



**BLUESTEP BANK AB (publ)**

**BASE PROSPECTUS**

**SEK 5,000,000,000 MEDIUM TERM NOTE PROGRAMME**

**Arranger**

SEB

**Dealers**

Nordea Bank Abp

Danske Bank A/S, Danmark, Sverige Filial

SEB

This base prospectus has been approved by the Swedish Financial Supervisory Authority on 12 November 2018.

## IMPORTANT INFORMATION AND CERTAIN DEFINITIONS

This base prospectus (this "**Base Prospectus**") relates to the programme for continuous issuance by Bluestep Bank AB (publ), Reg. No. 556717-5129, (the "**Company**" or "**Bluestep**") (and any reference to the "**Group**" shall be a reference to the Company and its subsidiaries) of medium term notes and subordinated notes in Swedish kronor ("**SEK**"), euro ("**EUR**") or Norwegian kronor ("**NOK**") with a tenor of minimum one (1) year and a nominal amount which may not be lower than EUR 100,000 (or the corresponding amount in SEK or NOK) (the "**MTN Programme**" and the "**Medium Term Notes**", respectively). The Base Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**Swedish FSA**") pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (Sw. *lagen (1991:980) om handel med finansiella instrument*) (the "**Trading Act**"). Approval and registration by the Swedish FSA do not imply that the Swedish FSA guarantees that the information provided in the Base Prospectus is correct and complete.

This Base Prospectus and any offers in accordance herewith are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Base Prospectus.

Words and expressions defined in the Terms and Conditions beginning on page 40 have the same meanings when used in this Base Prospectus, unless expressly stated otherwise.

Investing in the Medium Term Notes entails certain risks for the investor (please refer to the section "Risk Factors" below). An investor resolving to invest in the Medium Term Notes must rely on its own independent assessment of the Company and the relevant Medium Term Notes, including the relevant existing factual circumstances and risks. A potential investor should hire its own professional advisors and carefully examine and assess its investment decision. Investors may only rely on information explicitly set out in this Base Prospectus (including any supplements hereto). The Medium Term Notes are not a suitable investment for all investors. Each potential investor should consider whether the Medium Term Notes is an appropriate investment given the particular circumstances of that investor. In particular, every investor should:

- (i) have sufficient knowledge and experience to be able to adequately evaluate (i) the Medium Term Notes and (ii) the information set out in this Base Prospectus and any supplements hereto;
- (ii) have access to, and knowledge of, appropriate analytical tools in order to, in the context of its own financial situation, be able to evaluate an investment in the Medium Term Notes and the effect of such investment on the portfolio of such investor;
- (iii) have sufficient financial means and liquidity to carry the risks associated with an investment in the Medium Term Notes, including where the nominal amount and/or interest payments may be made in different currencies or where the currency of the principal amount or interest deviates from the currency of the investor;
- (iv) fully understand the terms and conditions of a Medium Term Loan and be familiar with relevant indices and financial markets; and
- (v) be capable of evaluating (itself or with the assistance of financial advisors) possible scenarios for economical, interest rate related or other factors that may affect the investment and the ability of the investor to carry the relevant risks.

This Base Prospectus may not be distributed in any jurisdiction where such distribution would require any additional prospectus, registration or measures other than those required under Swedish law, or otherwise would conflict with regulations in such jurisdiction. Persons into whose possession this Base Prospectus may come are required to inform themselves about and comply with such restrictions. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. Subject to certain exemptions, the Medium Term Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. No Medium Term Note has been, and no Medium Term Note will be, registered under the United States Securities Act of 1933 (the "**Securities Act**").

No person has been authorised to provide any information or make any statements other than those contained in this Base Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorised or approved by the Company and the Company assumes no responsibility for such information or statements. Neither the publication of this Base Prospectus nor the offering, sale or delivery of any Medium Term Note implies that the information in this Base Prospectus is correct and current as at any date other than the date of this Base Prospectus or that there have not been any changes in the Company's or the Group's business since the date of this Base Prospectus. If the information in this Base 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.

