



**TF Bank AB (publ)**

relating to the listing of

SEK 100,000,000 Subordinated Floating Rate Tier 2 Bonds due 2025

**Issuing Agent and Sole Bookrunner**



Prospectus dated 1 February 2016

## IMPORTANT NOTICE:

This prospectus (the "**Prospectus**") has been prepared by TF Bank AB (publ) (the "**Issuer**", the "**Company**", or "**TF Bank**" or together with its branches, direct and indirect subsidiaries unless otherwise indicated by the context, the "**Group**"), a public limited liability company incorporated in Sweden, having its headquarters located at the address, Ryssnäsgränd 2, 504 64 Borås, with reg. no. 556158-1041, in relation to the application for the listing of the subordinated floating rate tier 2 bonds denominated in SEK (the "**Bonds**") on the corporate bond list on NASDAQ OMX Stockholm Aktiebolag, reg. no. 556420-8394 ("**Nasdaq Stockholm**"). Carnegie Investment Bank AB has acted as issuing agent and sole bookrunner in connection with the issue of the Bonds (the "**Issuing Agent**"). This Prospectus has been prepared in accordance with the standards and requirements of the Swedish Financial Instruments Trading Act (Sw. *lag (1991:980) om handel med finansiella instrument*) (the "**Trading Act**") and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as amended by the Directive 2010/73/EC of the European Parliament and of the Council (the "**Prospectus Regulation**"). The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**") pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Trading Act. Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided in this Prospectus is correct and complete. This Prospectus has been prepared in English only and is governed by Swedish law and the courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus. This Prospectus is available at the SFSA's website ([www.fi.se](http://www.fi.se)) and the Issuer's website ([www.tfbankgroup.com](http://www.tfbankgroup.com)).

Unless otherwise stated or required by context, terms defined in the terms and conditions for the Bonds beginning on page 45 (the "**Terms and Conditions**") shall have the same meaning when used in this Prospectus.

Except where expressly stated otherwise, no information in this Prospectus has been reviewed or audited by the Company's auditor. Certain financial and other numerical information set forth in this Prospectus has been subject to rounding and, as a result, the numerical figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. This Prospectus shall be read together with all documents incorporated by reference in, and any supplements to, this Prospectus. In this Prospectus, references to "**EUR**" refer to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, references to "**SEK**" refer to Swedish krona, and references to "**USD**" refer to American dollars.

Investing in bonds is not appropriate for all investors. Each investor should therefore evaluate the suitability of an investment in the Bonds in light of its own circumstances. In particular, each investor should:

- (a) have sufficient knowledge and experience to carry out an effective evaluation of (i) the Bonds, (ii) the merits and risks of investing in the Bonds, and (iii) the information contained or incorporated by reference in the Prospectus or any supplements;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate in the context of its particular financial situation the investment in the Bonds and the impact that such investment will have on the investor's overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks resulting from an investment in the Bonds, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the investor's own currency;
- (d) understand thoroughly the Terms and Conditions and the other Finance Documents and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the assistance of a financial adviser) possible scenarios relating to the economy, interest rates and other factors that may affect the investment and the investor's ability to bear the risks.

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. It has been prepared solely for the purpose of listing the Bonds on the corporate bond list on Nasdaq Stockholm. This Prospectus may not be distributed in or into any country where such distribution or disposal would require any additional prospectus, registration or additional measures or contrary to the rules and regulations of such jurisdiction. Persons into whose possession this Prospectus comes or persons who acquire the Bonds are therefore required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the U.S. 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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold outside the United States to purchasers who are not, or are not purchasing for the account of, U.S. persons in reliance upon Regulation S under the Securities Act. In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Bonds within the United States by a dealer may violate the registration requirements of the Securities Act if such offer or sale of the Bonds within the United States by a dealer may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to an exemption from registration under the Securities Act.

The offering is not made to individuals domiciled in Australia, Japan, Canada, Hong Kong, the Italian Republic, New Zealand, the Republic of Cyprus, the Republic of South Africa, the United Kingdom, the United States (or to any U.S. person), or in any other country where the offering, sale and delivery of the Bonds may be restricted by law.

This Prospectus may contain forward-looking statements and assumptions regarding future market conditions, operations and results. Such forward-looking statements and information are based on the beliefs of the Company's management or are assumptions based on information available to the Group. The words "considers", "intends", "deems", "expects", "anticipates", "plans" and similar expressions indicate some of these forward-looking statements. Other such statements may be identified from the context. Any forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements of the Group to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Further, such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Although the Company believes that the forecasts of, or indications of future results, performances and achievements are based on reasonable assumptions and expectations, they involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements and from past results, performances or achievements. Further, actual events and financial outcomes may differ significantly from what is described in such statements as a result of the materialisation of risks and other factors affecting the Group's operations. Such factors of a significant nature are mentioned in the section "**Risk factors**" below.

This Prospectus shall be read together with all documents that are incorporated by reference, see subsection "**Documents incorporated by reference**" under section "**Other information**" below, and possible supplements to this Prospectus.

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## RISK FACTORS

*Investing in the Bonds involves inherent risks. A number of risk factors and uncertainties may adversely affect the Issuer. These risk factors include, but are not limited to, financial risks, credit risk, technical risks, risks related to the business operations of the Issuer, and regulatory risks. If any of these or other risks or uncertainties actually occurs, the business, operating results and financial condition of the Issuer could be materially and adversely affected, which could have a material adverse effect on the Issuer's ability to meet its obligations (including repayment of the principal amount and payment of interest) under the Bonds. The risks presented in this Prospectus are not exhaustive, and other risks not presently known to the Issuer, or that the Issuer currently deems immaterial, and therefore not discussed herein, may also adversely affect the Issuer and adversely affect the price of the Bonds and the Issuer's ability to service its debt obligations. Prospective investors should consider carefully the information contained in this Prospectus and make an independent evaluation before making an investment decision.*

*The risk factors below are not ranked in any specific order.*

### Market and Group specific risks

**An economic slowdown could adversely affect the demand for the Group's direct consumer business or sales finance products or increase its credit losses and decrease its growth.**

Because the Group's business is dependent on consumer spending trends in the countries in which it operates, any period of economic slowdown or recession in these countries could make it more difficult for the Group to retain or expand its customer base. For example, high levels of unemployment in the markets in which the Group operates will likely reduce the number of customers who qualify for direct consumer loan or sales finance products, which in turn may reduce the Group's revenues. Similarly, reduced consumer confidence and spending may decrease the demand for the Group's consumer loan, credit card or sales finance products as well as the amount of money consumers are able or willing to deposit in savings deposit accounts maintained by the Group, which in turn could affect the Group's liquidity rates. Additionally, during periods of economic slowdown or recession, the Group could experience an increase in defaults, credit extension requests or a higher frequency or severity of credit losses, even if the Group adapts its credit scoring models to adjust to new economic conditions. As a result, adverse changes in economic conditions in countries in which the Group's customers are located could materially adversely affect the business prospects, results of operations and financial condition of the Group.'

**A simultaneous withdrawal of savings deposits by a large number of the Group's customers or a lack of sufficient cash inflows from its business operations could result in a liquidity shortage which could negatively affect the Group's ability to maintain or grow its business**

The Group relies on customer deposits as its main source of liquidity and as the primary resource by which it is able to offer its loans to retail customers. Although the savings accounts offered to customers by the Group are protected (up to a EUR 100,000 equivalent) under the Swedish Deposit Protection Program and thus guaranteed by the Kingdom of Sweden and the average customer deposit with the Group was approximately EUR 27,000 as at 30 June 2015, there is a risk that negative publicity regarding the Group or its industry, a deterioration of general economic conditions or governmental budget discipline in Sweden or other outside events beyond the Group's control could cause a mass withdrawal event in the future. No limits are applied on customers' withdrawals of deposited money. Additionally, the Group may fail to attract enough customers for its savings accounts in the future for a variety of reasons which could limit its growth of loans to the

public. If a withdraw event were to occur or if the Group fails to increase its deposit volume in line with the growth in loans to the public, the Group's business and ultimately its results of operations and financial condition could be materially adversely affected.

The Group's growth depends on cash flow efficiency and cash collection. Considering the Group's business model and its contemplated expansion in new markets and growth within markets in which it currently operates, the Group is exposed to liquidity risk. Although the Group's cash inflows and capital resources are sufficient to fund its current obligations and to satisfy its liquidity needs as at the date hereof, the Group may not be able to satisfy its liquidity needs in the future. Lack of liquidity may occur in numerous scenarios. For instance, the Group could experience a lack of liquidity due to an unexpected increase in rates of delinquencies or defaults on direct consumer loans. If the Group is unable to meet future cash requirements, its growth and thus the implementation of its growth strategy may be adversely affected. As a result, decreasing cash inflows from existing operations and/or increasing cash outflows associated with new operations may result in a material adverse effect on the Group's business prospects, financial condition or results of operations.

Additionally, in order to support its growth and geographical expansion, the Group may in the future rely, next to deposits, on external funds from credit and capital markets. If such external funds are not available under affordable terms, the Group may be required to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding to cover the Group's business needs becomes available under affordable terms. Such measures could include deferring capital expenditures (i.e., acquisitions) and reducing or eliminating the use of cash for the financing of further growth of the Group's business. A limited availability of funds on the market combined with rising lending costs, could adversely affect the Group's growth in both existing and new markets.

**The Group may not be able to successfully evaluate the creditworthiness of its customers or may not price its direct consumer business or sales finance products correctly**

The Group relies on its ability to correctly analyse and score customers' creditworthiness via its automated IT systems. The instantaneous nature of the Group's credit approval process means that the calculation method by which the Group determines a particular applicant's creditworthiness differs somewhat from the calculations made by other large financial institutions offering traditional consumer loans or other similar products. The Group's customer base may include consumers who are not qualifying for general purpose consumer loans or credit cards and consumers who are expanding their existing credit. The Group prices its finance products taking into account the estimated risk level of its customers. If its estimates are incorrect, customer default rates will be higher, which will result in an increase in the Group's non-performing loan losses and in turn will cause the Group to experience reduced levels of net income.

The Group performs an appraisal of customer applications based on the information provided by individual customers, reviews provided by external consumer credit scoring agencies and various other available data, depending on the market in which a particular applicant is located and the direct consumer business or sales finance product for which they are applying. In addition, the Group uses its own software-based scoring procedure to rate the creditworthiness of new and repeat customer applicants. The software-based scoring procedure combines historical data from all of the markets in which the Group operates with current information regarding the specific market and the individual customer applicant. Although the Group's credit policies and software-based scoring procedure are refined and updated on an on-going basis, they may prove insufficient or the evaluations produced by such software may prove incorrect. This may be caused by an internal

failure of the Group's risk management procedures or an external change of conditions beyond the Group's control. Additionally, although the Group currently operates under a "clean-books" policy by regularly selling non-performing assets and also takes the market for non-performing assets into consideration when evaluating expansion plans and scoring methods applied for customer applicants in specific markets, the Group may not have attractive disposal options for non-performing loans in the future. An increase in the ratio of impairments on assets to revenues as a result of incorrect assessments of consumer creditworthiness could significantly adversely affect the Group's financial, economic and liquidity condition.

**The Group's growth strategy relies to a certain extent on its sales finance business and its Avarda joint venture with credit management service provider, Intrum Justitia**

In March 2015, the Group launched initial operations through a joint venture formed with Intrum Justitia. Avarda is 51% owned by the Company and provides white-label invoice solutions to merchants in Sweden, Finland, Norway and Denmark (the "**Avarda Territories**"). Within this joint venture, Intrum Justitia provides the sales force and customer relations department to assist in procuring agreements with merchants for services provided by Avarda. The Group provides the invoice software solution, IT system scoring and funds to grow the loan volume. While Avarda successfully signed up ten merchants between March 2015 and 30 June 2015 and one additional merchant between 30 June 2015 and September 2015, Avarda may not be able to sign up merchants at a similar rate in the future. Should the Group and Intrum Justitia not effectively manage Avarda, growth in the sales finance business of the Group may stagnate or the business volume may even decline. As a result, problems with Avarda may result in a material adverse effect on the Group's business prospects, financial condition or results of operations.

Intrum Justitia has a buy-out option in 2020 for all the shares of Avarda held by the Company. The buy-out option is based on a multiple of the profits after tax and a share of the assets of the Company. Should Intrum Justitia use this option, the Group will receive cash for its 51% stake in Avarda and will be required to not compete in the sales finance business in the Avarda Territories for two years after the buy-out option is exercised. As a result, the Group will be forced to concentrate its operations in sales finance outside of the Avarda Territories, which include its home market of Sweden, and may lose previously realized opportunities to cross-sell its Direct Consumer Business Segment financial products to customers from Avarda or potential sales finance customers in the Avarda Territories generally. If the Group does not adequately diversify geographically in its sales finance business or if it has no other suitable business opportunities to grow its activities if Intrum Justitia exercises its buy-out option for Avarda, the Group's business prospects, financial condition or results of operations may be materially adversely affected.

Should the ownership of the ultimate beneficial owners of the Company outlined in the joint venture agreement with Intrum Justitia fall below 30% of the voting rights in the Company, Intrum Justitia shall have a right to acquire all of the Company's shares in Avarda. As a result, should the required ownership drop below 30% and Intrum Justitia exercise its buy-out option, the Group's business prospects, financial condition or results of operations may be materially adversely affected.

Avarda's strategy is to sign up online merchants with large annual turnovers. The first ten merchants, Avarda has signed up between March 2015 and 30 June 2015 have a combined annual turnover in the Nordics relevant for Avarda of EUR 620,000,000 with one of them making up approximately half of this turnover. As a result, the Group is exposed to business counterparty risk to these merchants. While Avarda's cooperation agreements with these merchants are long-term and cover periods of several years, should competitors be able to offer more attractive terms to merchants and such

merchants thus terminate contracts with Avarða, this may result in a material adverse effect on the Group's business prospects, financial condition or results of operations.

**The Group may not be able to effectively integrate BB Finans and grow the credit card business of BB Finans in line with its growth strategy**

In July 2015, the Group acquired the Norwegian financial service company BB Finans ASA ("BB Finans"). Through BB Finans, the Group has gained access to technology and licenses to offer credit cards in Norway, which the Group intends to expand to offer credit cards in the other countries in which it operates. The Group may not be able to effectively integrate BB Finans into the Group or may have failed to adequately assess all risks in relation to BB Finans' business and operations within its due diligence process and may thus not be able to grow its credit cards product in line with the Group's growth strategy. Problems integrating BB Finans into the Group or expanding the credit card customer portfolio may result in a material adverse effect on the Group's business prospects, financial condition or results of operations.

**The Group may engage in further acquisitions in the future which subjects it to various risks**

The Group's management has in the past analyzed a variety of acquisition targets and may engage in acquisitions of other companies or business assets in the future. Carrying out acquisitions involves further risks. For instance, any acquisition carries the risk that the price paid is considered too high by the market, that the acquisition proves to be less successful than anticipated, that the acquired company or business does not develop as expected by the market, and that sales and earnings goals pursued by way of the acquisition are not met. In addition, any acquisition is subject to the risk that the Group will not be able to integrate the acquired company into the Group as planned or only at a higher cost than originally planned or that any intended synergy effects cannot be realized to the extent anticipated or at all. Furthermore, acquisitions may involve the risk that liabilities related to the acquired business or company are assumed which may not be recoverable from the respective seller. Any of these risks may result in a material adverse effect on the Group's business prospects, financial condition or results of operations.

