

This base prospectus was approved by the Swedish Financial Supervisory Authority on 9 August 2017.

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**DANSKE HYPOTEK AB (publ)**

*PROGRAMME FOR CONTINUOUS ISSUANCE OF COVERED BONDS*

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*Arranger*

Danske Bank A/S, Danmark, Sverige Filial

*Dealers*

Danske Bank A/S, Danmark, Sverige Filial, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ), Swedbank AB (publ)

## Important information

### Definitions and references

In this base prospectus (the “**Prospectus**”), the “**Issuer**” means Danske Hypotek AB (publ) and the “**Parent**” means Danske Bank A/S. The “**Group**” means the Parent with all its subsidiaries from time to time (each a “**Group company**”). The “**Swedish Branch**” means Danske Bank A/S, Danmark, Sverige Filial, with registration number 516401-9811. The “**Arranger**” means Danske Bank A/S, Danmark, Sverige Filial.

“**Euroclear Sweden**” refers to Euroclear Sweden AB. “**Nasdaq Stockholm**” refers to the regulated market of Nasdaq Stockholm AB. “**SEK**” refers to Swedish kronor, “**EUR**” refers to Euro. “**Cover Pool**”, “**Supplemental Assets**” and “**Public Credits**” have the meaning as set out in the section “*Summary of the Swedish Covered Bond Legislation*”. The “**Issuer Cover Pool**” means the Issuer’s Cover Pool from time to time.

This Prospectus shall be read in conjunction with any documents incorporated by reference (see the section “*Legal Considerations and Supplementary Information*” and its sub-section “*Documents incorporated by reference*”), the Final Terms for each Covered Bond Loan (as defined below) and any supplements to this Prospectus.

Words and expressions defined in the General Terms and Conditions for Covered Bond Loans (the “**General Terms and Conditions**”) beginning on page 17 have the same meanings when used in the Prospectus, unless expressly stated or otherwise follows from the context.

### Background

The Issuer has in accordance with this Prospectus and the programme dated 9 August 2017 for continuous issuance of covered bonds (*säkerställda obligationer*) (the “**Programme**”), resolved to continuously issue covered bond loans (*säkerställda obligationslån*) (“**Covered Bond Loans**” or, when referred to individually a “**Covered Bond Loan**”) in SEK or EUR in accordance with the Swedish Issuance of Covered Bonds Act (*Lag (2003:1223) om utgivning av säkerställda obligationer*) (the “**Covered Bonds Act**”) (“**Covered Bonds**” or, when referred to individually, a “**Covered Bond**”). The decision to establish the Programme was passed by the Issuer’s board of directors on 14 July 2017. Decisions to raise Covered Bond Loans are made by persons who are authorised by the board of directors, or such person(s) authorised by them, to sign for the Issuer. The loan amount under each Covered Bond Loan is determined once the sale of such Covered Bond Loan has been closed, i.e. on the relevant maturity date of each Covered Bond Loan. The minimum Nominal Amount for each Covered Bond will be SEK 1,000,000 or EUR 100,000, respectively.

The Issuer obtained a licence by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the “**SFSA**”) on 26 June 2017 to conduct financing operations under the Swedish Banking and Financing Business Act (*Lag (2004:297) om bank- och finansieringsrörelse*) (the “**Banking and Financing Business Act**”) and to issue covered bonds in accordance with the Covered Bonds Act.

This Prospectus has been approved and registered by the SFSA pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (*Lag (1991:980) om handel med finansiella instrument*) (the “**Trading Act**”). Approval and registration by the SFSA do not imply that the SFSA guarantees that the information provided in the Prospectus is correct and complete. This Prospectus is a base prospectus in accordance with Chapter 2, Section 16, of the Trading Act.

This Prospectus is not a recommendation to subscribe for or to acquire Covered Bonds issued under the Programme. Any recipients of this Prospectus and/or any Final Terms, must make their own assessment of the Issuer and the Covered Bonds based on this Prospectus, the documents incorporated by reference (see the section “*Legal Considerations and Supplementary Information*” and its sub-section “*Documents incorporated by reference*”), the Final Terms of each Covered Bond Loan and any supplements to this Prospectus.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The board of directors of the Issuer is, to the extent provided by law, responsible for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Dealers and the Arranger have not verified the content in this document and are thus not responsible for the information presented in the Prospectus.

### Restrictions

With the exception of the approval and registration by the SFSA of this Prospectus, the Issuer has not taken any measures to allow for a public offer of Covered Bonds under the Programme, nor for possession or distribution of material regarding such offer, in any country or jurisdiction where measures for such purposes are required. Persons that are provided with this Prospectus and any Final Terms undertake in relation to the Issuer to comply with all applicable laws, regulations and other rules in each country and jurisdiction where they buy, offer, sell or deliver Covered Bonds or possess or distribute such offering material, in each case at their own expense. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. Subject to certain exemptions, the Covered Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. The Covered Bonds have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) or the securities laws of any state or other jurisdiction outside Sweden.

Any offer under this Programme is not addressed to private individuals or legal entities in the United States, Canada, Australia, Japan, New Zealand, South Africa or in any other country where the publishing or the availability of offer material is forbidden or the accessibility is in any way restricted. Should the offer according to the Prospectus none the less be accepted by such private individual or legal entity such acceptance may be disregarded.

No person has been authorised to provide any information or make any statements other than those contained in this Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorised or approved by the Issuer and the Issuer assumes no responsibility for such information or statements. Neither the publication of this Prospectus nor the offering, sale or delivery of any Covered Bonds implies that the information in this Prospectus is correct and current as at any date other than the date of this Prospectus or that there have not been any changes in the Issuer’s or the Group’s business since the date of this Prospectus. If the information in this Prospectus becomes subject to any material change, such material change will be made public in accordance with the provisions governing the publication of supplements to prospectuses in the Trading Act.

### Forward-looking statements and market data

The Prospectus contains certain forward-looking statements that reflect the Issuer’s current views or expectations with respect to future events and financial and operational performance. The words “intend”, “estimate”, “expect”, “may”, “plan”, “anticipate” or similar expressions regarding indications or forecasts of future developments or trends, which are not statements based on historical facts, constitute forward-looking information. Although the Issuer believes that these statements are based on reasonable assumptions and expectations, the Issuer cannot give any assurances that such statements will materialise. Because these forward-looking statements involve known and unknown risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statement.

Factors that could cause the Issuer’s and the Group’s actual operations, result or performance to differ from the forward-looking statements include, but are not limited to, those described in the section “*Risk Factors*”. The forward-looking statements included in this Prospectus apply only as of the date of the Prospectus. The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law. Any subsequent forward-looking information that can be ascribed to the Issuer and/or the Group or persons acting on behalf of the Issuer is subject to the reservations in or referred to in this section.

The Prospectus contains market data and industry forecasts, including information related to the sizes of the markets in which the Group operates. The information has been extracted from a number of sources. Although the Issuer regards these sources as reliable, the information contained in them has not been independently verified and therefore it cannot be guaranteed that this information is accurate and complete. However, as far as the Issuer is aware and can assure by comparison with other information made public by these sources, no information has been omitted in such a way as to render the information reproduced incorrect or misleading. In addition to the above, certain data in the Prospectus is also derived from estimates made by the Issuer.

### General information

The issue price of the Covered Bonds issued under each Covered Bond Loan is presently unknown. The price for the Covered Bonds is variable and depends, among other things, on the effective market interest rate for investments with a corresponding duration and coupon.

Each Covered Bond will be registered in the account based system of Euroclear Sweden or of any other clearing organisation. Bearer notes representing Covered Bonds will therefore not be issued. Euroclear Sweden deducts for preliminary withholding-tax, presently at 30 per cent., on interest paid to private individuals residing in Sweden and to Swedish estates of inheritance. This Prospectus does not purport to give an exhaustive description of all tax consequences from an investment in Covered Bonds and any tax consequences are subject to change in laws and regulations. Each potential investor should therefore consult a tax adviser before investing in Covered Bonds.

For further information regarding this Prospectus reference is made to Issuer. The Prospectus is available via [www.danskehypotek.se](http://www.danskehypotek.se). A copy of this Prospectus will be made available by the Issuer upon request during the term of the Prospectus.

This Prospectus is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus.

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## RISK FACTORS

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*Prospective investors should read the entire Prospectus and reach their own views prior to making any investment decision.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Covered Bonds issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Covered Bonds for other reasons which may not be considered significant risks by the Issuer based on information currently available to it and which it may not currently be able to anticipate.*

*The following does not consider an investor's specific knowledge and/or understanding about risks typically associated with the Issuer and/or the Group and the acquisition and ownership of Covered Bonds, whether obtained through experience, training or otherwise, or the lack of such specific knowledge and/or understanding, or circumstances that may apply to a particular investor.*

### **Risks relating to the Issuer and the Group**

*There is competition in the mortgage loan business*

The mortgage loan business in Sweden is very competitive. Both traditional and new lenders advertise extensively and use targeted marketing and loyalty schemes in an effort to expand their presence in or to facilitate their entry into the market and compete for customers. Increased competition may adversely impact on the Group's position in the market for mortgage business which could adversely affect the Issuer's financial position and, in turn, its ability to service the Covered Bonds.

*None of the Arranger, the Dealers or the Issuer have undertaken due diligence in respect of the mortgage loans and other assets contained or to be contained in the Issuer Cover Pool*

None of the Arranger, the Dealers or the Issuer has or will undertake any investigations, searches or other actions in respect of the individual mortgage loans and other assets comprising the Issuer Cover Pool, and there may be issues or concerns that would have been discovered during such investigation that therefore remain undetected. Should such issues be discovered later, there is a risk that they could have a material adverse effect on the Group's and/or the Issuer's business and/or the market value of Covered Bonds (depending on the nature of such issue).

*Covered Bonds are obligations of the Issuer only*

Covered Bonds will constitute obligations of the Issuer which have the benefit of a statutory preference under the Covered Bonds Act. An investment in Covered Bonds involves a reliance on the assets of the Issuer Cover Pool and the creditworthiness of the Issuer. Covered Bonds are not guaranteed by any member of the Group or by any other person. In addition, an investment in Covered Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Covered Bonds.

*The Group is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk, operational risk, insurance risk, pension risk and business risk*

The Group is exposed to a number of risks and manages them at different organisational levels. The principal categories of risk are as follows:

- Credit risk: Credit risk is the risk of losses arising because debtors or counterparties fail to meet all or part of their payment obligations to the Group.
- Market risk: Market risk is the risk of losses because the fair value of the Group's financial assets, liabilities and off-balance-sheet items varies with changes in market conditions.

- Liquidity risk: Liquidity risk is the risk of losses because the Group's funding costs become excessive, lack of funding prevents the Group from maintaining its business model, or lack of funding prevents the Group from fulfilling its payment obligations.
- Operational risk: Operational risk is the risk of losses resulting from inadequate or failed internal procedures, people and systems, or from external events, including legal events.
- Insurance risk: Insurance risk in the Group is defined as all types of risk in the Danica group, including market risk, life insurance risk and operational risk.
- Pension risk: Pension risk is the risk that the Group will be liable for additional contributions to Group defined benefit pension plans for current and former employees.
- Business risk: Business risk is the risk that income will not be able to cover losses caused by events affecting the Group's profit before impairment charges, market losses and operational losses.

If any of the above risks materialise, this may result in an adverse effect on the Group's or the Issuer's business, financial conditions and/or results of operations.

#### *The Issuer is exposed to credit risk*

The Swedish housing market has been strong for many years, driven by low interest rates, low supply of new homes in growth regions and growth in population, and this has led to continued strong growth in demand for mortgage loans. The main risks related to the Swedish residential mortgage market are the credit risk associated with borrowers' creditworthiness, their ability to pay the mortgage loan and the value of the mortgaged properties. Should there be a general downturn in the value of property in Sweden, it may result in a deterioration in credit quality and the recoverability of mortgage loans of the Issuer. House prices may be negatively affected should, for example, interest rates or the unemployment level rise quickly. But there are also certain other circumstances that affect the level of credit losses, acceleration and payments of interest and principal amounts, such as changes regarding taxation and/or changes in the political environment. Adverse changes in the credit quality of the Issuer's borrowers and counterparties could affect the recoverability and value of its assets and require an increase in the Issuer's provision for bad and doubtful debts and other provisions which in turn may have an adverse effect on the Group's and/or the Issuer's business, financial condition and/or results of operations.

#### *The Issuer is exposed to liquidity risk*

The inability of the Group and/or the Issuer to anticipate and provide for unforeseen decreases or changes in funding sources could have consequences on the Group's and/or the Issuer's ability to meet its payment obligations when they fall due and could result in an investor not being paid in a timely manner. Furthermore, if the Issuer's inability to meet its payment obligations when they fall due is not temporary, it could mean that the Issuer might be considered as insolvent. The Issuer is subject to liquidity requirements in its capacity as a credit institution, supervised by the SFSA, including a statutory requirement to maintain sufficient liquidity to be able to discharge its obligations as they fall due. Serious or systematic deviations from such regulations may lead to the SFSA determining that the Issuer's business does not satisfy the statutory soundness requirement for credit institutions and could result in the SFSA imposing sanctions against the Issuer. An unforeseen turbulence in the global economy may adversely affect the Group's and/or the Issuer's liquidity, which may also affect some counterparties' willingness to conduct business with the Group or the Issuer which may result in an adverse effect on the business and the results of the Group and/or the Issuer.

#### *The Issuer is exposed to currency risk*

Currency risks arise when the present value or cash flow of assets and liabilities, including derivative positions, in a foreign currency are mismatched. Since the Issuer may have parts of its financing in currencies other than SEK, it may be exposed to currency risks. A liquid derivative market enabling the Issuer to swap foreign currencies is therefore essential. The currency risks impose a risk of financial losses due to changes in exchange rates which may have an adverse effect on the Issuer's financial results.