### MiFID II Product Governance

In respect of each issue of Medium Term Notes, each Issuing Dealer will undertake a target market assessment in respect of such Medium Term Notes and determine the appropriate channels for distribution for such Medium Term Notes. Any person subsequently offering, selling or recommending such Medium Term Notes (a "**distributor**") should take into consideration the target market assessment. However, a distributor subject to Directive 2014/65/EU is responsible for undertaking its own target market assessment in respect of such Medium Term Notes (either by adopting or refining the target market assessment) and determining the appropriate distribution channels. For the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), a determination will be made in relation to each issue as to whether any Issuing Dealer participating in the issue of Medium Term Notes is a manufacturer in respect of such Medium Term Notes. Neither the Arranger nor the Dealers nor any of their respective affiliates that do not participate in an issue will be a manufacturer for the purpose of the MiFID Product Governance Rules.

### Forward-looking statements and market data

The Base Prospectus contains certain forward-looking statements that reflect the Company'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 Company believes that these statements are based on reasonable assumptions and expectations, the Company 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 Company'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 "Risk factors". The forward-looking statements included in this Base Prospectus apply only to the date of the Base Prospectus. The Company 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 Company and the Group or persons acting on the Company behalf is subject to the reservations in or referred to in this section.

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## **RISK FACTORS**

*Risk and risk-taking are inevitable parts of investing in the Medium Term Notes (as defined in the Terms and Conditions on page 44). There are risks both regarding circumstances linked to the Company and those which bear no specific relation to the Company. In addition to the other information in this Base Prospectus as well as a general evaluation of external factors, investors should carefully consider the following risk factors before making any investment decision. The occurrence of any of the events discussed below could materially adversely affect the Company's and/or the Group's operations, financial position and results of operations. Moreover, the trading price of the Medium Term Notes could decline, the Company may not be able to pay Interest or principal on the Medium Term Notes when due, and investors could lose all or part of their investment. The risks described below are not the only ones the Company is exposed to. Additional risks that are not currently known to the Company, or that the Company currently considers to be immaterial, could have a material adverse effect on the Company's and or the Group's business and the Company's ability to fulfil its obligations under the Medium Term Notes. The order in which the risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their relative significance.*

### **RISKS RELATING TO THE COMPANY**

#### **Macroeconomic factors**

The Company's business is subject to inherent risks arising from general and sector-specific economic conditions. A deterioration in macroeconomic conditions globally or a reduction in GDP in Sweden or Norway which may be affected by factors such as consumer confidence, unemployment levels, household disposable income and level of debt, the state of the housing market, a general banking crisis, inflation or deflation, the availability and cost of credit, the liquidity of global financial markets or market interest rates, may reduce the level of demand for the products and services of the Company. Due to the high levels of consumer indebtedness in the Nordic region, driven primarily by large mortgages, price fluctuations in the housing markets and in interest rates in Sweden and Norway constitute a particular risk for mortgage providers such as the Company. If any of the above would materialise, there is a risk that the Company's earnings are adversely affected, volumes of credit issued are reduced, revenues are reduced, and write-offs are increased. In addition, during a period of economic slowdown or recession, there is a risk that the Company experiences an increase in defaults, an increase in credit extension requests, reduced values of collateral or a higher frequency or severity of credit losses, which adversely affects the Company's business, financial condition and results of operations. Conversely, if the economic and market conditions improve, leading to improved financial circumstances of individuals to whom the Company provides loans, there is a risk that borrowers repay or refinance their loans sooner than expected, causing the Company's loan book to become smaller than anticipated, which in turn has an adverse effect on the Company's business, financial condition and results of operations.

The exact nature of the risks faced by the Company in relation to the macroeconomic environment is difficult to predict and guard against, because of (i) difficulties in predicting whether the recovery from a financial crisis will be sustained and at what rate, and (ii) the fact that many of the related risks to the business are completely, or in part, outside the control of the Company.

#### **Concentration risks**

In Sweden and Norway in general, an increasing population, urbanisation, low real interest rates, a shortage of residential properties in growth regions leading to rising house prices, and strong increases in disposable household income in certain demographic groups, have led to continued strong growth in demand for household and other loans, especially in the residential mortgage market. However, specific geographic regions will from time to time experience weaker regional economic conditions and housing markets than other regions.

Out of the Company's business segments, residential mortgages in Sweden and Norway comprise a big portion of the Company's total loan book. Therefore, a deterioration in the development of the housing and residential mortgage markets in Sweden and Norway in general, and in the Stockholm and Oslo regions in particular, resulting in the Company experiencing higher rates of loss and delinquency on mortgages generally, will have an adverse effect on the Company's business, financial condition and results of operations.