**A failure to adequately diversify its product portfolio and geographic presence could negatively affect the business of the Group**

The Group's current product offerings are highly concentrated and dependent upon consumer behaviour. Should outside factors negatively affect consumers in the future, some or all of the Group's products could potentially be affected. In such a situation, credit loss risks could further increase if the Group's direct consumer loan and sales finance product portfolio is not adequately diversified among consumer type. A deterioration of economic conditions or an economic slowdown may additionally exacerbate the credit risk associated with insufficient diversification for the Group's product offerings as a whole.

Although the Group now operates in seven countries (with two more countries, the Czech Republic and Slovakia starting operations in the near future), historically, Sweden, Finland, Estonia and Poland have accounted for virtually all of the Group's total operating income. As at 30 June 2015, Sweden and Finland accounted for 81.0% of the Group's total loans to the public and Estonia and Poland for an additional 14.9% of the total loans to the public (not accounting for an additional approximately EUR 16,000,000 in loans to the public in Norway due to the acquisition of BB Finans on 31 July 2015). As a result, the Group is also exposed to country-specific risks with respect to these national markets. In such markets, dissatisfaction with the Group's products, a decrease in customer demand, the failure of the Group to successfully market new and existing products or the failure to retain and

further expand its customer base in its mature markets may negatively affect the Group's business. These risks could also intensify if the Group is unable to geographically diversify and expand its operations and customer base in additional markets, which could have a material adverse effect on the Group's business prospects, financial condition or results of operations.

**The Group may fail to successfully leverage its various business partnerships**

Next to the Group's Avarda joint venture, the Group has recently also partnered with various other companies in order to implement its growth strategy that aims at a rapid expansion of its end customer base. For example, the Group partnered with SafeCharge Card Services, a member of the publically listed SafeCharge Group, to provide a credit solution for SafeCharge Card Service's online digital wallet and mobile phone application. The Group is also partnering with Odin Kapital in Norway to provide unsecured consumer loans in the form of credit cards to patients of dentists who would like to pay dentists' costs via instalment loans. The Group believes that all of these partnerships, and potentially others, provide opportunities to grow its end customer base, however, it is possible that any or all of these partnerships prove unsuccessful or result in losses to the Group as a result of the Group's or its partners' actions. The failure of any of these partnerships could have a material adverse effect on the Group's business prospects, financial condition or results of operations.

**The Group's business and results of operations may be adversely affected if the Group is unable to manage its growth effectively**

The Group's future expansion strategy, including its product portfolio, partnership and geographic expansion strategy, is subject to certain risks. The Group's continued growth is dependent upon a number of factors, including the ability to develop efficient internal monitoring and control systems, the ability to develop and implement "best practices" in response to day-to-day business challenges, the ability to secure adequate financing to successfully establish operations in new markets, the ability to turn new operations profitable within the expected time after market entry, the ability to correctly assess legal requirements in targeted markets and monitor on-going changes in existing markets, the ability to develop and maintain adequate and secured IT platforms, the ability to successfully integrate any operations which may be acquired in the future, the ability to identify and overcome cultural and linguistic differences which may impact market practices within a given geographic region and other factors, some of which are beyond the Group's control. The Group may not be able to effectively manage the expansion of its operations or the Group's current personnel, systems, procedures, and controls may not be adequate to support the Group's future operations.

In some countries, certain consumer loan products of the Group may not be offered in the same manner as in other countries due to more restrictive bank and consumer regulation. For instance, certain fees may be restricted or interest rate caps may be imposed, which can affect the Group's pricing model in these markets. Under these circumstances, the business success of the Group depends on its ability to offer consumers alternative and equally attractive products. In the last three years, the Group has enhanced its product portfolio, which now consists of smaller, traditional direct consumer loans, savings accounts, credit cards and sales finance product offerings to customers of e-commerce and other merchants. Although, product variations provide the Group with a more diversified consumer product portfolio, the launch of new products – even when based on the same processes, systems, and scoring as the existing products – involves additional investments and carries the risk of product failure or implementation delays.

Additionally, while organic growth and continued product development and improvement are core components of the Group's strategy, growth through acquisitions may also comprise part of the

Group's development strategy. Such acquisitions are accompanied by respective transactional risks. Any future acquisition may require significant financial resources. If the Group experiences any difficulties in integrating acquired operations into its business, the Group may also incur higher than expected costs and may not realize all the benefits of such acquisitions. This could lead to adverse accounting and financial consequences, such as the need to write down acquired assets. Any failure of the Group to effectively manage its growth and development could have a material adverse effect on the Group's business, financial condition and results of operations.

**Any disruption in the Group's information systems or the global telecommunication infrastructure could adversely affect the Group's operations**

IT systems are an essential component of the Group's business due to its diverse use of automated processes and controls. The Group evaluates and seeks to improve its current systems on a continuous basis, including developing new systems, and introducing comprehensive maintenance schemes for existing software. The Group utilizes a proprietary IT platform, which provides control and automation of the application process for the Group's product offerings. However, due to the open nature of the Internet and the increasing sophistication of online criminality, all web-based services are inherently subject to corruption risks. In addition, despite the comprehensive maintenance efforts and careful development of the Group's IT systems, such systems might fail or experience periods of outage or delay in the transfer of information which could significantly impact the Group's operations. Damage to the Group's IT systems and software or failure to protect its data against a cyber-attack could have a material adverse effect on the Group's business.

Additionally, the Group relies on global telecommunications including the Internet and various mobile and online services worldwide in order to conduct its operations and offer its products to customers. To access the Group's online consumer loan portals or merchant websites which feature the Group's sales finance products, the Group's and affiliate merchants' customers need to have Internet access or a mobile data connection. Disruption of these or similar telecommunications services globally, or in the respective countries in which the Group operates, due to equipment or infrastructure failures, strikes, piracy, terrorism, government restrictions, weather-related problems, or other events, could temporarily impair the Group's ability to supply its product portfolio to its customers, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group is partially dependent on third party suppliers and material agreements with third parties**

The Group relies to some extent on hosting providers, marketing support services, licensing agreements, communications carriers and other third parties for the day-to-day operation of its business. The Group also utilizes certain third-party software for general corporate operations and is dependent on certain third-party data providers (i.e., credit bureaus) in order for its customer assessment scoring model to operate successfully. If any of these third party suppliers ceased to supply their products or services to the Group or were unable to fulfil the terms of their contracts for any reason and the Group could not replace them with alternative suppliers in a timely fashion or on favourable commercial terms, it could impair the quality of, or make it impossible for the Group to deliver, its own products and services.

**Competition in the direct consumer business or sales finance industries could cause the Group to lose its market share and revenues**

The Group faces competition in all the countries in which it operates. In some countries, in particular in Sweden, which is one of the Group's core markets, there are well-established and sophisticated competitors. There is a wide range of companies targeting the market for small consumer loans and credit cards, including various smaller, locally operated companies in addition to larger traditional consumer banks. While the Group's key consumer loan segment currently offers loans of up to EUR 5,000 (or up to EUR 6,000 for joint loan applicants), many of the Group's competitors do not restrict the size of available loans or provide the possibility for larger loan amounts than the Group offers. In addition, the Group also competes with other forms of short-term financing such as peer-to-peer loans and other credit cards. In the sales finance industry, other companies could have pre-existing relationships with the Group's target merchant partners or could offer better terms for sales finance products to the Group's existing merchant partners.

The highest risk of competition is experienced particularly in mature markets with high saturation, such as Sweden. In the past, intensive competition has pushed prices downward in some markets, which, if competition further intensifies, could erode profit margins and the Group's net income. The Group believes that the direct consumer loan and e-commerce & sales finance markets may become even more competitive as the industry consolidates. Some of the Group's competitors may have larger and more established customer bases and substantially greater financial, marketing and other resources than the Group currently has. As a result, the Group could lose market share to these competitors and its revenues could decline, thereby affecting the Group's ability to generate sufficient cash flow to fund expansion of its operations. This could have a material adverse effect on the Group's business prospects, financial condition or results of operations.

**A reduction in demand for the Group's products or failure by the Group to develop innovative and attractive products could adversely affect the Group's business and results of operations**

A significant share of the Group's revenue is generated through its core direct consumer loan product, while the remainder is generated by the Group's sales finance segment. The demand for a particular product the Group offers may be reduced due to a variety of factors, such as regulatory restrictions that decrease customer access to particular products, the availability of competing products or changes in customers' preferences or financial conditions. Furthermore, any changes in economic factors that adversely affect consumer purchase behaviour and employment could reduce the volume or type of loan products the Group provides and have an adverse effect on the Group's revenues and result of operations. Should the Group fail to adapt to significant changes in consumers' demand for, or access to, its direct consumer loan product, the Group's revenues could decrease significantly and operations could be harmed. Each modification, new products and alternative method of conducting business is also subject to risk and uncertainty and requires significant investment in time and capital, including additional marketing expenses, legal costs and other incremental start-up costs. Even if the Group does make changes to existing products or introduce new products to meet customer demand, customers may resist or may reject such products.

The Group's future growth may depend on its ability to foresee the direction of the commercial and technological development of production processes and technologies in its key markets. Future growth and the Group's ability to reach its innovation targets will also depend upon the Group's ability to successfully develop new and improved direct consumer business and sales finance products and services, using existing or new technological capabilities, and to successfully market these products in changing economic environments. The Group might not be successful in continuing to meet its customers' needs through innovation or in developing new products and technologies or, if developed, such new products might not be accepted by potential customers. The Group may not be able to recover investments that it has made in order to develop these new

products or processes, and may not have sufficient resources to keep pace with technological developments. The failure of the Group to keep pace with the evolving technological innovations in its markets and adequately predict customer preferences could have a material adverse effect on the Group's business, product portfolio, financial condition and results of operations.

**If the Group loses current key members of management or is unable to attract and retain the talent required for its operations, the Group's business may suffer**

The Group's success depends on its employees, which as at 30 June 2015 totalled 68 persons, including key management personnel with another nine people employed by Norwegian company BB Finans, which was acquired in July 2015. Familiarity with internal processes and operational expertise of the Group's employees are critical factors in the efficiency of the Group's business operations. The Group applies a variety of approaches to mitigate the risk of losing this expertise and to increase employee loyalty, including but not limited to market adjusted salaries and health care contributions. However, these measures may not be sufficient to retain key employees, the loss of which could have a significant impact on the Group's business operations.

The Group is especially dependent on the expert knowledge of its current senior management. If any of the key managers or other critical employees were to leave the Group or join a competitor, the Group might be unable to attract and retain suitable replacements. As a result, the Group may be unable to pursue its business operations as planned which could have a material adverse effect on its future business, financial condition and results of operations.

**The Group may fail to comply with data protection and privacy laws, which could negatively affect its business**

The Group's operations are subject to a number of laws relating to data privacy, including the Privacy and Electronic Communications (EC Directive) Regulations 2003 as well as relevant local data protection and privacy laws in jurisdictions in which the Group operates. The requirements of these laws may affect the Group's ability to collect and use personal data in a way that is of commercial use to the Group, for example in determining a potential applicant's credit profile. Breach of data privacy legislation could result in the Group being subjected to claims from its customers that it has infringed their privacy rights, and it could face administrative proceedings (including criminal proceedings) initiated against it by the data protection regulators of the relevant jurisdictions in which the Group operates. In addition, any inquiries made, or proceedings initiated by, regulators could lead to negative publicity in addition to potential liability for the Group, which could materially adversely affect its reputation and business.

**The nature of the Group's business as a provider of consumer loans and sales finance products may be misunderstood by customers, consumer protection organizations and others. Negative public perception and reputational damage could adversely affect the Group's business**

Consumers, consumer protection organizations, or journalists may not correctly understand and represent the nature or scope of the Group's products. Any misunderstandings or mischaracterizations of the Group's business or products could result in negative reviews, articles or complaints regarding the Group, the Group's products, or the industry in which the Group operates.

Consumer protection bodies, consumer advocacy groups, certain media reports, and a number of regulators and elected officials in markets in which the Group conducts business have from time to time advocated government action to prohibit or severely restrict certain types of short-term consumer lending or financing of consumer sales. These efforts have often focused on lenders that

target customers who have short term liquidity needs and, in many cases, low levels of personal savings and incomes and that charge consumers imputed interest rates and fees which, on an annualized basis, are much higher than those charged by credit card issuers or banks to more creditworthy consumers. There is a risk that the Group could be affected by negative publicity associated with other loan, credit card or sales finance companies which are targeted by consumer advocacy groups or regulatory authorities, even if these companies are not affiliated with the Group or its business. Additionally, in certain countries, such as Estonia, there is a high rate of complaints brought by customers relating to financial products. Such complaints require time and resources for the Group and must be taken into consideration for operating in the region.

Further, the Group may generally experience a decrease in demand for its products if consumers perceive any of the Group's products as unreasonably expensive or abusive toward customers. Furthermore, media coverage and public statements that allege some form of corporate wrongdoing in the industries in which the Group operates may make it more difficult for the Group to attract and retain qualified employees and management, as well as divert management attention and increase hiring expenses. A negative perception of the behaviour of individual employees, the Group itself, affiliated or like companies or the entire industry may severely damage the Group's reputation and could lead to potential legal claims and have a material adverse effect on the Group's business prospects, financial condition or results of operations.

#### **The Group's operations are subject to exchange rate risk**

The Group operates internationally and is therefore subject to unexpected changes in foreign currency exchange rates among various currencies. Foreign exchange risk arises in connection with current and future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

Currently, the Group accepts deposits from consumers in Swedish krona and euro (the large majority of which are made in Swedish krona). The Group relies on swap agreements and other financial instruments in order to obtain necessary currency for its product offerings in other markets that do not use these currencies (such as in Poland, where products are offered in Polish zloty). The Group uses its customer deposits for a large portion of its liquidity requirements when offering Group products and there is a risk that the amount of customer deposits or the amount of customer deposits in a specific currency does not adequately cover the Group's future liquidity needs. Adverse foreign exchange fluctuations against euro, especially in the Swedish, Polish, or Norwegian currencies, could have a material adverse effect on the Group's business, financial condition and results of operations.

#### **The Group is subject to accounting and management risk**

Preparation of the Group's financial statements requires the Group's management to make estimates, assumptions, and forecasts regarding the future. These estimates, assumptions, and forecasts may be inaccurate and are inherently subject to uncertainties. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations of the Group. Furthermore, the Group's management is required to use its judgment in the application of accounting principles in the preparation of the financial statements. Group subsidiaries vary by size and geographic location. The nature of the Group's cross border operations involves arrangements that often require the judgment of the Group's management in the application of accounting policies. Inadvertent errors in accounting and/or management decisions could have a material adverse effect on the Group's business, financial condition and results of operations.

From time to time, the International Accounting Standards Board ("IASB") or the EU revise the International Financial Reporting Standards ("IFRS"), which apply to the Group's financial reporting. Changes in regulations governing reporting requirements may be difficult to foresee and can affect the accounting and reporting procedures of the Group. IASB has published its new standard for financial instruments, IFRS 9, which contains new standards for classification and measurement, among other changes. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The implementation of IFRS 9 will likely affect the Group's accounting procedures as well as its capital adequacy requirements. If the Group is unable to comply with current or future reporting requirements, its reputation and business could be negatively affected.

#### **The Group is subject to certain risks connected to interest rate fluctuations**

The Group's direct consumer lending products and interest paid on savings rate deposits are tied to variable interest rates. An increase in market interest rates could have a negative effect on the Group's profits in the event that such an increase would affect the interest rates and payments on consumer finance products and savings accounts offered by the Group. Higher interest rates could oblige the Group to raise savings account rates, increasing the Group's financing costs. If the Group is unable to compensate by charging higher interest rates on its loan products, its profitability could be negatively affected, which could ultimately affect the Group's business, financial condition and results of operations. Alternatively, should interest rates continue to decline, the Group could also face a situation where deposits of the Group held by other institutions decline or even reach negative interest rates – which, at the date of this Prospectus, is the case for deposits held with the Bank of Finland – which could have an adverse impact on the Group's business, financial condition and results of operations.

