

Proposal of the Board of Directors of Swedbank AB for a resolution authorizing the Board to decide on the issue of convertibles according to item 20 in the proposed Agenda for the AGM 2019

Background and purpose

The regulations on capital requirements introduced on 1 January 2014 mean that the banks are subject to higher capital requirements and that the banks were given the possibility of using subordinated equity instruments in, for instance, the form of convertibles in order to fulfill some of the capital requirements. Subordinated convertibles that qualify as core capital ("Additional Tier 1") in the capital base entail obligatory conversion to shares under certain predetermined conditions in order to absorb losses and enhance the bank's own capital in the event of financial difficulties, but do not confer any entitlement to conversion for the owners themselves.

The aim of the authorization to issue of convertibles is to provide flexibility and the possibility for the Board to optimize the bank's capital base. Further, the conditions for the bank's business as well as the external circumstances are constantly changing. The need can, therefore, arise to increase or reduce the capital base or change the relationship between Common Equity Tier 1 capital and other capital, for instance through repurchase of the bank's own shares, the issue of loans that may be included in the capital base or a combination of different measures. Subordinated capital instruments that can form part of supplementary capital ("Tier 2 capital") in the capital base may also be issued on similar terms.

For this reason, the authorization by the AGM for the Board of Directors to decide on the issue of convertibles is therefore justified as one of several actions to enable the Board of Directors to continuously adapt the bank's capital structure to prevailing capital requirements. As is made clear in item 19 in the proposed agenda, the Board of Directors proposes that the AGM should, in parallel with the proposed authorization below, also authorize the Board of Directors to decide on the repurchase of the bank's own shares.

Convertibles issued by virtue of the authorization are mainly sought by debt investors on the Swedish and international capital market and therefore have to be offered to the market both with and without derogation from the shareholders' preferential rights. The au-

thorization will have the result that the Board of Directors can decide on the issue of convertibles without convening an extraordinary general meeting.

Conditions for the issue

In view of the above the Board of Directors proposes that the AGM authorize the Board to decide, during the period until the AGM in 2020, on the issue of convertibles pursuant to the following conditions

1. The authorization may be utilized on one or several occasions before the AGM in 2020
2. Issues may take place with or without derogation from the shareholders' preferential rights
3. The convertibles will entail obligatory conversion to shares in the circumstances laid down in the conditions but do not confer any entitlement to conversion for the owners themselves
4. The size of the loan and the conversion conditions shall be determined so that the amount by which the share capital may be increased through conversion of convertibles issued by virtue of this authorization may amount to no more than ten (10) per cent of the bank's share capital
5. The convertibles are to be issued on market terms. The Board of Directors shall decide on all other terms and conditions for issue pursuant to this authorization

Majority requirement

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

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Board of Directors