Further, both the Swedish and Norwegian residential mortgage markets are dominated by a few institutions, consisting of high-street banks and bank-owned mortgage companies with a relatively wide product offering to a large group of customers. The Company's core target group of customers, however, is the relatively small group of persons who cannot normally obtain a mortgage from these institutions, to whom the Company offers specialised mortgages. This concentration in terms of both size of the customer group and number of products offered, makes the Company especially susceptible to any adverse effect on its target consumers or offered products.

There is a risk that the Company's efforts to manage the concentration risks prove unsuccessful, causing an adverse effect on its business, financial condition and results of operations.

#### **Property value fluctuations**

The mortgages granted by the Company consist of loans which are secured by mortgage certificates (Sw. *pantbrev*) or pledges of tenant-owners' rights (Sw. *bostadsrätt*), in properties located in Sweden and Norway. Any deterioration in the economic condition of the areas in which the borrowers are located, or any deterioration in the economic condition of other areas that causes an adverse effect on the ability of the borrowers to repay the mortgages, could increase the risk of losses on the mortgages. If the residential real estate market in Sweden or Norway in general, or in any particular region in the Company's portfolio, should experience a substantial overall decline in property values resulting in the outstanding balances of the mortgages becoming greater than the value of the relevant collateral granted in relation thereto, such a decline could result in the relevant collateral not being sufficient to avoid credit losses. Furthermore, there is a risk that declining property values reduces the general activity level in the housing market, affecting transaction volumes and, therefore, the demand for the Company's mortgage products in general which will affect the Company's ability to meet its financial targets. Ultimately, there is a risk that any of these effects negatively affect the Company's business, financial condition and results of operations.

#### **Interest rate risks**

The Company is affected by interest rate fluctuations and is exposed to changes in the difference between the interest rates payable by the Company on its funding, and the interest rates that the Company charges on loans to its customers, as well as the interest rates that are applicable to its other assets; this difference is also known as the interest margin. Changes in interest rate levels, yield curves and spreads could affect the interest margin. A part of both the interest rates payable by the Company on deposits and other funding and the interest rates charged by the Company on its loans to customers is variable. There is a risk that the Company's use of hedging instruments for the mismatch in the different terms in funding and investing interest rates does not perfectly offset the impact of interest rate changes. There is also a risk that the Company will not be able to re-price its variable rate assets and liabilities at the same time, resulting in a reduction of the interest margin in the short and/or medium term. Such delays in re-pricing loans extended to its customer may, inter alia, occur due to the Company having an obligation to notify customers in advance of increases in interest rates. For example, the notice period in Norway is six weeks in connection with interest rate changes on loans, and notice periods apply for reductions in deposit rates in both Sweden and Norway. Changes in the competitive environment could also affect spreads on the Company's lending and deposits. If the Company's funding costs were to increase due to material increases in market interest rates or other reasons and the Company were unable to sufficiently increase the interest rates on its loan products in a timely manner, or at all, there is a risk that the Company's interest margin will be adversely affected, causing an adverse effect on the Company's net earnings.

Interest rates are sensitive to several factors that are outside of the Company's control, including fiscal and monetary policies of governments and central banks, as well as domestic and international political conditions. The interest rate levels in Sweden and Norway have been at historically low levels in recent years. A higher interest rate environment could reduce demand for the Company's loan products, as individuals may be less likely or less able to borrow when interest rates are higher. Higher interest rates could also lead to higher interest costs for existing borrowers, which could affect their ability to repay their borrowings and lead to an increased rate of defaults.

If any of the interest rate related risks above would occur, there is a risk that it will have an adverse effect on the Company's business, financial condition and results of operations.

### **Marketing and public relations activities**

The Company's primary source of revenue is interest income from its loan portfolio of mortgages and personal loans. In order to maintain and grow the size of its loan portfolio, the Company must attract new customers or sell further products to existing customers. To do so, the Company is to a large extent dependent on the effectiveness of its marketing and public relations activities, especially to increase customer loyalty, brand awareness and brand perception.