#### *The Issuer is exposed to operational risk*

The Issuer's business is dependent on the ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud or other external or internal crime, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of internal or external systems, for example, those of the Issuer's suppliers or counterparties. Any material disruptions

in relation to any operational factors as set out above may have an adverse effect on the Issuer's business, financial condition and/or results of operations.

*The Issuer is exposed to systemic risk*

Due to the high level of interdependence between financial institutions, the Issuer is subject to the risk of deterioration of the actual or perceived commercial and financial soundness of other financial institutions. Thus, a default or financial difficulties of one financial institution may have negative consequences for other financial institutions and may lead to liquidity problems, losses, defaults or worsening of general economic climate in the markets in which the Issuer operates, and this may have an adverse effect on the Issuer's business, financial condition and/or results of operations.

*Regulatory changes could materially affect the Group's and/or the Issuer's business*

The Group and the Issuer are subject to financial services laws, regulations, administrative actions and policies. Changes in supervision and regulation, could materially affect the Group's and/or the Issuer's business, the products and services offered or the value of each of their assets.

Various aspects of banking regulations are still under debate internationally, including *inter alia*, proposals to review standardised and internally modelled approaches for capital requirements for credit, market and operational risk (together with a proposed capital floor based on the revised standardised approaches for financial institutions using internal models) as well as proposals to increase a financial institution's ability to absorb losses in a situation where it is deemed no longer viable.

The Group and the Issuer are subject to risks as a result of implementation of the European Banking and Capital Markets Union. The Group has entities both within and outside the Eurozone.

*The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks*

The Group may become involved in various disputes and legal proceedings in Denmark and other jurisdictions, including litigation and regulatory investigations. The Group's banking and other operations, including its insurance operations, like those of other financial services companies, have been the subject of regulatory scrutiny from time to time. For example, the Group is subject to applicable anti-money laundering and terrorist financing laws. The supervisory authorities conduct ongoing inspections from time to time of the Group's compliance with anti-money laundering legislation that can potentially lead to supervisory actions.

*The Issuer and the Group face increased capital and liquidity requirements as a result of the Basel III Framework*

The Basel III framework is implemented through Regulation No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the "CRR") and Directive (2013/36/EU) of the European Parliament and of the Council (the "CRD IV Directive"). The CRR entered into force on 1 January 2014, and the CRD IV Directive was implemented in Sweden in August 2014. Each of the CRR and the CRD IV Directive covers a wide range of prudential requirements for banks across Member States, including capital requirements, stricter and aligned definitions of capital, risk-exposure amounts ("REA"), large exposure framework and liquidity and funding requirements. The CRD IV Directive covers the overall supervisory framework for banks (including the individual risk assessment) and other measures such as the combined capital buffer requirements, systemically important financial institution ("SIFI") governance and remuneration requirements. As a consequence of the European Banking Authority's (the "EBA") outstanding regulatory technical standards, the Group and the Issuer are subject to the risk of possible interpretational changes.

On 23 November 2016, the European Commission published its proposal for an EU Banking reform package as part of the finalisation of the Basel III framework and its implementation in the EU. The EU Banking reform package includes proposals to amend the CRR and the CRD IV Directive. The proposed amendments include, *inter alia*, changes to the market risk framework by implementing the fundamental review of the trading book, the counterparty credit risk framework, introduction of a leverage ratio requirement and a net stable funding ratio requirement, revisions to the Pillar 2 framework, transition of International Financial Reporting Standards and its impact on capital ratios and revisions to the framework concerning interest rate risk in the banking book.

The Basel Committee on Banking Supervision is also considering a review of the standardised approach for credit and operational risk, constraints on the use of internal model approaches and the possible implementation of a broad REA floor based on the standardised approaches for measuring credit, market and operational risk. The amendments of the Basel standards may increase the Group's REA, but it is still too early to assess impact of these

potential changes since finalisation of the revised standards has been postponed and the political dialogue on how and when to implement the revised standards in the EU has not yet been initiated.

*The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. In certain limited circumstances, it is possible that the implementation of the directive or the taking of any action under it could affect the value of Covered Bonds*

On 15 May 2014, the European Parliament and the Council of the European Union adopted a directive providing for the establishment of a European Union-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the “**BRRD**”). The BRRD, including the general bail-in tool and the Minimum Requirement for own funds and Eligible Liabilities (“**MREL**”) (as further described below), has been implemented into Swedish law by the Swedish Resolution Act (*Lag (2015:1016) om resolution*) (the “**Resolution Act**”) and the Precautionary Support Act (*Lag (2015:1017) om förebyggande statligt stöd till kreditinstitut*), both of which entered into force on 1 February 2016. The National Debt Office (*Riksgäldskontoret*) has been appointed as resolution authority in Sweden and has been given certain powers which can be categorised into preventive powers, early intervention powers and resolution powers. Ultimately, the authority may take control of a failing institution and, for example, transfer the institution to a private purchaser or to a publicly controlled entity pending a private sector arrangement. All these actions can be taken without any prior shareholder approval or any approval by holders of debt.

The general bail-in tool is not intended to apply to secured debt (such as Covered Bonds). However, to the extent that claims in relation to Covered Bonds are not met out of the assets of the Issuer Cover Pool or the proceeds arising from it, Covered Bonds may be subject to write-down or conversion into equity on any application of the general bail-in tool, which may result in Bondholders losing some or all of their investment.

With the implementation of the BRRD, European banks are required to have bail in-able resources in order to fulfil MREL. There is no minimum European Union-wide level of MREL – each resolution authority is required to make a separate determination of the appropriate MREL requirement for each banking group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution.

On 23 February 2017, the National Debt Office presented the finalised model for the calculation of MREL, stating that systematically important institutions need to replace a portion of their existing bond issuance with subordinated bonds. Institutions which are not deemed as systematically important will not be affected by the framework presented by the National Debt Office; in a crisis, such institutions will be declared bankrupt or placed in liquidation rather than resolution. The model presented for the calculation of MREL will take effect from 1 January 2018 onwards and institutions must progressively build up the volume of subordinated liabilities required to meet the minimum requirement by 2022. Since it has not yet been determined whether the Issuer will be treated as a systemically important institution for these purposes, as at the date of this Prospectus it is not possible to say how the Issuer will be affected by the new framework. Until such decision is made, broadly, MREL will be set at a level equal to the institution’s applicable capital requirements. Consequently, this may require the Issuer to issue debt that can be bailed in. Non-compliance with such requirements could result in the relevant authority withdrawing the Issuer’s licence.

For institutions and groups with operations in more than one jurisdiction (such as the Group), cross-border cooperation and coordination between relevant authorities is necessary for an effective resolution and resolution planning. For these purposes, the BRRD provides for the establishment of resolution colleges. Resolution planning, joint decisions and cross-border implications are also of significance in relation to MREL. While the group-level resolution authority sets its proposal on MREL for the parent and at the consolidated level, the proposal needs to be reconciled with and assessed against MREL set for each subsidiary. The links between MREL and the resolution plan have also been addressed in the draft regulatory technical standards issued by EBA, with the two joint decisions – the joint decision on the group resolution plan and resolvability assessment, and the joint decision on MREL – running in parallel. It is not possible to predict how, in relation to the Issuer and the Group, the cooperation between the National Debt Office, the Danish financial supervisory authority (the Danish authority in charge of MREL and resolution planning, the “**DFSA**”) and other relevant authorities will function in practice.

In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that all in-scope institutions have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied. Each institution must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant



resolution authority. The MREL requirement applies to all EU credit institutions (and certain investment firms), not just to those identified as being of a particular size or of systemic importance.

The extent and nature of the MREL requirements are currently being developed, and thus it is not possible to determine the exact impact that they will have on the Issuer or the Group once implemented. The proposals may require members of the Group, which may include the Issuer, to issue a significant amount of additional eligible liabilities in order to meet the new MREL requirements within the required timeframes. If any such member of the Group were to experience difficulties in raising eligible liabilities, it may have to reduce its lending or investments in other operations.

On 27 February 2017, the Swedish government presented a proposal on an increased annual fee to the resolution reserve. On 8 June 2017, the government submitted a draft bill to the Swedish Council on Legislation (*Lagrådet*) proposing that the fee be increased from 9 bps. to 12.5 bps. for 2018, be reduced back to 9 bps. for 2019 and further reduced to 5 bps. for 2020. The amendments are proposed to be effective from 1 January 2018, 1 January 2019 and 1 January 2020 respectively. Should the proposal be implemented under Swedish law, it is likely to have a negative impact on the operating income of the Issuer.

*The Issuer and the Group may be affected by general economic and geopolitical conditions*

The financial services industry generally prospers in conditions of economic growth, stable geopolitical conditions, capital markets that are transparent, liquid and buoyant, and positive investor sentiment. Each of the Group's operating segments is affected by general economic and geopolitical conditions, which can cause the Group's results of operations and financial position to fluctuate from year to year as well as on a long-term basis.

Globally there has been a weakening of productivity growth following the financial crisis. This is also affecting the Nordic countries and raises the prospect that overall growth in production and income will be modest going forward. Financial markets have been characterised by periods of large price movements, and markets are very dependent on central bank policies. Low interest rates and central bank bond purchases have not yet succeeded in raising inflation and inflation expectations in the euro area, and thus the future course of these policies is an important source of uncertainty. Should the global growth not strengthen, there is a risk that this will have a material adverse effect on the Group's and the Issuer's business, financial condition and/or results of operations.

Sweden may be negatively affected by disruptions in the global economy and financial markets, and as the Issuer conducts all of its business activities in Sweden, the Issuer's financial performance is significantly influenced by the general economic conditions of Sweden.

After some strong years, growth in Sweden has somewhat slowed down during 2016 and the first part of 2017. Domestic consumption growth has weakened but exports growth is increasing and housing investment continues to grow strongly. Overall, growth remains above trend. Despite that, the Swedish Central Bank (*Riksbanken*) maintains a monetary policy of negative interest rates and quantitative easing in order to restore inflation. Low interest rates, among other factors, has led to marked price increases in the housing market, creating the potential risk of future declines that could negatively affect the wider economy. Any sustained decline in the general economic conditions of Sweden may have an adverse effect on the Issuer's business, financial condition and/or results of operations.

*The Issuer has started to conduct business recently*

The Issuer has conducted its operations as described in the section "*Description of the Issuer*" only as from the date it was granted its licence to operate as a credit market company. Any shortcomings due to the limited experience of operating as a credit market company may have an adverse effect on the Issuer's business, financial condition and/or results of operations.

*The Issuer is dependent upon other Group companies and their business*

The Issuer will acquire mortgage loans from the Parent. Accordingly, the Issuer is dependent on the business of the Parent to originate loans to be acquired by the Issuer. The Issuer will therefore be affected by general economic and business conditions which may affect not only the Issuer but also the Parent and the Group.

In addition, and as follows from the section "*Description of the Issuer*" and in particular, the sub-sections "*Dependency on the Parent*" and "*Business strategy and funding structure – Outsourcing Agreement*" certain Group companies shall perform certain services on behalf of the Issuer which are essential for the Issuer in order to carry out its business. The Issuer will thus be dependent on certain Group companies in order to succeed in its business. Should there be any disruptions to any such Group companies, this may have an adverse effect on the Issuer's business, financial condition and/or results of operations.

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

Any downgrade of credit ratings of the Issuer's covered bonds could increase its borrowing costs, adversely affect the liquidity position of the Issuer, limit its access to the capital markets, undermine confidence in (and the competitive position of) the Issuer, trigger obligations under certain bilateral terms in some of its trading and collateralised financing contracts (including requiring the provision of additional collateral) and/or limit the range of counterparties willing to enter into transactions with the Issuer. Any of the events above could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

### **Risks relating to Covered Bonds**

*An active secondary market in respect of the Covered Bonds may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Covered Bonds*

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

*If an investor holds Covered Bonds which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Covered Bonds could result in an investor not receiving payments on those Covered Bonds*

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

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

*The value of fixed rate Covered Bonds may be adversely affected by movements in market interest rates*

Investment in fixed rate Covered Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the fixed rate Covered Bonds, this will adversely affect the value of the fixed rate Covered Bonds.

*Credit ratings assigned to the Programme may not reflect all the risks associated with an investment in those Covered Bonds and may be lowered, withdrawn or not maintained*

One or more independent credit rating agencies may assign credit ratings to the Programme. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of Covered Bonds or the standing of the Issuer.

Any rating agency may lower its rating or withdraw its rating if, in the sole judgement of the rating agency, the credit quality of Covered Bonds has declined or is in question. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

There is no guarantee that any rating of the Programme will be maintained by the Issuer following the date of this Prospectus. If any rating assigned to the Programme is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of Covered Bonds may be reduced.

*The Issuer is exposed to changing methodology by rating agencies*

The Issuer is exposed to changes in the rating methodologies applied by rating agencies. Any adverse changes of such methodologies may materially and adversely affect the Issuer's operations or financial condition, the Issuer's willingness or ability to leave individual transactions outstanding and adversely affect the Issuer's capital market standing.

*There are risks relating to other assets contained in the Issuer Cover Pool*

As follows from the section "*Summary of the Swedish Covered Bond Legislation*" the Issuer may hold Supplemental Assets and Public Credits in the Issuer Cover Pool which can be used as supplemental security in accordance with the Covered Bonds Act. To the extent that these other assets are located in jurisdictions other than Sweden, such assets may be subject to country specific regulations and credit risk different from what is outlined in this Prospectus. Should the value of the Supplemental Assets or the Public Credits decrease, this may adversely affect the value of the Issuer Cover Pool which in turn may have an adverse effect on the Issuer's business, financial condition and/or results of operations.