#### **If the Group incurs a large amount of fraud-related losses, the Group's results of operations and financial condition may be adversely affected**

The Group is exposed to fraud risk associated with information provided by its (potential) customers. The most common fraud risk is identity theft. There is a risk that the Group could suffer losses in the future due to the criminal behaviour of its potential or actual customers, which may be unanticipated or undetected by the Group. Further, a large-scale attack or collusion among customer applicants could result in potentially greater losses if the Group is unable to detect or prevent such behaviour. This could have a negative impact on the Group's business prospects, including its reputation as well as its financial condition and results of operations.

#### **The Group may incur property, casualty or other losses not covered by insurance**

The Group considers its insurance coverage to conform to market practice for companies in its industry. However, insurance fully covering political, economic and many other risks relating to the Group's business is not generally available to the Group or to other companies. No assurance can be given that the insurance policies that the Group currently has in place will continue to be available, or that they will be available at economically feasible premiums.

Any actual losses suffered by the Group may exceed the Group's insurance coverage and would be subject to limitations and excesses, which could be material. The realization of one or more damaging event for which the Group has no or insufficient insurance coverage may have a material adverse effect on the Group's business, financial condition and results of operations.

## Regulatory and Legal Risks

### **The Group's business is dependent on the license to conduct banking business**

According to the Swedish Banking and Financing Business Act of 2004, a banking business in Sweden can only be provided with a license from the SFSA. The Company was granted its license in January 2012. The SFSA conducts full supervision of the Company. It may do both off and on-site inspections and has the power to require the production of and to obtain access to all records, documents or information. The SFSA enforces compliance and can impose sanctions for failure to comply with or properly implement legal requirements. Criminal sanctions can apply for failure to comply with market abuse regulations or for tipping off a company under SFSA authority as to a potential or actual investigation. The SFSA also has a wide range of administrative sanctions available to it, including an official remark or warning in connection with a punitive fine and the ability to remove a board member or managing director (but not other senior management) of a company. The SFSA can also withdraw a company's license for a variety of reasons including, but not limited to, non-compliance with existing or failure to implement new regulatory requirements.

The Group is dependent on its banking license with the SFSA. If the SFSA were to withdraw the Company's license for any reason, the business of the Group would be in jeopardy and it might also have to cease a majority or all of its current operations. Other administrative sanctions imposed by the SFSA could cause significant reputational risk, which could harm the Group's business, financial condition and results of operations.

### **The Group is subject to various consumer protection laws, other local legal and regulatory requirements and European law, changes or different interpretations of which could significantly impact the Group's business**

The Group is subject to various laws, regulatory requirements and general guidelines in the countries in which it operates. Changes to local legislation require the Group's respective local subsidiaries to adapt operations to ensure compliance with such changes. Failure to timely implement procedures that comply with new regulations may have a material adverse effect on the Group's business, financial condition, or results of operations. There is a risk that courts, regulatory agencies and financial supervisory authorities in the jurisdictions which the Group operates in, including the Company's home country supervisory authority, the SFSA, could issue new regulations or interpretations or find the Group's services to be in violation of local or EU-wide legal requirements (such as license requirements, maximum interest rate provisions, transparency requirements or other regulatory requirements).

In the past, the Group has adapted its business model and product offerings in several countries as a result of regulatory changes. Although the Group strives to adapt its business model and products to all changes in regulatory requirements in the various countries it operates in, future regulatory changes may be too burdensome to comply with or may result in the Group's business model in a particular jurisdiction becoming unprofitable. Such developments could have a material adverse impact on the financial and market position of the Group.

### **The Group may fail to successfully manage the diverse sets of regulatory requirements it currently is subject to, particularly requirements under the EU Capital Requirements Directive (2013/36/EU) and the Capital Requirement Regulation (575/2013), and may face regulatory problems entering into new markets**

Business operations in a wide set of different jurisdictions with diverse statutory requirements necessitates careful management of the legal and regulatory challenges in many fields, including but not limited to: (i) license requirements, (ii) maximum interest rate regulations, (iii) distance contracts regulations, (iv) consumer protection legislation, and (v) capital adequacy regulations. These diverse legal frameworks implicate various legal and regulatory risks, including but not limited to the risks of market entry in new jurisdictions. The legal requirements for launching the Group's business in new jurisdictions vary significantly with some jurisdictions having no registration/license requirements and others requiring various licenses (e.g., a banking license specific to that jurisdiction). Entering new jurisdictions implicates challenging legal requirements on a local level. Failure to comply with local legal requirements may have a material adverse effect on the Group's business, reputational standing, financial condition and results of operations. In addition, the diversification of the Group and entry into new markets and jurisdictions also increases its legal costs and continued compliance costs with local laws and regulations.

The Company is subject to capital adequacy regulations, which aim to put in place a comprehensive and risk-sensitive legal framework and to ensure enhanced risk management among financial institutions. The Company must at all times reach the capital requirements in accordance with the EU Capital Requirements Directive 2013/36/EU ("**CRD IV**") and the Capital Requirements Regulation (EU) No 575/2013 ("**CRR**"). CRD IV and CRR have imposed significant changes for financial institutions in terms of minimum capital requirements and capital buffers.

These capital requirements could force the Company to issue additional capital, which may be unavailable to the Company in the future or unavailable at an attractive rate or within the timeframe necessary in order to ensure compliance with such requirements. Failure to comply could lead to administrative sanctions by the SFSA, which may also affect the Company's ability to conduct its business and in turn its financial condition and results of operations.

**Changes to the Swedish Deposit Protection Program, or a decision resulting in the savings deposit accounts with the Company no longer being covered by the Deposit Protection Program, may have a negative effect on the Group**

The Deposit Protection Program is a Swedish state-provided guarantee of deposits in all types of accounts in banks, securities companies and certain other financial institutions. The Deposit Protection Program guarantees the customers' deposits in the event the Company is declared bankrupt or if the SFSA determines that the Deposit Protection Program should be activated in a given situation. The Deposit Protection Program is administered by the Swedish National Debt Office.

If activated, the insurance guarantees each customer compensation amounting to the value of the total funds in his or her account(s) with the Company, plus accrued interest, until the time of the bankruptcy or the SFSA's activation decision. The maximum compensation is an amount (in SEK) corresponding to EUR 100,000. As of the date of this Prospectus, only very few customer deposits of the Group exceed EUR 100,000 and the average customer deposit was approximately EUR 27,000 as at 30 June 2015. There is however a risk that regulatory changes which decrease the maximum compensation amount or repeal the Deposit Protection Program are implemented, which could have a negative effect on the amount of customer savings deposit accounts with the Company. Such changes could also lead to an increase in withdrawals from accounts currently held with the Company. This could have a negative effect on the Group's business, financial condition and results of operations.

**Changes in laws on legally permissible interest rates may have a negative effect on the Group**

The Group is currently subject to regulatory caps on lending rates in Finland and Poland. Legislation in these jurisdictions limits the amount of interest that may be charged for certain financial products. Should such regulatory requirements increase or should new requirements be introduced in other jurisdictions in which the Group operates, the Group may have to alter the terms upon which it offers some or all of its financial products. Such changes could lead to decreased profitability and could ultimately have a negative effect on the Group's business, financial condition and results of operations.

#### **Changes in laws on data protection may have a negative effect on the Group's marketing**

The Group's method for processing personal data is governed by laws on personal data protection. The Group's business is subject to, inter alia, the Swedish Personal Data Act (the "**Personal Data Act**"). The authority supervising the processing of personal data in Sweden is the Swedish Data Protection Authority (Sw. *Datainspektionen*) (the "**DPA**"). The Personal Data Act contains regulations relating to the processing of personal data through, inter alia, the collection, registration, storage and disclosure thereof, as well as the conditions under which processing of personal data is allowed. According to the Personal Data Act, the Group must ensure, among other things: (i) that personal data is processed only if it is lawful to do so; (ii) that it is processed in a proper manner and in accordance with good practice; (iii) that it is gathered only for specific, explicitly stated and legitimate purposes; (iv) that it is not processed for any purpose that is incompatible with those for which the data was gathered; and (v) that the data is adequate and relevant to the purpose of the processing.

The DPA has the right of access to the personal data processed as well as information about and documentation of the processing, and is also empowered to enter the Company's premises which are connected with the processing. If the DPA cannot obtain sufficient information to establish that the processing is lawful, it may prohibit the controller from processing personal data in any manner other than storage of such data or assess a fine against the controller, should it continue any other processing activities. The DPA can also limit processing activities or levy fines if, following an unlawful instance of personal data processing, the DPA determines that it is not possible to effect rectification in any other way or if the matter is of an urgent, ongoing nature. Such requirements and potential administrative actions or fines administered by the DPA could lead to unexpected costs and increased administrative burden for the Group.

Additionally, if the Group's right to market its products through direct advertising would be limited due to changes in relevant regulations, e.g., by limiting the possibility to use gathered personal data for marketing purposes, the Group may need to rely on other, less effective, marketing methods. This could have a negative effect on the Group's business, financial condition and results of operations.

#### **The Group may fail to comply with the regulation on measures against money laundering and terrorist financing**

The Company's business is subject to the Swedish Money Laundering and Terrorist Financing (Prevention) Act as well as general guidelines adopted by the SFSA. The requirements are detailed and demand substantial resources, internal routines and guidelines. During the last decade, the SFSA has intensified its monitoring of financial institutions, which has led to a number of administrative sanctions for such institutions. Furthermore, the legal framework has been revised and is constantly subject to discussions on an international level. It is possible that new or amended requirements would require the Company to further adapt its practices and procedures. The Company has

adopted comprehensive internal guidelines and routines related to, inter alia, customer due diligence and implemented monitoring and reporting procedures in order to comply with the regulation. While the Group takes comprehensive measures to comply with the legal framework and specific local regulatory requirements of each jurisdiction regarding measures to prevent money laundering, it is possible that local courts, regulatory agencies and financial supervisory authorities, including the Company's home country supervisory authority, the SFSA, could issue new regulations or interpretations in the future or find the Group's measures to be inadequate or in violation of local or EU-wide legal requirements. Administrative sanctions by the SFSA or other regulatory authorities would cause significant reputational risk, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**The Company may fail to comply with all regulations it is subject to and such failures could materially impact its operations and strategy**

The Group operates in several countries under the Company's EU banking license issued in January 2012 by the SFSA, namely Sweden, Denmark, Estonia, Finland, Latvia, Norway and Poland. This EU banking license is required or may be required to conduct business in a number of existing and potential future markets. The Company's banking license also provides the Group with reputational benefits and increased levels of consumer confidence, access to pertinent databases to further enhance the Group's current scoring models and funding options linked to the ability to accept deposits (insured by the Deposit Protection Program) to support profit growth. However, under Swedish law, the banking license may be revoked or restricted by the SFSA for a variety of reasons including, but not limited to, the Group's non-compliance with existing or new regulatory requirements. Such a restriction or revocation of the banking license would require the Group to adhere to existing or to implement new measures to comply with regulatory requirements issued by the SFSA.

Additionally, if a new shareholder accumulates a shareholding of 10% or more in the Company, the shareholder must be approved by the SFSA in order for the Company to remain in compliance with Swedish laws and regulations.

These factors and other factors could impair the Group's swift entry into new European markets and/or result in operational delays that could have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group is subject to challenges by tax authorities and may not correctly apply all the various tax regimes it is subject to**

The Group's main tax risks are related to changes to or possible erroneous interpretations of tax legislation. Such changes or erroneous interpretations could lead to tax increases or other financial losses. Realization of such risks might have a material adverse effect on the Group's business, financial condition and results of operations.

The Group operates in seven different countries with diverse sets of tax regimes, although the Company is principally subject to Swedish tax law. Corporate income tax, value added tax, sales taxes and other taxes levied upon on the Group's business are subject to change and can be increased, changed or completely restructured at any time. While the Group monitors tax changes consistently and has not faced any significant tax challenges or disputes with tax authorities in past years, changes to local tax regimes or challenges to the current tax structure of the Group could have a material adverse effect on the Group's business, financial condition, or results of operations.

## **Risks relating to the Bonds**

### **Credit risks towards the Issuer**

Investors in the Bonds carry a credit risk relating to the Issuer. The investor's ability to receive payment under the Bonds is therefore dependent on the Issuer's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Issuer's operations and its financial position. The Issuer's financial position is affected by several factors of which some have been mentioned above.

An increased credit risk may cause the market to charge the Bonds a higher risk premium, which would affect the Bonds' value negatively. Another aspect of the credit risk is that a deteriorating financial position of the Issuer may reduce the Issuer's possibility to receive debt financing at the time of the maturity of the Bonds.

### **Liquidity risk**

Active trading in the Bonds does not always occur. Hence, it is not certain that a liquid market for trading in the Bonds will occur, or be maintained. This may result in that the bondholders cannot sell their Bonds when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Bonds.

It should also be noted that during a given time period it may be difficult or impossible to sell the Bonds (at all or at reasonable terms) due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

### **The market price of the Bonds may be volatile**

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. In addition, the global financial markets have experienced significant price and volume fluctuations in recent years, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Issuer's operating results, financial condition or prospects.

### **Change of law**

The terms and conditions of the Bonds are based on Swedish law in effect as at the date of issue of the Bonds. There is a risk that a judicial decision or change to Swedish law or administrative practice after the date of issue of the Bonds could have impact on the Bonds and the implementation and interpretation of the terms and conditions of the Bonds.

### **The Issuer's obligations under the Bonds are subordinated**

The rights of the bondholders will, in the event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer, be subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer.

The Bonds will rank at least *pari passu* with all other subordinated indebtedness of the Issuer. The Issuer may also issue other debt obligations or capital instruments that rank or are expressed to rank senior to the Bonds, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer.

In the event of a liquidation or bankruptcy of the Issuer, the Issuer will be required to pay its depositors and its unsubordinated creditors in full before it can make any payments on the Bonds, the Issuer may not have enough assets remaining after these payments are made to pay amounts due under the Bonds.

In addition, on 15 April 2014 and 6 May 2014 respectively, the European Parliament and the Council of Ministers adopted Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council ("**BRRD**") and the BRRD, as finally implemented in Sweden, could mean that an investor in the Issuer's regulatory capital instruments as Tier 2 Capital runs the risk that the Issuer's debt under those instruments will be written off (bail-in), rescheduled or further subordinated (for instance, by the swapping of debt to equity).

#### **Redemption of the Bonds upon on the occurrence of a capital disqualification event or a tax event**

The Issuer may upon the occurrence of certain regulatory events, at its option, but in each case subject to obtaining the prior consent of the Swedish FSA, redeem all, but not some only, of the Bonds at par together with accrued interest.

If the Issuer has received the Swedish FSA's consent following any of these regulatory events and the Bonds would be redeemed, there is a risk that the bondholders cannot reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Bonds.

#### **There are limited acceleration events in relation to the Bonds**

The holders of the Bonds may only accelerate the Bonds upon the occurrence of liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer. In such circumstances, the Bonds will become due and payable at their outstanding principal amount, together with accrued interest thereon.

#### **Call options are subject to the prior consent of the Swedish FSA**

The Issuer has the option to redeem the Bonds as from the first call date, being the date falling five years after the issue date of the Bonds. If the Issuer considers it favourable to exercise such a call option, the Issuer must obtain the prior consent of the Swedish FSA.

