:
 - Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (viii) Margin(s): [+/-] [] per cent per annum
- (ix) Minimum Rate of Interest: [] per cent per annum
- (x) Maximum Rate of Interest: [] per cent per annum
- (xi) Day Count Fraction:
 - [Actual/Actual (ISDA)] [Actual/Actual]
 - [Actual/365 (Fixed)]
 - [Actual/365 (Sterling)]
 - [Actual/360]
 - [30/360] [360/360] [Bond Basis]
 - [30E/360] [Eurobond Basis]
 - [30E/360 (ISDA)]

16. Zero Coupon Note Provisions: [Applicable/Not Applicable]

- (i) Accrual Yield: [] per cent per annum
- (ii) Reference Price: []
- (iii) Day Count Fraction in relation to Early Redemption Amounts:
 - [30/360]
 - [Actual/360]
 - [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s): [] per Calculation Amount
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Maximum Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []

18. Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s): [] per Calculation Amount
- (iii) Notice period (if other than as set out in the Conditions): []
19. Final Redemption Amount: [] per Calculation Amount
20. Early Redemption Amount:
- Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default: [[] per Calculation Amount/Condition 5(e) applies]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:
- (i) Form: **[Registered Notes:**
- [Restricted Registered Global Note registered in the name of a nominee for DTC]
- [Unrestricted Registered Global Note registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
- [Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note on and after the Exchange Date which is exchangeable for definitive Notes [upon 45 days' written notice (expiring after the Exchange Date)] [only upon the occurrence of an Exchange Event].]
- [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date.]
- (ii) New Global Notes: [Yes]/[No]
22. Financial Centre(s): []/[Not Applicable]

23. Talons for future Coupons to be attached to definitive Notes: [Yes]/[No]

Signed on behalf of the Issuer:

By:
Duly authorised

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [London/None]
- (ii) Date on which admission to trading to be effective: [Issue Date]/[Not Applicable]
- (iii) Estimate of total expenses related to admission to trading: []

2. RATINGS

- Ratings: [The Notes to be issued [have been]/[are expected to be] assigned the following ratings:]
- [] by [Standard & Poor's Credit Market Services Europe Limited]
- [] by [Moody's Investors Service Ltd.]
- [] by [Fitch Ratings Ltd.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4. [FIXED RATE NOTES ONLY – YIELD]

- Indication of yield: []

5. OPERATIONAL INFORMATION

- (i) CUSIP Number: []
- (ii) ISIN Code: []
- (iii) Common Code: []
- (iv) Any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* (together with the address of such clearing system) and the relevant identification number(s): [Not Applicable/[]]

- (v) Names and addresses of additional Transfer Agents and/or Paying Agent(s) (if any): [Not Applicable/[]]

6. RULE 144A ELIGIBILITY AND TEFRA RULES

- (i) Rule 144A Eligible: [Yes/No]
- (ii) Whether TEFRA D rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA not applicable]

7. THIRD PARTY INFORMATION

[[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

DEFINITIONS

Capital adequacy ratio: The capital base in relation to risk-weighted assets.

Capital base: The sum of Tier 1 (primary) and Tier 2 (supplementary) capital. To obtain the capital base for capital adequacy purposes, deduction is made for capital contributions in insurance companies.

Capital quotient: The capital base in relation to the capital requirement.

Core Tier 1 capital: Tier 1 capital excluding hybrid capital.

Core Tier 1 capital ratio: Core Tier 1 capital in relation to the risk-weighted assets.

Cost/income ratio: Expenses in relation to income.

Credit impairments: Established losses and provisions for the year less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

Credit impairment ratio: Credit impairments on loans and other credit risk provisions, net, in relation to the opening balance of loans to credit institutions and loans to the public.

Duration: The average weighted maturity of payment flows calculated at present value and expressed in number of years.

Earnings per share: Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included.

Equity per share: Shareholders' equity in relation to the number of shares outstanding.

Full-time employee: Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions.

Impaired loans: Loans where there is, on an individual level, objective evidence of a loss event, and where this loss event has an impact on the cash flow of the exposure. Impaired loans, gross, less specific provisions for loans assessed individually and provisions for homogenous loans assessed collectively constitute impaired loans, net.

Interest fixing period: Contracted period during which interest on an asset or liability is fixed.

Net interest margin: Net interest income in relation to average total assets.

Number of employees: The number of employees at year-end, excluding long-term absences, in relation to the number of hours worked expressed in terms of full-time positions.

Provision ratio for individually assessed impaired loans: Provisions for impaired loans assessed individually in relation to impaired loans, gross.

Return on equity: Profit for the financial year allocated to shareholders in relation to average shareholders' equity.

Return on total assets: Profit for the financial year in relation to average total assets.

Risk-weighted assets: Capital requirement for credit risk, market risk and operational risk according to the capital adequacy rules multiplied by 12.5.

Share of impaired loans, gross: Carrying amount of impaired loans, gross, in relation to the carrying amount of loans to credit institutions and the public, excluding provisions.