*The Issuer is reliant on payments from swap providers in certain circumstances*

As follows from the section "*Description of the Issuer*" and in particular, the sub-section "*Business strategy and funding structure – Derivative arrangements*", the Issuer may enter into derivative contracts with hedge counterparties to hedge interest rate risk, foreign exchange risk or other risks. If a hedge counterparty defaults in its obligation to make payments under a derivative contract, the Issuer will be exposed to changes in interest rates, currency exchange rates, liquidity concerns or other risks (as applicable). Unless a replacement derivative contract is entered into, the Issuer may have insufficient funds to make payments due on Covered Bonds.

*Bondholders will only receive a limited description of the Issuer Cover Pool and the composition of the Issuer Cover Pool may vary from time to time*

The composition of the Issuer Cover Pool may vary from time to time, including in so far as the geographic placing of the relevant mortgaged properties is concerned. Bondholders will not receive detailed statistics or information in relation to each loan, location of each mortgaged residential or, as the case may be, commercial real estate or other assets contained or to be contained in the Issuer Cover Pool, as it is expected that the constitution of the Issuer Cover Pool may change from time to time.

*Over-collateralisation*

Any rating(s) of Covered Bonds are based on an assumption of over collateralisation. If a certain level of over collateralisation is not maintained; the rating of the relevant Covered Bonds may change from time to time which may affect the value of the Covered Bonds.

*Extendable obligations under Covered Bonds give rise to certain risks*

The relevant Final Terms may provide that an Extended Maturity Date applies to a Covered Bond Loan. Any extension of the maturity of the principal amount outstanding of Covered Bonds from the Maturity Date to the Extended Maturity Date will not result in any right of Bondholders to accelerate payments or take action against the Issuer, and no amount will be payable to Bondholders in that event other than as set out in the General Terms and Conditions as supplemented by the relevant Final Terms.

*The General Terms and Conditions contain no event of default provisions that allow the Covered Bonds to be accelerated*

The General Terms and Conditions do not include any event of default provisions (including any event of default for non-payment) the occurrence of which otherwise would entitle Bondholders to accelerate Covered Bonds and it is envisaged that Bondholders will only be paid scheduled interest payments under Covered Bonds as and when they fall due. The only remedy available to Bondholders is to sue in respect of non-payment or petition for the bankruptcy of the Issuer. The absence of any events of default in the General Terms and Conditions may make it less likely that Bondholders will recoup their investment in full in the event that the Issuer experiences financial distress. See the section "*Summary of the Swedish Covered Bonds Legislation*" for a description of Bondholders' remedies in the event of the Issuer's bankruptcy.

*Conflicting interests of other creditors*

In the event of the Issuer's bankruptcy, the Covered Bonds Act does not give clear guidance on certain issues, which may lead to a conflict between Bondholders, and the derivative contract parties on the one hand, and other creditors of Issuer or the Parent on the other hand. Examples of such issues are (a) how proceeds from a loan

partly registered to the Issuer Cover Pool should be distributed between the portion of such loan registered to the Issuer Cover Pool and the portion of such loan not registered to the Issuer Cover Pool and (b) how the proceeds of enforcement of a mortgage certificate should be distributed if this serves as collateral for two different loans ranking *pari passu* in the mortgage certificate where one such loan is not wholly or partly registered to the Issuer Cover Pool. The lack of clear guidance on these and similar issues may lead to unsecured creditors arguing that part of the proceeds from a loan and/or mortgage certificate should not be included in the Issuer Cover Pool or to any creditors with loans that rank *pari passu* in a mortgage certificate which also serves as collateral for a loan registered to the Issuer Cover Pool arguing that part of the proceeds from such mortgage certificate should not be included in the Issuer Cover Pool.

#### *Clearing and settlement in the VPC-system*

Covered Bonds will be registered in Euroclear Sweden's account-based systems and thus no physical securities will be issued. Clearing and settlement occurs in the VPC-system as does payment of interest and repayment of principal amounts. Bondholders are thus dependent on the VPC-system's functionality.

#### *Majority decisions by Bondholders*

The General Terms and Conditions include certain provisions regarding a Bondholders' meeting, which may be held in order to resolve on matters relating to Bondholders' interests. Such provisions allow for designated majorities to bind all Bondholders, including Bondholders who have not participated in or voted at the actual meeting or who have voted differently than the required majority, to decisions that have been taken at a duly convened and conducted Bondholders' meeting. Consequently, there is a risk that actions of a majority of Bondholders in accordance with the General Terms and Conditions could impact a particular Bondholder's rights in a manner that is undesirable for such Bondholder.

#### *Legislative changes*

The Conditions are based on applicable Swedish law at the time of the issue. Any changes to Swedish or international legislation could have adverse and unpredictable effects on the Covered Bonds. Such changes could mean that the secondary market for Covered Bonds becomes limited or ceases to exist, that Covered Bonds become illegal for some investors to hold, cannot be traded on the marketplace, will be treated differently as regards taxation or lead to consequences that cannot be anticipated at this time. Such changes may result in an adverse effect on the value of Covered Bonds, that Bondholders cannot sell them at the anticipated terms or that the Issuer redeems them prematurely.

The Conditions are governed by Swedish law, including the Covered Bonds Act and the Swedish Rights of Priority Act (*Förmånsrättslag (1970:979)*) (the "**Rights of Priority Act**"). The Covered Bonds Act is relatively new legislation in Sweden and for this reason there is no available case law. It is uncertain how the Covered Bonds Act will be interpreted and whether changes or amendments will be made to it or appurtenant government ordinances or regulations issued by the SFSA which will affect Covered Bonds issued under the Programme.

#### *Non-compliance with matching rules*

The Covered Bonds Act contains matching rules which, among other things, require that the present value of the Cover Pool exceeds by at least 2 per cent. the present value of the liabilities relating to Covered Bonds. In order to comply with these requirements, the Issuer may enter into derivative contracts. The present value of the derivative contracts shall be included when determining whether the present value of the Cover Pool exceeds the present value of the liabilities relating to Covered Bonds.

The Issuer is dependent on the availability of derivative counterparties with sufficient credit rating and also on such counterparties fulfilling their contractual obligations. See the section "*Summary of the Swedish Covered Bond Legislation*" and its sub-section "*Matching requirements*" below for further details.

A breach of the matching requirements prior to the Issuer's bankruptcy in the circumstances where no additional assets are available to the Issuer or the Issuer lacks the ability to acquire additional assets could result in the Issuer being unable to issue further Covered Bonds. If, following the Issuer's bankruptcy, the Issuer Cover Pool ceases to meet the requirements of the Covered Bonds Act (including the matching requirements), and the deviations are not just temporary and minor, the Issuer Cover Pool may no longer be maintained as a unit and the continuous payment under Covered Bonds and derivative contracts could cease.

Bondholders would in such case instead benefit from a priority right in the proceeds of a sale of the assets in the Issuer Cover Pool in accordance with general bankruptcy rules. This could result in Bondholders receiving payment according to a schedule that is different from that contemplated by the terms (with accelerations as well

as delays) or that Bondholders are not paid in full. However, Bondholders and the derivative contract parties would retain the benefit of the right of priority in the assets comprising the Issuer Cover Pool. Any residual claims of Bondholders and the derivative contract parties would remain valid claims against the Issuer, but would rank *pari passu* with other unsecured and unsubordinated creditors of Issuer.

*Certain Dealers may transact with or perform services for the Issuer in the ordinary course of business*

Certain of the Dealers and their affiliates have engaged, and may in the future, engage in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

*The investor's market risk*

The investor's market risk is the risk of changes regarding interest rates, exchange rates or trading prices on the financial markets causing a decrease in the value of Covered Bonds. The investor's market risk consists primarily of risks related to interest rates. Risks related to interest rates occur when interest payments on assets and liabilities for a given period do not coincide. A change in the interest rates could have a material adverse effect on the market value of Covered Bonds.

*Decrease of underlying asset value*

If the value of the underlying assets which constitute the collateral for the Issuer Cover Pool decreases materially and the Issuer does not take action to restore the ratio between Covered Bonds and the Issuer Cover Pool, there will be a risk that the Issuer will not be able to fully repay Bondholders.

*Liquidity following bankruptcy*

In the event of the Issuer's bankruptcy, neither the Issuer nor its bankruptcy estate would be likely to have the ability to issue further Covered Bonds. Whilst there can be no assurance as to the actual ability of the bankruptcy estate to raise post-bankruptcy liquidity in other ways, the Covered Bonds Act gives the administrators-in-bankruptcy an explicit and broad mandate to enter into loan, derivative, repo and other transactions on behalf of the bankruptcy estate with a view to attaining matching of cash flows, currencies, interest rates and interest periods between assets in the Issuer Cover Pool, covered bonds and derivative contracts. The administrators-in-bankruptcy may also raise liquidity by selling assets in the Issuer Cover Pool in the market for example. If the bankruptcy estate is not able to raise sufficient liquidity, this could result in an investor not being paid in a timely manner and/or that the Issuer Cover Pool ceases to meet the matching requirements under the Covered Bonds Act.

## **GENERAL DESCRIPTION OF THE PROGRAMME AND METHOD OF ISSUANCE**

### **Description of the Programme**

#### *Introduction*

Under the Programme, the Issuer may continuously issue Covered Bond Loans in SEK or EUR with different maturities and with a fixed or a floating rate interest. The minimum Nominal Amount for each Covered Bond will be SEK 1,000,000 or EUR 100,000, respectively. The Programme is the Issuer's main funding source and is primarily aimed for investors in the Nordic capital markets.

The complete terms and conditions for a Covered Bond Loan will consist of the General Terms and Conditions and the relevant Final Terms (prepared for each Covered Bond Loan) (see the sections "*General Terms and Conditions for Covered Bond Loans*" and "*Form of Final Terms*"). Each Covered Bond Loan will be governed by Swedish law.

#### *Status*

Covered Bond Loans constitute covered bonds under the Covered Bonds Act and the Rights of Priority Act (see the section "*Summary of the Swedish Covered Bond Legislation*"). The assets comprising the Issuer Cover Pool will change from time to time. The Issuer will make portfolio information available to investors on a quarterly basis. Such information will be available on the Issuer's website at [www.danskehypotek.se](http://www.danskehypotek.se).

#### *Clearing*

Covered Bonds are unilateral dematerialised promissory notes, which are issued for public trading and which are freely transferable. Covered Bond Loans will be registered with Euroclear Sweden and its online account-based system (the VPC system) and, thus, no physical securities will be issued. Clearing and settlement will take place in the VPC system. See also the risk factor "*Clearing and settlement in the VPC-system*" above.

#### *Listing*

If listing is specified in the relevant Final Terms, the Issuer shall apply to list the Covered Bond Loan at the specified listing venue.

#### *Extended maturity*

If an Extended Maturity Date has been specified in the relevant Final Terms, the maturity of the relevant Covered Bond Loan may be extended beyond the Maturity Date in accordance with Section 5 (*Extended Maturity Date*) of the General Terms and Conditions and the Final Terms. If the maturity of any Covered Bond Loan is so extended and for as long as the relevant Covered Bond Loan remains outstanding, the Issuer shall not issue any further Covered Bonds, unless the proceeds of issue of such further Covered Bonds are applied by the Issuer on issue to repay in whole or in part the relevant Covered Bonds.

The Issuer has been informed that, as at the date of this Prospectus, Euroclear Sweden's system cannot handle Covered Bonds with an Extended Maturity Date. Thus, until Euroclear Sweden confirms to the Issuer that Extended Maturity Date provisions are compatible with its system, no Covered Bonds with an Extended Maturity Date will be issued under the Programme.

#### *Bondholders' meeting*

The General Terms and Conditions include certain provisions regarding a Bondholders' meeting, which may be held in order to resolve on matters relating to Bondholders' interests. Such provisions allow for designated majorities to bind all Bondholders, including Bondholders who have not participated in or voted at the actual meeting or who have voted differently than the required majority, to decisions that have been taken at a duly convened and conducted Bondholders' meeting. See also the risk factor "*Majority decisions by Bondholders*" above.

### **Method of issuance**

#### *The role of the Dealers*

The Issuer will not normally manage the selling of Covered Bonds itself, but will normally sell its issued bonds via the appointed Dealers.

The Issuer has appointed Danske Bank A/S, Danmark, Sverige Filial, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ) as

Dealers (*emissionsinstitut*) under the Programme. Additional Dealers may be appointed and a Dealer may withdraw from its appointment.

The Dealers have, by arrangements with the Issuer, made certain commitments to the Issuer including, *inter alia*, to (subject to certain conditions) offer Covered Bond Loans in the capital market and promote trading of Covered Bonds in the secondary market. The Dealers will, subject to certain conditions, post rates of trade with respect to all or some Covered Bond Loans.

#### *Pricing*

Since Covered Bonds under a Covered Bond Loan may be issued continuously for an extended period, it is not possible to set one market price for all Covered Bonds. The price is determined for each transaction by agreement between the buyer and the seller.

#### *Tap issues, determination of loan amount and repurchases*

The Nominal Amount for each Covered Bond will be specified in the relevant Final Terms. The Total Nominal Amount for all Covered Bonds under a Covered Bond Loan will be determined when the sale of the Covered Bonds has been completed. Such sale may be carried out up until the Maturity Date of the Covered Bond Loan.

During the term of a Covered Bond Loan, the Issuer may continuously issue Covered Bonds (“**Tap Issuance**”). Covered Bonds issued under Tap Issuance are in every respect equal to Covered Bonds already issued under the relevant Covered Bond Loan (except as regards the issue price). Consequently, a Bondholder will on the following interest payment date have the same right to payment of interest as the other Bondholders in the relevant Covered Bonds. Therefore, no Final Terms are separately prepared in connection with Tap Issuance made after the Issue Date for the Covered Bond Loan. The fact that a Covered Bond may be outstanding only for part of an interest period is reflected in the issue price.

Tap Issuance is normally made only via the Dealers which thereby price the newly issued Covered Bonds based on at the time existing levels in the secondary market.

#### *Repurchases*

The Issuer may repurchase Covered Bonds at any time and at any price in the open market or otherwise provided that this is compatible with applicable law. Covered Bonds owned by the Issuer may be retained, resold or cancelled at the Issuer’s discretion.