The bondholders have no rights to call for the redemption of the Bonds and should not invest in the Bonds in the expectation that such a call will be exercised by the Issuer. The Swedish FSA must agree to permit such a call, based upon its evaluation of the regulatory capital position of the Issuer and certain other factors at the relevant time. There is a risk that the Swedish FSA not permit such a call or that the Issuer not exercise such a call. The bondholders should be aware that they may be

required to bear the financial risks of an investment in the Bonds for a period of time in excess of the minimum period.

#### **Exchange rate risks and exchange controls**

The Issuer will pay principal and interest on the Bonds in SEK. 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 SEK. These include the risk that exchange rates may significantly change (including changes due to devaluation of SEK or revaluation of 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 SEK would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### **No action against the Issuer and bondholders' representation**

In accordance with the Terms and Conditions, an agent will represent all bondholders in all matters relating to the Bonds and the bondholders are prevented from taking actions on their own against the Issuer. Consequently, individual bondholders do not have the right to take legal actions to declare any default by claiming any payment from the Issuer and may therefore lack effective remedies unless and until a requisite majority of the bondholders agree to take such action.

However, the possibility that a bondholder, in certain situations, could bring its own action against the Issuer (in breach of the Terms and Conditions) cannot be ruled out, which could negatively impact an acceleration of the Bonds or other action against the Issuer.

To enable the agent to represent bondholders in court, the bondholders and/or their nominees may have to submit a written power of attorney for legal proceedings. The failure of all bondholders to submit such a power of attorney could negatively affect the legal proceedings.

Under the Terms and Conditions, the agent will in some cases have the right to make decisions and take measures that bind all bondholders. Consequently, the actions of the agent in such matters could impact a bondholder's rights under the Terms and Conditions in a manner that would be undesirable for some of the bondholders.

#### **Bondholders' meetings, modification and waivers**

The Terms and Conditions includes certain provisions regarding bondholders' meeting. Such meetings may be held in order to resolve on matters relating to the bondholders' interests. The Terms and Conditions allows for stated majorities to bind all bondholders, including bondholders who have not taken part in the meeting and those who have voted differently to the required majority at a duly convened and conducted bondholders' meeting. Consequently, the actions of the majority in such matters could impact a bondholder's rights in a manner that would be undesirable for some of the bondholders.

#### **Restrictions on the transferability of the Bonds**

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Bonds may not offer or sell the Bonds in the United States. The Issuer has not undertaken to register the Bonds under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Bonds in the future. Furthermore, the Issuer has not registered the Bonds under any other country's securities laws. It is the bondholder's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

#### **Risks relating to the clearing and settlement in Euroclear's book-entry system**

The Bonds will be affiliated to Euroclear Sweden's account-based system, and no physical notes will be issued. Clearing and settlement relating to the Bonds will be carried out within Euroclear's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of Euroclear's account-based system.

#### **U.S. Foreign Account Tax Compliance Withholding**

The U.S. has introduced tax legislation, the Foreign Account Tax Compliance Act ("**FATCA**"), which may incline the Issuer to enter into an agreement with the U.S. tax authorities, inter alia, agreeing to report and withhold tax on transactions involving certain entities with certain connections to the U.S. If the Issuer enters into such agreement, it may under certain circumstances have to deduct U.S. tax on payment under the Bonds to certain investors, and such investors may not receive the full amount as anticipated in the terms of the Bonds.

The application of FATCA to interest, principal or other amounts paid with respect to the Bonds 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 Bonds, neither the Issuer nor any other party involved in making payments under the Bonds would, pursuant to the conditions of the Bonds, 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, receive less interest or principal than expected. The bondholders should consult their own tax advisers on how these rules may apply to payments they receive under the Bonds.

## THE BONDS IN BRIEF

The following summary contains basic information about the Bonds. It is not intended to be complete and it is subject to important limitations and exceptions. Potential investors should therefore carefully consider this Prospectus as a whole, including documents incorporated by reference, before a decision is made to invest in the Bonds. For a more complete understanding of the Bonds, including certain definitions of terms used in this summary, see the Terms and Conditions.

<b>Issuer</b> .....	TF Bank AB (publ).
<b>Bonds Offered</b> .....	SEK 100,000,000 in aggregate principal amount of subordinated tier 2 floating rate bonds due 2025.
<b>Number of Bonds</b> .....	100.
<b>ISIN</b> .....	SE0007783477.
<b>Issue Date</b> .....	14 December 2015.
<b>Issue Price</b> .....	100%.
<b>Interest Rates</b> .....	Interest on the Bonds will be paid at a floating rate of three-month STIBOR plus 6.25% per annum.
<b>Interest Payment Dates</b> .....	14 March, 14 June, 14 September and 14 December of each year commencing on 14 March 2016. Interest will accrue from (but excluding) the Issue Date.
<b>Nominal Amount</b> .....	The Bonds will have a nominal amount of SEK 1,000,000 and the minimum permissible investment in the Bonds is SEK 1,000,000.
<b>Status of the Bonds</b> .....	The Bonds are denominated in SEK and each Bond is constituted by the Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with the Terms and Conditions.

The Bonds will constitute Tier 2 Capital of the Issuer. The Bonds constitute subordinated and unsecured obligations of the Issuer and rank with equal right of payment ("*pari passu*") without any preference among themselves.

The rights of the Bondholders shall, in the event of the liquidation (*Sw. likvidation*) or bankruptcy (*Sw. konkurs*) of the Issuer, be subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer but shall rank at least *pari passu* with all other subordinated indebtedness of the Issuer and shall rank in priority to any Additional Tier 1 Capital of the Issuer.

For the avoidance of doubt, the Bondholders will, in the

event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*), rank in priority of any holders of any class of share capital or Additional Tier 1 Capital of the Issuer.

The Issuer reserves the right to issue further subordinated bonds and other subordinated obligations in the future, which may rank pari passu with the Bonds as well any capital instruments issued as Additional Tier 1 Capital of the Issuer, which may rank junior to the Bonds.

No Bondholder who in the event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer is indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the Bonds held by such Bondholder.

**Redemption at the option if the Issuer.....** Subject to the consent from the Swedish FSA and giving notice to the Bondholders and the Agent, the Issuer may redeem all (but not some only) outstanding Bonds on (i) the First Call Date or (ii) any Interest Payment Date falling after the First Call Date.

**Early redemption upon the occurrence of a Capital Disqualification Event .....** If a Capital Disqualification Event occurs prior to the First Call Date, the Issuer may, at its option, but subject to consent from the Swedish FSA and giving notice to the Bondholders and the Agent, redeem all (but not some only) outstanding Bonds on any Interest Payment Date.

A "**Capital Disqualification Event**" means, at any time on or after the Issue Date, there is a change in the regulatory classification of the Bonds that would be likely to result in the exclusion of the Bonds from the Tier 2 Capital of the Issuer or reclassification of the Bonds as a lower quality form of regulatory capital, provided that:

- (a) the Swedish SFA considers such a change to be sufficiently certain; and
- (b) the Issuer demonstrates to the satisfaction of the Swedish SFA that the regulatory reclassification of the Bonds was not reasonably foreseeable at the Issue Date,

and provided that such exclusion is not a result of any applicable limitation on the amount of such Tier 2 Capital contained in the Capital Regulations.

**Early redemption upon the occurrence of a Tax Event.....** If a Tax Event occurs prior to the First Call Date, the Issuer may, at its option, but subject to consent from the Swedish FSA and giving notice to the Bondholders and the Agent, redeem all (but not some only) outstanding Bonds on any Interest Payment Date.

A "**Tax Event**" means the occurrence of any amendment to, clarification of or change in the laws, treaties or regulations of Sweden affecting taxation (including any change in the interpretation by any court or authority entitled to do so) or any governmental action, on or after the Issue Date and which was not foreseeable at the Issue Date, resulting in a substantial risk that:

- (a) the Issuer is, or becomes, subject to a significant amount of additional taxes, duties or other governmental charges or civil liabilities with respect to the Bonds; or
- (b) the treatment of any of the Issuer's items of income or expense with respect to the Bonds as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be accepted by any tax authority, which subjects the Issuer to a significant amount of additional taxes, duties or governmental charges.

**Acceleration of the Bonds ....** The Bondholders have no right to accelerate the Bonds or otherwise request prepayment or redemption of the principal amount of the Bonds, except following the occurrence of the following events:

- (a) the Issuer is placed into bankruptcy (Sw. *försatt i konkurs*); or
- (b) the Issuer is subject to liquidation proceedings (Sw. *trätt i likvidation*).

If the Bonds are accelerated due to a non-payment, except without the prior consent of the Swedish FSA, the Issuer is only required to make a repayment after being placed into bankruptcy (Sw. *försatt i konkurs*) or being subject of liquidation (Sw. *trätt i likvidation*).

**First Call Date .....** Means the date falling 5 years after the Issue Date.

**Final Maturity Date .....** Means the date falling 10 years after the Issue Date

**Use of Proceeds .....** The Bonds shall constitute Tier 2 Capital of the Issuer and the proceeds from the issue of the Bonds shall be used (after deduction has been made for the transaction costs payable by the Issuer to the Sole Bookrunner and the Issuing Agent and their professional advisors for the services provided in relation to the placement and issuance of the Bonds) for general corporate purposes of the Issuer.

<b>Transfer Restrictions .....</b>	The Bonds are freely transferable.
<b>Listing.....</b>	Application has been made to list the Bonds on Nasdaq Stockholm.
<b>Agent .....</b>	Nordic Trustee & Agency AB (publ).
<b>Sole Bookrunner .....</b>	Carnegie Investment Bank AB.
<b>Issuing Agent .....</b>	Carnegie Investment Bank AB.
<b>Governing Law of the Bonds.</b>	Swedish law.
<b>Risk Factors .....</b>	Investing in the Bonds involves substantial risks and prospective investors should refer to the section " <i>Risk Factors</i> " for a description of certain factors that they should carefully consider before deciding to invest in the Bonds.

## STATEMENT OF RESPONSIBILITY

The issuance of the Bonds was authorised by resolutions taken by the board of directors of the Issuer on 4 December 2015, and was subsequently issued by the Issuer on 14 December 2015. This Prospectus has been prepared in connection with the Issuer's application to list the Bonds on the corporate bond list of Nasdaq Stockholm, in accordance with the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as amended by the Directive 2010/73/EC of the European Parliament and of the Council and Chapter 2 of the Trading Act.

The Issuer is responsible for the information given in this Prospectus. The Issuer is the source of all company specific data contained in this Prospectus and the Issuing Agent has conducted no efforts to confirm or verify the information supplied by the Issuer. The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omissions likely to affect its import. Any information in this Prospectus and in the documents incorporated by reference which derive from third parties has, as far as the Issuer is aware and can be judged on the basis of other information made public by that third party, been correctly represented and no information has been omitted which may serve to render the information misleading or incorrect. The board of directors confirms that, having taken all reasonable care to ensure that such is the case, the information in this Prospectus is, to the best of the board of directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

1 February 2016

TF BANK AB (publ)

*The board of directors*

## DESCRIPTION OF MATERIAL AGREEMENTS

*The following is a summary of the material terms of material agreements to which the Issuer is a party and considered as outside of the ordinary course of business. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements.*

### Working Capital Financing

The Company has entered into a master agreement for credit facilities agreement, the credit facility includes a factoring facility provided by Nordea Finans Sverige AB and an overdraft facility provided by Nordea Bank AB with, in the aggregate maximum amount of SEK 300,000,000 (the "**Credit Facility**"). The Credit Facility expires in April 2017.

### Credit facility agreement

The Company has committed to provide up to the lower of (i) NOK 300,000,000 (approximately EUR 32,000,000) or (ii) an amount corresponding to 85% of the aggregate of all loans made available by BB Finans to their end-customers, to BB Finans through a revolving credit facility agreement. As of the date of this Prospectus, there are ongoing negotiations regarding a potential incensement of the total commitments under the credit facility agreement. As of 11 January 2016, the Company had advanced NOK 146,300,000 (approximately EUR 16,100,000) to BB Finans under the terms of the revolving credit facility.

### Avarda Joint Venture Agreement with Intrum Justitia

#### Overview

On 24 October 2014, the Company and Intrum Justitia AB (Publ) entered into a joint venture agreement (the "**Joint Venture Agreement**"), forming the Swedish private limited liability company of Avarda AB, to provide TF Bank Group's Sales Finance & E-Commerce product to online retailers in Sweden, Finland, Norway and Denmark. Under the terms of the Joint Venture Agreement, TF Bank owns a 51% stake in Avarda, with Intrum Justitia owning 49%. TF Bank provided SEK 1,020,000 and Intrum Justitia SEK 980,000 towards the initial SEK 2,000,000 share capital of Avarda. Each party will also contribute an aggregate of SEK 38,000,000 (in proportion to their respective ownership stakes) as an unconditional capital contribution, which Avarda may draw in successive tranches. Any dividends paid out to TF Bank and Intrum Justitia will be paid out in accordance with their shareholdings.

#### Funding

The Company has agreed to provide working capital to Avarda for Avarda's loans to end customers on an as-need basis up to the lower of (i) SEK 400,000,000 or (ii) an amount corresponding to a certain percentage of the aggregate of all loans made available by Avarda to their end-customers, at a market price based on the deposit interest rate paid by TF Bank in Sweden. The Company and Avarda have negotiated an agreement as to the specific terms of the working capital facility but the agreement has, at the date of this Prospectus, not been signed. In addition, TF Bank has agreed to use its reasonable best efforts to provide additional required financing (in the form of loans) at a rate mutually beneficial for both parties.

#### Transfer of Shares

Should the ownership of the ultimate beneficial owners of TF Bank named in the Joint Venture Agreement with Intrum Justitia fall below 50% of the voting rights in TF Bank or, should TF Bank be listed on a regulated market, fall below 30% of the voting rights in TF Bank, Intrum Justitia shall have a right to acquire all of TF Bank's shares in Avarda at a price determined by a certain valuation

mechanism. The Joint Venture Agreement contains provisions prohibiting the parties to dispose the shares in Avarda AB to an independent third party without the other joint venture party is given a right of first refusal.

#### **Length of Agreement**

The Joint Venture Agreement has an initial term of ten years, with an automatic extension of five years thereafter.

#### **Buy-Out Options**

TF Bank may exercise a buy-out option should Avarda's assets fall below SEK 10,000,000 during the fourth quarter of 2016 and the first quarter of 2017. Intrum Justitia may exercise an unconditional buy-out option from 1 January 2020 until 31 December 2020. Under the terms of both options, the exercising party will have the right to acquire all of the other party's shares in Avarda in accordance with a valuation based on the previous financial year (e.g. in case of Intrum Justitia's option, for the full year 2019) (the "**Valuation Mechanism**"). This valuation will be determined based on a percentage of the value of its assets plus a multiple of the amount of the profits after tax for the preceding year. The total valuation shall not exceed the aggregate of 66% of Avarda's Average Assets and 11 times Avarda's Profits after Tax. "Average Assets" in this context means external lending (i.e., financial receivables originating from the operating business). "Profit after tax" may be adjusted if there are material extraordinary items impacting profit for the relevant year and where the tax cost applied shall be a function of a normalized tax rate based on the prevailing tax rate in the countries contributing to taxable profit.

In the event Intrum Justitia exercises its buy-out option in 2020, TF Bank will be bound by a non-competition agreement in the Avarda Territories for a period of two years from the date on which the buy-out option exercised by Intrum Justitia.

