TFBank

Investor Presentation

September 2019

Strictly private and confidential

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b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact other bonds will have on its overall investment portfolio;

c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

d) understand thoroughly the final terms and conditions for the Bonds; and

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The Issuer and any other member of the Group may, subject to applicable laws, purchase Bonds. It should be noted that the Group may have interests that conflict with other bondholders particularly if the Group encounters difficulties or is unable to pay its debts as they fall due.

Target market

Solely for the purposes of the manufacturer's (as used herein, "**Manufacturer**" refers to the Sole Bookrunner) product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Bonds to eligible counterparties, professional clients and retail clients are appropriate.

Any person subsequently offering, selling or recommending the Bonds (a "**Distributor**") should take into consideration the Manufacturer's target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the Manufacturer's target market assessment) and determining appropriate distribution channels.

Disclaimer

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As the Bonds are not deemed to fall within the scope of Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**"), no PRIIPs key information document (KID) has been prepared. For the avoidance of doubt, the target market assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Bonds.

Placement Fee

The Sole Bookrunner will be paid a fee by the Issuer in respect of the placement of the Transaction.

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The Bonds will be governed by the final terms and conditions

Any potential investor investing in the Bonds is bound by the final terms and conditions of the Bonds which the investor acknowledges having accepted by subscribing for such Bonds.

Governing law and jurisdiction

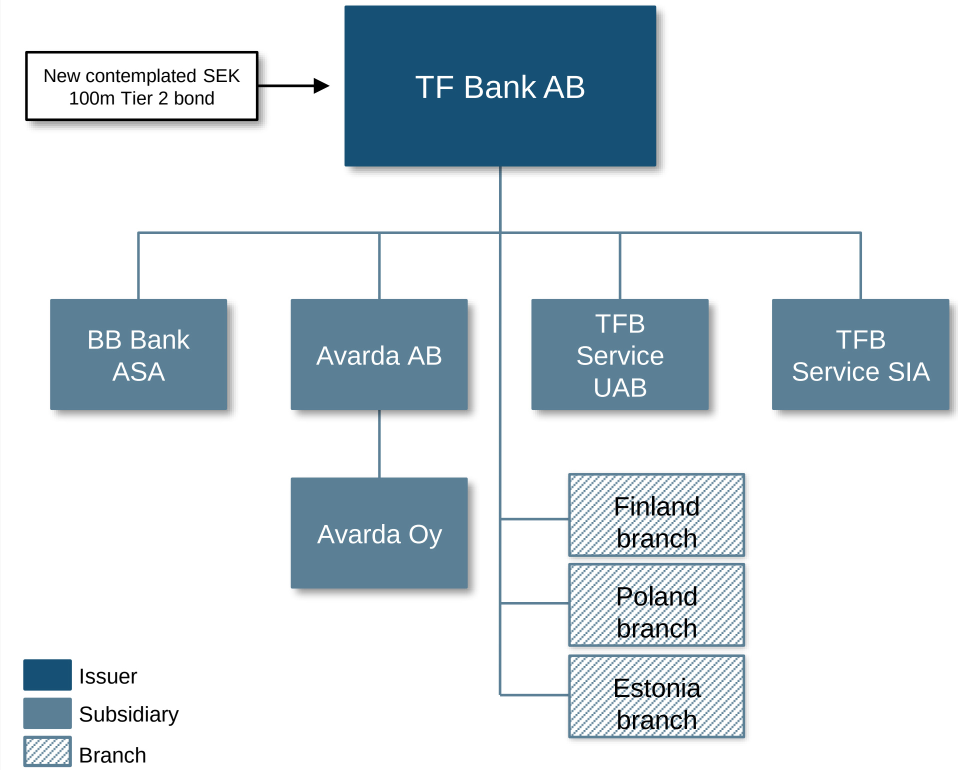
This Presentation is subject to Swedish law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Swedish courts.

Transaction overview

Summary of indicative terms

Issuer	TF Bank AB (publ)
Instrument	Tier 2 capital (*Sw: supplementärkapital*)
Ranking	Subordinated
Volume	SEK 100,000,000
Denomination	SEK 1,250,000
Tenor	10 years
Call structure	Non-call 5 year, thereafter callable on each interest payment date, subject to SFSA approval
Coupon	3m Stibor + [•]% p.a., payable quarterly
Use of proceeds	General corporate purposes
Conditional calls	Capital event and tax event, subject to SFSA approval
Listing	Nasdaq Stockholm
Documentation	Stand-alone documentation
Agent	Nordic Trustee
Governing Law	Swedish law
Bookrunner	Carnegie Investment Bank

Group structure



Today's presenters

Mattias Carlsson
CEO

Years at TF Bank: 10

Previous experience:

Consumer Finance at Resurs Bank, Business Development at SEB

Mikael Meomuttel
CFO

Years at TF Bank: 10

Previous experience:

Financial controller at Consortio Fashion Group

Agenda

1. Transaction overview and important information
2. Introduction to TF Bank
3. Business overview
4. Financials
5. Asset quality, funding and liquidity
6. Capitalisation
7. Appendices
8. Risk factors

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Key investment highlights

Resilient business model with more than 30 years of high returns

Responsible organic growth with a diversified portfolio

Healthy headroom to regulatory capital ratio requirements

Scalable cost base with industry-leading efficiency

Agenda

TFBank

Our corporate profile

Our products

Operating with modern and scalable infrastructure offering our retail customers online consumer loans, deposits and credit cards. For retailers we offer leading ecommerce and brick-and-mortar payment solutions

Our geographical footprint

We serve customers in the Nordics and around the Baltic sea

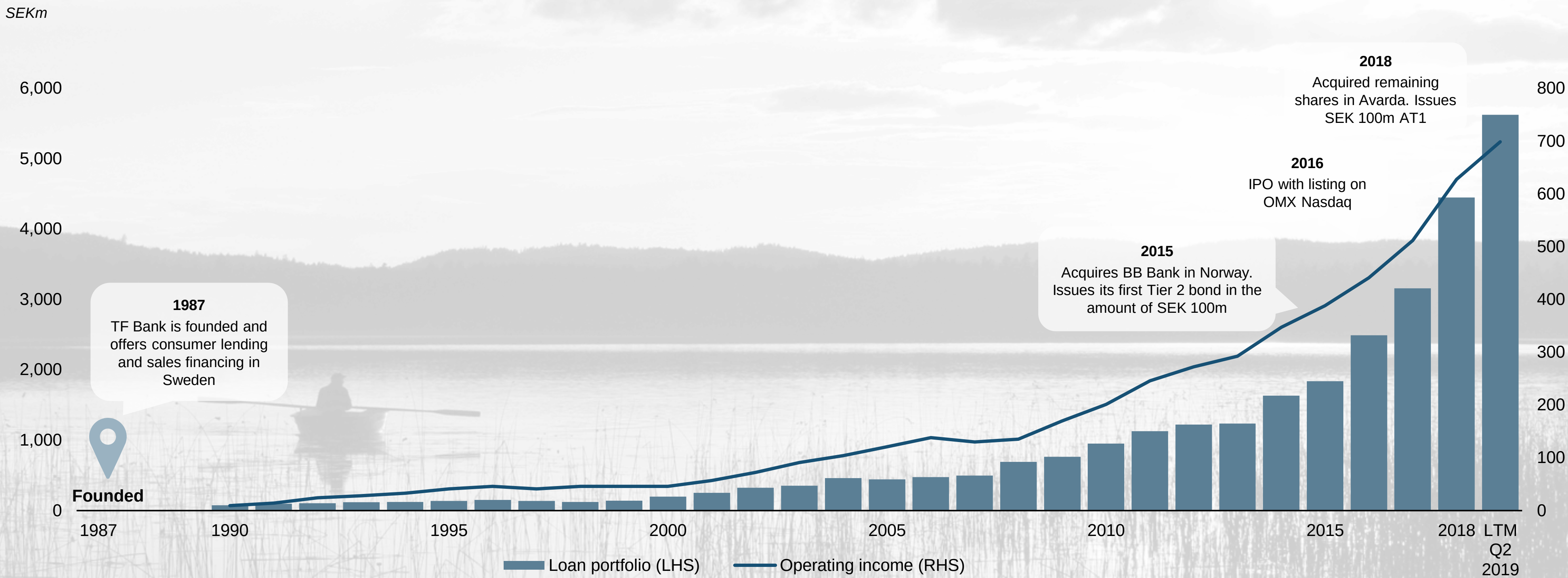
Our DNA

We aim to deliver effortless banking to our customers by being reliable, responsible and straightforward in our dealings with them

The investment case

We operate in carefully selected niches where we can leverage on our platform and expertise to deliver attractive and sustainable risk adjusted growing returns

Long track-record of profitable growth



Long experience and proven business model

- More than 30 years experience from consumer finance industry
- Highly profitable core markets with proven model for geographical expansion into new high-growth markets
- Two complementary business areas in payments and consumer loans

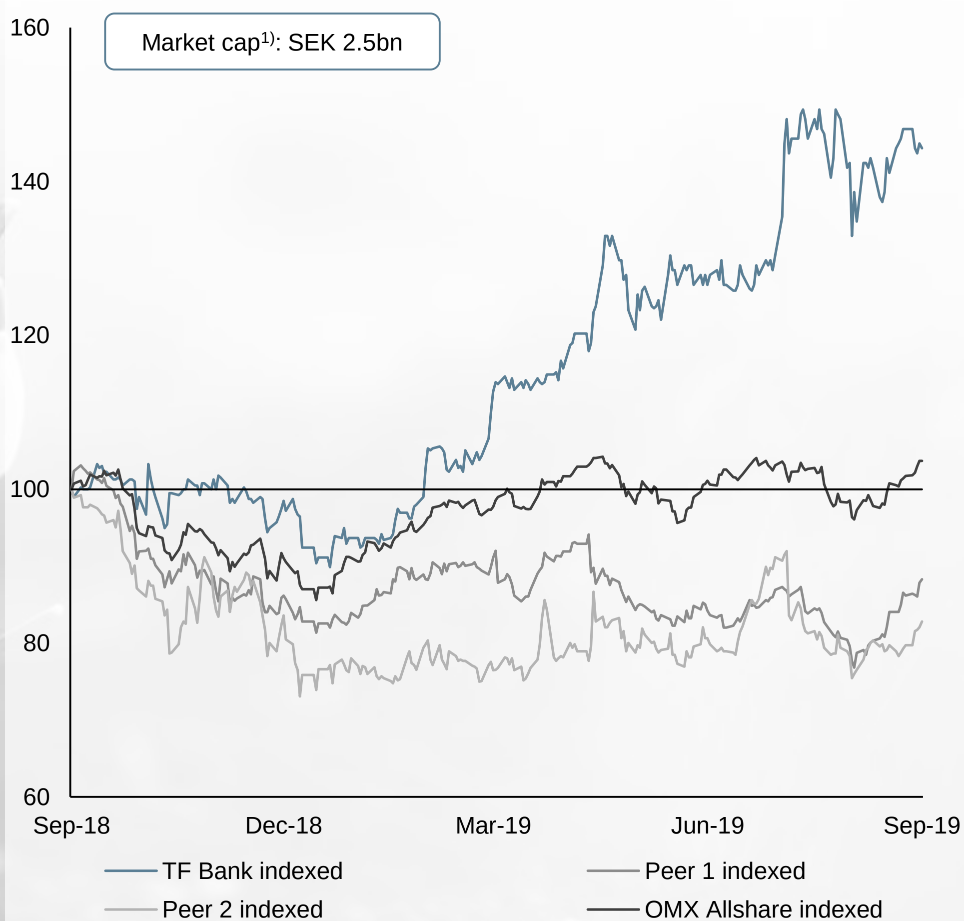
TFBank

Supportive ownership and strong share performance

Ownership

Largest shareholders, as of 30 June 2019	Share capital, %
TFB Holding AB	38.56
Erik Selin Fastigheter AB	11.63
Tiberon AB	10.19
Merizole Holding Ltd	7.01
Danica Pension Försäkringsaktiebolag	6.11
Proventus Aktiebolag	3.00
Prior & Nilsson Fond- och Kapitalförvaltning AB	2.52
Nordnet pensionsförsäkringar AB	2.06
Skandia fonder	1.32
Acervo AB	1.20
Other	16.40

Share price performance[1)]



Note: 1) As of 12/09/2019.
Source: Factset.