Tier 1 capital: Shareholders' equity less proposed dividend, deduction for intangible assets, deferred tax assets and certain other adjustments. Hybrid capital (equity contribution and reserves) may be included in the capital base as Tier 1 capital with an approval from the supervisory authority.

Tier 1 capital ratio: Tier 1 capital in relation to the risk-weighted assets.

Tier 2 capital: Fixed-term subordinated liabilities, less a certain reduction if their remaining maturity is less than five years, and undated subordinated liabilities.

Total provision ratio for impaired loans: All provisions for loans in relation to impaired loans, gross.

Yield: Dividend per share in relation to the share price at year-end.

GENERAL INFORMATION

1. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The listing of the Programme in respect of the Notes is expected to be granted on or around September 5, 2012.

It is expected that each Tranche which is to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market will be admitted separately as and when issued, subject only to the issue of a Registered Global Note initially representing the Notes of such Tranche or, as the case may be, the relevant Temporary Global Note. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules. However, Notes may be issued pursuant to the Programme which will not be listed, admitted to trading and/or quotation by the UK Listing Authority or the London Stock Exchange or any other listing authority, stock exchange, regulated market and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange, regulated market and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

2. The establishment of the Programme was authorised by the Issuer by the exercise of the delegated authority of the Head of Group Treasury of the Issuer on August 28, 2012. Such authority was delegated to the Chief Executive Officer of the Issuer pursuant to a board resolution dated March 26, 2010 and confirmed on March 25, 2011 and March 27, 2012. The Chief Executive Officer delegated such authority to the Chief Financial Officer of the Issuer on February 21, 2011, who subsequently delegated such authority to the Head of Group Treasury of the Issuer on November 8, 2011. Further issuances of Notes under the Programme are duly authorised by the Issuer at the time of any such further issuances.
3. Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.
4. There has been no significant change in the financial or trading position of the Issuer or the Group since June 30, 2012. There has been no material adverse change in the financial position or prospects of the Issuer or the Group since December 31, 2011.
5. Deloitte AB (Authorised Public Accountants) of Rehnsgatan 11, SE-113 79 Stockholm, Sweden, have audited the financial statements of the Issuer for the financial years ended December 31, 2011, December 31, 2010 and December 31, 2009.
6. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The common code and International Securities Identification Number in relation to the Notes of each Tranche allocated by Euroclear and/or Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer will make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP number for each Tranche of Registered Notes, together with the relevant common code and International Securities Identification Number, will be specified in the applicable Final Terms. Euroclear, Clearstream, Luxembourg and DTC are the entities in charge of keeping book-entry records. If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue J.F. Kennedy L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, NY 10041-0099, USA.

7. For the period of 12 months from the date of this Prospectus, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered office of the Issuer and the specified office of the Principal Paying Agent in London and the Registrar:
- (i) Certificate of Registration and Articles of Association of the Issuer;
 - (ii) the Trust Deed;
 - (iii) the Agency Agreement;
 - (iv) the Issuer-ICSDs Agreement;
 - (v) the audited consolidated annual financial statements of the Issuer in respect of the financial years ended December 31, 2011, December 31, 2010 and December 31, 2009 in each case together with the audit reports prepared in connection therewith;
 - (vi) the unaudited financial information in the published unaudited interim report of the Issuer as at June 30, 2012;
 - (vii) the most recently published audited consolidated annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case together with any audit or review reports prepared in connection therewith; and
 - (viii) this Prospectus, any supplementary prospectus, any documents incorporated by reference and, save as provided below, any Final Terms issued in respect of any Notes issued under the Programme.

In addition, copies of this Prospectus, any supplementary prospectus, any documents incorporated by reference and Final Terms relating to Notes which are admitted to trading on a regulated market in the European Economic Area will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html or otherwise published in accordance with Article 14 of the Prospectus Directive.

Copies of Final Terms relating to Notes which are not admitted to trading on any regulated market in the European Economic Area will only be available for inspection by a Holder of such Notes upon production of evidence satisfactory to the Issuer and the Principal Paying Agent or, as the case may be, the Registrar as to the identity of such Holder and the holding of the relevant Notes.

8. Any Series of Notes intended to be admitted to the Official List and admitted to trading on the London Stock Exchange's Regulated Market will be so admitted upon submission to the UK Listing Authority and the London Stock Exchange of the applicable Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Notes. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

However, Notes may be issued pursuant to the Programme which will not be listed, admitted to trading or quotation by the UK Listing Authority or the regulated market of the London Stock Exchange or any other listing authority, stock exchange, regulated market and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

- 9.** The Issuer has not entered into any material contracts outside the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Holders of Notes issued under the Programme.
- 10.** The issue price and principal amount of Notes of any Tranche to be issued will be determined at the time of offering of such Tranche in accordance with then prevailing market conditions.
- 11.** In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.
- 12.** The Trust Deed provides that the Trustee may rely on any certificate or report from an expert or any other person in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee in connection therewith contains any limit on the liability of such expert or such other person.

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