#### **Acquisition of BB Finans**

On 29 December 2014, TF Bank entered into a share purchase agreement to acquire 100% of the shares in the Norwegian company, BB Finans ASA, for NOK 69,600,000 (approximately EUR 7,900,000 as at 30 June 2015; BB Finans' total equity amounted to NOK 48,000,000 or approximately EUR 5,500,000 as at 30 June 2015). BB Finans offers Norwegian customers direct consumer loan products, including credit cards. Under the terms of the agreement, the previously registered owners of BB Finans and their affiliates have agreed to a non-compete and non-solicitation agreement for a period of three years from the closing date in Sweden, Finland and Norway. The acquisition of BB Finans by TF Bank closed on 31 July 2015.

#### **DentaPay Partnership Agreement between Odin Kapital and BB Finans**

On 1 April 2015, BB Finans entered into a partnership agreement with Odin Kapital to jointly provide dental patients with alternative payment options (DentaPay). Odin Kapital provides payment and accounting services for healthcare enterprises in Norway. Under the terms of this agreement, the necessary hardware for initial applications, which consists of physical payment terminals at dental offices, as well as the software for these terminals is provided by Odin Kapital, while BB Finans provides the credit solution and loans to approved applicants via credit card. Approved customers sign a credit agreement directly on the DentaPay machine. Odin Kapital receives a commission for its efforts in promoting the credit card product offered by BB Finans. The credit card will be delivered to patients with the applicable charges for dental services already applied in addition to any additional credit amount for which the customer may qualify.

#### **Acquisition of the Credit Receivables Business of Consortio Fashion Group – Integration of the Sales Finance & E-Commerce Segment**

On 30 April 2014, TF Bank entered into an agreement with the Consortio Fashion Group and five of its fully owned subsidiaries (together with the Consortio Fashion Group, the "**Consortio Sellers**") that are principally involved in online clothing sales but also engage in online sales of various other items, including furniture, home textiles, beauty products and electronics. Together the Consortio Sellers jointly conducted a consumer finance business in connection with their respective online sales businesses. Under this agreement, TF Bank purchased the consumer finance business at a purchase price calculated as the accumulated net book value of all outstanding amounts of credit receivables for the Consortio Sellers as at the date of the agreement (EUR 40,900,000) in addition to purchasing the software program used to facilitate such consumer finance product offerings for SEK 818,000. The primary employee for the consumer finance business was also transferred from the Consortio Fashion Group to TF Bank. The acquisition was fully financed by the Group's own liquidity.

### **Other material agreements**

The Group relies to some extent on hosting providers, marketing support services, licensing agreements, communications carriers and other third parties for the day-to-day operation of its business. The Group also utilises certain third party software for general corporate operations and is dependent on certain third-party data providers (i.e., credit bureaus) in order for its customer assessment scoring model to operate successfully.

## DESCRIPTION OF THE GROUP

### History and development

TF Bank AB (publ) was incorporated in Sweden on 25 November 1971, registered with the Swedish Companies Registration Office 8 February 1972, has been licensed to conduct banking business since 22 February 2012 and is a Swedish public limited liability company operating under the laws of Sweden with reg. no. 556158-1041. The registered office of the Company is P.O. Box 947, 591 10 Borås and the Company's headquarters is located at Ryssnäsgratan 2, 504 64 Borås, with telephone number +46 (0) 33-722 35 00.

In accordance with the articles of association of the Company, adopted on 4 June 2015, the objects of the Company is to conduct such banking business as set forth in Chapter 7, Section 1 in the Swedish Banking and Financing Business Act (2004:297) and other business that is naturally connected herewith. Except for payment services through general payments systems and collection of funds that after cancellation are available for the creditor within a period of maximum 30 days, the Company may provide or mediate loans, e.g., in the form of consumer credit and credit against security in real estate or promissory notes, conduct debt collection business and insurance mediation business in accordance with the Swedish Insurance Mediation Act (2005:405).

### History

In 1987 the Company started offering consumer finance solutions to customers ordering goods from mail order catalogues. Over time, the Group has grown in terms of both revenue and geographic presence. Today the Group offers consumer banking services through a fully-automated proprietary IT platform designed for scalability and adaptation to different digital banking solutions.

The following is a description of the major milestones in the TF Bank Group's history:

- The core of the Group's business was created in the 1980s under the name Aktiebolaget Time Finans and operated during the 1990s and 2000s primarily under the trade names of Time Finans and Haléns Finance. Until the late 1990s, the Group remained focused on its Swedish home market and on mail order catalogue financing.
- As part of its strategy to diversify its business geographically, the Group expanded its operations into Finland (1998), Estonia (2002) and Norway (2003).
- In 2007, the Group, under new ownership, accelerated its focus on online and mobile lending as well as e-commerce finance solutions. In 2008, the Company received a new management and also changed its name to Time Finans AB.
- In 2012, the Company further changed its name to "TF Bank AB" and was granted a banking license from the SFSA.
- In 2013 and 2014, the Group expanded operations into Poland and acquired the assets from a related and long-time co-operation partner in the mail order business. The Group also used its cross border license to start activities in Latvia and Denmark.
- In 2014, the Group established a branch in Finland, allowing it to accept deposits in euro.
- At the end of 2014, the Group expanded its online sales financing operations by establishing Avarda, its joint venture with Intrum Justitia which launched its initial operations in March 2015. In September 2015, Avarda received its license to conduct certain consumer credit

activities in Sweden under the Swedish Certain Consumer Credit-related Operations Act of 2014.

- In 2015, the Group established a branch in Poland.
- In July 2015, the Group acquired the Norwegian financial institute BB Finans, a consumer loan specialist company based in Norway through which the Group also acquired technology and licenses to issue credit cards, gaining access to the Norwegian consumer finance market, further credit card technology and licenses.

### Development of the TF Bank group

The TF Bank Group is an online bank which offers consumer finance products directly to retail customers and offers e-commerce solutions to merchants in seven countries in Northern Europe, the Baltics and Central and Eastern Europe. As at 30 June 2015, the Group had a total of 1.1 million active customers in its two segments and a combined 2.2 million user profiles for scoring in its database. The Group was granted a banking license from the Swedish regulator SFSA in 2012, allowing the Group to offer banking services in the entire European Economic Area. The Group's banking services include unsecured loans, credit cards and savings accounts for retail customers which are insured by the Swedish Deposit Protection Program. The Group uses various distribution channels to market its products, including online partnerships and physical loan-broker networks.

The Company started its direct consumer business in 1987, offering mail order customers the opportunity to borrow money for purposes other than catalogue purchases. In the mid to late 2000s, the Company under new management and ownership began refocusing its business towards online banking products. Following the market developments in the consumer finance industry and as a result of the increasing importance of the Internet and smart phones, the Group refocused its business into pan-European online and mobile banking and entered the e-commerce financing sector. In 1998, the TF Bank Group made the decision to geographically expand its operations to Finland and in 2002, to Norway and the Baltics. In 2013, the Group launched operations in Poland and in 2014, expanded its online sales to Denmark. The Group is currently in the process of launching its sales finance operations in the Czech Republic and Slovakia and is analysing the possibility of a market entry in Austria, Germany and the UK. Due to this geographic expansion, the TF Bank Group now operates in markets with a total population of 85 million. The TF Bank Group is structured into two distinct segments which both utilize the Group's IT system and big data scoring models, but on different customer bases:

- **Direct Consumer Business Segment:** In the Direct Consumer Business Segment, the Group currently offers unsecured loans to consumers up to EUR 5,000 for individual applicants and up to EUR 6,000 for joint loan applicants with a length of up to five years for personal usage (such as home improvements, holiday travel or the purchase of goods). In the last twelve months period ended 30 June 2015 (the "**LTM Period**"), the Direct Consumer Business Segment contributed 69.6% or EUR 35,200,000 to the Group's overall operating income. As at 30 June 2015, the Group had EUR 139,100,000 in unsecured loans outstanding in this segment with an average loan value per customer of EUR 2,055 in the LTM Period and an average length per loan, depending on the country of 16 to 19 months. With the acquisition of Norwegian finance company BB Finans, the Group also gained the ability to offer credit cards to consumers and is in the process of initiating an expansion of this product to all its target countries.
- **Sales Finance & E-Commerce Segment:** In the Sales Finance & E-Commerce Segment, the Group offers merchant-tailored invoice solutions (so-called "white label" solutions) and

takes credit risk on merchants by providing loan financing for end customers. In the LTM Period, the Sales Finance & E-Commerce Segment contributed 30.4% or EUR 15,400,000 to the Group's overall operating income. As at 30 June 2015, the Group had EUR 38,500,000 in loans outstanding to end customers. As at 30 June 2015, the average loan amount per approved loan was EUR 122 and the average length per loan, depending on the country, of nine to eleven months. The Sales Finance & E-Commerce Segment had total active customer base of 1,033,000 customers who received loans since 1 January 2012 as of 30 June 2015 of which more 830,000 or over 80% had an open balance outstanding in the LTM Period.

As part of the Group's growth strategy, the Group has started various partnerships to increase its total active end customer base. In the Sales Finance & E-Commerce Segment, it formed a joint venture, Avarda, with Intrum Justitia, one of the leading credit management services companies in Europe. Intrum Justitia has approximately 3,800 employees and is present in 20 European countries. Intrum Justitia's shares are listed on the NASDAQ OMX Nordic large cap-segment list of companies. Avarda is focused on Northern Europe (Sweden, Finland, Norway and Denmark) and offers flexible online payment solutions for e-commerce merchants including white label invoice solutions which allow merchants to utilize the Group's services and offer payment products to their consumers under their own brand and tailored to their own needs. In the Direct Consumer Business Segment, the Group recently signed a franchise agreement with SafeCharge Card Services to provide credit financings to Nordic retail customers as part of SafeCharge Card Service's "digital wallet" mobile application solution utilizing the MasterCard ecosystem. The SafeCharge Group is a global provider of payments services, technologies and risk management solutions for online and mobile businesses and is listed on the London Stock Exchange. The Group, through BB Finans, also partnered with Odin Kapital to offer a point-of-sale online dental payment service (DentaPay) in Norway. Other partnerships, which the Group is currently negotiating in or in the process of preparing to launch, are an e-commerce financing solution for an online auction site in the Baltics and credit applications through physical card payment terminals in the Baltics.

## Strategy

The Group's strategy is based on technologically-driven organic growth, geographic expansion, product portfolio expansion and a vision to establish the TF Bank Group as a leading pan-European online and mobile bank:

### **Leveraging Partnerships to increase the Group's end customer base**

The management of the TF Bank Group is focused on growing its end customer base through various partnerships in both its segments and believes that these partnerships will be the key growth drivers for the Group's results of operations in the next years:

- The Group's joint venture with Intrum Justitia, Avarda started its initial operations in March of 2015. The Company owns 51% of Avarda and the remaining 49% is owned by Intrum Justitia. Between March 2015 and 30 June 2015, Avarda partnered with ten merchants compared to only four merchants that TF Bank is partnering with directly outside of the joint venture. Avarda focuses on partnerships with larger merchants, where one partnership can result in access to thousands of end-customers. Based on publically available information, the Group estimates that the ten merchants Avarda has already signed up have a total annual turnover of EUR 620,000,000 relevant to Avarda in the Nordics, compared to a total annual turnover of about EUR 120,000,000 for the Group's existing four merchants. Avarda is limited to the Nordic region, but the Group is also offering its invoice solutions outside of the Nordic region to those merchants signed up by Avarda. As a result of the Avarda joint venture, the Group believes that it can significantly grow its active customer base in the Sales Finance & E-Commerce Segment.

- In Norway, the Group, through BB Finans, has partnered with Odin Kapital to offer dental patients the opportunity to apply for and receive a credit decision before being treated by the dentist. This partnership has been launched recently and already signed up dentists with a combined annual turnover in excess of NOK 1 billion (approximately EUR 110,000,000). This type of point-of-sale consumer offering is a direct result of the ability to integrate different credit origination methods into the Group's IT platform.
- In its Direct Consumer Business Segment, the Group has partnered with SafeCharge Card Services to provide the credit function for SafeCharge Card Service's online digital wallet and mobile application. SafeCharge Card Services targets to launch operations for its digital wallet in the fourth quarter of 2015 or the first quarter of 2016.
- Other partnerships which are in development include the integration of the Group's instalment loan offerings in physical payment terminals in the Baltics and the integration of a loan offering option for a Baltics auction website.

#### **Cross-selling of its Direct Consumer Business Products to its Sales Finance Customer Base**

The Group believes cross-selling its unsecured loan products to the end customer base in its Sales Finance & E-Commerce Segment will be an important part of its growth in the future. . As at 30 June 2015, of the Group's 1.033 million active sales finance customers (customers who made a purchase with a merchant and received a loan approval from TF Bank Group since 1 January 2012), about 2.5% have also accepted an unsecured loan from the Direct Consumer Business Segment in the past. This percentage varies widely among the Group's existing markets with 2% in Sweden, 5% in Finland and 12% in Estonia.

The Group's management aims to increase its sales finance customer base in the future, e.g., through the Avarda joint venture, which management believes will drive growth in the Direct Consumer Business Segment through cross-selling, while also lowering marketing costs in the Direct Consumer Business Segment. The Group principally uses its invoices in its Sales Finance & E-commerce Segment to engage in cross-selling and also aims to cross-sell its credit cards to its Sales Finance & E-Commerce Segment's customers.

#### **Invest in Expanding its newly Acquired Credit Card Products and Other Products**

Historically, the Group's products were unsecured loans which it marketed directly to consumers and, to a lesser extent, e-commerce instalment loans marketed via online merchants. Most recently, through the acquisition of BB Finans, the Group can also offer credit cards and aims to significantly increase the number of credit cards issued by BB Finans in the future. Despite a high number of applications in Norway, BB Finans was constrained by its small size, its lack of a banking license and thus lack of funding to grow its business quickly. The Group plans to develop BB Finans, increase approval rates for loan applications and credit cards using the Group's own financing sources and to also implement the Group's more sophisticated IT and scoring system at BB Finans.

With regard to the credit card offering of BB Finans, the Group's management intends to initially further increase the number of credit cards issued in Norway, where credit cards are a popular method of payment. In addition to the expansion of the credit card offering in Norway, the Group's management plans to use the credit card license cross-border by first introducing credit cards in Sweden and Finland, where the majority of the Group's current customer base is located, but also aims to offer credit cards in Eastern Europe and the Baltics thereafter. In parallel to the Group's focus on the geographical expansion of a customer base for physical credit cards, the Group also aims to offer virtual credit cards via its partnership with SafeCharge Card Services.

While the Group's management principally anticipates cross-selling credit cards to its existing loan or sales finance customers, it also plans to offer credit cards as an alternative offer to applicants who do not receive approval for a larger unsecured loan amount, but would qualify for lower amounts offered via credit card.

### **Geographic Expansion to establish a pan-European online and mobile bank**

The TF Bank Group operates in seven European countries. The expansion into Poland in 2013 only occurred recently and the Group is currently preparing to start operations in the Czech Republic and Slovakia. As a result, most of the Group's interest income in 2014 was generated in three core countries, Sweden, Finland and Estonia. However, the Group's revenue base is diversifying as a result of its recent geographic expansion, with the percentage of the Group's overall interest income in Poland and the Baltics increasing in the last years, even though Sweden and Finland remain the Group's core markets with 81.0% of loans outstanding in these two countries as at 30 June 2015 (not taking into account approximately EUR 16,000,000 in loans to the public outstanding in Norway through BB Finans) compared to 91.0% of loans outstanding as at 31 December 2012.

The Group's management is currently analysing the market entry into new European countries. One key driver of this pan-European expansion is the Group's strong growth in its Sales Finance & E-Commerce Segment. Several of the e-commerce merchants that the Group provides sales finance and invoice solutions to, have operations in European countries where the Group is not yet present or is looking to expand its business geographically in the future. The Group's management's long term goal is to establish itself as a pan-European online and mobile bank.