Financial targets and future outlook

Financial targets

Growth

Earnings per share of at least 14.50 SEK in 2020

Efficiency

Cost/income ratio of below 35% in 2020

Capital structure

All capital ratios shall exceed the legal requirement (including pillar 2) by at least 2.5% points

Dividend policy

Distribute surplus capital relative to the capital target and the bank's capital planning

Looking ahead

- Continue to leverage on the platform in Consumer Lending
- Margin of new sales are expected to stay stable in the coming quarters, easing the downward pressure on total portfolio margin
- The outlook on underlying credit quality continues to be positive across most products and markets
- Strong deal-pipe in Ecommerce Solution supports further growth

Agenda

Overview of the Consumer Lending segment

Product area description

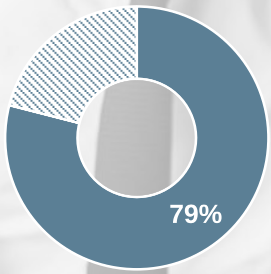
- Unsecured consumer loans offered in 8 countries, comprising Sweden, Norway, Finland, Estonia, Latvia, Lithuania, Poland and Austria
- The product offering is tailored per each market
- Marketed through TF Bank's direct channels, own database as well as external partners
- Tenor of loans are typically between 12 and 60 months
- Estimated average maturity of ~24 months
- Average loan size on book of SEK ~52,000
- Loans offered to creditworthy individuals – middle aged, employed and with a median national income

Key figures

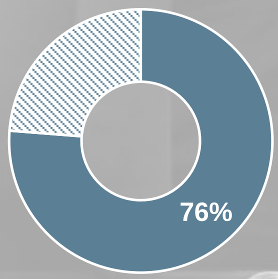
4.4bn	27.6%	8
Loan book	**Loan book growth[2)]**	**Countries**

As of Q2 2019, SEK

Share of the group's loan book



Share of the group's operating income[1)]



Note: 1) Q2 2019 LTM. 2) 6 months loan book growth.

Overview of the Ecommerce Solutions segment

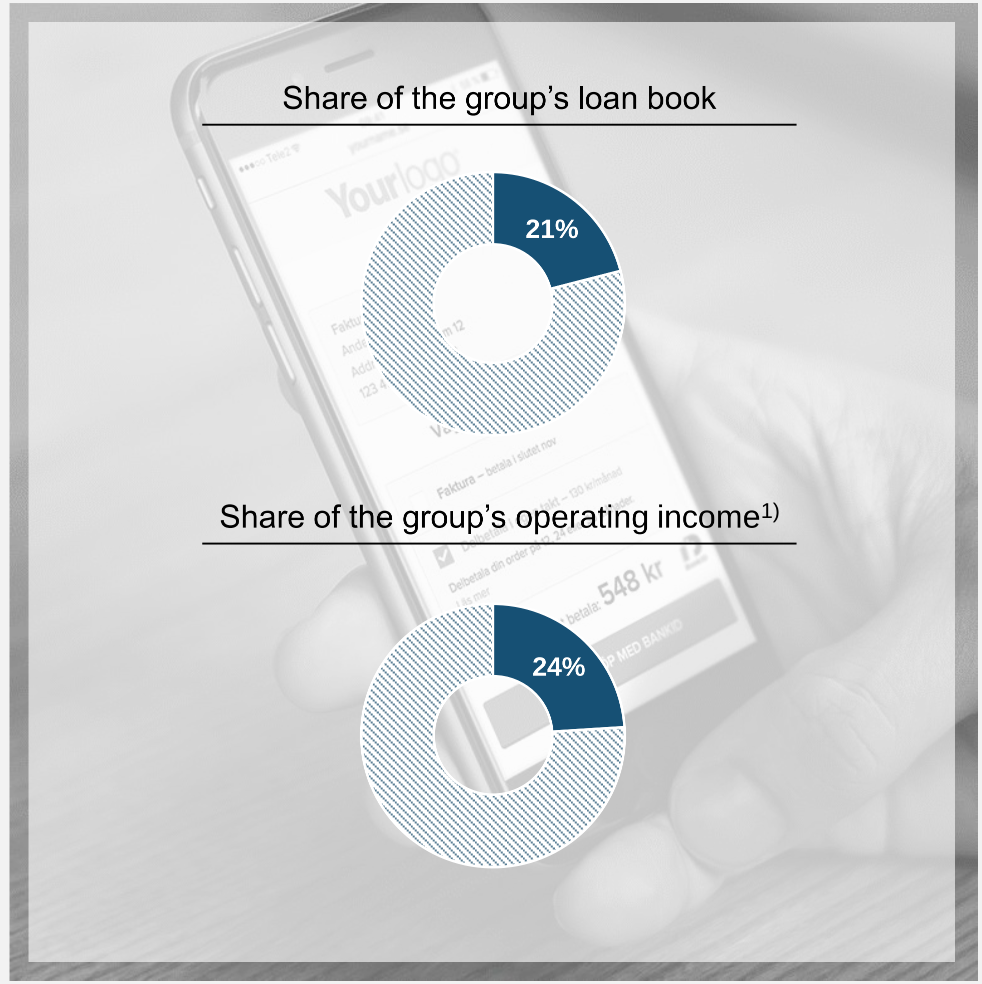
Product area description

- Best-in-class white label check-out solution with CRM functionality for online retailers – Checkout+
- Offers all popular payment and sales financing methods through one single integration, including invoice, instalment payment, credit/debit card and direct bank payment
- Digital payment solutions available in the Nordic region, the Baltic states and Poland
- Long-term relationships with attractive e-merchants
- Credit cards are included in the Ecommerce Solution segment, and currently offered in Norway and Germany
- Checkout+ offered through Avarda

Key figures

1.2bn	22.2%	8
Loan book	Loan book growth[2)]	Countries

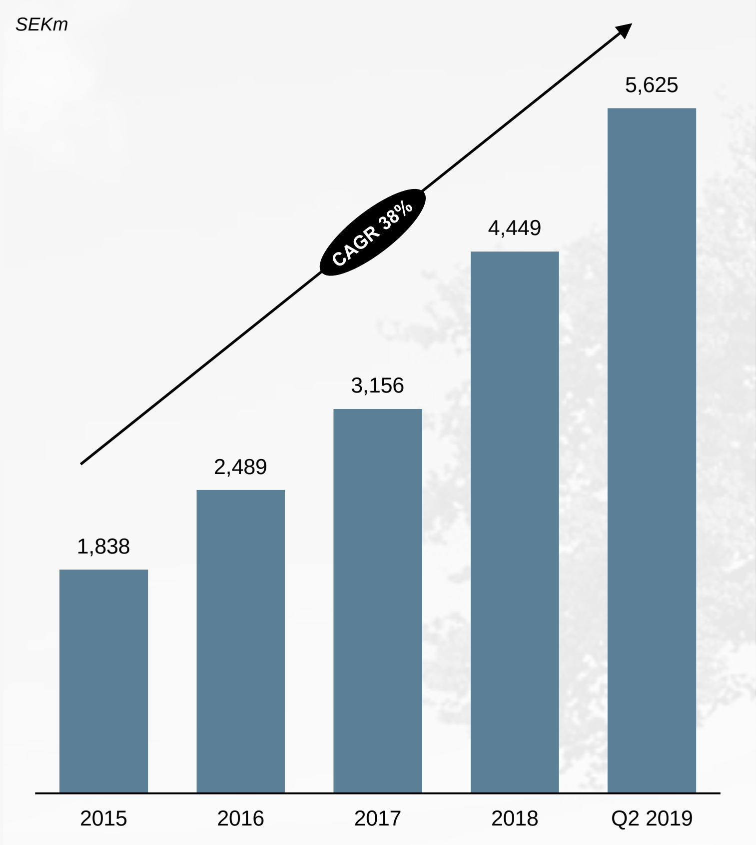
As of Q2 2019, SEK



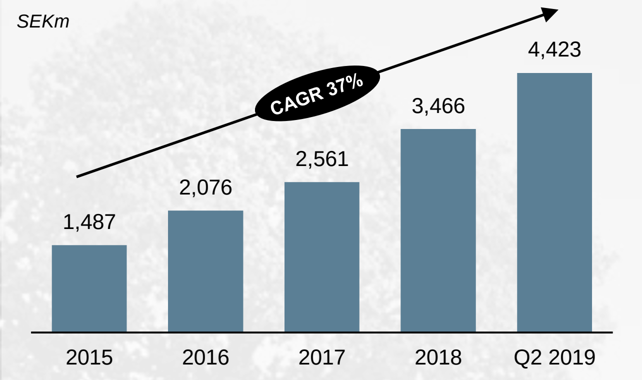
Note: 1) Q2 2019 LTM. 2) 6 months loan book growth.

Significant growth in the loan book since 2015

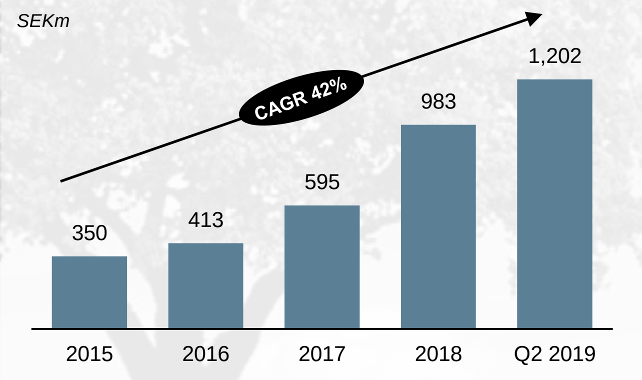
Loan book, Group



Loan book, Consumer Lending



Loan book, Ecommerce Solutions



- Well-proven growth strategy with expansion in carefully selected niches and markets
- Ability to leverage on existing platform and expertise in new markets
- Launch of Ecommerce Solutions offers additional growth opportunities
- Consumer Lending and Ecommerce Solutions are two highly complementary business areas that offers cross-selling opportunities

Diversified portfolio with Nordic base

Sweden

- Focus on profitability and Ecommerce Solutions

Norway

- Strong growth for Consumer Lending

Finland

- Controlled growth to protect margins in Consumer Lending and more aggressive growth in Ecommerce Solutions

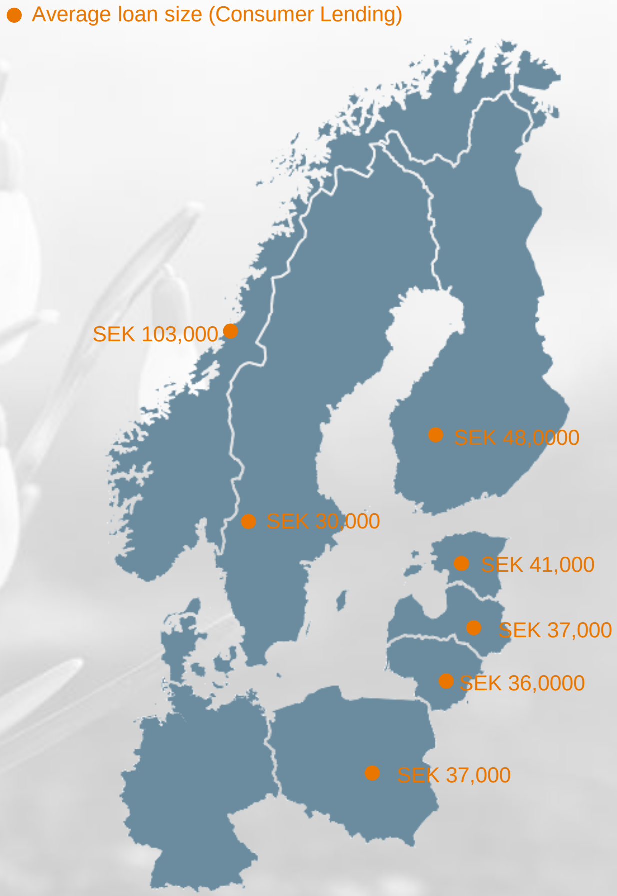
The Baltic states

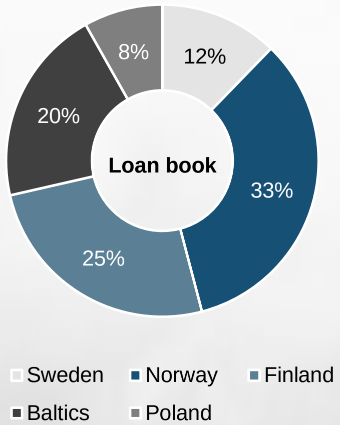
- Strong growth in Latvia and Lithuania while rebalancing growth in Estonia more to Ecommerce Solutions