#### **Credit rating**

The Programme is expected to be assigned the credit rating AAA by Standard & Poor’s Global Ratings. Standard & Poor’s Global Ratings is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning credit rating agency. Credit ratings are a way of evaluating credit risk. However, the credit ratings assigned to the Programme do not always reflect the risks associated with individual Covered Bond Loans under the Programme. For more information regarding the credit rating, visit [www.standardpoors.com](http://www.standardpoors.com).

The following table sets out the possible long-term ratings assigned by Standard & Poor’s Global Ratings.

<b>Long-term rating</b>
<b>AAA</b>
AA+
AA
AA-
A+
A
A-
BBB+

<b>Long-term rating</b>
BBB
BBB-
BB+
BB
BB-
B+
B
B-
CCC+
CCC
CCC-
CC
C
D

**Use of proceeds**

The net proceeds from each issue of Covered Bonds will be applied by the Issuer to meet part of its general financing requirements.



## GENERAL TERMS AND CONDITIONS FOR COVERED BOND LOANS

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The following general terms and conditions (the “**General Terms and Conditions**”) apply for Covered Bonds that Danske Hypotek AB (publ) (Reg. No. 559001-4154) (the “**Issuer**”), issues in the capital market under an agreement with the Dealers in respect of a Swedish programme for the continuous issuance of covered bonds (the “**Programme**”). For each Loan, final terms are prepared that include supplementary terms and conditions, which together with these General Terms and Conditions constitute the complete terms and conditions for the relevant Loan. Final Terms for Loans that are offered to the public will be published on the Issuer’s website ([www.danskehypotek.se](http://www.danskehypotek.se)) and made available at the office of the Issuer. For as long as a Loan is outstanding, the Issuer will keep the General Terms and Conditions and the Final Terms for such Loan available on its website.

### 1. DEFINITIONS

1.1 In the Conditions, the following expressions shall have the meaning ascribed to them below.

“**Account Operator**” means a bank or other party duly authorised to operate as an account operator (*kontoförande institut*) pursuant to the Swedish Financial Instruments Accounts Act and through which a Bondholder has opened a VP-account in respect of its Covered Bonds;

“**Adjusted Loan Amount**” means, with respect to a specific Loan, the Total Nominal Amount of outstanding Covered Bonds excluding Covered Bonds held by the Issuer and any other member of the Group, irrespective of whether such entity is registered by name as the Bondholder of such Covered Bonds;

“**Administrative Agent**” means (i) if a Loan is issued through two or more Issuing Houses, the Issuing House appointed by the Issuer to be responsible for certain administrative tasks in respect of the Loan as set out in the relevant Final Terms; and (ii) if a Loan is issued through only one Issuing House, the Issuing House;

“**Bondholder**” means the person recorded on a VP-account as direct registered owner (*ägare*) or nominee (*förvaltare*) of a Covered Bond;

“**Bondholders’ Meeting**” means a meeting of the Bondholders in respect of a Loan as described in Section 10 (*Bondholders’ Meeting*);

“**Business Day**” means a day which is not a Sunday or other public holiday in Sweden or which is not treated as a public holiday for the purpose of payment of promissory notes. In this definition, Saturdays, Midsummer’s Eve (*midsommarafton*), Christmas Eve (*julafton*) and New Year’s Eve (*nyårsafton*) shall be deemed public holidays;

“**Conditions**” for a particular Loan means these General Terms and Conditions and the Final Terms for such Loan;

“**Covered Bond**” means a unilateral promissory note which is registered in accordance with the Swedish Financial Instruments Accounts Act and issued by the Issuer in accordance with the Conditions and coupled with rights of priority in the Issuer’s covered pool pursuant to the Swedish Covered Bonds Act (*lagen (2003:1223) om utgivning av säkerställda obligationer*);

“**Day Count Convention**” means, when determining an amount for a certain determination period, the counting basis stated in the Final Terms, and;

- (a) if the counting basis “30/360” is stated as being applicable, the amount shall be calculated using a year of 360 days comprising twelve months of 30 days each, and in the case of a fraction of a month using the actual number of days of the month that have passed; and
- (b) if the counting basis “Actual/360” is stated as being applicable, the amount shall be calculated using the actual number of days in the relevant period divided by 360;

“**Dealers**” means Danske Bank A/S, Danmark, Sverige Filial, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ) and such other dealer (*emissionsinstitut*) appointed in accordance with Section 12.3, but only for so long as such dealer has not withdrawn as a dealer;

“**Extended Maturity Date**” means the date falling no later than twelve months from the Maturity Date of a Loan, subject to any adjustments, specified in the Final Terms;

“**Euro**” and “**EUR**” means the single currency of the participating member states in accordance with the legislation of the European Community relating to the European Economic and Monetary Union;

“**European Reference Banks**” means four leading commercial banks that quotes EURIBOR at the time in question and that are appointed by the Dealers;

“**Euroclear Sweden**” means Euroclear Sweden AB, Reg. No. 556112-8074;

“**EURIBOR**” means the interest rate (1) listed at 11.00 a.m. (Brussels time) on the day in question on Reuters screen EURIBOR01 (or through such other systems or on such other page that replaces the system or page mentioned) or - if such quotation does not exist – (2) at the mentioned time, according to information released by the Administrative Agent, equivalent to (a) the mean of the European Reference Banks’ quoted interest rates to leading commercial banks in Europe for deposits of EUR 10,000,000 for the period in question or – if only one or no such quotation is given – (b) the Administrative Agent’s assessment of the interest rate offered by leading commercial banks in Europe for lending of EUR 10,000,000 for the period in question on the inter-bank market in Europe;

“**Final Terms**” means the final terms prepared for a particular Loan;

“**Group**” means Danske Bank A/S and its subsidiaries from time to time;

“**Interest Base**” means, for a Loan with floating interest rate, the interest base (STIBOR or EURIBOR) stated in the relevant Final Terms;

“**Interest Determination Date**” means, for a Loan with floating interest rate, the date specified in the relevant Final Terms;

“**Interest Payment Date**” means, for a Loan, the date specified in the relevant Final Terms;

“**Interest Period**” means, for a Loan, the period specified in the relevant Final Terms;

“**Interest Rate**” means

- (a) until (and including) the Maturity Date (i) for a Loan with fixed interest rate, the interest rate specified in the relevant Final Terms and (ii) for a Loan with floating interest rate, the interest rate calculated in accordance with Section 6.1(b); and
- (b) if applicable, from (but excluding) the Maturity Date to (and including) the Extended Maturity Date, a floating interest rate calculated in accordance with Section 6.2;

“**IPA**” means Danske Bank A/S, Danmark, Sverige Filial or such other issuing and paying agent (IPA) appointed by the Issuer for the functions set out in Section 4.3, but only for so long as such issuing and paying agent has not withdrawn as a issuing and paying agent or been replaced in accordance with Section 12.4;

“**Issue Date**” means, for a Loan, the date specified in the relevant Final Terms;

“**Issuing House**” means the Dealer(s) through which a particular Loan is issued;

“**Loan**” means each loan with a separate ISIN code in the “100 series” with respect to SEK and in the “200 series” with respect to EUR, comprising one or more Covered Bonds with the same ISIN code, which the Issuer issues under this Programme;

“**Margin**” means, for a Loan with floating interest rate, the margin specified in the relevant Final Terms;

“**Maturity Date**” means, for a Loan, the date specified in the relevant Final Terms;

“**Nominal Amount**” means the amount for each Covered Bond that is stated in the relevant Final Terms less any amount repaid;

“**Record Date**” means

- (a) the Business Day before the payment date in respect of principal amounts payable under the Conditions; and

- (b) the fifth Business Day before (i) the payment date in respect of interest amounts payable under the Conditions, (ii) another date when payment is to be made to Bondholders (other than payment of principal), (iii) the date of a Bondholders' Meeting, or (iv) another relevant date (other than a payment date for principal amounts payable under the Conditions),

or, in each case, such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market;

“**Reference Banks**” means Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ);

“**Regulated Market**” means a regulated market for the purposes of Directive 2014/65/EU;

“**STIBOR**” means the interest rate (1) listed at 11.00 a.m. on the day in question on Nasdaq Stockholm's webpage for STIBOR fixing (or on such other webpage that replaces webpage mentioned) or - if such quotation does not exist - (2) at the mentioned time equivalent to (a) the mean of the Reference Banks' quoted interest rates for deposits of SEK 100,000,000 for the period in question on the Stockholm interbank market - or - if only one or no such quotation is given - (b) the Administrative Agent's assessment of the interest rate offered by Swedish commercial banks for lending of SEK 100,000,000 for the period in question on the inter-bank market Stockholm;

“**Swedish Financial Instruments Accounts Act**” means *lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*;

“**Swedish Kronor**” and “**SEK**” means the lawful currency of Sweden;

“**Total Nominal Amount**” means, for a Loan, the total aggregate Nominal Amount of the Covered Bonds outstanding at the relevant time;

“**Trade Date**” means, for a Loan, the date specified in the relevant Final Terms, which is the day on which an agreement is reached between the Issuer and the Issuing House(s) concerning the issue of such Loan; and

“**VP-account**” means a securities account (*VP-konto*) under the Swedish Financial Instruments Accounts Act maintained by Euroclear Sweden 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.

- 1.2 When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day, as published by the Swedish Central Bank (*Riksbanken*) on its website ([www.riksbank.se](http://www.riksbank.se)). If no such rate is available, the most recently published rate shall be used instead.
- 1.3 Further definitions are contained (where relevant) in the relevant Final Terms.
- 1.4 The definitions contained in these General Terms and Conditions shall also apply to the relevant Final Terms.

## 2. RAISING OF LOANS, LOAN AMOUNT, DENOMINATION AND PAYMENT COMMITMENT

- 2.1 Under this Programme the Issuer may issue Covered Bonds in Swedish Kronor or Euro with a minimum term of one year. Under a Loan, Covered Bonds may be issued in more than one tranche.
- 2.2 The Total Nominal Amount will be determined when the sale of the Covered Bonds has been completed and shall be represented by Covered Bonds in the denomination in SEK or EUR specified in the relevant Final Terms or in whole multiples thereof.
- 2.3 The Issuer undertakes to repay the principal and to pay interest in respect of each Loan in accordance with these Conditions.

- 2.4 In subscribing for Covered Bonds each initial Bondholder accepts that its Covered Bonds shall have the rights and be subject to the conditions stated in the Conditions. In acquiring Covered Bonds each new Bondholder confirms such acceptance.

### **3. REGISTRATION OF COVERED BONDS**

- 3.1 Covered Bonds shall be registered in a VP-account on behalf of the Bondholder, and accordingly no physical notes representing the Covered Bonds will be issued.
- 3.2 A request concerning the registration of a Covered Bond shall be made to the Account Operator.
- 3.3 Any person who acquires the right to receive payment under a Covered Bond through a mandate, a pledge, regulations in the Code on Parents and Children (*Föräldrabalken*), conditions in a will or deed of gift or in some other way shall register her or his right to payment.
- 3.4 For Covered Bonds registered in the name of a nominee in accordance with the Swedish Financial Instruments Accounts Act, the nominee shall be regarded as the Bondholder under these Conditions.
- 3.5 The Administrative Agent shall, for the purpose of carrying out its tasks under Section 10 and, with Euroclear's permission, at all other times be entitled to obtain information from the debt register (*skuldbok*) kept by Euroclear Sweden in respect of the Covered Bonds.
- 3.6 The Administrative Agent may use the information referred to in Section 3.5 only for the purposes of carrying out their duties and exercising their rights in accordance with the Conditions and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

### **4. PAYMENTS**

- 4.1 A Loan falls due on the Maturity Date, subject as provided in Section 5 (*Extended Maturity Date*) if an Extended Maturity Date is specified in the relevant Final Terms. Interest shall be paid on each Interest Payment Date in accordance with the relevant Final Terms. On the Maturity Date the Loan shall be repaid together with accrued interest (if any). If the Maturity Date or the Extended Maturity Date, as applicable, falls on a day that is not a Business Day, the Loan (and accrued interest (if any)) shall not be repaid until the following Business Day.
- 4.2 Repayment of principal and payment of interest shall be made to the person who is Bondholder on the Record Date prior to such payment date, or to such other person who is registered with Euroclear Sweden on such date as being entitled to receive the relevant payment, repayment or repurchase amount.
- 4.3 The Issuer has appointed the IPA to administrate payments under Covered Bonds and the IPA has accepted this appointment on the condition that the Issuer provides the IPA with the necessary means.
- 4.4 Where the Bondholder has arranged for an Account Operator to record that the principal and interest are to be credited to a particular bank account, the payments will be made through Euroclear Sweden on the relevant due dates. If no such instructions have been given, Euroclear Sweden will send the amount on such dates to the Bondholder at the address registered on the Record Date with Euroclear Sweden. If the due date falls on a day which is not a Business Day, the amount will be credited to an account or made available to the payee on the next following Business Day. However, interest in this regard is only paid up to and including the Interest Payment Date for Loans with fixed interest rate. Should the Interest Payment Date for Loans with floating interest rate occur on a day that is not a Business Day, the Interest Payment Date shall be on the next following Business Day, provided that such Business Day does not occur in a new month in which case the Interest Payment Date shall be the first preceding Business Day instead.

- 4.5 If the IPA or Euroclear Sweden is unable to pay the amount in the manner stated above as a result of some delay on the part of the Issuer or because of some other obstacle, then, as soon as the obstacle has been removed, the amount shall be paid by the IPA or Euroclear Sweden, as applicable, to the person registered as Bondholder on the Record Date.
- 4.6 If the Issuer is unable to carry out its obligations to pay through the IPA or Euroclear Sweden in the manner stated above due to obstacles for the IPA or Euroclear Sweden as stated in Section 15.1, the Issuer shall have a right to postpone the obligation to pay until the obstacle has been removed. In such case, interest will be paid in accordance with Section 7.2.
- 4.7 In the event that the person to whom the amount was paid in the manner stated above was not entitled to receive it, the Issuer, the IPA and Euroclear Sweden, as applicable, shall nevertheless be regarded as having fulfilled their obligations. However, this does not apply if the Issuer, the IPA or Euroclear Sweden, as applicable, was aware that the person to whom the amount was paid was not entitled to receive it or if the Issuer, the IPA or Euroclear Sweden, as applicable, neglected to show the necessary care given the circumstances.