The Group's EU banking license, which it received in 2012, is the cornerstone for the Group's European expansion. The Group plans to enter future countries with one consumer finance product, principally its "white label" e-commerce invoice solution, and then expand in such countries with its other products, if market conditions are favourable. The Group's management uses its IT infrastructure and scoring system in all of the countries in which it operates, but tailors the customer scoring system to the relevant market and availability of external credit data.

In connection with the Group's European expansion, it may diversify its funding sources. The Company's management constantly analyses whether to also take deposits in Poland and whether to increase the share of deposits it takes in euro in Finland. In addition, the Company's management may in the future also issue bonds in currencies it requires to support its growth across Europe and to diversify its funding sources.

### **Share capital and ownership structure**

The shares of the Company are denominated in SEK. Each share entitles the holder to one vote and has equal rights on distribution of income and capital. As of the date of this Prospectus, the Company had an issued share capital of SEK 107,500,000 divided into 21,500,000 of shares.

The following table sets forth the ownership structure in the Company as per the date of this Prospectus.

<i>Shareholder</i>	<i>No. of shares</i>	<i>Share capital</i>	<i>Voting Rights</i>
TFB Holding AB	17,116,150	79.61%	79.61%
KAAX Investment AB	322,500	1.50%	1.50%
Tiberon AB	322,500	1.50%	1.50%

Jack Weil AB	189,200	0.88%	0.88%
Förvaltnings Aktiebolaget Segersta	1,567,350	7.29%	7.29%
Aktiebolaget Add Value	522,450	2.43%	2.43%
Gurrfinans AB	666,500	3.10%	3.10%
AB Monarda	221,450	1.03%	1.03%
Pehr Petersson	107,500	0.50%	0.50%
Mattias Carlsson	423,550	1.97%	1.97%
Johannes Rintaniemi	40,850	0.19%	0.19%
<b>Total</b>	<b>21,500,000</b>	<b>100.00 %</b>	<b>100.00 %</b>

### **TFB Holding AB – 79.61%**

TFB Holding AB is owned by: (i) KAAX Investment AB, represented by Paul Källenius (Board Member), to 22.53%; (ii) Tiberon AB, represented by John Brehmer (Board Member), to 23.64%; (iii) Jonas Weil (Deputy Board Member) to 24.42%; (iv) Trylon AB to 25.52%; (v) Tony Olofsson to 2.60%; and (iv) Ulf Törnblom to 1.30%.

The four largest owners of TFB Holding, KAAX Investment AB, Tiberon AB, Jonas Weil and Trylon AB, currently have direct and indirect ownership corresponding to 79.52% of the Company.

### **Management– 0.19%**

Johannes Rintaniemi is part of the Company's management (Head of the Finnish Branch) and holds 0.19% of the shares. No other member of the management holds shares in the Company.

### **Board members – 4.97%**

As of the date of this Prospectus, Mattias Carlsson (Chairman of the Board) directly holds 1.97% of the shares. In addition to their holdings via TFB Holding AB, Paul Källenius (Board Member) indirectly holds 1.50% of the shares in the Company via KAAX Investment AB and John Brehmer indirectly holds 1.50% of the shares in the Company via Tiberon AB. The other Board Members, Lars Wollung, Tone Bjørnov, Thomas Grahn and Bertil Larsson do not hold any shares in the Company.

### **Other shareholders – 15.23%**

Förvaltnings Aktiebolaget Segersta, represented by Robert Gyll, holds 7.29% of the shares and Aktiebolaget Add Value, represented by Lars Wiklund, holds 2.43% of the shares. Furthermore, Gurrfinans AB, represented by Gunnar Ryman, holds 3.10% of the shares and AB Monarda, represented by Lennart Jeansson, holds 1.03% of the shares. Finally, Pehr Petersson directly holds 0.5% of the shares and Jack Wiel AB holds 0.88% of the shares.

### **Shareholders' agreements**

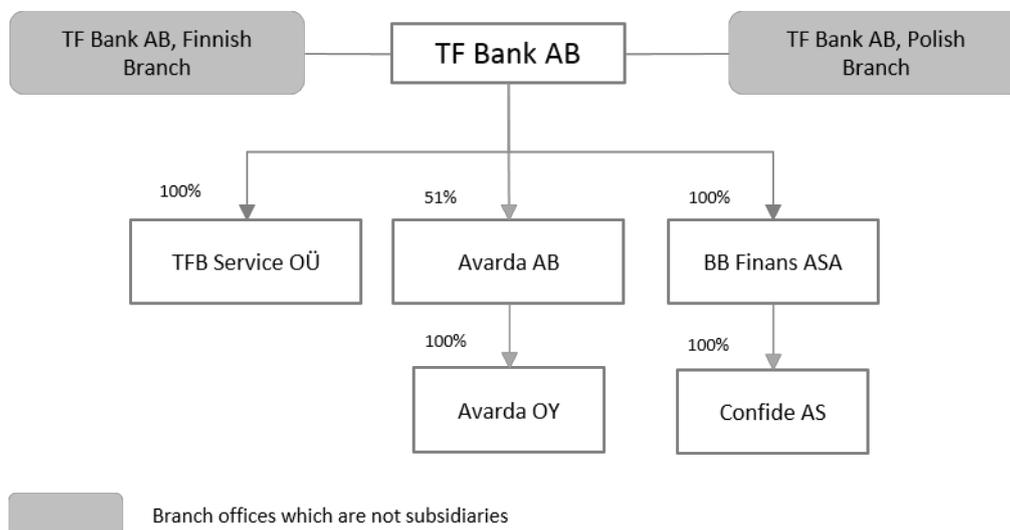
The shareholders of the Issuer have entered into a shareholders' agreement regulating the parties' various rights and obligations as regards their holding of the shares in the Issuer. The terms of the agreement include e.g. terms in relation to an exit (general terms for the exit including certain time limits, customary drag / tag along provisions and other obligations towards the other shareholders) and the handling of minority shareholders' rights vis-à-vis the majority shareholders'.

### **Overview of Group structure**

Operations are conducted in both the Issuer and its subsidiaries. Although the main part of the Group's incomes are attributable to the Issuer, the Issuer is to some extent still dependent on its

subsidiaries to generate revenues and profit in order to be able to fulfil its payment obligations under the Bonds.

The structure of the Group is set out below.



### Recent events

There has been no recent event particular to the Group which is to a material extent relevant to the evaluation of the Issuer's solvency.

### Significant change and trend information

There has been no material adverse change in the prospects of the Group since the date of publication of its last reviewed half year report for the financial period ending on 30 June 2015 and no significant change in the financial or trading position of the Group since the end of the last financial period for which interim financial information has been published.

### Legal and arbitration proceedings

Neither the Issuer nor the Group is, or has been over the past twelve months been, a party to any legal, governmental or arbitration proceedings that have had, or would have, a significant effect on the Group's financial position or profitability. Nor is the Issuer aware of any such proceedings which are pending or threatening and which could lead to the Issuer or any member of the Group becoming a party to such proceedings.

### Credit rating

No credit rating has been assigned to the Issuer, or its debt securities.

## MANAGEMENT

The board of directors of the Issuer currently consists of seven ordinary members and one deputy member which have been elected by the general meeting. The board of directors and the senior management can be contacted through the Issuer at its headquarters at Ryssnäsgratan 2, 504 64 Borås. Further information on the members of the board of directors and the senior management is set forth below.

### Board of directors

#### ***Mattias Carlsson, chairman of the board since 2008.***

**Education:** Graduated from Uppsala University in 1996 with a master's degree in engineering physics.

**Current commitments:** Avarda AB, board member  
Avarda Oy, board member

#### ***John Bremer, member of the board since 2007.***

**Education:** Graduated from the Stockholm School of Economics with an MBA, specializing in industrial marketing.

**Current commitments:** TFB Holding AB, board member  
Zebware AB, chairman  
Tiberon AB, chairman  
Mederion AB, chairman  
Consortio Fashion Holding AB, board member  
Polycore Software Inc., board member

#### ***Thomas Grahn, member of the board since 2010.***

**Education:** Graduated from Uppsala University in 1975 with a Master of Laws (Sw. *Jur. kand*).

#### ***Paul Källenius, member of the board since 2007.***

**Education:** Graduated from the Royal Institute of Technology (KTH) in Stockholm in 1991 as a civil engineer, majoring in industrial economy.

**Current commitments:** TFB Holding AB, chairman  
Consortio Fashion Group AB, chairman  
Haléns AB, board member  
Cellbes AB, board member  
New Bubbleroom Sweden AB, board member  
Urbanista AB, board member  
Nordisk Hypoteksförmedling AB, board member  
Källenius Invest AB, board member  
Kaax Investment AB, board member  
Kaax Fastigheter AB, board member  
Consortio Fashion Holding AB, chairman  
Priming Ventures Sweden AB, board member

**Bertil Larsson, member of the board since 2007.**

**Current commitments:** Borås Basket, chairman  
 Boxon Systems Nordic AB, board member  
 Boxon Systems AB, board member  
 LåsTeam Sverige AB, chairman  
 Minso Solutions AB, chairman  
 Conpera AB, board member  
 Minso Holding AB, chairman  
 Baghera tag on demand AB, board member  
 Aktiebolaget Borås Tidning, chairman  
 Kyrkesunds Båthamn Ekonomisk Förening, board member  
 Tore G Wärenstams stiftelse, board member  
 Swedebridge AB, chairman  
 Gota Media AB, board member

**Lars Wollung, member of the board since 2015.**

**Education:** Graduated 1986 from the Royal Institute of Technology (KTH) in Stockholm with a Master of Science (Sw. *Civilingenjör*) and from Stockholm School of Economics & Business Administration with a Bachelor of Art (Sw. *Civilekonom*).

**Current commitments:** LW Konsult i Stockholm AB, board member  
 TRANSIA i Sverige AB, board member  
 Dlaboratory Sweden AB, board member  
 Tieto Oyj, board member

**Tone Bjørnov, member of the board since 2015.**

**Education:** Graduated 1985 with a degree in Business Administration from the Norwegian School of Management.

**Current commitments:** Filmparken AS, chairman  
 ABG Sundial Collier ASA, board member  
 ABG Sundial Collier Holding ASA, board member  
 Bank 1 Oslo Akershus AS, board member  
 Valutacorp AS, board member  
 Norsk Film Kostyme AS, chairman  
 Aqua Bio Technology ASA, board member  
 Storyline Studios AS, board member  
 Serendex Pharmaceuticals A/S, board member

**Jonas Weil, deputy director since 2008.**

**Education:** Graduated from the Stockholm School of Economics in 1991 with a master's degree in accounting and finance.

**Current commitments:** TFB Holding AB, board member  
 Parcom AB, chairman

## Management

### ***Declan Mac Guinness, CEO***

Declan Mac Guinness was born in England and studied political science in the United States before moving to Sweden in 1994. He graduated from Stockholm University in 2002 with a master of law (LLM). Before joining the Group, he worked as the CEO of Carlson Fonder AB, a Swedish fund management company, and prior to that he worked as a compliance officer for DNB Asset Management. Declan also serves as a guest lecturer at Stockholm University, where he has lectured for the last fifteen years.

**Current commitments:** Avarda AB, board member  
West Department AB, chairman  
Avarda Oy, board member

### ***Mikael Meomuttel, CFO***

Mikael Meomuttel is the Group's CFO and deputy CEO. He graduated from the University of Gothenburg and the University of Borås in 2001 with a master of science in business and economics and a master of science in finance. Mikael has worked with sales finance from the mail-order period (with the Haléns AB group) to the modern day online service and has been an integral part of the company's transition from a credit market company to a bank. He has also headed the team responsible for the implementation of new financial directives, e.g., CRR and CRD IV.

### ***Björn Skytt, CIO***

Björn Skytt received his degree in Information Technology and graduated from the University of Gothenburg in 1997. He joined TF Bank in 2010 and today holds the position of Group CIO. Björn has a wealth of experience from working with financial IT. Before he joined TF Bank, he worked as integration manager for ICA Banken and prior to that as project manager and system manager for financial and treasury systems at SKF.

### ***Johannes Rintaniemi, director Finnish branch and Head of Director Consumer Business***

Johannes Rintaniemi joined TF Bank in 2011 from the Ferratum Oyj group, where he had worked as the group risk manager, responsible for establishing group-wide risk management strategies. Prior to that, Johannes worked at GE Money Oy (Finland) and Santander Consumer Finance Oy (Finland) in credit risk management and portfolio quality and also previously worked at Citibank Oy (Finland). Johannes was appointed as director of the Finnish branch in January 2014.

**Current commitments:** Studio Amfora Ky, limited partner  
Rinvestor Oy, board member and CEO  
ThumbsApp Oy, board member

### ***Jonas Wedin, Head of Sales Finance***

Jonas Wedin graduated from the University of Borås with a Masters in Information Technology in 2002. Jonas has previously worked at ICA Bank, ICA AB and SP Technical Research Institute of Sweden as Project Leader and Team Leader. As part of these assignments, Jonas has been responsible for numerous IT projects within the banking sector. Jonas joined TF Bank in 2011 and was appointed Head of Sales Finance in 2015.

### ***Sture Stölen, Head of Investor Relations***

Sture Stölen graduated from the BI Norwegian Business School in Oslo with a Master of Science Finance in 1992. Sture has previously worked at SAS AB as Vice president Head of SAS Group Investor Relations, at Fogel & Partners as senior advisor, at Wildecos as senior advisor and partner and he has

previously been a member of the board of Forex Bank AB. Sture was appointed as Head of Investor Relations in 2016.

**Current commitments:** Wildeco Ekonomisk Information Aktiebolag, board member

### **Conflicts of interest within administrative, management and control bodies**

The Company majority owner is TFB Holding AB and two of the ordinary members of the board of directors of the Company are also members of the board of directors of TFB Holding AB. The members of the board of directors of the Company acknowledges that this might lead to a potential conflict of interest with respect to the board commitments.

Further, Johannes Rintaniemi, being the director of the Finnish branch holds 0.19% of the shares in the Company and Mattias Carlsson, being the chairman of the board of directors holds 1.97% of the shares in the Company.

Finally, the following members of the board of directors hold shares indirectly in the Company: Paul Källenius (19.44%), John Brehmer, (20.32%) and Jonas Weil, deputy director, (19.44%).

Except for the shareholdings of certain members of the board of directors and one person from the senior management team, the members of the Company's board have no existing or potential conflicts of interest with respect to obligations to the Company based on their private interests, membership in governing bodies of companies, or other obligations.

### **Interest of natural and legal persons involved in the issue**

The Issuing Agent and/or its affiliates have engaged in, and may in future engage in, investment banking and/or commercial banking or other services for the Issuer and the Group in the ordinary course of business. Accordingly, conflicts of interest may exist or may arise as a result of the Issuing Agent and/or its affiliates having previously engaged, or engaging in future, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

## HISTORICAL FINANCIAL INFORMATION

### Historical financial information

The Group's consolidated financial statements for the financial year ended 31 December 2012, 31 December 2013 and 31 December 2014 as set out below are incorporated into this Prospectus by reference (please see section "*Other Information*"). The information incorporated by reference is to be read as part of this Prospectus.

The Group's consolidated financial statements for the financial year ended 31 December 2014, the financial year ended 31 December 2013, the financial year ended 31 December 2012 and for the financial period ended 30 June 2015 have been prepared in accordance with IFRS as adopted by the EU. Furthermore, the Group also applies the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), as well as the Supplementary Accounting Rules for Groups RFR 1.