Poland

- Strong growth in Ecommerce Solutions

Geographical footprint and loan book distribution

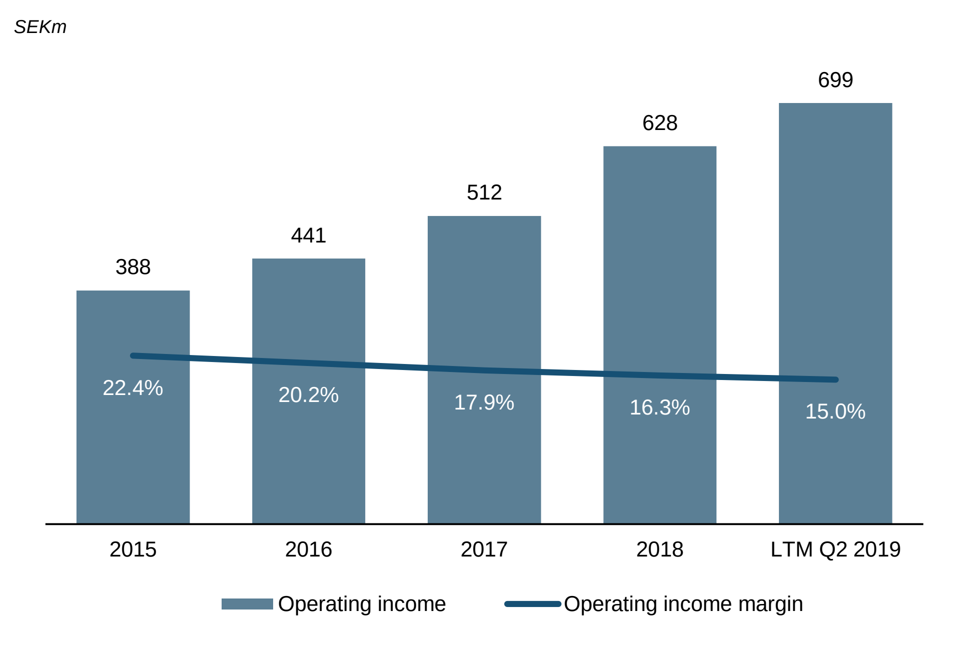




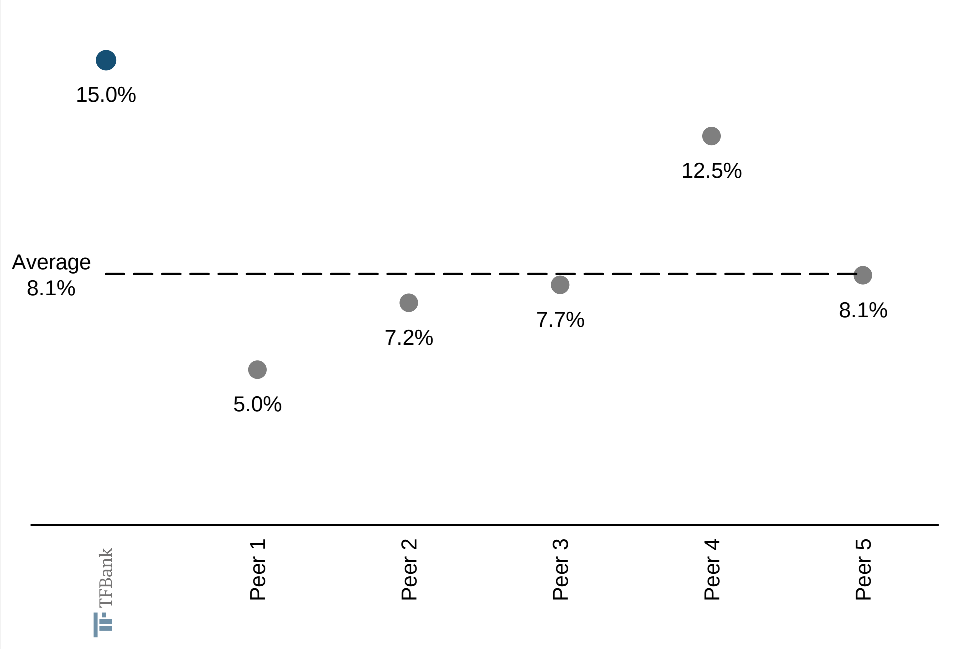
Agenda

Significant growth in operating income exceeding 18% p.a. since 2015

Operating income and operating income margin[1)]



Operating income margin relative peers



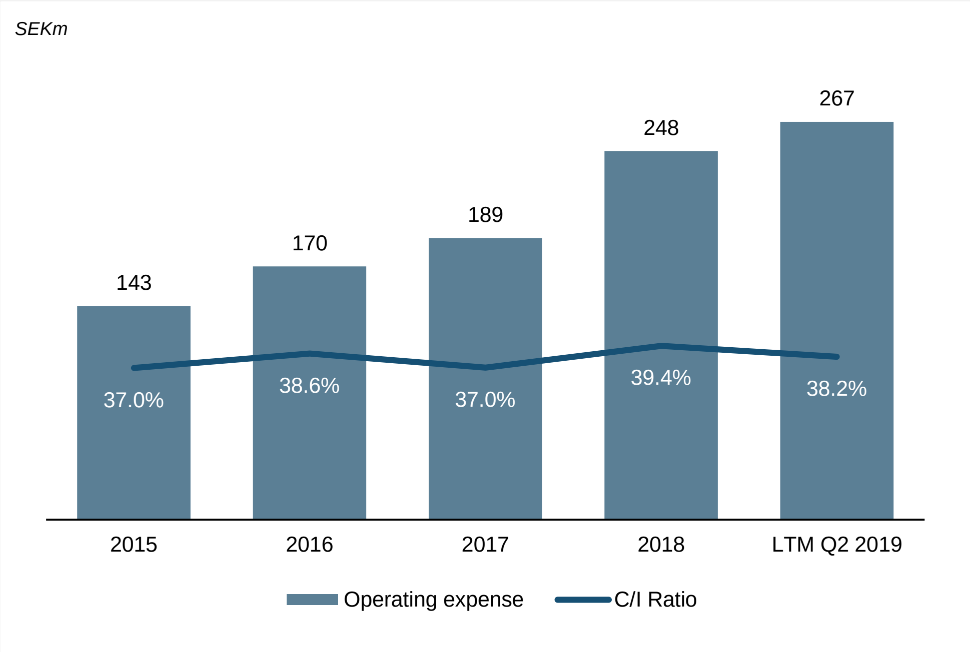
Key takeaways

- Strong operating income development with a CAGR in excess of 18% between 2015 and 2019 Q2
- Growth driven by Consumer Lending in Norway and the Baltics and overall growth in the Ecommerce Solutions segment
- Lower operating income margin due to change in product mix
- Outperforming all relevant peers in operating income margin with ~15% as of Q2 2019

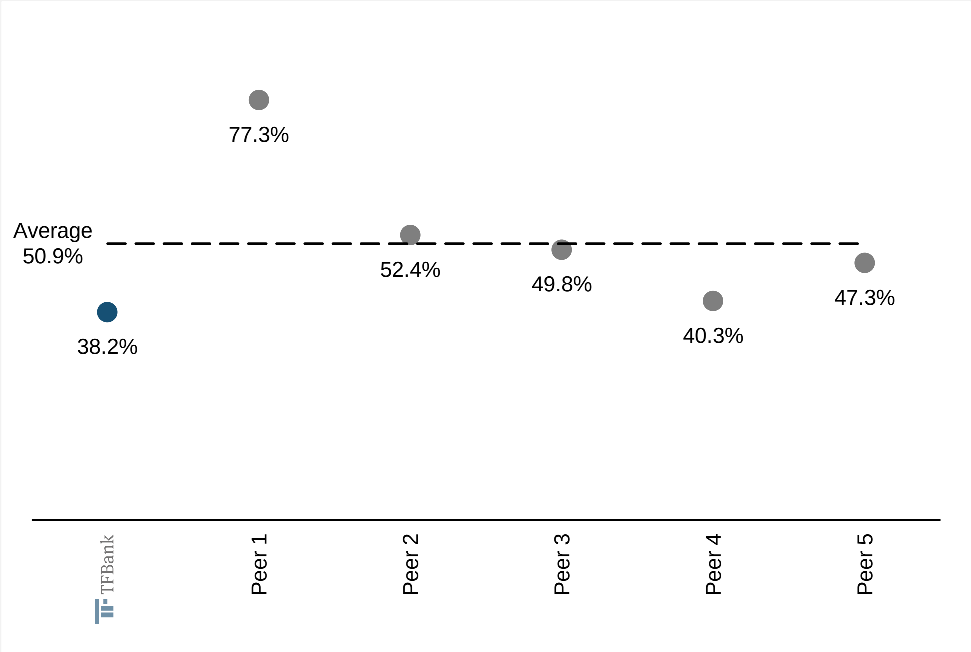
Note: 1) Operating income margin defined as Total operating income divided by average loans to the public. Rolling 12 months

Lean cost base with unrivalled C/I ratio among peers

Operating expense and C/I ratio



C/I ratio relative peers

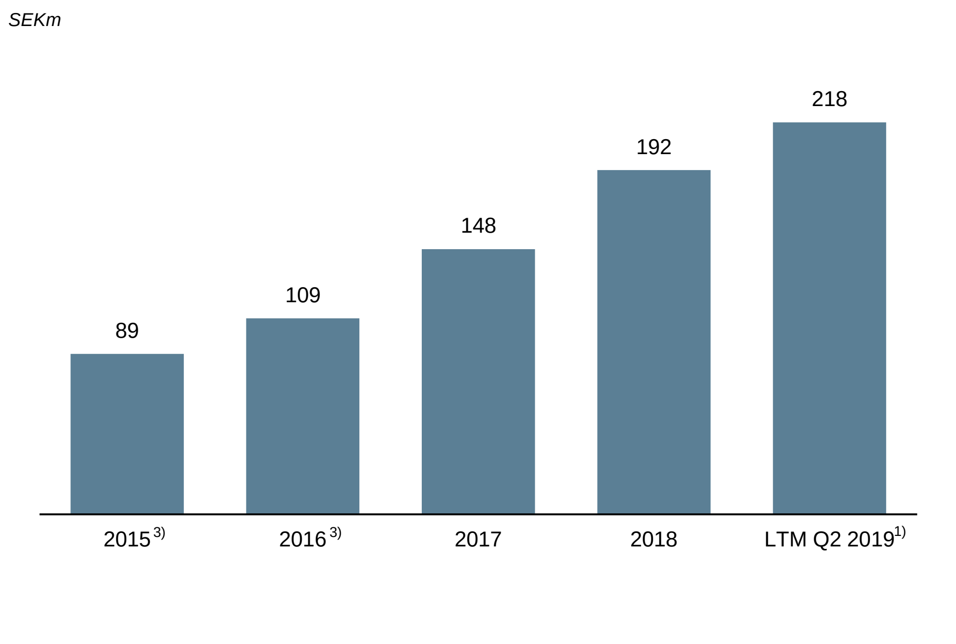


Key takeaways

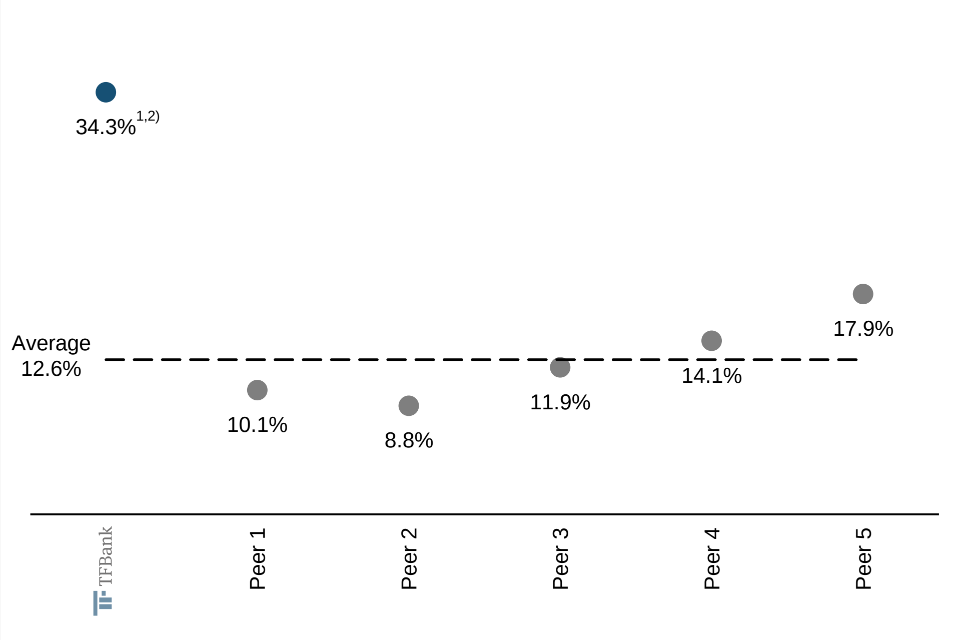
- Well-invested organisation with a cautious approach to costs and investments
- C/I ratio preserved at low levels driven by a lean cost structure and economies of scale
- Best-in-class C/I ratio among peers