## **5. EXTENDED MATURITY DATE**

- 5.1 If an Extended Maturity Date is specified in the relevant Final Terms as applying to a Loan and the Issuer fails to repay the relevant Loan in full on the Maturity Date or within three (3) Business Days thereafter, the maturity of the outstanding Loan and the date on which such Loan will be due and repayable for the purposes of these Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the relevant Final Terms. In that event, the Issuer may repay all or any part of the principal amount outstanding of the Loan on any Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the relevant Final Terms. If the Maturity Date is extended in accordance with this Section 5, the Issuer shall give notice to the Bondholders (in accordance with Section 14 (*Notices*)) of its intention to repay all or any of the principal amount outstanding of the Loan at least five (5) Business Days prior to the relevant Interest Payment Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any repayment by the Issuer on the relevant Interest Payment Date, or give rise to rights to any such person.
- 5.2 Any extension of the maturity of the Loan under this Section 5 shall be irrevocable.
- 5.3 Where this Section 5 applies, any failure to repay the Covered Bonds on the Maturity Date or any extension of the maturity of the Loan under this Section 5 shall not constitute an event of default or acceleration of payment for any purpose or give any Bondholder any right to receive any payment of interest, principal or otherwise on the relevant Loan other than as expressly set out in these Conditions.
- 5.4 In the event of the extension of the maturity of a Loan under this Section 5, interest shall be determined and payable in accordance with Section 6.2.
- 5.5 In the case of any partial repayment of a Loan, such repayment shall be made to the Bondholders *pro rata* in proportion to the aggregate outstanding amount of Covered Bonds held by each such Bondholder.
- 5.6 If the maturity of any Loan is extended in accordance with this Section 5, subject as otherwise provided for in the relevant Final Terms, for so long as any of those Covered Bonds remains outstanding, the Issuer shall not issue any further Covered Bonds, unless the proceeds of issue of such further Covered Bonds are applied by the Issuer on issue to repay in whole or in part the relevant Covered Bonds in accordance with the terms hereof.

## 6. INTEREST

6.1 The relevant Final Terms shall state the relevant interest structure using one of the following alternatives:

(a) Fixed interest rate

If a Loan is specified as a Loan with fixed interest rate, the Loan shall bear interest on its Nominal Amount at the Interest Rate from (but excluding) the Interest Commencement Date up to (and including) the Maturity Date. Interest accrued during an Interest Period is paid in arrears on the relevant Interest Payment Date and is calculated using the Day Count Convention 30/360 for Loans in SEK and EUR.

(b) Floating interest rate

(i) If a Loan is specified as a Loan with floating interest rate, the Loan shall bear interest on its Nominal Amount from (but excluding) the Interest Commencement Date up to (and including) the Maturity Date. The Interest Rate applicable to each respective Interest Period is determined by the Administrative Agent on the respective Interest Determination Date as the Interest Base plus the Margin for such period.

(ii) Notwithstanding paragraph (i) above and subject to paragraph (iii) below, if the Interest Base plus the Margin for the relevant period is below zero (0), the floating interest rate shall be deemed to be zero (0).

(iii) If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

(iv) If the Interest Rate is not determined on the Interest Determination Date because of an obstacle such as is described in Section 15.1, the Loan shall continue to bear interest at the rate that applied to the immediately preceding Interest Period. As soon as the obstacle has been removed the Administrative Agent shall calculate a new Interest Rate to apply from the second Business Day after the date of calculation until the end of the current Interest Period. Interest accrued during an Interest Period is paid in arrears on the relevant Interest Payment Date and is calculated using the Day Count Convention Actual/360 for Loans in SEK and EUR.

6.2 If an Extended Maturity Date is specified in the relevant Final Terms as applying to a Loan and the maturity of such Loan is extended beyond the Maturity Date in accordance with Section 5 (*Extended Maturity Date*):

(a) the Loan shall bear interest from (but excluding) the Maturity Date to (and including) the Extended Maturity Date or, if the Covered Bonds are repaid prior to the Extended Maturity Date, the Interest Payment Date on which they are repaid. The final Interest Payment Date shall fall no later than the Extended Maturity Date; and

(b) the rate of interest payable from time to time under Section 6.2(a) will be a floating interest rate calculated in accordance Section 6.1(b) but on the basis of the Interest Base, Margin, Interest Determination Date(s), Interest Period(s) and Interest Payment Date(s) specified as applying in relation to the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date in the relevant Final Terms and, where applicable, determined by the Administrative Agent, three (3) Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the relevant Final Terms.

## **7. PENALTY INTEREST**

- 7.1 In the event of delay in payment relating to principal and/or interest (except in accordance with Section 5), penalty interest shall be paid on the amount due from the maturity date up to and including the day on which payment is made, at an interest rate which corresponds to one week's STIBOR (for Loans denominated in SEK) or EURIBOR (for Loans denominated in EUR) applicable on the first Business Day in each calendar week during the course of delay plus two percentage points. However, penalty interest according to this Section 7.1 shall never be lower than the Interest Rate at the maturity date plus one percentage point. Penalty interest is not compounded with the principal amount.
- 7.2 If the delay is due to an obstacle of the kind set out in Section 15.1 on the part of the Issuing House(s), the IPA or Euroclear Sweden, no penalty interest shall apply, in which case the rate of interest which applied to the relevant Loan on the relevant due date shall apply instead.

## **8. LISTING ON REGULATED MARKET**

If listing is specified in the relevant Final Terms for a Loan, the Issuer shall apply to list the Loan at the specified listing venue. As long as such Loan amount is outstanding, but not beyond the Maturity Date (or Extended Maturity Date, if applicable) or the last day on which the listing reasonably can, pursuant to the then applicable regulations, subsist, the Issuer shall take such practicably possible measures that may be required to maintain the listing at the specified listing venue or any other Regulated Market.

## **9. REPURCHASE OF COVERED BONDS**

The Issuer may repurchase Covered Bonds at any time and at any price in the open market or otherwise provided that this is compatible with applicable law. Covered Bonds owned by the Issuer may be retained, resold or cancelled at the Issuer's discretion.

## **10. BONDHOLDERS' MEETING**

- 10.1 The Administrative Agent may and, at the request of another Issuing House with respect to a specific Loan, the Issuer or Bondholders that at the time of such request represent at least ten (10) per cent. of the Adjusted Loan Amount under a particular Loan (such a request can only be made by Bondholders entered in the securities register on the Business Day occurring immediately after the date that the request was received by the Administrative Agent and must, if made by a number of Bondholders, be made jointly), shall, convene a Bondholders' Meeting for the Bondholders under the relevant Loan.
- 10.2 The Administrative Agent shall convene a Bondholders' Meeting by sending notice of this to each Bondholder within five (5) Business Days of having received a request from another Issuing House, the Issuer or Bondholders as described in Section 10.1 (or a later date if this is required for technical or administrative reasons).
- 10.3 The Administrative Agent may refrain from convening a Bondholders' Meeting if (i) the proposed decision has to be approved by any party in addition to the Bondholders and this party has notified the Administrative Agent that such approval will not be given, or (ii) the proposed decision is not compatible with applicable law.
- 10.4 The notice of the meeting described in Section 10.2 shall include (i) time for the meeting, (ii) place for the meeting, (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) a form of power of attorney, and (v) the agenda for the meeting. The background and contents of each proposal as well as any applicable conditions and conditions precedent shall be set out in the notice in sufficient detail. If a proposal concerns an amendment to the Conditions, such proposed amendment must always be set out in

- precise detail. Should prior notification by the Bondholders be required in order to attend the Bondholders' Meeting, such requirement shall be included in the notice.
- 10.5 The Bondholders' Meeting shall be held on a date that is between ten (10) and thirty (30) Business Days after the date of the notice of the meeting. Bondholders' Meetings for several Loans under the Covered Bond Programme may be held on the same occasion.
- 10.6 Without deviating from the provisions of these General Terms and Conditions, the Administrative Agent may prescribe such further provisions relating to the convention of and holding of the Bondholders' Meeting as it considers appropriate. Such provisions may include, among other things, the possibility of Bondholders voting without attending the meeting in person.
- 10.7 The meeting shall be initiated by the appointment of a chairman. The Administrative Agent shall appoint the chairman unless the Bondholders' Meeting decides differently. Board members, the chief executive officer and other senior officials of the Issuer as well as the Issuer's auditors and advisors have the right to participate at the Bondholders' Meeting in addition to the Bondholders and their representatives and advisors. A transcript of the debt register (*skuldbok*) that is kept by Euroclear Sweden and relevant for determining Bondholders eligible to exercise voting rights shall be available at the Bondholders' Meeting. The chairman shall compile a list of present Bondholders with voting rights that includes information on the share of the Adjusted Loan Amount that each Bondholder represents ("**voting list**"). The voting list shall be approved by the Bondholders' Meeting. Only persons who on the Record Date for the Bondholders' Meeting were Holders, or who have been authorised in accordance with Section 11 (*Right to act on behalf of Bondholders*) by persons who were Bondholders on the Record Date, may exercise voting rights at the Bondholders' Meeting, provided that the relevant Covered Bonds are included in the Adjusted Loan Amount, and only such Bondholders and authorised persons, as applicable, shall be included in the voting list.
- 10.8 The chairman shall ensure that minutes are kept at the Bondholders' Meeting. The minutes shall include notes as to the participants, the issues dealt with, the voting results and the decisions that were made. The minutes shall be signed by the chairman and at least one person appointed at the Bondholders' Meeting to approve the minutes and shall thereafter be delivered to the Administrative Agent. The minutes shall be available at the Issuer's website no later than five (5) Business Days after the Bondholders' Meeting. New or revised General Terms and Conditions or Final Terms shall be appended to the minutes and sent to Euroclear Sweden by the Administrative Agent or by any party appointed by the Administrative Agent.
- 10.9 Decisions on the following matters require the approval of Bondholders representing at least ninety (90) per cent of that part of the Adjusted Loan Amount for which Bondholders are voting under the relevant Loan at the Bondholders' Meeting:
- (a) a change of Maturity Date, reduction of Nominal Amount, changes in terms relating to interest or amount to be repaid (other than in accordance with what is stated in the Conditions) and change in the specified Currency of the Loan;
  - (b) a transfer by the Issuer of its rights and obligations under the Loan;
  - (c) a change to the terms of this Section 10 (*Bondholders' Meeting*); and
  - (d) a mandatory exchange of Covered Bonds for other securities.
- 10.10 Matters that are not covered by Section 10.9 require the approval of Bondholders representing more than fifty (50) per cent of that part of the Adjusted Loan Amount for which Bondholders are voting under the relevant Loan at the Bondholders' Meeting. This includes, but is not limited to, changes to and waivers of rights related to the Conditions that do not require a greater majority (other than changes as described in Section 12 (*Changes to terms, etc.*)).
- 10.11 A Bondholders' Meeting is quorate if Bondholders representing at least fifty (50) per cent of the Adjusted Loan Amount under the relevant Loan in respect of a matter in Section 10.9 and otherwise



twenty (20) per cent of the Adjusted Loan Amount under the relevant Loan are present at the meeting either in person or by telephone (or are present via an authorised representative).

- 10.12 If a Bondholders' Meeting is not quorate the Administrative Agent shall convene a new Bondholders' Meeting (in accordance with Section 10.2) unless the relevant proposal has been withdrawn by the party or parties that initiated the Bondholders' Meeting. The requirement of a quorum in Section 10.11 shall not apply at such new Bondholders' Meeting.
- 10.13 A decision at a Bondholders' Meeting that extends obligations or limits rights of the Issuer or an Issuing House under the Conditions shall also require the approval of the party concerned.
- 10.14 A Bondholder that holds more than one Covered Bond is not required to vote for all the Covered Bonds it holds and is not required to vote in the same way for all the Covered Bonds it holds.
- 10.15 The Issuer may not, directly or indirectly, pay or contribute to payment being made to any Bondholder in order that this Bondholder will give its approval under the Conditions unless such payment is offered to all Bondholders that give their approval at a relevant Bondholders' Meeting.
- 10.16 A decision made at a Bondholders' Meeting is binding on all Bondholders under the relevant Loan irrespective of whether they are represented at the Bondholders' Meeting. Bondholders that do not vote for a decision shall not be liable for losses that the decision causes to other Bondholders.
- 10.17 The Administrative Agent's reasonable costs and expenses occasioned by a Bondholders' Meeting, including reasonable payment to the Administrative Agent, shall be borne by the Issuer.
- 10.18 At the Administrative Agent's request, the Issuer shall without delay provide the Administrative Agent with a certificate stating the Nominal Amount for Covered Bonds held by members of the Group on the relevant Record Date prior to a Bondholders' Meeting, irrespective of whether such entities are registered by name as Bondholders of Covered Bonds. The Administrative Agent shall not be responsible for the content of such a certificate or otherwise be responsible for establishing whether a Covered Bond is held by a member of the Group.
- 10.19 Information on decisions taken at a Bondholders' Meeting shall be notified without delay to the Bondholders under the relevant Loan by means of a press release, on the Issuer's website and in accordance with Section 14 (*Notices*). At the request of a Bondholder the Administrative Agent shall provide the Bondholder with minutes of the relevant Bondholders' Meeting. However, failure to notify the Bondholders as described above shall not affect the validity of the decision.