Other than the auditing of the Group's consolidated financial statements for the financial year ended 31 December 2014, the financial year ended 31 December 2013, the financial year ended 31 December 2012 and the financial period ended 30 June 2015, the Group's auditor has not audited or reviewed any part of this Prospectus.

The Group's consolidated financial statements for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 is incorporated into this Prospectus by reference. For particular financial figures, please refer to the pages set out below:

- consolidated income statement, page 2;
- consolidated balance sheet, page 4;
- consolidated statement of changes in equity, page 5;
- consolidated cash flow statement, page 6; and
- the audit report, page 36.

The following information in the Group's consolidated interim report for the financial half year ended 30 June 2015 is incorporated into this Prospectus by reference.

- consolidated income statement, page 6;
- consolidated balance sheet, page 8;
- consolidated cash flow statement, page 9;
- consolidated statement of changes in equity, page 10; and
- the auditor's review report, page 33.

### Auditing of the annual historical financial information

The Company's consolidated financial statements as at present and for the years 2012, 2013 to 2014 have been audited, as applicable, by PricewaterhouseCoopers AB ("**PWC**"), Skånegatan 1, 411 40 Gothenburg. PWC has been the Company's responsible auditor since 2003, and was re-elected for an additional year on the latest annual general meeting. Michael Lindengren is the auditor who is responsible for the Company. Michael Lindengren is an authorized auditor and is a member of the professional body FAR, the professional institute for the accountancy sector in Sweden.

The auditing of the consolidated financial statements was conducted in accordance with international standards on auditing and the audit reports were submitted without comment.

**Age of the most recent financial information**

The most recent financial information has been taken from the consolidated financial statements for the financial half year ended 30 June 2015, which was published on 18 January 2016 on the Issuer's website [www.tfbankgroup.com](http://www.tfbankgroup.com).

## OTHER INFORMATION

### Assurance regarding the Prospectus

TF Bank AB (publ) is responsible for the content of the Prospectus and has taken all reasonable precautions to ensure that, as far as the Company is aware, the information in the Prospectus accords with the facts and contains no omission likely to affect its import. To the extent prescribed by law, the board of directors of the Company is also responsible for the content of the Prospectus. The board of directors has taken all reasonable care to ensure that the information in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

### Clearing and settlement

As of the date of this Prospectus, Bonds have been issued in an amount of SEK 100,000,000. Each Bond has a nominal amount of SEK 1,000,000. The ISIN for the Bonds is SE0007783477.

The Bonds have been issued in accordance with Swedish law. The Bonds are connected to the account-based system of Euroclear Sweden AB. No physical notes have been or will be issued. Payment of principal, interest and, if applicable, withholding tax will be made through Euroclear Sweden AB's book-entry system.

### Material contracts

Other than as described under the section entitled "*Description of Material Agreements*" herein, the Group has not entered into any material contracts not in the ordinary course of its business and which may affect the Group's ability to fulfil its obligations under the Bonds.

### Documents incorporated by reference

This Prospectus is, in addition to this document, comprised of information from the following documents which are incorporated by reference and available in electronic format on the Issuer's website at [www.tfbankgroup.com](http://www.tfbankgroup.com):

- the Group's consolidated financial statements and audit report for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014; and
- the Group's consolidated interim financial statements and the auditor's review report for the financial half year ended 30 June 2015.

### Documents available for inspection

The following documents are available at the Company's headquarters at Ryssnäsgratan 2, 504 64 Borås, on weekdays during the Company's regular office hours throughout the period of validity of this Prospectus:

- the Company's articles of association;
- the Company's certificate of registration;
- the Group's consolidated financial statements and audit report for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014;

- the Group's consolidated interim financial statements and the auditor's review report for the financial half year ended 30 June 2015;
- the financial statements and audit reports for the financial year ended 31 December 2013 and for the financial year ended 31 December 2014 for each company within the Group (to the extent such Group companies were incorporated during 2013 or 2014); and
- this Prospectus.

The following documents are also available in electronic form on the Company's website [www.tfbankgroup.com](http://www.tfbankgroup.com):

- the Group's consolidated financial statements and audit report for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014.;
- the Group's consolidated interim financial statements and the auditor's review report for the financial half year ended 30 June 2015; and
- this Prospectus.

#### **Listing costs**

The aggregate cost for the Bonds' admission to trading is estimated not to exceed SEK 250,000.

## TERMS AND CONDITIONS OF THE BONDS

### 1. Definitions and Construction

#### 1.1 Definitions

In these terms and conditions (the "**Terms and Conditions**"):

"**Account Operator**" means a bank or other party duly authorised to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Bondholder has opened a Securities Account in respect of its Bonds.

"**Additional Tier 1 Capital**" means, in relation to the Issuer, additional tier 1 capital (Sw. *övrigt primärkapital*) as defined in Chapter 3 of the Capital Requirement Regulation.

"**Adjusted Nominal Amount**" means the Total Nominal Amount less the Nominal Amount of all Bonds owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Bonds.

"**Affiliate**" means any person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purpose of this definition, "**control**" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agency Agreement**" means the agency agreement entered into between the Agent and the Issuer on or about the Issue Date regarding, *inter alia*, the remuneration payable to the Agent.

"**Agent**" means Nordic Trustee & Agency AB (publ), Swedish Reg. No. 556882-1879, or another party replacing it, as Agent, in accordance with these Terms and Conditions.

"**Bondholder**" means a person who is registered on a Securities Account as direct registered owner (Sw. *ägare*) or nominee (Sw. *förvaltare*) with respect to a Bond.

"**Bondholders' Meeting**" means a meeting among the Bondholders held in accordance with Clause 13 (*Bondholders' Meeting*).

"**Bonds**" means a debt instrument (Sw. *skuldförbindelse*) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which are governed by and issued under these Terms and Conditions.

"**Business Day**" means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (Sw. *midsommarafton*), Christmas Eve (Sw. *julafton*) and New Year's Eve (Sw. *nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

"**Business Day Convention**" means the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.

**"Capital Disqualification Event"** means, at any time on or after the Issue Date, there is a change in the regulatory classification of the Bonds that would be likely to result in the exclusion of the Bonds from the Tier 2 Capital of the Issuer or reclassification of the Bonds as a lower quality form of regulatory capital, provided that:

- (a) the Swedish SFA considers such a change to be sufficiently certain; and
- (b) the Issuer demonstrates to the satisfaction of the Swedish SFA that the regulatory reclassification of the Bonds was not reasonably foreseeable at the Issue Date,

and provided that such exclusion is not a result of any applicable limitation on the amount of such Tier 2 Capital contained in the Capital Regulations.

**"Capital Regulations"** means, at any time, regulations, directives, guidelines or similar of the EU and its institutions, including the Capital Requirement Regulation any delegated act adopted by the European Commission thereunder, as well as the legal acts, regulations, requirements, guidelines and policies relating to capital adequacy issued by the Swedish Government, the Swedish FSA and/or any European successor then in effect.

**"Capital Requirement Regulation"** means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

**"CSD"** means the Issuer's central securities depository and registrar in respect of the Bonds, from time to time, initially Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden.

**"Final Maturity Date"** means the date falling ten (10) years after the Issue Date.

**"Finance Documents"** means these Terms and Conditions, the Agency Agreement and any other document designated by the Issuer and the Agent as a Finance Document.

**"Financial Instruments Accounts Act"** means the Swedish Financial Instruments Accounts Act (*Sw. lag (1998:1479) om kontoföring av finansiella instrument*).

**"First Call Date"** means the date falling five (5) years after the Issue Date.

**"Floating Rate Margin"** means 6.25 per cent.

**"Group"** means the Issuer and its Subsidiaries from time to time (each a **"Group Company"**).

**"Insolvent"** means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7-9 of the Swedish Bankruptcy Act (*Sw. konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with its creditors (other than the Bondholders) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (*Sw. lag (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

**"Interest"** means the interest on the Bonds calculated in accordance with Clause 8 (*Interest*).

**"Interest Payment Date"** means 14 March, 14 June, 14 September, and 14 December of each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Bonds shall be 14 March 2016 and the last Interest Payment Date shall be the relevant Redemption Date.

**"Interest Period"** means (i) in respect of the first Interest Period, the period from (but excluding) the Issue Date to (and including) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment Date to (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

**"Interest Rate"** means STIBOR (3 months) plus the Floating Rate Margin *per annum*.

**"Issue Date"** means 14 December 2015.

**"Issuer"** means TF Bank AB (publ), a public limited liability company (Sw. *aktiebolag*) incorporated under the laws of Sweden with reg. no. 556158-1041.

**"Issuing Agent"** means Carnegie Investment Bank AB, Reg. No. 516406-0138, SE-103 38 Stockholm, Sweden, or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions.

**"Nominal Amount"** has the meaning set forth in Clause 2 (*Status of the Bonds*).

**"Quotation Day"** means, in relation to any period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

**"Record Date"** means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Bondholders is to be made under Clause 11 (*Distribution of proceeds*) (iv) the date of a Bondholders' Meeting, or (v) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

**"Redemption Date"** means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause 9 (*Redemption and Issuer's Purchase of Bonds*).

**"Regulated Market"** means NASDAQ Stockholm or any other regulated market (Sw. *reglerad marknad*) (as defined in the Swedish Securities Market Act (*lag (2007:528) om värdepappersmarknaden*)).

**"Securities Account"** means the account for dematerialised securities maintained by the CSD pursuant to the Financial Instruments Accounts Act in which (i) an owner of such security is directly registered or (ii) an owner's holding of securities is registered in the name of a nominee.

**"Sole Bookrunner"** means Carnegie Investment Bank AB, Reg. No. 516406-0138.

**"STIBOR"** means:

- (a) the applicable percentage rate per annum displayed on NASDAQ Stockholm's website for STIBOR fixing (or through another website replacing it) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor and for a period comparable to the relevant Interest Period; or
- (b) if no rate is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted leading banks in the Stockholm interbank market reasonably selected by the Issuing Agent, for deposits of SEK 100,000,000 for the relevant period; or
- (c) if no quotation is available pursuant to paragraph (b), the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits in Swedish Kronor offered in the Stockholm interbank market for the relevant period, and

if any such rate is below zero, STIBOR will be deemed to be zero.

**"Subsidiary"** means, in relation to any person, a subsidiary of the Issuer according to Chapter 1 Section 11 of the Swedish Companies Act (or under such provision as may replace this provision).

**"Swedish FSA"** means the Swedish financial supervisory authority (*Sw. Finansinspektionen*).

**"Swedish Kronor"** and **"SEK"** means the lawful currency of Sweden.

**"Tax Event"** means the occurrence of any amendment to, clarification of or change in the laws, treaties or regulations of Sweden affecting taxation (including any change in the interpretation by any court or authority entitled to do so) or any governmental action, on or after the Issue Date and which was not foreseeable at the Issue Date, resulting in a substantial risk that:

- (a) the Issuer is, or becomes, subject to a significant amount of additional taxes, duties or other governmental charges or civil liabilities with respect to the Bonds; or
- (b) the treatment of any of the Issuer's items of income or expense with respect to the Bonds as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be accepted by any tax authority, which subjects the Issuer to a significant amount of additional taxes, duties or governmental charges.

**"Tier 2 Capital"** means tier 2 capital (*Sw. supplementärkapital*) as defined in Chapter 4 of the Capital Requirement Regulation.

**"Total Nominal Amount"** means the total aggregate Nominal Amount of the Bonds outstanding at the relevant time.

**"Written Procedure"** means the written or electronic procedure for decision making among the Bondholders in accordance with Clause 14 (*Written Procedure*).

## 1.2 Construction

- (a) Unless a contrary indication appears, any reference in these Terms and Conditions to:
  - (i) "**assets**" includes present and future properties, revenues and rights of every description;
  - (ii) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
  - (iii) a "**regulation**" includes any regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
  - (iv) a provision of law is a reference to that provision as amended or re-enacted; and
  - (v) a time of day is a reference to Stockholm time.
- (b) A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.
- (c) No delay or omission of the Agent or of any Bondholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

## 2. Status of the Bonds

- (a) The Bonds will constitute Tier 2 Capital of the Issuer. The Bonds constitute subordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The rights of the Bondholders shall, in the event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer, be subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer but shall rank at least *pari passu* with all other subordinated indebtedness of the Issuer and shall rank in priority to any Additional Tier 1 Capital of the Issuer. For the avoidance of doubt, the Bondholders will, in the event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*), rank in priority of any holders of any class of share capital or Additional Tier 1 Capital of the Issuer.
- (b) The Issuer reserves the right to issue further subordinated bonds and other subordinated obligations in the future, which may rank *pari passu* with the Bonds as well any capital instruments issued as Additional Tier 1 Capital of the Issuer, which may rank junior to the Bonds.
- (c) No Bondholder who in the event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer is indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the Bonds held by such Bondholder.

- (d) The Bonds are denominated in SEK and each Bond is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with these Terms and Conditions.
- (e) By subscribing for Bonds, each initial Bondholder agrees that the Bonds shall benefit from and be subject to the Finance Documents and by acquiring Bonds, each subsequent Bondholder confirms such agreement.
- (f) The Nominal Amount of each Bond is SEK 1,000,000. The Total Nominal Amount of the Bonds is SEK 100,000,000. All Bonds are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount.
- (g) The Bonds are freely transferable.
- (h) No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction other than Sweden, where action for that purpose is required. Each Bondholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds.

### **3. Use of Proceeds**

The Bonds shall constitute Tier 2 Capital of the Issuer and the proceeds from the issue of the Bonds shall be used (after deduction has been made for the transaction costs payable by the Issuer to the Sole Bookrunner and the Issuing Agent and their professional advisors for the services provided in relation to the placement and issuance of the Bonds) for general corporate purposes of the Issuer.

### **4. Bonds in Book-Entry Form**

- (a) The Bonds will be registered for the Bondholders on their respective Securities Accounts and no physical bonds will be issued. Accordingly, the Bonds will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Bonds shall be directed to an Account Operator.
- (b) Those who according to assignment, a Security, the provisions of the Swedish Children and Parents Code (Sw. *föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.
- (c) The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain information from the debt register (Sw. *skuldbok*) kept by the CSD in respect of the Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.
- (d) For the purpose of or in connection with any Bondholders' Meeting under Clause 13 (*Bondholders' Meeting*) or any direct communication to the Bondholders under Clause 14 (*Written Procedure*), the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Bonds.

- (e) The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Bondholders.

## **5. Right to Act on Behalf of a Bondholder**

- (a) If any person other than a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Bondholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Bondholder and authorising such person.
- (b) A Bondholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under the Finance Documents in relation to the Bonds for which such representative is entitled to represent the Bondholder and may further delegate its right to represent the Bondholder by way of a further power of attorney.
- (c) The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 5(b) and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

## **6. Payments in Respect of the Bonds**

- (a) Any payment or repayment under the Finance Documents shall be made to such person who is registered as a Bondholder on a Securities Account on the Record Date immediately preceding the relevant payment date.
- (b) If a Bondholder has registered, through an Account Operator, that principal and interest shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Bondholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect the payment of amounts according to the aforesaid, the CSD will pay such amount to the relevant Bondholder being registered as such on the Record Date as soon as possible after such obstacle has been removed.
- (c) If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 8(d) during such postponement.
- (d) If payment or repayment is made in accordance with this Clause 6, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount.