Impressive growth in net profit exceeding 29% p.a. since 2015

Net profit



Return on equity relative peers



Key takeaways

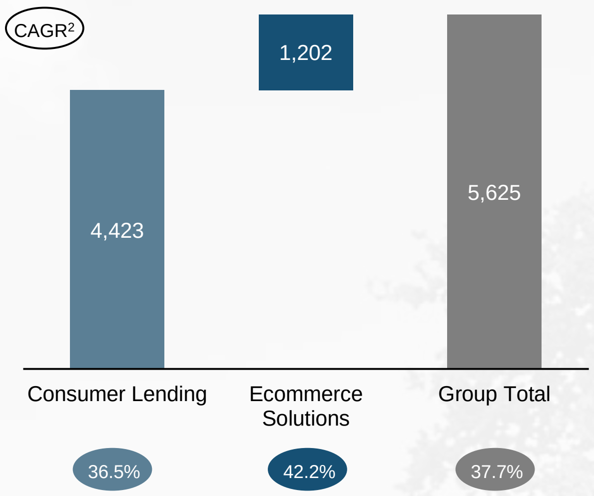
- Strong generation of net profit supported by loan book growth, cost efficiency and declining credit loss ratio
- Net profit growth exceeding 29% per annum since 2015
- Proven ability to generate superior return on equity by optimising the capital structure

Note: 1) Adjusted for items affecting comparability in 2018 of SEK 20m attributable to reclassification of customer balances with inactive status that have arisen before 2018. 2) Return on equity defined as Profit for the period attributable to the shareholders of the Parent Company divided by average equity attributable to the shareholders of the Parent Company. Rolling 12 months. 3) Adjusted for items affecting comparability in 2015 and 2016 related to of SEK 18m respectively SEK 19m related to the IPO.

Performance of each segment

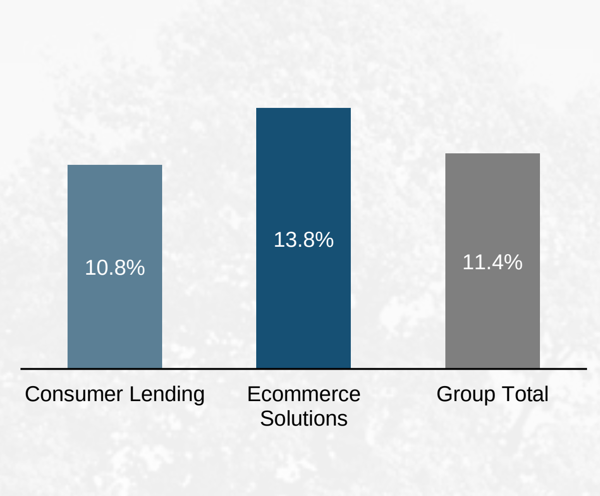
Loan book

As of Q2 2019, SEKm



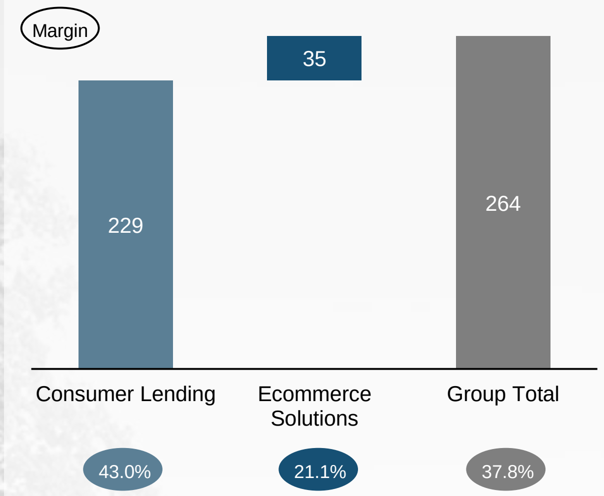
Risk adjusted margin[1)]

As of Q2 2019



Operating profit

As of Q2 2019, SEKm



Key takeaways

- Consumer Lending the main income generator as of today. Ecommerce Solutions a strong complement to the business that provides new growth opportunities and ability to diversify the business
- Lower margins in Consumer Lending but with high cost efficiency generating significant operating profit
- Improving income in Ecommerce Solutions with ability to scale on cost to increase the segment earnings contribution

Note: 1) Operating income margin minus net loan loss ratio. 2) CAGR Q4 2015 – 2019 Q2.

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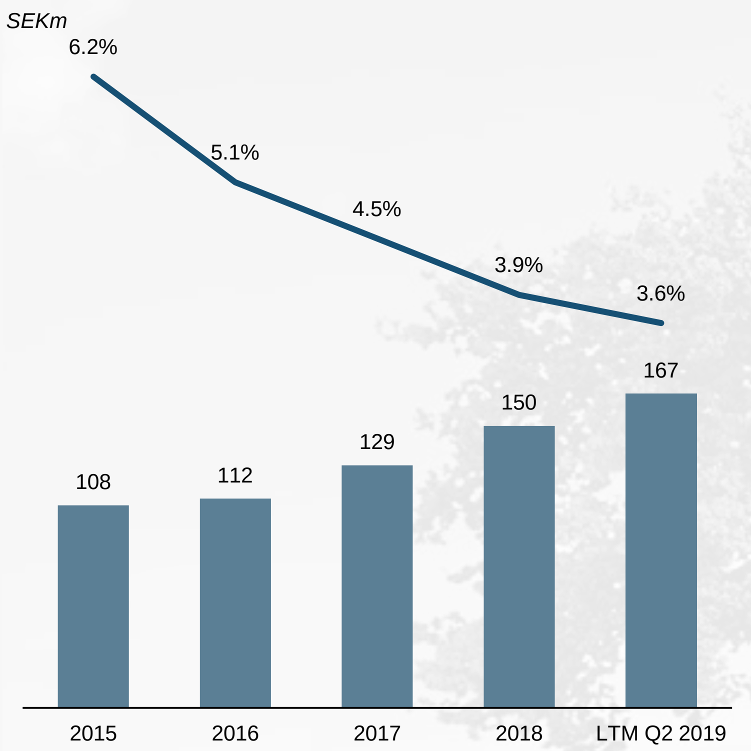
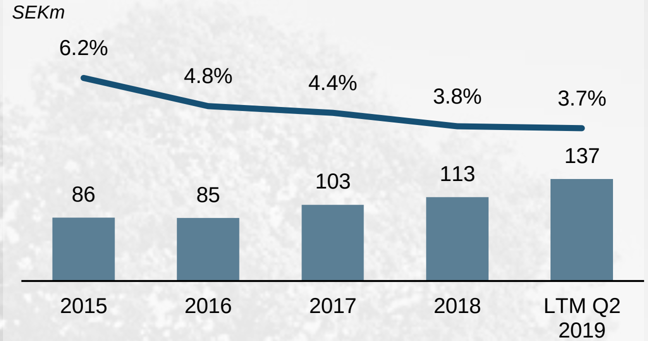
Net loan loss ratio continuous to decrease

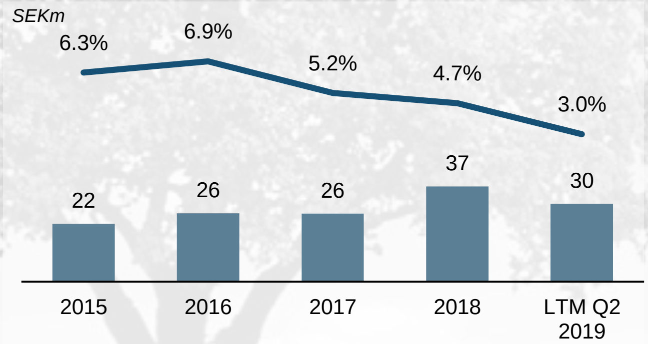
Group net loss ratio



Consumer Lending net loss ratio



Ecommerce Solutions net loss ratio

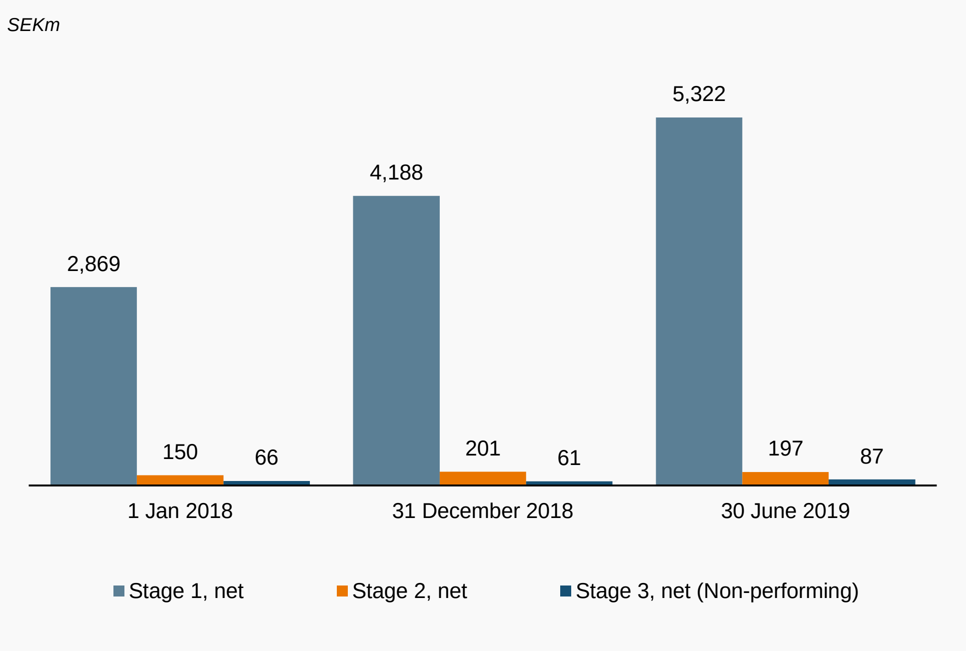


- Clean balance sheet policy
  - Non performing loans are generally sold on forward flow basis
  - New forward flow contracts secured for both segments in several markets
- Underlying credit quality of the loan portfolio is continuously improving
- Product mix lowers net the loss ratio further