## **11. RIGHT TO ACT ON BEHALF OF BONDHOLDERS**

- 11.1 If a party other than a Bondholder wishes to exercise a Bondholder's rights under the Conditions or to vote at a Bondholders' Meeting, such person shall be able to produce a proxy form or other authorisation document issued by the Bondholder or a chain of such proxy forms and/or authorisation documents from the Bondholder.
- 11.2 A Bondholder may authorise one or more parties to represent the Bondholder in respect of certain or all Covered Bonds held by the Holder. Such authorised party may act independently and is entitled to delegate its right to represent the Bondholder.

## **12. CHANGES TO TERMS, ETC.**

- 12.1 The Issuer and the Dealers may agree on adjustments to correct any clear and manifest error in these General Terms and Conditions.

- 12.2 The Issuer and the Administrative Agent may agree on adjustments to correct any clear and manifest error in the Final Terms of a particular Loan. The Issuer and the Issuing House(s) may agree to amend the Conditions provided that such amendment is not detrimental to the Bondholders.
- 12.3 A new dealer may be engaged by agreement between the Issuer and the dealer in question and the Dealers. A Dealer may step down as a Dealer, but an Administrative Agent in respect of a particular Loan may not step down unless a new Administrative Agent is appointed in its place.
- 12.4 The Issuer, the Dealers and the IPA may agree to replace the IPA with another Account Operator as issuing and paying agent.
- 12.5 Amendments to or concession of Conditions in cases other than as set out in Sections 12.1–12.3 shall take place through a decision at a Bondholders' Meeting as described in Section 10 (*Bondholders' Meeting*).
- 12.6 Approval at a Bondholders' Meeting of an amendment to the terms may include the objective content of the amendment and need not contain the specific wording of the amendment.
- 12.7 A decision on an amendment to the terms shall also include a decision on when the amendment is to take effect. However, an amendment shall not take effect until it has been registered with Euroclear Sweden (where relevant) and published on the Issuer's website.
- 12.8 The amendment or concession of terms as described in this Section 12 (*Changes to terms, etc.*) shall be promptly notified by the Issuer to the Bondholders in accordance with Section 14 (*Notices*).

### **13. PRESCRIPTION**

- 13.1 Claims for the repayment of principal shall be prescribed and become void ten years after the Maturity Date or, if occurred, the Extended Maturity Date. Claims for the payment of interest shall be prescribed and become void three years after the relevant Interest Payment Date. Upon prescription, the Issuer shall be entitled to keep any funds that may have been reserved for such payments.
- 13.2 If the prescription period is duly interrupted in accordance with the Swedish Limitations Act (*preskriptionslagen (1981:130)*) a new prescription period of ten years will commence for claims in respect of principal and three years for claims in respect of interest amounts, in both cases calculated from the day indicated by provisions laid down in the Swedish Limitations Act concerning the effect of an interruption in the limitation period.

### **14. NOTICES**

- 14.1 Notices shall be provided to Bondholders for the relevant Loan at the address registered with Euroclear Sweden on the Business Day before dispatch. A notice to the Bondholders shall also be published by means of a press release and published on the Issuer's website.
- 14.2 Notices to the Issuer or the Dealers shall be provided at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) on the Record Date before dispatch.
- 14.3 A notice to the Issuer or Bondholders in accordance with the Conditions that is sent by standard post shall be deemed to have been received by the recipient on the third Business Day after dispatch and notices sent by courier shall be deemed to have been received by the recipient when delivered to the specified address.
- 14.4 In the event that a notice is not sent correctly to a certain Bondholder the effectiveness of notices to other Bondholders shall be unaffected.

**15. LIMITATION OF LIABILITY ETC.**

- 15.1 With regards to the obligations imposed on the Dealers, the IPA and Euroclear Sweden, respectively, the Dealers, the IPA and Euroclear Sweden, as applicable, shall not be held liable for any losses arising out of any Swedish or foreign legal enactment, or any measure undertaken by a Swedish or foreign public authority, or war, strike, blockade, boycott, lockout or any other similar circumstance. The reservation in respect of strikes, blockades, boycotts and lockouts applies even if the party concerned itself takes such measures or is subject to such measures.
- 15.2 Losses arising in other cases shall not be compensated by a Dealer, the IPA or Euroclear Sweden if the relevant entity has exercised due care. In no case shall compensation be paid for indirect losses.
- 15.3 Should a Dealer, the IPA or Euroclear Sweden not be able to fulfil its obligations under these Conditions due to any circumstance set out in Section 15.1, such action may be postponed until the obstacle has been removed.
- 15.4 The aforesaid shall apply unless otherwise provided in the Swedish Financial Instruments Accounts Act.

**16. APPLICABLE LAW AND JURISDICTION**

- 16.1 The Conditions shall be governed by Swedish law.
- 16.2 Disputes shall be settled by Swedish courts. Stockholm District Court shall be the court of first instance.

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We hereby confirm that the above General Terms and Conditions are binding upon us.

Stockholm 9 August 2017

DANSKE HYPOTEK AB (publ)

## FORM OF FINAL TERMS

### FINAL TERMS

#### for Loan No. [•] under Danske Hypotek AB (publ)'s Programme for Continuous Issuance of Covered Bonds

The following are the final terms and conditions (“**Final Terms**”) of Loan No. [•], (the “**Loan**”) that Danske Hypotek AB (publ) (the “**Issuer**”) issues in the capital market in accordance with an agreement with the below mentioned Issuing House(s).

The Loan shall be subject to the general terms and conditions dated 9 August 2017 (the “**General Terms and Conditions**”) set out in the Issuer’s base prospectus for continuous issuance of Covered Bonds, dated 9 August 2017 (the “**Prospectus**”) [as supplemented on [•]], and the Final Terms set out below. Words and expressions not defined in the Final Terms shall have the meaning set out in the General Terms and Conditions.

This document constitutes the Final Terms for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus [as supplemented]. Full information on the Issuer and the offer of the Loan is only available on the basis of the combination of these Final Terms, the Prospectus [as supplemented] and any documents incorporated therein by reference. These documents are available via [www.danskehypotek.se](http://www.danskehypotek.se).

#### Terms and conditions for the Loan

1.	<b>Loan no:</b>	[•]
2.	<b>Total Nominal Amount/Continuous issuance:</b>	[•] [Covered Bonds issued under this Loan shall be sold continuously at the prevailing market price. The Total Nominal Amount shall be determined when the sale of Covered Bonds is closed.]
3.	<b>Nominal Amount per Covered Bond:</b>	[•]
4.	<b>Currency:</b>	[SEK] [EUR]
5.	<b>Interest Commencement Date:</b>	[Issue Date] [ <i>Specify other Interest Commencement Date</i> ]
6.	<b>Trade Date:</b>	[•]
7.	<b>Issue Date:</b>	[•]
8.	<b>Maturity Date:</b>	[•]
9.	<b>Extended Maturity Date:</b>	[Applicable] [Not Applicable] [ <i>May be specified as applying only if Euroclear Sweden has confirmed that the Extended Maturity Date provisions are compatible with the Euroclear Sweden system. If not applicable, delete the remaining sections of this subparagraph.</i> ]  [The Extended Maturity Date is [ <i>specify date</i> ][, subject to adjustment in accordance with Section 4.1]  [ <i>If applicable, complete relevant sections regarding interest, in relation to the period from (but excluding) the Maturity date to (and including) the Extended Maturity Date.</i> ]
10.	<b>Repayment Basis:</b>	Each Covered Bond is repaid at par (i.e. at an amount equal to its Nominal Amount)

11.	<b>Interest Base:</b>	[Fixed interest rate] [Floating interest rate]
12.	<b>Day Count Convention:</b>	[30/360] [actual number of days/360]

13.	<b>Additional terms and conditions for Loans with fixed interest rate</b>	<b>[Applicable] [Not applicable]</b> <i>[If not applicable, delete the remaining sub-paragraphs of this paragraph.]</i>
13.1	<b>Interest Rate:</b>	[[•] % per annum]
13.2	<b>Interest Payment Date(s):</b>	[•] (subject to Section [4.3] of the General Terms and Conditions)
13.3	<b>Specific risk factors:</b>	[In accordance with the risk factor “The value of fixed rate Covered Bonds may be adversely affected by movements in market interest rates” in the Prospectus.]

14.	<b>Additional terms and conditions for Loans with floating interest rate</b>	<b>[Applicable] [Not applicable]</b> <i>[If not applicable, delete the remaining sub-paragraphs of this paragraph.]</i>
14.1	<b>Interest Base:</b>	[•] month(s) [STIBOR] [EURIBOR]
14.2	<b>Margin:</b>	[+/-][•] percentage points
14.3	<b>Minimum Interest Rate:</b>	[[•] % per annum] [Not applicable]
14.4	<b>Maximum Interest Rate:</b>	[[•] % per annum] [Not applicable]
14.5	<b>Interest Determination Date:</b>	[Two] Banking Days prior to the first day of each Interest Period, beginning on [•]
14.6	<b>Interest Period:</b>	The first Interest Period runs from [•] to and including [•], and thereafter from one Interest Payment Date to and including the next Interest Payment Date
14.7	<b>Interest Payment Date(s):</b>	[•] (subject to Section [4.3] of the General Terms and Conditions)
15.	<b>Additional terms and conditions for Loans with Extended Maturity Date</b>	<b>[Applicable] [Not applicable]</b> <i>[If not applicable, delete the remaining sub-paragraphs of this paragraph.]</i>
15.1	<b>Interest Base from (but excluding) the Maturity date to (and including) the Extended Maturity Date:</b>	[•] month(s) [STIBOR] [EURIBOR]
15.2	<b>Margin from (but excluding) the Maturity date to (and including) the Extended Maturity Date:</b>	[+/-][•] percentage points
15.3	<b>Interest Determination Date from (but excluding) the Maturity date to (and including) the Extended Maturity Date:</b>	[Two] Banking Days prior to the first day of each Interest Period, beginning on [•]
15.4	<b>Interest Period from (but excluding) the Maturity date to (and including) the Extended Maturity Date:</b>	The first Interest Period runs from [•] to and including [•], and thereafter from one Interest Payment Date to and including the next Interest Payment Date
15.5	<b>Interest Payment Date(s) from (but excluding) the Maturity date to</b>	[•] (subject to Section [4.3] of the General Terms and Conditions)

	<b>(and including) the Extended Maturity Date:</b>	
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**Other information**

16.	<b>Credit rating:</b>	[•]
17.	<b>Issuing House(s):</b>	[•]
18.	<b>Administrative Agent:</b>	[•]
19.	<b>ISIN code:</b>	[•]
20.	<b>Listing:</b>	[Not applicable] [Nasdaq Stockholm] [ <i>Specify other Regulated Market</i> ]
21.	<b>The earliest date on which the Covered Bonds will be admitted to trading:</b>	[ <i>Specify details</i> ] [Not applicable]
22.	<b>Estimate of the total expenses related to the admission to trading:</b>	[ <i>Specify details</i> ] [Not applicable]
23.	<b>Total number of Covered Bonds admitted to trading:</b>	[Will be determined when the sale of Covered Bonds is closed.]
24.	<b>Resolutions as basis for the issuance:</b>	[ <i>Specify details</i> ] [Not applicable]
25.	<b>Interests:</b>	[ <i>Specify details</i> ] [Not applicable]  [ <i>If applicable, describe interests of individuals and legal entities involved in the issuance as well as a record of all interests and possible conflicts of interests of importance to the issuance together with records of those involved and the nature of the interest.</i> ]
26.	<b>Information from third parties:</b>	[Information in these Final Terms originating from third parties has been reproduced accurately and, as far as the Issuer knows and can ascertain based on comparisons with other information published by relevant third parties, no information has been omitted in a way that may lead to the reproduced information being incorrect or misleading. The sources for such information are [•].] [Not applicable]

We hereby confirm that the above Final Terms are applicable to Loan No. [•] together with the General Terms and Conditions and undertake to repay the Loan and to pay interest in accordance herewith. We confirm that any material event after the date of the Prospectus that could affect the market's assessment of the Loan have been made public.

Stockholm, [•]

DANSKE HYPOTEK AB (publ)

## DESCRIPTION OF THE ISSUER

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### Introduction

The Issuer (Reg. No. 559001-4154) was formed on 20 January 2015 and registered with the Swedish Companies Registration Office (*Bolagsverket*) on 23 January 2015. The Issuer's principal place of business is in Stockholm, Sweden, its registered address is Box 7523, 103 92 Stockholm, Sweden, and its visiting address is Norrmalmstorg 1, 103 92 Stockholm, Sweden. The Issuer's telephone number is +46 8-568 808 98. The Issuer is a public limited liability company (*publikt aktiebolag*) regulated by the Swedish Companies Act (*Aktiebolagslagen (2005:551)*). The present share capital of the Issuer is SEK 50,000,000 represented by 500,000 shares. Each share has a quota value of SEK 100.

The Issuer is a wholly-owned subsidiary of Danske Bank A/S and has been established for the purpose of managing the Group's issuance of covered bonds under the Covered Bonds Act. On 26 June 2017, the Issuer was granted a licence by the SFSA to conduct financing business as a credit market company as well as a licence to issue covered bonds under the Covered Bonds Act.

Of the five members of the Issuer's board of directors, four members are senior executives of Danske Bank A/S and one member is an independent member. The Issuer also has an independent managing director (see further below). The Swedish Banking and Finance Business Act regulates certain related-party transactions between the Issuer and Danske Bank A/S.

### Relevant legislation and supervision

The Issuer undertakes financing operations as a credit market company and is therefore governed by the Banking and Financing Business Act. In addition, the Swedish Supervision of Credit and Investment Institutions Act (*Lag (2014:968) om särskild tillsyn över kreditinstitut och värdepappersbolag*) and the Swedish Act on Capital Buffers (*Lag (2014:966) om kapitalbuffertar*) set forth certain requirements concerning capital adequacy.

The Issuer's operations are under the supervision of the SFSA.