The Company has developed a multi-channel origination platform, consisting of a number of channels both directly and indirectly targeting customers. Direct channels include direct origination through advertisement via TV, radio, digital channels and direct mail, through customer relations-based additional sales to existing customers, public relations activities and through referral partners such as real estate agents, debt collectors and conversion companies, whilst indirect channels include loan and mortgage brokers. For further information on the particular risks associated with the Company's external origination channels such as referrals partners and brokers, see "*Partners and brokers*".

Both in Sweden and Norway, the majority of the Company's new lending is originated from direct channels. Therefore, the Company's future development of its loan portfolio is to a high degree dependent on the Company's ability to maintain and strengthen brand recognition and its good perception amongst customers and the general public. There is a risk that the Company's marketing and public relations activities prove to be less effective in the future, resulting for example in lower brand awareness and perception amongst the general public, which in turn risks resulting in reduced origination of new customers. Further, even if the Company would increase its marketing expenses in order to maintain or increase its marketing effectiveness as compared to today, there is a risk that such increased marketing costs do not generate new lending. Both reduced marketing effectiveness and increased marketing expenses not resulting in new lending will adversely affect the Company's business, financial condition and results of operations.

Moreover, if the Company's ability to market its products would be restricted, for example, due to changes in data protection laws, marketing laws or other regulations, the Company could be required to focus on other, less effective or more costly marketing channels, and as a result risking a decline in the Company's new loan volumes. As the cost and effectiveness of marketing channels and communication differ, any significant changes in the Company's multi-channel origination platform also risk to adversely affect the Company's business, financial condition and results of operations.

### **Competition**

The mortgage market in the Nordic region is in general dominated by a small group of mainly high-street banks with limited risk appetite and who are focussed on individuals with standard credit profiles. The specialist mortgage segment, which is the Company's primary market, is relatively small and undeveloped but is growing continuously, largely due to the Company's achievements to date. The Company faces the risk that competitors, for example high-street banks, which offer a broad range of products and services through widespread retail office networks and online, may start to focus on the specialist mortgage segment. Almost all of the Company's customers have a relationship with at least one of the high-street banks through current accounts or other banking products and services. Accordingly, if the high-street

banks expand to the Company's markets they could have competitive advantages over the Company, such as a lower cost of funds and larger existing customer base. Correspondingly, there is a risk that new actors, for example financial technology start-up companies successfully enter the market with new or improved technical solutions for the delivery of financial services. If there are more competitors in the specialist mortgage markets, there is a risk that the Company loses market shares, which adversely affect the Company's business, financial condition and results of operations.

The Company also operates in the personal loans market in Sweden, which is characterised by a high degree of competition and fragmentation. Competition in this market is primarily based on the amount of the monthly payment, the other terms of the loan offered, including interest rate, size, duration and other features, and the quality of service in terms of speed, simplicity and availability. There is a risk that new competitors enter into the market and increase competition further. Some competitors could have a lower cost of funding or better risk-based scoring models than the Company, which could enable them to, among other things, offer loans with lower interest rates or longer terms than the Company offers. There is a risk that this increased competition results in decreased demand for the Company's personal loan products, requiring the Company to reduce the interest rates that it charges on such loans in order to compete and in turn adversely affecting the Company's net interest margin and its business, financial condition and results of operations.

Furthermore, both for its specialist mortgages and personal loans, the Company uses brokers to source a portion of new loans and is hence exposed to broker-related risks. For a description of risks associated with the Company's current relationships with brokers, see "*Partners and brokers*". Brokers benchmark competing loan products against each other, therefore the Company could experience an increase in competition by other lenders should an increased percentage of potential borrowers use brokers to seek out loans. Also, if the brokers with which the Company cooperates are unable to successfully compete with other brokers, it would have an adverse effect on the number of potential borrowers referred to the Company by brokers. There is a risk that any of the above factors has an adverse effect on the Company's business, financial condition and results of operations.

#### **Decline in the credit quality of the customers**

The Company's credit policies and credit underwriting process may not be sufficient to prevent the Company from incurring higher credit losses due to external changes beyond its control, including declines in general macroeconomic conditions. Even though the Company's credit underwriting process may deem an applicant to be creditworthy at the time of application, the applicant's creditworthiness may deteriorate due to changes in his or her personal circumstances or other factors, where unemployment poses one of the most severe risks. This could be exacerbated during periods of economic slowdown or recession, and the Company could experience higher frequency of defaults and an increase in the severity of credit losses in its existing loan portfolio as its borrowers' ability to repay their loans could be adversely affected. There is a risk that fluctuations in the credit quality of the Company's customers have an adverse effect on the Company's cost of risk, business, financial condition and results of operations.