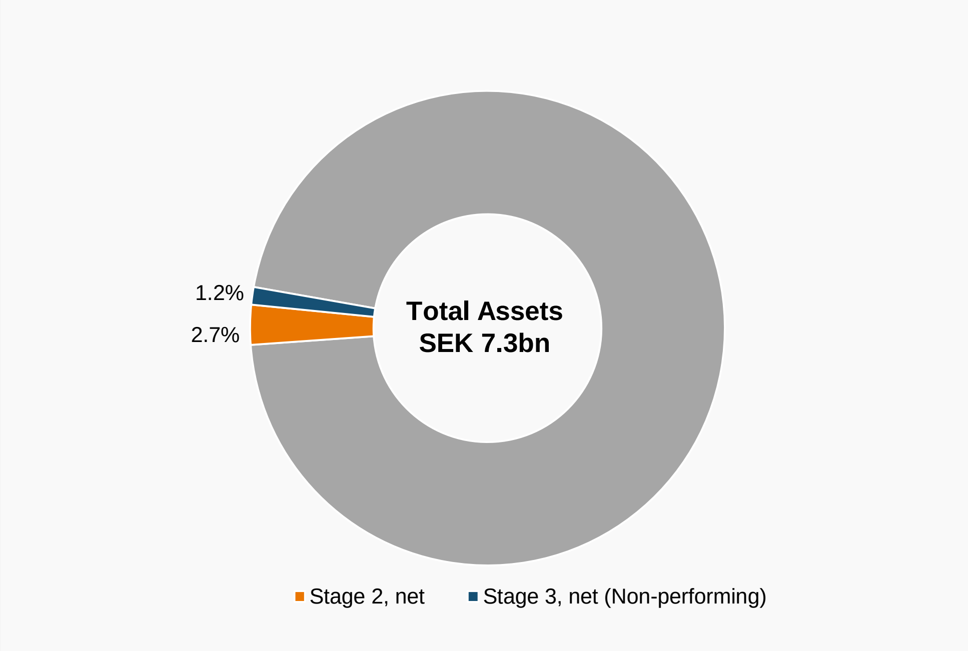
Improving underlying credit quality and the sale of non performing loans contributes to the decline in the loan loss ratio

Robust asset quality

Development in loans past due



Non-performing loans of Total Assets

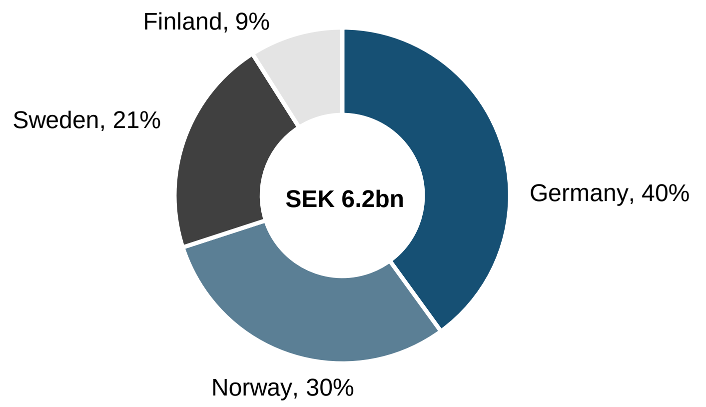


Key takeaways

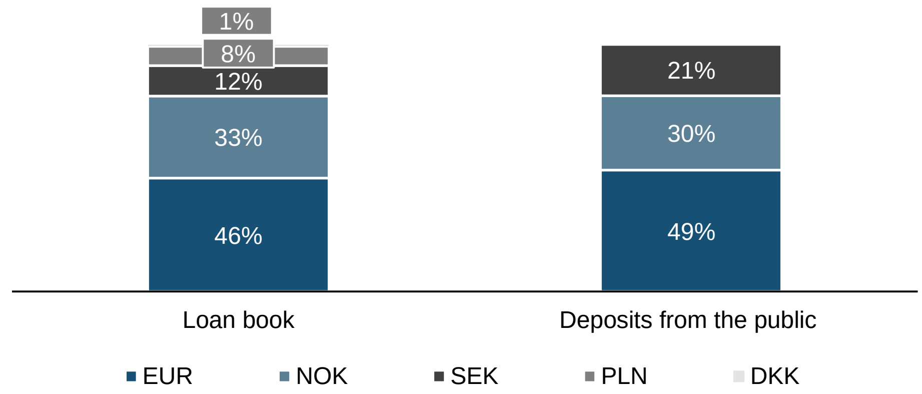
- Data driven credit scoring to assure lending at a well-balanced risk
- Closely monitoring of the loan portfolio to identify weak credits
- Limited valuation risk as non-performing loans only represents some 1.2% of total assets as of Q2 2019

Diversified funding base and well-matched FX profile

Diversified retail deposits



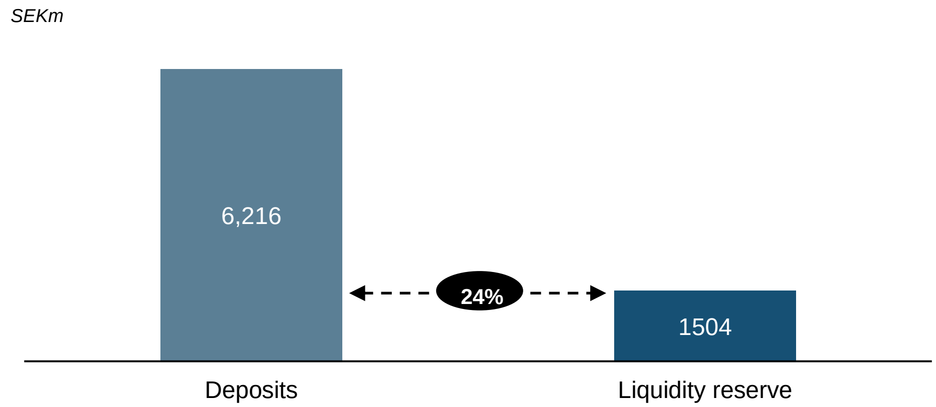
Well-matched FX profile



Liquidity reserve

SEKm	30 June 2019
Cash at Central Banks	338
Treasury Bills	61
Loans to credit institutions	1 050
Shares	22
Unused credit facility	33
Total ("Liquidity reserves")	**1 504**
LCR	*296%*

Liquidity-to-deposits coverage



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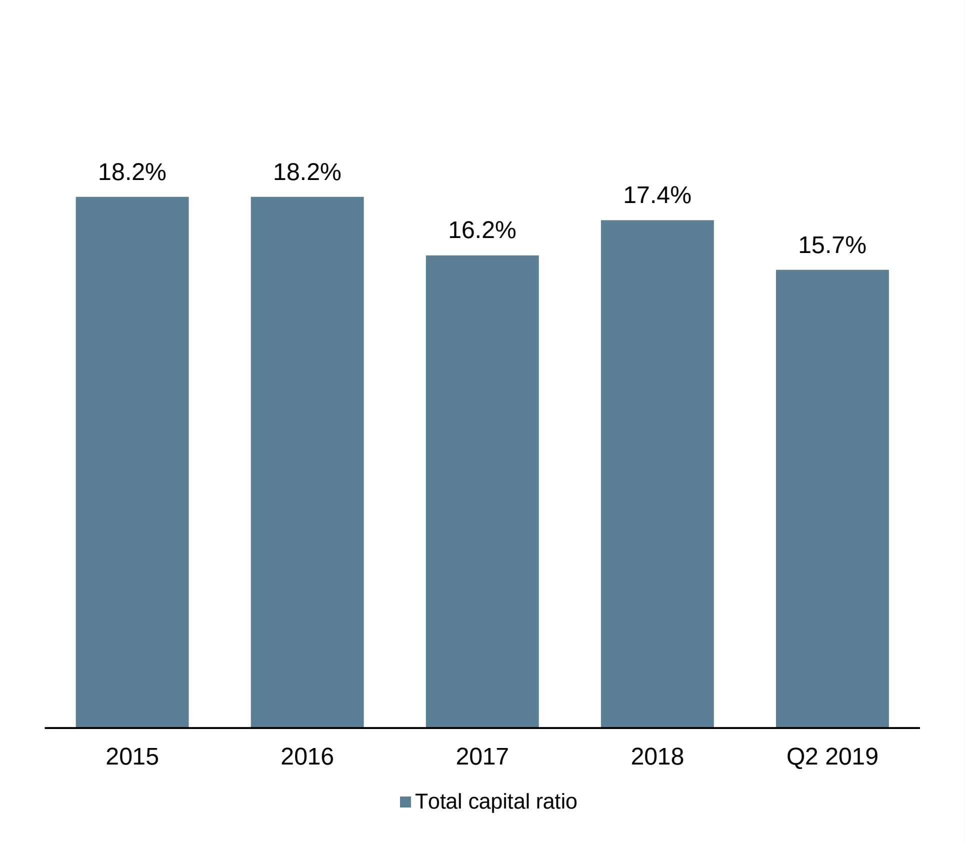
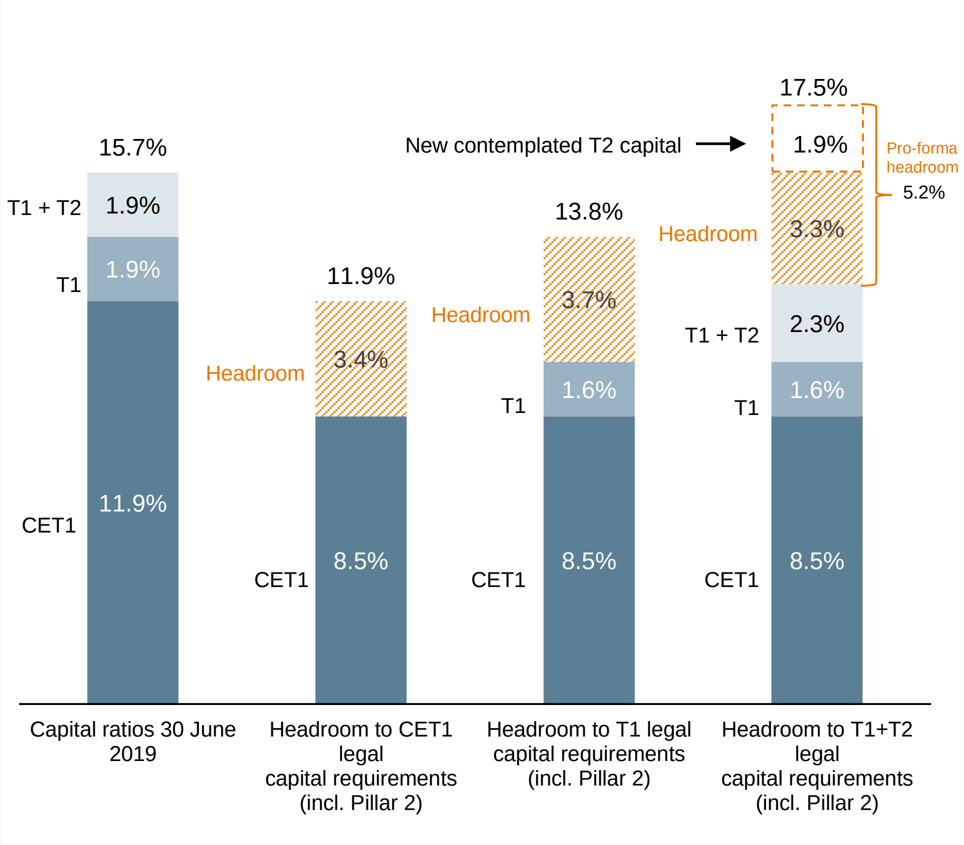
Diversified capital structure

Historical development of total capital ratio



Significant headroom to capital requirements[1)]



Strong capitalisation with significant headroom to regulatory requirements

Note: 1) According to the dividends policy, own fund include regulatory dividend of 32% of net profit for foreseeable dividends.