### Principal activity

The Issuer's principal activity is to acquire Swedish mortgages from the Swedish Branch, which are secured by security over Swedish real property (*fastigheter*), site leasehold rights (*tomträtter*) and tenant-ownership rights (*bostadsrätter*) and to fund such activity with the continuous issuance of covered bonds in the Swedish benchmark-market and covered bonds in the international capital market (under two separate programmes). The acquired mortgages will be included in the Issuer Cover Pool and must fully or in part comply with the requirements under the Covered Bonds Act. The Issuer may also hold Supplemental Assets and Public Credits (both as defined in the section "*Description of the Swedish Covered Bond Legislation*" below) in the Issuer Cover Pool which can be used as supplemental security in accordance with the Covered Bonds Act.

In addition to acquiring mortgage loans originated by the Swedish Branch, the Issuer may, in the future, originate its own Swedish mortgage loans as an original lender.

The Issuer will not receive deposits from the public.

### Business strategy and funding structure

#### *Acquisition of mortgage assets*

The Issuer will, as Danske Bank A/S's outstanding covered bonds backed by Swedish mortgage loans mature, gradually seek to acquire such mortgage loans for the purpose of including them in the Issuer Cover Pool. During a transitional period the acquisition of mortgage loans will occur on a continuous basis and by bulk acquisitions. Thereafter, the acquisitions are expected to mainly occur on a continuous basis, as the Swedish Branch originates new mortgage customers in Sweden.

Initially, the Issuer intends to acquire residential mortgage loans to private individuals (related to the Swedish Branch's personal banking portfolio). In a subsequent phase, the Issuer intends to acquire mortgage loans to corporate owners of residential multi-family properties (related to the Swedish Branch's business banking portfolio).

### *Junior credit facility agreement between the Parent and the Issuer*

To enable the Issuer to finance the initial purchase of mortgage loans, as well as ongoing further purchases of mortgage loans, from the Swedish Branch, for the funding of maturing Covered Bonds, for providing liquidity for interest payments and for general corporate purposes, the Parent has made available to the Issuer a SEK 35,000 million credit facility, which, according to the Subordination Agreement mentioned below, is subordinated to all claims of unsubordinated creditors of the Issuer. The junior credit facility has been documented as a multi-option facility with a credit period of 12 months, which with the consent of the Parent may be extended in further 12-months periods. The Parent has the right to terminate the facility with immediate effect if certain events of default occur.

### *Subordination Agreement*

For the purposes of managing subordination in respect of certain joint collateral, securing debt of both the Issuer and the Parent, the Issuer and the Parent have entered into a subordination agreement dated 25 July 2017. The subordination agreement provides that in relation to claims as to proceeds from enforcement of joint collateral, the Parent's claim are subordinated to the Issuer's claims, for as long as the Issuer has any outstanding claims which are secured by joint collateral. In addition, the subordination agreement provides that in the event of the liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer, all the Parent's claims against the Issuer, other than claims of the Parent in its capacity as holder of covered bonds or as counterparty under covered swaps (as defined in the Covered Bonds Act), are subordinated to all claims of unsubordinated creditors of the Issuer, but rank ahead of any other claims of subordinated creditors of the Issuer.

### *Outsourcing Agreement*

For achieving efficiency within the Group and for the Issuer, the Issuer and Parent have agreed that the Parent as service provider shall provide most of the services needed for the Issuer to be able to carry out its business operations. The services includes, amongst others, IT-services, administration of mortgage loans, accounting, regulatory reporting, liquidity management, funding (issuance of covered bonds), risk management, compliance, legal and internal audit. An outsourcing agreement was entered into on 25 July 2017 between the Issuer and the Parent.

The outsourcing agreement provides that the Parent shall ensure that the Issuer Cover Pool is administrated in accordance with the provisions of the Covered Bonds Act and SFSA Regulations (as defined in the section "*Description of the Swedish Covered Bond Legislation*" below).

### *Derivative arrangements*

The Issuer and the Parent will enter into interest rate and currency swap transactions governed by an ISDA Master Agreement (including a schedule and confirmation(s)), and the Issuer may enter into additional interest rate and currency swap transactions with the Parent or other third party counterparties (in such capacity, each, a "**Cover Pool Swap Provider**"), in respect of the assets registered in the Issuer Cover Pool (each a "**Cover Pool Swap**"). The Cover Pool Swaps enable the Issuer to convert SEK fixed interest payments received by the Issuer on assets registered to the Issuer Cover Pool into floating payments linked to 3-month STIBOR, and to convert SEK fixed interest payments (or cash flows denominated in foreign currencies) paid by the Issuer on bond issues or other liabilities registered to the Issuer Cover Pool into floating payments linked to 3-month STIBOR.

### **Principal shareholder**

The Issuer is a wholly-owned subsidiary of the Parent, and the Issuer is not aware of any events or other circumstances that could result in a change of control over the Issuer.

### **Dependency on the Parent**

As follows from the sub-section "*Business strategy and funding structure*", the Parent will be the seller of mortgage loans and will provide credit to the Issuer. The Parent will also manage the main part of the Issuer's operations through outsourcing. The Issuer will thus be dependent on the Parent to be able to conduct its business.

### **Board of Directors**

The board of directors of the Issuer consists of five members elected at the general meeting on 27 June 2017 of the shareholders.

<b>Name</b>	<b>Position</b>	<b>Board member since</b>
Jacob Aarup-Andersen	Chairman	2016



<b>Name</b>	<b>Position</b>	<b>Board member since</b>
Christoffer Møllenbach	Member	2016
Stojko Gjurovski	Member	2016
Carsten Nøddebo Rasmussen	Member	2017
Erik Åsbrink	Member	2017

*Jacob Aarup-Andersen*

**Other on-going principal assignments:** Chief Financial Officer of the Parent.

*Christoffer Møllenbach*

**Other on-going principal assignments:** Head of Group Treasury at the Parent.

*Stojko Gjurovski*

**Other on-going principal assignments:** Head of Personal Banking at the Swedish Branch.

*Carsten Nøddebo Rasmussen*

**Other on-going principal assignments:** Chief Executive Officer of Realkredit Danmark A/S.

*Erik Åsbrink*

**Other on-going principal assignments:** Chairman of the board of directors of Alecta pensionsförsäkring, ömsesidigt, member of the board of directors of Bilspedition Transportörer Förvaltnings Aktiebolag, chairman of the board of directors of Svensk Hypotekspension AB and member of the board of directors of Cancercentrum Karolinska.

### **Senior Management**

The senior management of the Issuer consists of Per Tunestam, Managing Director since 2016, Tomas Renger, Treasurer since 2017, Peter Jönsson, CFO since 2017, Joakim Olsson, Head of Credit since 2017, and Sophia Grönkvist, COO since 2017.

### **Auditors**

Deloitte AB (113 79 Stockholm) has been the Issuer's auditor since 22 February 2016 and Patrick Honeth is auditor in charge since 22 February 2016. Patrick Honeth is an authorised public accountant and a member of FAR, the professional institute for accountants in Sweden.

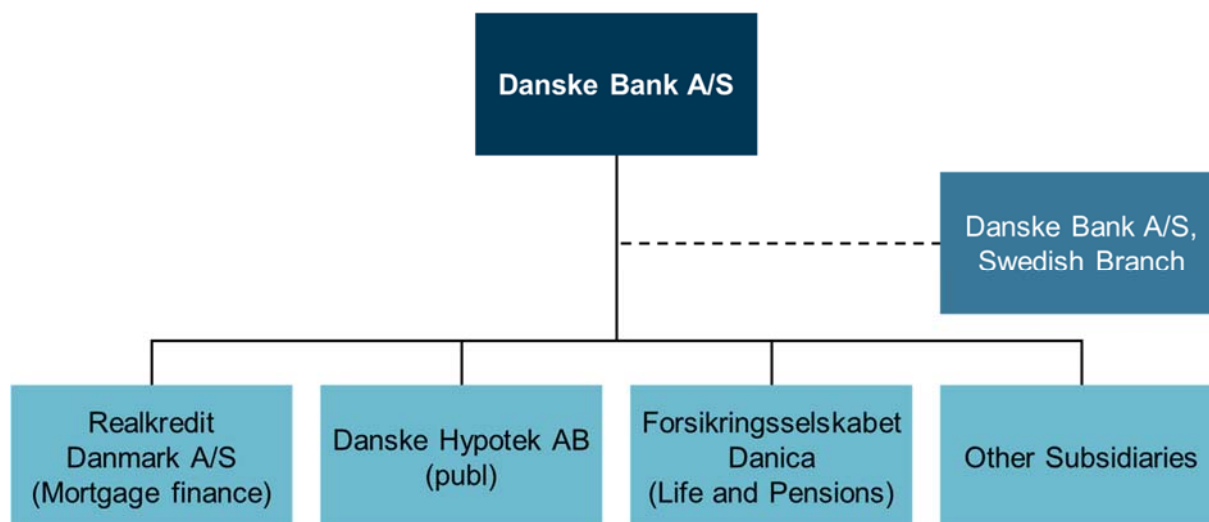
### **Conflicts of interest**

As far as the board of directors is aware, no member of the board of directors or any member of the senior management have any personal interests that could conflict with the interests of the Issuer. However, the individuals in the board of directors (except for Erik Åsbrink) hold similar senior positions in other Group companies, and the risk of conflicts of interest among the Group companies can thus not be excluded. However, such risk should be modest, since the Issuer's main purpose is to acquire Swedish mortgage loans from the Parent and fund them through the issuance of covered bonds, thus providing the Group with funding of its Swedish mortgage assets.

## DESCRIPTION OF THE GROUP

The Issuer forms part of the Group. The parent company of the Group is Danske Bank A/S (the “**Parent**”). The Parent was founded in Denmark and registered on 5 October 1871 and has, through the years, merged with a number of financial institutions. The Parent is a commercial bank with limited liability and carries on business under the Danish Financial Business Act (Consolidated Act No. 174 of 31 January 2017, as amended (*Lov om finansiel virksomhed*)). The Parent is registered with the Danish Business Authority and is under the supervision of the DFSA. The registered office of the Parent is at 2-12 Holmens Kanal, DK-1092 Copenhagen K, Denmark, with telephone number +45 33 44 00 00 and Danish corporate registration number 61126228.

The Parent is conducting its lending operations in Sweden through the Swedish Branch. The structure of the Group is set out in the structure chart below.



The Group is the leading financial service provider in Denmark (source: the DFSA) measured by total working capital (defined as deposits, issued bonds, subordinated debt and shareholders’ equity) as at 30 September 2016. The Group also has significant operations in its other main markets, Sweden, Norway and Finland, and it is one of the largest in the Nordic region measured by total assets as at 31 December 2016. The Group offers its customers a wide range of services that, depending on the market, include services in banking, mortgage finance, financing, trading, investing, life insurance, asset management and real estate agency. As at 31 December 2016, the Group’s total assets amounted to DKK 3,484 billion (EUR 469 billion) and the Group employed 19,300 full-time equivalent employees. As at the same date, the Group had approximately 3.4 million customers and approximately 2.2 million customers used the Group’s online services. The Group had 272 branches as at 31 December 2016. From 2016, the Group has five business units, a Non-core unit and Other Activities. The five business units consist of (i) Personal Banking, (ii) Business Banking, (iii) Corporates & Institutions, (iv) Wealth Management, and (v) Northern Ireland. The Wealth Management unit includes Danica Pension, Danske Capital and parts of the private banking operations.

## SUMMARY OF THE SWEDISH COVERED BOND LEGISLATION

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The following is a brief overview of certain features of the Covered Bonds Act as of the date of this Prospectus. The overview does not purport to be, and is not, a complete description of all aspects of the Swedish legislative and regulatory framework for covered bonds. In addition to the overview below, please also refer to the section “*Risk Factors*” on pages 5–13 above.

### Introduction

The Covered Bonds Act entered into force on 1 July 2004 and was last amended in 2016 through SFS 2016:504 (*Lag om ändring i lagen (2003:1223) om utgivning av säkerställda obligationer*). The Covered Bonds Act enables Swedish banks and credit market companies (“**Institutions**”), which have been granted a specific licence by the SFSA, to issue full-recourse debt instruments secured by a pool of mortgages and/or public sector credits.

The SFSA has issued regulations and recommendations under the authority set out in the Covered Bonds Act by issuing FFFS 2013:1 (*Finansinspektionens föreskrifter och allmänna råd om säkerställda obligationer*) last amended by FFFS 2016:17 (*Föreskrifter om ändring i Finansinspektionens föreskrifter och allmänna råd (FFFS 2013:1) om säkerställda obligationer*) (the “**SFSA Regulations**”).

Swedish covered bonds may take the form of bonds and other comparable debt instruments, such as commercial paper. In the event of an Institution’s bankruptcy, holders of covered bonds (and certain eligible counterparties to derivative contracts entered into for the purpose of matching the financial terms of the assets in the pool with those of the covered bonds) benefit from a priority right in the pool of assets consisting of Eligible Mortgages, Public Credits and Supplemental Assets (all as defined below) (the “**Cover Pool**”). The Covered Bonds Act further enables such holders (and derivative counterparties) to continue to receive timely payments also following the Institution’s bankruptcy, subject to certain conditions being met. The Cover Pool is dynamic in the sense that an Institution may supplement or substitute assets in the Cover Pool at any time.

### Registration

Information in respect of all covered bonds, assets in the Cover Pool and relevant derivative contracts must be entered into a special register (the “**Register**”), which is maintained by the Institution. The actual registration of the covered bonds and relevant derivative contracts in the Register is necessary to confer the priority right in the Cover Pool. Further, only assets entered into the Register form part of the Cover Pool.

The Register must at all times show the nominal value of the covered bonds, the Cover Pool and the relevant derivative contracts. As a result, the Register requires regular updating, including, without limitation due to changes in interest rates, interest periods, outstanding debt and the composition of the Cover Pool. The value of the underlying collateral securing the Eligible Mortgages in the Cover Pool must also be entered into the Register.