## **7. Listing**

- (a) The Issuer shall use its best efforts to ensure that the Bonds are listed on NASDAQ Stockholm within 30 days after the Issue Date and in any case no later than 60 days after the Issue Date, and that it remains admitted or, if such listing is not possible to obtain or maintain, listing on another Regulated Market.
- (b) The Issuer shall, following the listing, take all actions on its part to maintain the admission as long as any Bonds are outstanding, however not longer than up to and including the last day on which the listing reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

## **8. Interest**

- (a) Each Bond carries Interest at the Interest Rate from (but excluding) the Issue Date up to (and including) the relevant Redemption Date.
- (b) Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made to the Bondholders on each Interest Payment Date for the preceding Interest Period.
- (c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).
- (d) If the Issuer fails to pay any amount payable by it on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent. higher than the then applicable Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

## **9. Redemption and Issuer's Purchase of Bonds**

### **9.1 Redemption at maturity**

The Issuer shall redeem all, but not only some, of the outstanding Bonds in full on the Final Maturity Date with an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest. If the Final Maturity Date is not a Business Day, then the redemption shall occur on the Business Day following from an application of the Business Day Convention.

### **9.2 Early redemption at the option of the Issuer**

Subject to Clause 9.6 (*Consent from the Swedish FSA*) and giving notice in accordance with Clause 9.8 (*Notice of early redemption*), the Issuer may redeem all (but not some only) outstanding Bonds on (i) the First Call Date or (ii) any Interest Payment Date falling after the First Call Date.

### 9.3 Issuer's purchase of Bonds

The Issuer may as of the First Call Date and subject to Clause 9.6 (*Consent from the Swedish FSA*) and applicable law, at any time purchase Bonds on the market or in any other way. The Bonds so purchased by the Issuer must be cancelled immediately by the Issuer and may not be retained or sold.

### 9.4 Early redemption upon the occurrence of a Capital Disqualification Event

If a Capital Disqualification Event occurs prior to the First Call Date, the Issuer may, at its option, but subject to Clause 9.6 (*Consent from the Swedish FSA*) and giving notice in accordance with Clause 9.8 (*Notice of early redemption*), redeem all (but not some only) outstanding Bonds on any Interest Payment Date.

### 9.5 Early redemption upon the occurrence of a Tax Event

If a Tax Event occurs prior to the First Call Date, the Issuer may, at its option, but subject to Clause 9.6 (*Consent from the Swedish FSA*) and giving notice in accordance with Clause 9.8 (*Notice of early redemption*), redeem all (but not some only) outstanding Bonds on any Interest Payment Date.

### 9.6 Consent from the Swedish FSA

The Issuer may not redeem or purchase, as contemplated by this Clause 9, any outstanding Bonds without the prior consent of the Swedish FSA and in accordance with the Capital Regulation.

### 9.7 Early redemption amount

The Bonds shall be redeemed at a price per Bond equal to the Nominal Amount together with accrued but unpaid Interest.

### 9.8 Notice of early redemption

Redemption in accordance with Clauses 9.2 (*Early redemption at the option of the Issuer*), 9.4 (*Early redemption upon the occurrence of a Capital Disqualification Event*) and 9.5 (*Early redemption upon the occurrence of a Tax Event*) shall be made by giving not less than twenty (20) nor more than sixty (60) Business Days' notice to the Bondholders and the Agent in accordance with Clause 20 (*Notices*). Any such notice is irrevocable and, upon expiry of such notice, the Issuer is bound to redeem the Bonds at the applicable amounts specified above in Clause 9.7 (*Early redemption amount*).

## 10. Acceleration of the Bonds

- (a) The Bondholders have no right to accelerate the Bonds or otherwise request prepayment or redemption of the principal amount of the Bonds, except following the occurrence of the following events (each an "**Acceleration Event**"):
- (i) the Issuer is placed into bankruptcy (Sw. *försatt i konkurs*); or
  - (ii) the Issuer is subject of liquidation proceedings (Sw. *trätt i likvidation*).

- (b) If an Acceleration Event has occurred, the Agent is, following the instructions of the Bondholders, authorized to (i) by notice to the Issuer, declare all, but not only some, of the Bonds due for payment together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents.
- (c) The Issuer shall as soon as possible notify the Agent of the occurrence an Acceleration Event and the Agent shall notify the Bondholders of an Acceleration Event as soon as possible when the Agent received actual knowledge of the Acceleration Event.
- (d) In the event of an acceleration of the Bonds upon an Acceleration Event, the Issuer shall redeem all Bonds at an amount equal to 100 per cent. of the Nominal Amount.

## 11. Distribution of proceeds

- (a) All payments by the Issuer relating to the Bonds and the Finance Documents following an acceleration of the Bonds in accordance with Clause 10 (*Acceleration of the Bonds*) shall be distributed in the following order of priority, in accordance with the instructions of the Agent:
  - (i) first, in or towards payment pro rata of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Bondholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Bonds or the protection of the Bondholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause 16.2(e), and (iv) any costs and expenses incurred by the Agent in relation to a Bondholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 16.1(d);
  - (ii) secondly, in or towards payment pro rata of accrued but unpaid Interest under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
  - (iii) thirdly, in or towards payment pro rata of any unpaid principal under the Bonds; and
  - (iv) fourthly, in or towards payment pro rata of any other costs or outstanding amounts unpaid under the Finance Documents.
- (b) If a Bondholder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 11(a)(i), such Bondholder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 11(a)(i).
- (c) Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Bonds constitute escrow funds (*Sw. redovisningsmedel*) and must be held on a separate interest-bearing account on behalf of the Bondholders and the

other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 11 as soon as reasonably practicable.

- (d) If the Issuer or the Agent shall make any payment under this Clause 11, the Issuer or the Agent, as applicable, shall notify the Bondholders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid.

## 12. Decisions by Bondholders

- (a) Any decision by the Bondholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Bondholders' Meeting or by way of a Written Procedure.
- (b) Any request from the Issuer or a Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Bondholders, be made by them jointly) for a decision by the Bondholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Bondholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Bondholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Bondholders' Meeting.
- (c) The Agent may refrain from convening a Bondholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Bondholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- (d) Only a person who is, or who has been provided with a power of attorney pursuant to Clause 5 (*Right to Act on Behalf of a Bondholder*) from a person who is, registered as a Bondholder:
- (i) on the Record Date prior to the date of the Bondholders' Meeting, in respect of a Bondholders' Meeting, or
  - (ii) on the Business Day specified in the communication pursuant to Clause 14(c), in respect of a Written Procedure,
- may exercise voting rights as a Bondholder at such Bondholders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.
- (e) The following matters shall require the consent of Bondholders representing at least  $66\frac{2}{3}$  per cent. of the Bonds represented at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 14(c):
- (i) a change to the terms of any of Clauses 2(a), 2(d) and 2(h);

- (ii) a change to the terms for the distribution of proceeds set out in Clause 11 (*Distribution of proceeds*);
  - (iii) a change to the terms dealing with the requirements for Bondholders' consent set out in this Clause 12;
  - (iv) a change to the definition "Interest Payment Date", "Initial Interest Date" or "Interest Rate" set out in Clause 1.1 (*Definitions*);
  - (v) an extension of the tenor of the Bonds or any delay of the due date for payment of any principal or interest on the Bonds;
  - (vi) a mandatory exchange of the Bonds for other securities;
  - (vii) early redemption of the Bonds, other than upon an acceleration of the Bonds pursuant to Clause 10 (*Acceleration of the Bonds*) or as otherwise permitted or required by these Terms and Conditions.
- (f) Any matter not covered by Clause 12(e) shall require the consent of Bondholders representing more than fifty (50) per cent. of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 14(c). This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 15(a)(i) or 15(a)(ii)).
- (g) Quorum at a Bondholders' Meeting or in respect of a Written Procedure only exists if a Bondholder (or Bondholders) representing at least twenty (20) per cent. of the Adjusted Nominal Amount:
- (i) if at a Bondholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
  - (ii) if in respect of a Written Procedure, reply to the request.
- (h) If a quorum does not exist at a Bondholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Bondholders' Meeting (in accordance with Clause 13(a)) or initiate a second Written Procedure (in accordance with Clause 14(a)), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure for Bondholders' consent. The quorum requirement in Clause 12(g) shall not apply to such second Bondholders' Meeting or Written Procedure.
- (i) Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as applicable.
- (j) A Bondholder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.

- (k) If any matter decided in accordance with this Clause 12 would require consent from the Swedish FSA, such consent shall be sought by the Issuer.
- (l) The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Bondholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Bondholders that consent at the relevant Bondholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- (m) A matter decided at a duly convened and held Bondholders' Meeting or by way of Written Procedure is binding on all Bondholders, irrespective of them being present or represented at the Bondholders' Meeting or responding in the Written Procedure. The Bondholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Bondholders.
- (n) All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Bondholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- (o) If a decision shall be taken by the Bondholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies, irrespective of whether such person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company.
- (p) Information about decisions taken at a Bondholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Bondholders and published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Bondholders' Meeting or Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Agent, as applicable.

### **13. Bondholders' Meeting**

- (a) The Agent shall convene a Bondholders' Meeting by sending a notice thereof to each Bondholder no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons).
- (b) Should the Issuer want to replace the Agent, it may convene a Bondholders' Meeting in accordance with Clause 13(a) with a copy to the Agent. After a request from the Bondholders pursuant to Clause 16.4(c), the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Bondholders' Meeting in accordance with Clause 13(a).
- (c) The notice pursuant to Clause 13(a) shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Bondholders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Bondholders' Meeting. Should

prior notification by the Bondholders be required in order to attend the Bondholders' Meeting, such requirement shall be included in the notice.

- (d) The Bondholders' Meeting shall be held no earlier than ten (10) Business Days and no later than twenty (20) Business Days from the notice.
- (e) Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Bondholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Bondholders to vote without attending the meeting in person.

#### **14. Written Procedure**

- (a) The Agent shall instigate a Written Procedure no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Bondholder on the Business Day prior to the date on which the communication is sent.
- (b) Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 14(a) to each Bondholder with a copy to the Agent.
- (c) A communication pursuant to Clause 14(a) shall include (i) each request for a decision by the Bondholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Bondholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Bondholder must reply to the request (such time period to last at least fifteen (15) Business Days from the communication pursuant to Clause 14(a)). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- (d) When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 12(e) and 12(f) have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 12(e) or 12(f), as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

#### **15. Amendments and Waivers**

- (a) The Issuer and the Agent (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
  - (i) such amendment or waiver is not detrimental to the interest of the Bondholders, or is made solely for the purpose of rectifying obvious errors and mistakes;
  - (ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or

- (iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 12 (*Decisions by Bondholders*).
- (b) The Agent shall promptly notify the Bondholders of any amendments or waivers made in accordance with Clause 15(a), setting out the date from which the amendment or waiver will be effective. The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.
- (c) An amendment to the Finance Documents shall take effect on the date determined by the Bondholders Meeting, in the Written Procedure or by the Agent, as the case may be.

## **16. Appointment and Replacement of the Agent**

### **16.1 Appointment of Agent**

- (a) By subscribing for Bonds, each initial Bondholder appoints the Agent to act as its agent in all matters relating to the Bonds and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Bondholder, including any legal or arbitration proceeding relating to the perfection, preservation, protection or enforcement of the Transaction Security. By acquiring Bonds, each subsequent Bondholder confirms such appointment and authorisation for the Agent to act on its behalf.
- (b) Each Bondholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Bondholder which does not comply with such request.
- (c) The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- (d) The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.
- (e) The Agent may only act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies where these issues are ranked *pari passu* and do not otherwise entail any obvious conflicts of interest for the Agent.

## 16.2 Duties of the Agent

- (a) The Agent shall represent the Bondholders in accordance with the Finance Documents.
- (b) When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Bondholders. The Agent shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.
- (c) The Agent is entitled to delegate its duties to other professional parties, provided that such professional parties are selected with due care.
- (d) The Agent shall treat all Bondholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (e) The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all costs for external experts engaged after the occurrence of an Acceleration Event, or for the purpose of investigating or considering (i) an event which the Agent reasonably believes is or may lead to an Acceleration Event or (ii) a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Bondholders under the Finance Documents. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 11 (*Distribution of proceeds*).
- (f) Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (g) If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Bondholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such indemnities (or adequate Security has been provided therefore) as it may reasonably require.

## 16.3 Limited liability for the Agent

- (a) The Agent will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- (b) The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the

Agent considers that it is detrimental to the interests of the Bondholders to delay the action in order to first obtain instructions from the Bondholders.

- (c) The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Bondholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- (d) The Agent shall have no liability to the Bondholders for damage caused by the Agent acting in accordance with instructions of the Bondholders given in accordance with Clause 12 (*Decisions by Bondholders*) or a demand by Bondholders given pursuant to Clause 10(b).
- (e) Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Bondholders under the Finance Documents.

#### **16.4 Replacement of the Agent**

- (a) Subject to Clause 16.4(f), the Agent may resign by giving notice to the Issuer and the Bondholders, in which case the Bondholders shall appoint a successor Agent at a Bondholders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- (b) Subject to Clause 16.4(f), if the Agent becomes Insolvent, the Agent shall be deemed to resign as Agent with immediate effect and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (c) A Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Bondholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Bondholders, be given by them jointly), require that a Bondholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Bondholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Bondholders that the Agent be dismissed and a new Agent appointed.
- (d) If the Bondholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Bondholders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (e) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

- (f) The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- (g) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Bondholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.
- (h) In the event that there is a change of the Agent in accordance with this Clause 16.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement.

## **17. Appointment and Replacement of the Issuing Agent**

- (a) The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.
- (b) The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is Insolvent, the Issuer shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

## **18. No Direct Actions by Bondholders**

- (a) A Bondholder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, or bankruptcy (Sw. *konkurs*) (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the liabilities of the Issuer under the Finance Documents.
- (b) Clause 18(a) shall not apply if the Agent has been instructed by the Bondholders to take certain actions but is legally unable to take such actions.

## **19. Prescription**

- (a) The right to receive repayment of the principal of the Bonds shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Bondholders' right to receive payment has been prescribed and has become void.

- (b) If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*Sw. preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Bonds, and of three (3) years with respect to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

## 20. Notices

- (a) Subject to Clause 20(d), any notice or other communication to be made under or in connection with the Finance Documents:
  - (i) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (*Sw. Bolagsverket*) on the Business Day prior to dispatch;
  - (ii) if to the Issuer, shall be given at the address registered with the Swedish Companies Registration Office (*Sw. Bolagsverket*) on the Business Day prior to dispatch, marked "for the attention of the Chief Executive Officer" and accompanied by a copy marked "for the attention of the General Counsel".
  - (iii) if to the Bondholders, shall be given at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by either courier delivery or letter for all Bondholders.
- (b) Any notice to the Bondholders shall also be published on the websites of the Issuer and the Agent.
- (c) Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 20(a) or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 20(a).
- (d) If an Acceleration Event is continuing, any notice or other communication made by the Agent to the Issuer under or in connection with the Finance Documents may, provided that the Agent deems it necessary in order to preserve the Bondholders' rights under the Finance Documents, be sent by email and will be effective on the day of dispatch (unless a delivery failure message was received by the Agent), save that any notice or other communication sent by email that is sent after 5.00 pm in the place of receipt shall be deemed only to become effective on the following day. Any notice or other communication to be sent by email by the Agent to the Issuer in accordance with this paragraph (c) shall be sent to the CFO or the CEO of the Issuer, to the email addresses most recently notified by the Issuer to the Agent.

## 21. Governing Law and Jurisdiction

- (a) These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.

- (b) The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Sw. Stockholms tingsrätt*).
- (c) Paragraphs (a) and (b) above shall not limit the right of the Agent (or the Bondholders, as applicable) to take proceedings against the Issuer in any court which may otherwise exercise jurisdiction over the Issuer or any of its assets.

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