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Income statement

SEK thousand	2015	2016	2017	2018	LTM Q2 2019
Operating income					
Interest income	385,846	448,870	533,198	657,241	734,945
Interest expense	-37,602	-49,870	-64,557	-82,550	-93,169
Net interest income	**348,244**	**399,000**	**468,641**	**574,691**	**641,776**
Fee and commission income	45,882	49,045	51,237	61,130	67,494
Fee and commission expense	-5,960	-7,654	-8,401	-9,720	-10,841
Net results from financial transactions	-153	408	93	1,540	311
Total operating income	**388,013**	**440,799**	**511,570**	**627,641**	**698,739**
Operating expenses					
General administrative expenses	-118,272	-149,786	-169,048	-222,939	-236,927
Depreciation and amortisation of tangible and intangible assets	-4,568	-4,744	-6,890	-9,955	-13,574
Other operating expenses	-20,579	-15,601	-13,351	-14,642	-16,659
Total operating expenses	**-143,419**	**-170,131**	**-189,289**	**-247,536**	**-267,160**
Profit before loan losses	**244,594**	**270,668**	**322,281**	**380,105**	**431,579**
Net loan losses	-108,047	-111,569	129,343	-150,272	-167,463
Items affecting comparability	-18,232	-19,275	-	20,295	20,295
Operating profit	**118,315**	**139,824**	**192,938**	**250,128**	**284,411**
Tax on profit for the year	-28,906	-30,556	-45,102	-58,302	-65,920
Profit for the year	**89,409**	**109,268**	**147,836**	**191,826**	**218,491**

Balance sheet – assets

SEK thousand	2015	2016	2017	2018	Q2 2019
Assets					
Cash and balances with central banks	29,445	30,510	65,999	225,610	337,911
Treasury bills eligible for refinancing	60,075	60,211	60,096	70,118	61,064
Loans to credit institutions	777,811	290,152	1,062,294	1,148,863	1,049,984
Loans to the public	1,837,578	2,489,283	3,156,289	4,449,225	5,625,145
Shares	-	263	75,654	21,128	22,557
Goodwill	11,536	12,673	12,068	12,350	13,131
Intangible assets	12,406	18,414	29,369	38,199	48,365
Tangible assets	1,516	1,610	1,657	2,471	23,786
Other assets	9,582	9,509	12,194	23,596	29,616
Current tax assets	1,288	11,697	870	22,696	34,581
Deferred tax assets	2,235	6,830	9,864	7,254	8,935
Prepaid expenses and accrued income	34,297	10,973	8,196	22,578	8,863
Total assets	**2,777,769**	**2,942,125**	**4,494,550**	**6,044,088**	**7,263,938**

Balance sheet – liabilities and equity

SEK thousand	2015	2016	2017	2018	Q2 2019
Liabilities and equities					
Liabilities					
Liabilities to credit institutions	516	-	-	-	-
Deposits and borrowings from the public	2,229,562	2,284,645	3,754,030	5,096,463	6,215,603
Other liabilities	25,925	17,853	33,557	29,897	62,941
Current tax liabilities	-	5,213	11,229	14,877	16,006
Deferred tax liabilities	14,253	14,597	7,579	5,852	5,803
Accrued expenses and prepaid income	59,280	53,490	49,569	71,781	80,276
Subordinated liabilities	97,000	97,040	97,780	98,570	98,940
Total liabilities	**2,426,536**	**2,472,838**	**3,953,744**	**5,317,440**	**6,479,569**
Equity					
Share capital (21,000,000 shares of SEK 5 each)	107,500	107,500	107,500	107,500	107,500
Other contributed capital	-	1,934	1,500	3,536	3,536
Reserves	-673	1,486	-1,144	461	5,903
Retained earnings and net profit	238,103	345,932	432,950	515,151	567,430
Total equity attributable to the shareholders of the Parent Company	**344,930**	**456,852**	**540,806**	**626,648**	**684,369**
Tier 1 capital instrument	-	-	-	100,000	100,000
Total equity attributable to the owners of the Parent Company	**344,930**	**456,852**	**540,806**	**726,648**	**784,369**
Non-controlling interests	6,303	12,435	-	-	
Total Equity	**351,233**	**469,287**	**540,806**	**726,648**	**784,369**
Total liabilities and equity	**2,777,769**	**2,942,125**	**4,494,550**	**6,044,088**	**7,263,938**

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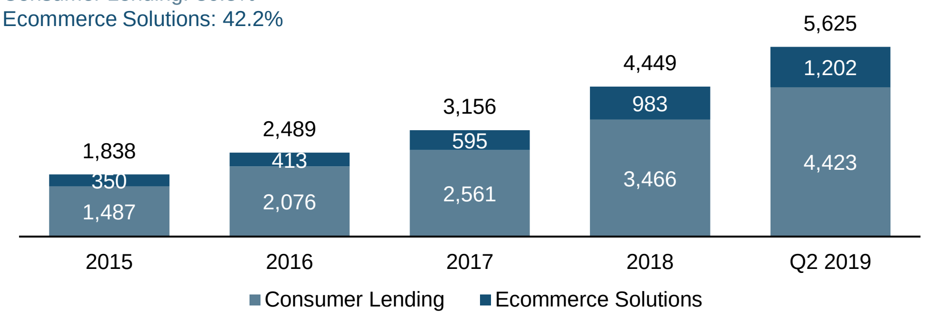
Overview of financial development in each segment

Loan book

CAGR, 2015 – Q2 2019
Consumer Lending: 36.5%
Ecommerce Solutions: 42.2%

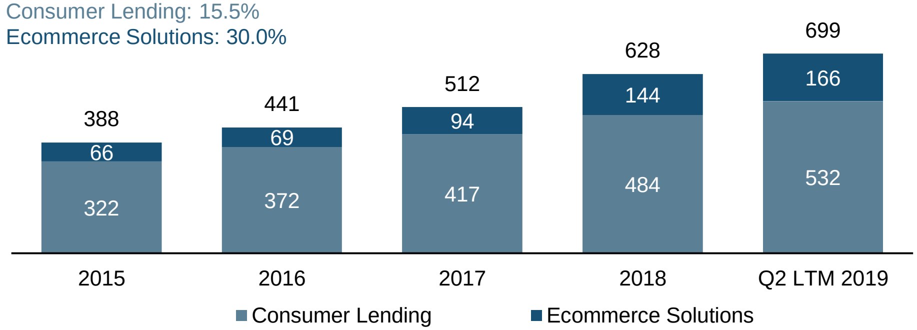
SEKm



Operating income

CAGR, 2015 – Q2 2019
Consumer Lending: 15.5%
Ecommerce Solutions: 30.0%

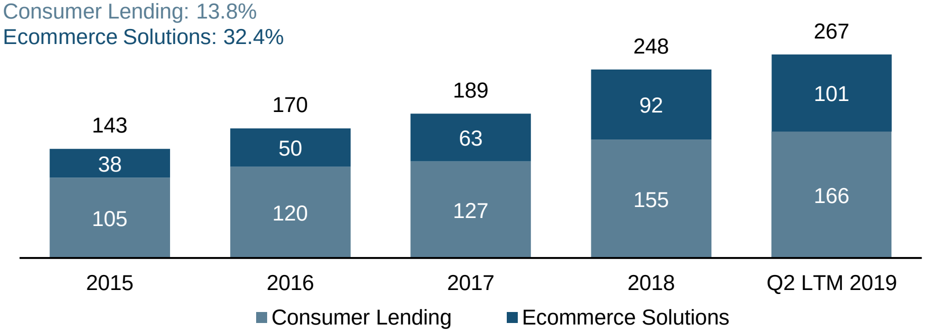
SEKm



Operating expense

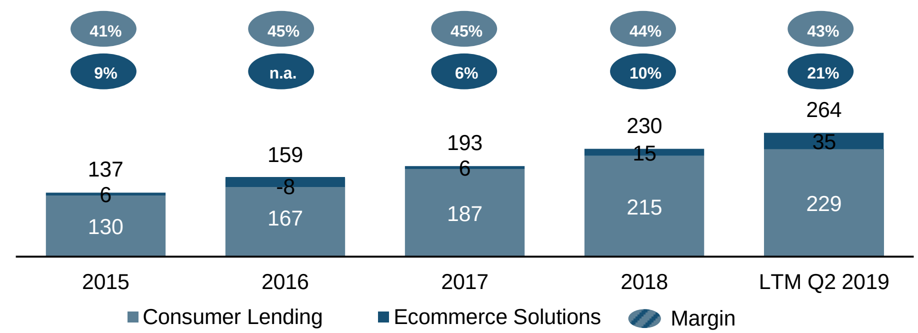
CAGR, 2015 – Q2 2019
Consumer Lending: 13.8%
Ecommerce Solutions: 32.4%

SEKm



Operating profit[1)]

SEKm



Strong growth in each segment with improving margins in Ecommerce Solutions

Note: 1) Excluding Items affecting comparability

Executive Management and Board of Directors

Executive Management

Mattias Carlsson
CEO

Experience:
Consumer Finance at Resurs Bank, Business Development at SEB

Mikael Meomuttel
CFO

Experience:
Financial controller at Consortio Fashion Group

Mikael Johansson
Head of Ecommerce Solutions och CEO Avarda

Experience:
GE Commercial Finance and CEO of Santander Consumer Bank Sverige

Espen Johannesen
Head of Consumer Lending and CEO of BB Bank ASA

Experience:
At BB Bank since 2010

Board of Directors

Mari Thjømøe
Chairman (2018)

Commitments:
Chairman of Seilsport Maritimt Forlag, Deputy Chairman at Norconsult

Tone Bjørnov
Board member (2015)

Commitments:
Chairman of Filmparken, Storyline Studios and Norsk Film Kostyme

John Brehmer
Board member (2010)

Commitments:
Chairman of Mederion, Tiberon and Zebware

Charlotta Björnberg-Paul
Board member (2017)

Commitments:
Deputy Chairman of Saxo, board member of Paptic and GuardianX Technologies

Bertil Larsson
Board member (2007)

Commitments:
Chairman of LåsTeam Sverige, Minso Solutions, Borås Tidning, AB Effektiv

Mattias Carlsson
Board member (2008)

Commitments:
Chairman of Bank ASA, Avarda, Smedslättens Tennisbanor, Qred

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Risk factors

RISK FACTORS

Risk factors deemed to be of importance for the Group's business and future development and risks relating to the Bonds are described below. The risk factors presented below are categorised as "RISKS RELATING TO THE GROUP" or "RISKS RELATING TO THE BONDS" on the basis of whether they pertain to the Group or to the Bonds. The risk factors categorised as "RISKS RELATING TO THE GROUP", are categorised as risk factors pertaining to the Group and not as risk factors pertaining to the Issuer, as parts of the business operations in the Group are conducted by the Issuer's other subsidiaries. The Issuer's assessment of the materiality of the risk factors are disclosed by the use of a qualitative ordinal scale of low, medium or high. The materiality of the risk factors have been based on the probability of their occurrence and the expected magnitude of their negative impact. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

RISKS RELATING TO THE GROUP

Risks relating to business activities

High level risk

Credit risk related to unsecured lending

The Group conducts unsecured lending, particularly in its main business segment Consumer Lending, representing approximately 86 per cent. share of the Group's operating profit according to the Group's consolidated half-year report for the period ended 30 June 2019. Consequently, credit risk is a predominant factor and a core risk in the Group's business as there is a risk that some debtors will not be able to repay the credit in full and on time due to unexpected variation in such debtors' ability to meet their payment obligations towards the Group. The credit risk may be materialised if the Group's current and potential debtors end up in a financial situation where they cannot pay amounts owed to the Group as they fall due, or otherwise abstain from fulfilling their obligations. Such adverse changes in the credit quality of the Group's debtors may for instance be a result of general deterioration in the Swedish, European or global economic conditions, or arising from systematic risks in the financial system. In the event of debtors' default, the Group has to take measures to collect the loans which is costly and might be unsuccessful. As a result, if the Group's debtors are not able to fulfill their obligations, the Group's results of operations and financial position would be significantly materially adversely affected.

Medium level risk

Risk relating to dependence of credit intermediaries and ecommerce merchants

The Group relies to a large extent on credit intermediaries and other third parties for the day-to-day operation of its consumer loan business, as approximately 70 to 80 per cent. of all the loan distribution is carried out by credit intermediaries and other third parties. As for the Group's business segment on ecommerce solutions, the Group's strategy is to sign up ecommerce merchants to supply their customers with the Group's ecommerce payment solutions. The Group is entirely dependent on the ability and willingness of ecommerce merchants to act as distributors. If any of these third party credit intermediaries or ecommerce merchants ceased to supply the Group's consumer loan products or ecommerce solutions or were unable to fulfil their obligations for any reason, and the Group could not replace them with alternative suppliers in a timely fashion and similar commercial terms, it would impair and adversely affect the Group's ability to distribute consumer loans and ecommerce solutions and consequently affect the Group's ability to operate successfully, which in turn would result in a material adverse effect on the Group's business prospects, financial condition or results of operations.

Risk factors

Risk relating to dependence of debt collectors and partners

The Group is currently collaborating with debt collectors and/or partners to sell off debt in connection with the Group's consumer lending. Receivables that are distressed are sold to debt purchasing companies. Hence, the extent to which the Group is affected by credit losses depends on its ability to sell its receivables on appropriate terms. If the Group is unable to sell off debt on appropriate terms it would have an adverse effect on the Group's business, earnings and financial position.