### Eligibility criteria for assets in the Cover Pool

The Cover Pool may consist of certain Eligible Mortgages, Public Credits and Supplemental Assets in accordance with the definitions below.

“**Eligible Mortgages**” means loans secured by (i) mortgages over real property (*fastigheter*) intended for residential, agricultural, office or commercial purposes or site leasehold rights (*tomträtter*) intended for residential, office or commercial purposes, (ii) pledges over tenant-owner rights (*bostadsrätter*), or (iii) comparable security interests over equivalent assets situated in other countries within the European Economic Area.

“**Public Credits**” means certain loans to (or guaranteed by), among others, the Swedish State, Swedish municipalities and comparable public bodies and the European Union.

“**Supplemental Assets**” consists primarily of government bonds and cash, although the SFSA may also authorise the use of certain debt instruments issued by credit institutions and other bodies as Supplemental Assets.

### Loan-to-value ratios and certain other restrictions

For Eligible Mortgages, there is a maximum loan amount which may be included in the Cover Pool, depending on the value of the underlying collateral:

1. For residential collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 75 per cent. of the market value of the collateral.

2. For agricultural collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 70 per cent. of the market value of the collateral.
3. For office or commercial collateral, a loan may be included in the Cover Pool only to the extent the loan amount does not exceed 60 per cent. of the market value of the collateral.

Should a loan exceed the relevant ratio, only the part of the loan that falls within the permitted limit may be included in the Cover Pool (a “**Partly Eligible Loan**”). The Covered Bonds Act does not explicitly regulate how proceeds in respect of a Partly Eligible Loan shall be distributed between the eligible and the non-eligible parts of the loan.

The most likely interpretation is that interest payments shall be allocated *pro rata* between the eligible and non-eligible parts of the loan and that amortisations shall be applied first towards the non-eligible part of the loan (absent enforcement of the security over the underlying collateral). However, proceeds from enforcement of the security should most likely be applied first towards the eligible part of the loan.

A similar situation arises if, for example, the same mortgage security serves as first-ranking security for two (or more) loans granted by an Institution and only one of these loans is included in the Cover Pool. The Covered Bonds Act does not give clear guidance as to how proceeds shall be allocated between the two loans in case of the Institution’s bankruptcy. The lack of guidance may give room for unsecured creditors of the Institution to argue that only a *pro rata* portion of such proceeds shall be allocated to the loan included in the Cover Pool.

The Covered Bonds Act restricts the overall proportion of loans provided against security over real property (or site leasehold rights or tenant-owner rights) intended for office or commercial purposes to 10 per cent. of an Institution’s Cover Pool.

Furthermore, the proportion of Supplemental Assets may not exceed 20 per cent. of the Cover Pool, although the SFSA has the authority to raise this limit to 30 per cent. for a limited period in special circumstances.

Institutions are required to regularly monitor the market value of the mortgage assets that serve as collateral for loans included in the Cover Pool and at least once a year analyse how future changes in market values may affect the loan-to-value ratios and the value of all such mortgage assets. If the market value of a mortgage asset declines significantly (15 per cent. or more according to the preparatory works to the Covered Bonds Act), then only such part of the loan that falls within the permitted loan-to-value ratio will be eligible for inclusion in the Cover Pool and will be subject to the priority right described below. However, a decline in the market value following an Institution’s bankruptcy would not result in a reduction of the assets in which holders of covered bonds (and relevant derivative counterparties) have a priority right, but could result in the Cover Pool ceasing to meet the matching requirements.

### **Matching requirements**

The Covered Bonds Act prescribes that an Institution must comply with certain matching requirements, which, among other things, require that the nominal value of the assets registered to the Cover Pool exceeds the nominal value of liabilities which relate to covered bonds issued from time to time by at least 2 per cent. The calculation shall be made on the basis of current book values. In order to comply with these requirements, the Institution may enter into derivative contracts. The present value of the derivative contracts shall be included when determining whether the present value of the Cover Pool exceeds the present value of the liabilities relating to Covered Bonds. The Institution is dependent on the availability of derivative counterparties with sufficient credit rating and also on such counterparties fulfilling their contractual obligations.

Furthermore, an Institution must compose the Cover Pool in such a way as to ensure a sound balance between the covered bonds and the assets in the Cover Pool in terms of currencies, interest rates and interest fixation periods. Such sound balance is deemed to exist when the present value of the Cover Pool at all times exceeds the present value of the liabilities relating to the covered bonds by at least 2 per cent. The present value of derivative contracts shall be taken into account for the purposes of such calculation. The calculations of present value shall withstand certain stress tests (changes in interest rates and/or currency exchange rates).

The payment flows relating to the assets in the Cover Pool, derivative contracts and covered bonds shall be such that an Institution is at all times able to meet its payment obligations towards holders of covered bonds and relevant derivative counterparties.

Non-performing assets in the Cover Pool which are more than 60 days overdue must be disregarded for the purposes of the matching tests.

### **Supervision by the SFSA and the independent monitor**

The SFSA monitors that an Institution complies with the Covered Bonds Act and other provisions of the legislative and regulatory framework which regulates the business of the Institution. In addition, the SFSA appoints an independent monitor (*oberoende granskare*) for each Institution that issues covered bonds.

The independent monitor is responsible for monitoring the Register to assess whether or not it is being maintained correctly and in compliance with the Covered Bonds Act and the SFSA Regulations. The monitoring shall be risk-based. In particular, the independent monitor shall verify that (i) covered bonds and relevant derivative contracts are registered in the Register, (ii) only loans and Supplemental Assets that satisfy the eligibility criteria are included in the Cover Pool and registered in the Register, (iii) the valuations of the underlying collateral for loans in the Cover Pool are in accordance with the Covered Bonds Act and the SFSA Regulations, (iv) mortgage loans, the underlying collateral of which has decreased significantly in value are, for the purpose of the matching requirements, deducted from the Cover Pool to the extent necessary to comply with the relevant loan-to-value ratio and (v) the matching requirements are complied with. In addition, the independent monitor shall annually review revaluations by the institution of the underlying collateral.

The independent monitor is entitled to request information from the Institution, conduct site visits and is required to report regularly and at least once a year to the SFSA. The Covered Bonds Act does not provide for any change to the independent monitor's remit upon the bankruptcy of an Institution.

### **Benefit of a priority right in the Cover Pool**

Pursuant to the Covered Bonds Act and the Rights of Priority Act, the holders of covered bonds benefit from a priority right in the Cover Pool should the Institution be declared bankrupt (*försatt i konkurs*). The same priority is awarded to the Institution's eligible counterparties to derivative contracts entered into for the purpose of matching the financial terms of the assets in the Cover Pool with those of the covered bonds. Such derivative counterparties and the holders of the covered bonds rank *pari passu* with joint seniority in relation to the Cover Pool.

By virtue of the aforementioned priority, holders of covered bonds and relevant derivative counterparties rank ahead of unsecured creditors and all other creditors of the Institution in respect of assets in the Cover Pool (except the administrator-in-bankruptcy as regards fees for its administration of assets in the Cover Pool and costs for such administration and obligations under liquidity loans and other agreements entered into by the administrator-in-bankruptcy on behalf of the bankruptcy estate with a view to fulfilling the matching requirements for the Cover Pool (see further below)). The priority right also covers cash received by an Institution and deriving from the Cover Pool or relevant derivative contracts, provided that certain administrative procedures have been complied with.

Due to what is generally regarded as an oversight by the legislator, there is some uncertainty as to whether a creditor that obtains execution (*utmätning*) against an asset in the Cover Pool more than three months before an Institution's bankruptcy could defeat the priority afforded to holders of covered bonds and derivative counterparties as regards such asset. However, an execution that is levied less than three months before the Institution is being declared bankrupt will typically not defeat the priority, since such execution may be voided by the administrators-in-bankruptcy.

### **Administration of the Cover Pool in the event of bankruptcy**

Should an Institution be declared bankrupt, at least one administrator-in-bankruptcy would be appointed by the bankruptcy court and one administrator-in-bankruptcy would be appointed by the SFSA. The administrators-in-bankruptcy would take over the administration of the bankruptcy estate, including the Cover Pool.

Provided that (and as long as) the Cover Pool meets the requirements of the Covered Bonds Act (including the matching requirements), the assets in the Cover Pool, the covered bonds and any relevant derivative contracts that have been entered into the Register are required to be maintained as a unit and kept segregated from other assets and liabilities of the bankruptcy estate of the Institution. The administrators-in-bankruptcy are in such case required to procure the continued timely service of payments due under the covered bonds and any relevant derivative contracts. Consequently, the bankruptcy would not as such result in early repayment or suspension of payments to the holders of covered bonds or to derivative counterparties, so long as the Cover Pool continues to meet the requirements of the Covered Bonds Act.

Upon an Institution's bankruptcy, neither the Institution nor its bankruptcy estate would have the ability to issue further covered bonds. However, the Covered Bonds Act gives the administrators-in-bankruptcy an explicit and broad mandate to enter into loan, derivative, repo and other transactions on behalf of the bankruptcy estate with a view to maintaining matching cash flows, currencies, interest rates and interest periods between assets in the Cover Pool, covered bonds and derivative contracts. Counterparties in such transactions will rank senior to holders of covered bonds and derivative counterparties. The administrators-in-bankruptcy may also raise liquidity by selling assets in the Cover Pool in the market for example.

If the Cover Pool ceases to meet the requirements of the Covered Bonds Act, and the deviations are not just temporary and minor, the Cover Pool may no longer be maintained as a unit and the continuous payment under the terms and conditions of the covered bonds and derivative contracts will cease. The holders of covered bonds and derivative counterparties would in such case instead benefit from a priority right in the proceeds of a sale of the assets in the Cover Pool in accordance with general bankruptcy rules. This could result in the holders of covered bonds receiving payment according to a schedule that is different from that contemplated by the terms and conditions of the covered bonds (with accelerations as well as delays) or that the holders of covered bonds are not paid in full. However, the holders of covered bonds and derivative counterparties would retain the benefit of the right of priority in the assets comprising the Cover Pool (although certain bankruptcy-related costs (such as fees payable to the administrators-in-bankruptcy) would rank ahead of the holders of covered bonds and derivative counterparties). Any residual claims of the holders of covered bonds and derivative counterparties remain valid claims against the Institution, but will rank *pari passu* with other unsecured and unsubordinated creditors of the Institution.

## LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

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### **Authorisations and responsibility**

The Issuer has obtained all necessary resolutions, authorisations and approvals required in conjunction with this Programme and the performance of its obligations relating thereto.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The board of directors of the Issuer is, to the extent provided by law, responsible for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Dealers and the Arranger have not verified the content in this document and are thus not responsible for the information presented in the Prospectus.

### **Material agreements**

Other than as described under the section “*Description of the Issuer*” and its sub-section “*Business strategy and funding structure*” above, the Issuer has not concluded any material agreements not entered into in the ordinary course of its business which could result in a member of the Group being under an obligation or entitlement that is material to the Issuer’s ability to meet its obligations to Bondholders.

### **Legal Proceedings**

There are no governmental, legal or arbitration proceedings against or affecting the Issuer (and no such proceedings are pending or threatened of which the Issuer is aware) during a period covering at least the previous twelve months which have or may have in the recent past, individually or in the aggregate, significant effects on the profitability or the financial position of the Issuer.

The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. The Group’s banking and other operations, including its insurance operations, like those of other financial services companies, have been the subject of regulatory scrutiny from time to time. For example, the Group is subject to applicable anti-money laundering and terrorist financing laws. The supervisory authorities conduct ongoing inspections of the Group’s compliance with anti-money laundering legislation that could lead to supervisory actions.

### **Certain material interests**

The Dealers and the Arranger (and any closely related companies to any of them) have provided, and may in the future provide, certain investment banking and/or commercial banking and other services to the Issuer and the Group for which they have received, or will receive, remuneration. In particular, it should be noted that the Parent will be the lender under the junior credit facility with the Issuer as borrower and will be repaid with the proceeds from the issuance of covered bonds. Accordingly, conflicts of interest may exist or may arise as a result of any of the Dealers and the Arranger having previously engaged, or in the future engaging, in transactions with other parties, having multiple roles or carrying out other transactions for third parties.

### **Trend information**

There has been no material adverse change in the prospects of the Issuer since 24 April 2017, being the date of publication of the last audited financial information of the Issuer.

### **Material Change and Significant Change**

- There has been no significant change in the financial position of the Issuer since 31 December 2016, the last day of the financial period in respect of which the most recent financial statements of the Issuer have been prepared; and
- there has been no material adverse change in the prospects of the Issuer since 31 December 2016, the last day of the financial period in respect of which the most recently audited financial statements of the Issuer have been prepared.

**Documents incorporated by reference**

The following documents have been incorporated into this Prospectus by reference and should be read as part of the Prospectus:

Annual Report for 2016

(<http://danskehypotek.se/-/media/danske-bank/danske-hypotek/pdf/danske-hypotek-aarsbokslut-2016-.-la=en.pdf>) as regards the audited financial information and the audit report on pages 3 (*Income statement (Resultaträkning)*), 4 (*Balance sheet (Balansräkning)*), 5 (*Statement of capital (Rapport över förändringar i Eget kapital)*), 8–9 (*Notes (Noter)*) and 10–12 (*Independent auditor's report (Revisionsberättelse)*).

The Issuer's Annual Report for 2016 (the "**Annual Report**") has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Swedish Annual Report Act (*Årsredovisningslag (1995:1554)*). With the exception of the Annual Report, no information in this Prospectus has been audited or reviewed by the Issuer's auditor.

**Documents on display**

Copies of the following documents are available at the Issuer's office, at Norrmalmstorg 1, 103 92 Stockholm, Sweden (regular office hours):

- the Issuer's certificate of incorporation and Articles of Association; and
- the Issuer's Annual Report.



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**ADDRESSES**


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**The Issuer**

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