If the debt collectors and/or partners which the Group collaborate with, for any reason, cease to cooperate with the Group and the Group fails to replace such debt collector/partner in a timely fashion and on similar commercial terms, it would have an adverse effect on the Group's business, earnings and financial position.

Potential reduction in demand for the Group's main business segments

According to the Group's consolidated half-year report for the period ended 30 June 2019, a significant share of the Group's operating revenue is generated through its consumer loan product (approximately 86 per cent.), while the remainder is generated by the Group's ecommerce payments segment (approximately 14 per cent.). 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 loan and ecommerce products, the availability of competing products or changes in customers' preferences or financial conditions. Further, high levels of unemployment in the markets in which the Group operates will likely reduce the number of customers who qualify for consumer loan or ecommerce solution 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 and ecommerce solution 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 would affect the Group's liquidity rates, which could materially adversely affect the business prospects and financial condition of the Group.

Risk relating to the assessment of customers' creditworthiness

As part of the Group's lending business, 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 with other lenders. The Group prices its finance products taking into account the estimated risk level of its customers. If its estimates are incorrect, customer default rates may 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.

Further, there is a risk that the Group's credit policies and software-based scoring procedure 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, the Group may not have attractive disposal options for non-performing loans in the future. According to the Group's consolidated half-year report for the period ended 30 June 2019, non-performing loans amount to a gross value of SEK 157,000,000. An increase in the ratio of impairments on assets to revenues as a result of incorrect assessments of consumer creditworthiness could materially adversely affect the Group's financial, economic and liquidity condition.

Risk factors

Risks relating to operating on a highly competitive market

The Group faces high 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, as well as niche banks/companies that are particularly competitive within certain groups of products/services. 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 in average of approximately EUR 5,000, 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 ecommerce solutions industry, other companies could have pre-existing relationships with the Group's target merchant partners or could offer better terms for ecommerce 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. There is a risk that the consumer loan and ecommerce solution 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, which would have a material adverse effect on the Group's business prospects, financial condition or results of operations.

Reputational harm and negative public perception in the consumer market

Consumer protection bodies, consumer advocacy groups, certain media reports, and a number of regulators and elected officials in the consumer loan 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 annualised 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 adversely affected by negative publicity associated with other loan, credit card or ecommerce solution 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.

Risk relating to dependency on IT infrastructure

The Group depends on information technology and uses its information technology systems for internal purposes as well as externally in relation to its suppliers and customers, the Group for instance offers part of the products in its product portfolio through ecommerce and online stores. There is a risk that extensive downtime of network servers, attacks by IT viruses or other disruptions or failure of information technology systems would have a negative impact on the Group's operations, such as its consumer loan distribution. The Group has outsourced its IT systems and does not have any internal back-up. There is a risk that failure of the Group's information technology systems would cause transaction errors and loss of customers as well as sales and business opportunities, and would have negative consequences for the Group, its employees, and those with whom the Group does business. Additionally, there is a risk that these types of problems will result in leaks of confidential customer information which would result in damages to the Group's reputation and/or litigation which in turn would have a negative effect on the Group's business, financial position and result of operation.

Risk factors

Management risks

Medium level risk

Risk relating to dependency on key employees

The Group's success depends on its employees, in particular key management personnel. The Group is especially dependent on the expert knowledge of its current senior management, for instance the CEO Mattias Carlsson and the CFO Mikael Meomuttel. Familiarity with internal processes and operational expertise of the Group's employees are critical factors in the efficiency of the Group's business operations. 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. 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 key employees would have a materially adverse impact on the Group's business operations. As a result, the Group may be unable to pursue its business operations as planned which would have a material adverse effect on its future business, financial condition and results of operations.

Financial risks

High level risk

Potential lack of liquidity and sufficient cash inflows

The Group's growth depends on cash flow efficiency and the Group relies on customer deposits in Germany, Sweden, Norway and Finland as its main source of liquidity and as the primary resource by which it is able to offer its loans to customers. According to the Group's consolidated balance sheet of the half-year report for the period ended 30 June 2019, deposits from the public amounted to SEK 6,215,603 as at the date of the balance sheet. Although the savings accounts offered to customers by the Group are protected (for example up to EUR 100,000 under the Swedish Deposit Protection Program and up to NOK 2,000,000 under the Norwegian Banks' Guarantee Fund Program) and thus guaranteed, 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, a regulatory change which decrease the maximum compensation amount or repeal the deposit protection program that are currently implemented or other outside events beyond the Group's control could cause a mass withdrawal event in the future. 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. Except for the fixed rate savings accounts (for which a withdrawal charge is levied), no limits are applied on customers' withdrawals of deposited money. The Group may be required to take measures to conserve cash until the markets stabilise or until alternative credit arrangements or other funding to cover the Group's business needs becomes available under affordable terms. A limited availability of funds on the market combined with rising lending costs, would adversely affect the Group's growth in both existing and new markets and the Group's business and ultimately its results of operations and financial condition would be materially adversely affected.

Risk factors

Medium level risk

High exposure to exchange rates

The Group operates internationally and is therefore subject to unexpected changes in foreign currency exchange rates among various currencies in relating to the Issuer's accounting currency which is Swedish Krona (SEK). Approximately 80 to 85 per cent. of the Issuer's earnings derives mainly from the Euro (EUR), Norwegian Krona (NOK), Danish Krone (DKK) and Polish Złoty (PLN). Foreign exchange risk arises in connection with current and future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

Currently, the Group also accepts deposits from consumers in SEK, NOK and EUR to finance its assets. 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 PLN). The Group uses its customer deposits for 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. For instance, the Group uses its EUR deposits in Finland and Germany to finance the Group's lending in Finland, Estonia, Latvia, Lithuania, Germany and Austria. Hence, should any of these countries abandon the EUR, the Group would be exposed to a significant foreign currency risk. Further, the Group's income statement is not hedged against currency fluctuations and there is a risk that this would have a material adverse effect on the Groups business, financial position and result of operations.

The exchange rates between some of the relevant currencies have fluctuated in recent years and the currencies may in the future fluctuate significantly. The consolidated financial statement of the Group for the financial year ended 31 December 2018 contains a sensitivity analysis commenting that if SEK had weakened/strengthened by 10 per cent. against EUR, with all other variables held constant, the translated profit after tax at 31 December 2018 would have been SEK 726,000 lower/higher. Consequently, adverse foreign exchange fluctuations against EUR, NOK, DKK and PLN, especially in SEK, could have a material adverse effect on the Group's business, financial condition and results of operations.

Interest rate fluctuations

The Group's 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 stay at current levels, the Group could also face a situation where deposits of the Group held by other institutions decline or reach negative interest rates, which would have an adverse impact on the Group's business, financial condition and results of operations.

Risk factors

Legal and regulatory risks

High level risk

Dependency on license to conduct banking business

As a conductor of a banking business in Sweden, the Issuer has obtained the necessary banking license from the Swedish Financial Supervisory Authority (the "**SFSA**") which conducts full supervision of the Issuer. 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 an Issuer 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 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. Additionally, if a new shareholder accumulates a shareholding of 10 per cent. or more in the Issuer, the shareholder must be approved by the SFSA in order for the Issuer to remain in compliance with Swedish laws and regulations. The Issuer's subsidiary BB Bank ASA has also previously been granted a banking license in Norway. BB Bank ASA is under the supervision of the Financial Supervisory Authority of Norway ("**FSAN**") and is subject so similar restrictions as the Issuer.

The Group is dependent on its banking license with the SFSA and the FSAN which 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 (guaranteed by a deposit protection program) to support profit growth. However, the banking license may be revoked or restricted by the SFSA or FSAN for a variety of reasons including, but not limited to, the Group's non-compliance with existing or new regulatory requirements. If the SFSA or the FSAN were to withdraw the Issuer's or BB Bank ASA'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 or the FSAN could cause significant reputational risk, which could harm the Group's business, financial condition and results of operations.

Medium level risk

Regulatory requirements in the banking and financing sector

As the Group operates in the banking and financial sector in a wide set of different jurisdictions (Sweden, Norway, Finland, Denmark, Poland, Germany, Austria, Estonia, Latvia and Lithuania), the Group is currently subject to various regulatory requirements relating thereto, including, but not limited to, license requirements, interest rate regulations, distance contracts regulations and consumer protection legislation. These diverse legal frameworks implicate legal and regulatory risks, including, but not limited to, the risks of staying on a current market or entry into 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 (for instance, a banking license specific to that jurisdiction). Failure to comply with local legal requirements may have a significant material adverse effect on the Group's business, reputational standing, financial condition and results of operations.

The Issuer (as well as the Issuer's subsidiary BB Bank ASA) is further 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 Issuer must at all times reach the capital requirements in accordance with the EU Capital Requirements Directive 2013/36/EU ("**CRD**") (as amended by the EU Directive 2019/878) and the EU Capital Requirements Regulation No 575/2013 ("**CRR**") (as amended by the EU Regulation 2019/876). CRD and CRR have imposed significant changes for financial institutions in terms of minimum capital requirements and capital buffers. These capital requirements imposed by public authorities could force the Issuer to issue additional capital, which may be unavailable to the Issuer 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 have a highly significant effect on the Group's ability to conduct its business and in turn its financial condition and results of operations.

Risk factors

Money laundering and terrorist financing

Criminal activity within the banking and financial industry, in which the Group operates, has been increasingly uncovered in recent years. This area, not least the issue of money laundering and terrorist financing, received particularly intense media attention in 2018 and so far also in 2019. As financial institutions, the Group is subject to a regulatory framework which requires the Group to take measures to counteract money laundering and terrorist financing within its operations. For instance, the Issuer's business is subject to the Swedish Money Laundering and Terrorist Financing (Prevention) Act as well as general guidelines adopted by the Swedish Financial Supervisory Authority ("**SFSA**"). 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.

The requirements of the regulatory frameworks are detailed and demand substantial resources, internal routines and guidelines from the Group. There is a risk that the Group's procedures, internal control functions and guidelines to counteract money laundering and terrorist financing are not sufficient or adequate to ensure that the Group complies with the regulatory framework. This may result from, for example, insufficient procedures, internal control functions or guidelines, or errors by employees, suppliers or counterparties, which may result in a failure to comply with the anti-money laundering regulatory framework. It is further possible that new or amended requirements would require the Group to further adapt its existing practices and procedures.

Failure to comply with the money laundering and terrorist financing regulatory framework is likely to result in legal implications, including remarks or warnings and/or significant administrative fines imposed by the SFSA or other regulatory bodies, which could cause significant and potentially irreparable damage to the reputation of the Group and as a result, the Group's business, financial condition and results of operations could be materially adversely affected.

Changes in laws on legally permissible interest rates

The Group is currently subject to regulatory caps on lending rates in Finland, Latvia, Estonia, Lithuania and Poland. Legislation in these jurisdictions limits the amount of interest and/or fees 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 consumer lending and other financial products. Such changes could lead to decreased profitability which ultimately would have a negative effect on the Group's business, financial condition and results of operations.

Compliance with tax legislation

The Group operates in different countries with diverse sets of tax regimes, although the Issuer 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 constitute a significant part of the Group's total expenses. According to the Group's consolidated financial annual report 2018, the Group's tax expense amounted to SEK 58,300,000, with an average tax rate of 23.3 per cent. Should the Group's tax situation change, pertaining to any changes in tax legislation or the interpretation thereof, it could have a significant material adverse effect on the Group's business (as taxes imposed on for instance the Group's financial services could decrease the demand for such services), financial condition (as taxes could have a negative impact on the value of the assets of the Group), or results of operations (as taxes increase the costs of the Group).

Data protection and privacy laws

The Group uses large quantities of personal data in a way that is of commercial use to the Group, for example in determining a potential applicant's credit profile. The Group's ability to collect and use personal data is however affected by the requirements of GDPR and other privacy laws. The implementation of a new system for personal data processing and actions needed to ensure compliance with the General Data Protection Regulation ("GDPR") have previously and may continue to involve substantial costs for the Group. Compliance with the GDPR is important as a breach could result in fines amounting to a maximum of EUR 20,000,000 or 4 per cent of the Group's global turnover (whichever is higher). If the Group fails to comply with the GDPR this may have a material adverse impact on the Group's business and financial position. Breach of data privacy legislation could also result in the Group being subjected to claims from its customers that it has infringed their privacy rights. 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.

Risk factors

RISKS RELATING TO THE BONDS

Risks related to the nature of the Bonds

Medium level risk

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 shall rank at least pari passu with all other obligations or capital instrument which constitute tier 2 capital (Sw. *supplementärkapital*) of the Issuer and shall rank in priority to any additional tier 1 capital (Sw. *övrigt primärkapital*) of the Issuer. For the avoidance of doubt, the bondholders will, in the event of the liquidation or bankruptcy, rank in priority of any holders of any class of share capital or additional tier 1 capital 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. Hence, the Issuer may not have enough assets remaining after these payments are made to pay amounts due under the Bonds.

Credit risk associated with the Bonds

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

There is a risk that an increased credit risk will cause the market to charge the Bonds a higher risk premium, which will have a significant negative effect on the value of the Bonds. Another aspect of the credit risk is that there is a risk that a deteriorating financial position of the Group will reduce the Group's possibility to receive debt financing at the time of the maturity of the Bonds.

Interest rate risk

The value of the Bonds depends on several factors, one of the most significant being the level of market interest over time. The Bonds bear interest at a floating rate of 3 month STIBOR plus a margin and the interest rate of the Bonds is determined two business days prior to the first day of each respective interest period. Hence, the interest rate is to a certain extent adjusted for changes in the level of the general interest rate. Also, the fundamentals of STIBOR may be subject to changes in the future due to regulation (EU) 2016/1011 (the "Benchmark Regulation"). There is a risk that an increase of the general interest rate level will have a significant negative effect on the value of the Bonds. The general interest rate level is to a high degree affected by conditions in Swedish and international financial markets and is outside the Group's control.

Risk factors

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

The Issuer may upon the occurrence of a Capital Disqualification Event or a Tax Event (as defined in the Terms and Conditions), at its option, but in each case subject to obtaining the prior consent of the SFSA, redeem all, but not some only, of the Bonds at par together with accrued interest.

If the Bonds would be redeemed following a Capital Disqualification Event or a Tax Event, there is a risk that the bondholders will not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Bonds

Liquidity risks and listing of the Bonds

Pursuant to the Terms and Conditions the Issuer must use its best effort to list the Bonds on the corporate bond list of Nasdaq Stockholm, or if such admission to trading is not possible to obtain or maintain, on another regulated market within 60 days after the Issue Date and with an intention to complete such listing within 30 days after the Issue Date. However, there is a risk that the Bonds will not be admitted to trading in the aforementioned time frame or at all. Further, even if the Bonds are admitted to trading on a regulated market, active trading in the Bonds does not always occur and hence there is a risk that a liquid market for trading in the Bonds will not form or will not be maintained, even if the Bonds are listed. As a result, the bondholders may be unable to sell their Bonds when they so desire or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market or for a sale at par. Lack of liquidity in the market may have a negative impact on the market value of the Bonds.

Furthermore, the nominal value of the Bonds may not be indicative of the market price of the Bonds if the Bonds are admitted for trading on Nasdaq Stockholm, as the Bonds may trade below their nominal value (for instance, to allow for the market’s perception of a need for an increased risk premium).

It should also be noted that during any given period of time 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.

Call options are subject to the prior consent of the SFSA

The Issuer has the option to redeem the Bonds as from the first call date, being the date falling five years for the Bonds 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 SFSA.

The bondholders have no rights to call for the redemption of the Bonds and there is a risk that such a call will not be exercised by the Issuer. The SFSA 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 SFSA will not permit such a call or that the Issuer will not exercise such a call. Consequently, there is a risk that bondholders would be required to bear the financial risks of an investment in the Bonds for a period of time in excess of the minimum period.

Security over assets granted to third parties

Subject to certain limitations set out in the Terms and Conditions, the Issuer may incur additional financial indebtedness and provide security for such indebtedness. If security is granted in favour of a third party debt provider, the bondholders will, in the event of bankruptcy, re-organisation or winding-up of the Issuer, be subordinated in right of payment out of the assets being subject to security provided to such third party debt provider. In addition, if any such third party debt provider holding security provided by the Group were to enforce such security due to a default by any company within the Group under the relevant finance documents, there is a risk that such enforcement would have a material adverse effect on the Group's assets, operations and, ultimately, the financial position of the bondholders.

Risk factors

The resolution act and BRRD

"Write-down and conversion and bail-in"

The Group is subject to the Swedish Resolution Act 2015 (Lag (2015:1016) om resolution) (the "Resolution Act"). The Resolution Act transposes BRRD into Swedish law. The powers granted to the Swedish National Debt Office (Sw. Riksgäldskontoret) (the "NDO"), in its capacity as resolution authority under the Resolution Act and BRRD, to apply the resolution tools and exercise the resolution powers set forth in the Resolution Act, include the introduction of a statutory "write-down and conversion power" with respect to capital instruments and a "bail-in power," which will give the NDO the power to cancel or vary all or a portion of the principal amount of, or interest on, the term of and the interest payment dates of certain eligible liabilities including tier 1 and tier 2 capital instruments. Prior to resolution under the Resolution Act, the SFSA may require bail-in.

The bail-in power can be used to recapitalise an institution that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The write-down and conversion power can be used to ensure that tier 1 capital and tier 2 capital instruments fully absorb losses at the point of non-viability of an institution and before any other resolution action is taken. The Resolution Act specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency. In addition, the bail-in power contains a specific safeguard with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity. Even in circumstances where a claim for compensation is established under the “no creditor worse off” safeguard, this will be determined on the basis of an independent valuation performed after the resolution action has been taken. It is unlikely that such compensation would be equivalent to the full losses incurred by the bondholders in the resolution and there is a risk that such bondholders will experience considerable delays in recovering any such compensation.

The Bonds are unsecured obligations of the relevant Issuer and could be subject to the bail-in power. The determination that all or a part of the principal amount of the Bonds will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control. There is a risk that an application of the bail-in tool will result in the cancellation of all or a portion of the principal amount of, or interest on, the Bonds and/or the conversion of all, or a portion, of the principal amount of, or outstanding amount payable in respect of, or interest on, the Bonds into ordinary shares or other securities of the Issuer or another person, including by means of a variation to the terms of the Bonds (including their maturity date or interest rate) to give effect to such application of the bail-in tool.

Accordingly, potential bondholders should consider the risk that the bail-in tool may be applied in such a manner as to result in bondholders losing all or a part of the value of their investment in the Bonds or receiving different securities than the Bonds, which will be worth significantly less than the Bonds and which will have significantly fewer protections than those typically afforded to debt securities.

Moreover, the NDO may exercise its authority to apply the bail-in tool without providing any advance notice to the holders of the Bonds. Holders of the Bonds may also have limited or no rights to challenge any decision of the NDO to exercise the bail-in power or to have that decision reviewed by a judicial or administrative process or otherwise.

Risk factors

Additional measures

In addition to the bail-in power and the statutory write-down and conversion power, the Resolution Act provides the NDO with broader powers to implement other resolution measures with respect to distressed credit institutions, which may include (without limitation):

a) directing the sale of the bank or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply;

b) transferring all or part of the business of the bank to a "bridge institution" (a publicly controlled entity);

c) transferring the impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time;

d) replacing or substituting the bank as obligor in respect of debt instruments;

e) modifying the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments); and/or

f) discontinuing the listing and admission to trading of financial instruments.

The NDO will likely allow the use of financial public support only as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool and/or the statutory write-down and/or conversion powers.

The Resolution Act establishes a preference in the ordinary insolvency hierarchy, firstly, for insured depositors and, secondly, for all other deposits of individuals and micro, small and medium-sized enterprises held in EEA or non-EEA branches of an EEA credit institution. These preferred deposits will rank ahead of all other unsecured senior creditors of the Issuer, including the bondholders, in the insolvency hierarchy. Furthermore, insured deposits are excluded from the scope of the bail-in powers.

Low level risk

Risks relating to the clearing and settlement in Euroclear Sweden AB's book-entry system

The Bonds are affiliated to Euroclear Sweden AB's account-based system, and no physical notes have been, or will be, issued. Clearing and settlement relating to the Bonds is carried out within Euroclear Sweden AB's book-entry system as well as payment of interest and repayment of the principal. Bondholders are therefore dependent on the functionality of Euroclear Sweden AB's account-based system and there is a risk that any problems thereof would have a negative effect on the payment of interest and repayment of principal under the Bonds.

Risk factors

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.

Risks related to the bondholders' rights and representation

Medium level risk

There are limited acceleration events in relation to the Bonds

The bondholders may only accelerate the Bonds upon the occurrence of (i) a non-payment by the Issuer of any amounts due under Bonds and the non-payment is not remedied within five (5) business days of the due date or (ii) the bankruptcy (Sw. *konkurs*) or (iii) the liquidation (Sw. *likvidation*) of the Issuer. In such circumstances, the Bonds will become due and payable at their outstanding principal amount, together with accrued interest thereon. If the Bonds are accelerated due to a non-payment, except without the prior consent of the SFSA, 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*).

Low level risk

No action against the Issuer and bondholders' representation

In accordance with the Terms and Conditions, the Agent (being on the issue date Nordic Trustee & Agency AB (publ)) represents all bondholders in all matters relating to the Bonds and the bondholders are prevented from taking actions on their own against the Issuer. Consequently, there is a risk that the actions of the bond agent in such matters would impact a bondholder’s rights under the Terms and Conditions in a manner that is undesirable for some bondholders.

Further, 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, there is a risk that an individual bondholder, in certain situations, could bring its own action against the Issuer (in breach of the Terms and Conditions), which would have a negative impact on 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 have a negative effect on the legal proceedings. Under the Terms and Conditions, the Agent have in some cases the right to make decisions and take measures that bind all bondholders. Consequently, there is a risk that the actions of the Agent in such matters will impact a bondholder's rights under the Terms and Conditions in a manner that is undesirable for some of the bondholders.

Risk factors

The rights of bondholders depend on the Agent's actions and financial standing

By subscribing for, or accepting the assignment of, any Bond, each holder of a Bond will accept the appointment of the Agent (being on the issue date Nordic Trustee & Agency AB (publ)) to act on its behalf and to perform administrative functions relating to the Bonds. The Agent has, among other things, the right to represent the bondholders in all court and administrative proceedings in respect of the Bonds. However, the rights, duties and obligations of the Agent as the representative of the bondholders is subject to the provisions of the Terms and Conditions, and there is no specific legislation or market practice in Sweden (under which laws the Terms and Conditions are governed) which would govern the Agent's performance of its duties and obligations relating to the Bonds. There is a risk that a failure by the Agent to perform its duties and obligations properly or at all will have a negative effect on the enforcement of the rights of the bondholders.

The Agent may be replaced by a successor Agent in accordance with the Terms and Conditions. Generally, the successor Agent has the same rights and obligations as the retired Agent. It may be difficult to find a successor Agent with commercially acceptable terms or at all. Further, there is a risk that that the successor Agent would breach its obligations under the above documents or that insolvency proceedings would be initiated against it.

There is a risk that materialisation of any of the above risks will have a negative effect on the enforcement of the rights of the bondholders, including the right to receive payments under the Bonds.

Bondholders' meeting

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

Risks related to the financial standing of the Group

Medium level risk

Ability to service debt

The Group's ability to service its debt under the Bonds will depend upon, among other things, the Group's future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Group's control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take actions such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. There is a risk that the Group will not be able to affect any of these remedies on satisfactory terms, or at all. This would have a significant negative effect on the Group's operations, earnings, results and financial position.

Refinancing risk

There is a risk that the Issuer will be required to refinance some or all of its outstanding debt, including the Bonds, in order to be able to continue the operations of the Group. The Issuer's ability to successfully refinance its debt depends on, among other things, conditions of debt capital markets and its financial condition at such time. Even if debt capital markets are open, there is a risk that the Issuer will not have access to financing on favourable terms, or at all. Should the Issuer be unable to refinance its debt obligations on favourable terms, or at all, it would have a significant negative effect on the Group's business, financial position and result of operation and on the bondholders' recovery under the Bonds.


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