#### **IT failures**

The Company's operations rely heavily on the secure processing, storage and transmission of customer information and other confidential information in its IT systems and networks. The Company's IT systems, software and networks could be vulnerable to breaches, unauthorised access, misuse, computer viruses or other malicious code that could result in disruption to its business or the loss or theft of confidential information, including customer information subject to bank secrecy laws. There is a risk that any failure, interruption or breach in the Company's IT security, including any failure of its back-up systems or failure to maintain adequate security surrounding customer information, results in reputational harm, disruption in the management of the Company's customer relationships, the inability to originate, process and service loans or depositors not being able to access their funds. In relation to deposits in particular, the risk of IT related problems or failures constitutes one of the most severe risks, which may result in the Company being unable to service its depositors for a short or long period of time. If any IT security or IT operational risks would materialise, it could result in a loss of customer business, loss of income, damaged

reputation and possibly a large number of customers making withdrawals of deposits rapidly, thereby adversely affecting the Company's funding situation. The Company could further be subject to additional regulatory scrutiny or be exposed to lawsuits by customers for identity theft or other loss resulting from the misuse of their personal information and possible financial liability. Regulators may also impose penalties or require remedial action if they identify weaknesses in the Company's security systems and the Company could be required to incur significant costs to increase its IT security to address any vulnerabilities that may be discovered or to remediate the harm caused by any security breaches. If any of the above would materialise, there is a risk that it will have an adverse effect on the Company's business, financial condition and results of operations.

As part of its business, and pursuant to applicable law, the Company may share confidential customer information and proprietary information on an aggregated basis with referral partners, brokers, service and business process partners and other outsourcing parties. The information systems of these third parties may be vulnerable to security breaches, and there is a risk that the Company's methods and procedures for overseeing how outsourcing partners and other third parties operate their businesses may be inadequate or that the Company may not be able to ensure that these third parties have appropriate security controls in place to protect the information that the Company shares with them. Furthermore, such third parties may misuse data provided by the Company. If the Company's proprietary or confidential customer information is intercepted, stolen, misused or mishandled while in the possession of a third party, there is a risk that it will result in reputational harm to the Company, loss of customer business, loss of income, and possibly a large number of customers making withdrawals of deposits rapidly, thereby adversely affecting the Company's funding situation, and additional regulatory scrutiny, and that it will expose the Company to civil litigation and possible financial liability, adversely affecting the Company's business, financial condition and results of operations.

#### **Foreign exchange rates**

Changes in foreign exchange rates between SEK (the Company's reporting currency and the currency in which its capital base is denominated), NOK and EUR affect the Company's results of operations. The Company's loan portfolio is denominated in SEK and NOK, while its funding, which consists of retail deposits, long-term debt securitisation through residential mortgage backed securities ("RMBS") and, at times, warehouse funding (credit facilities provided by wholesale banks to mortgage originators such as the Company, normally secured through collateral) are denominated in SEK, NOK and EUR. The most significant effect of changes in foreign exchange rates arises in the translation of assets and liabilities denominated in a foreign currency into SEK. There is a risk that the Company is not able to fully match assets and liabilities in the same currency and the derivative instruments that the Company uses not fully mitigate the exposure or otherwise do not have the intended effect, which, in turn, result in an adverse effect on the Company's business, financial condition and results of operations.

The Company is also exposed to the risk that the book values of the Company's portfolios translated into SEK will change due to changes in foreign exchange rates. Even if the book values of portfolios in local currencies remain unchanged, there is a risk that an increase in book value when translated into SEK impacts the Company's capital adequacy position in a negative way. From a capital adequacy perspective, there is risk that a sustained and/or significant weakening of the SEK, while other relevant currencies remain unchanged, negatively impacts the Company's capital adequacy position and leads to a requirement for a capital increase.

#### **Unsuccessful long-term growth strategy implementation**

The Company sees substantial opportunities in continuing to strengthen and expand its position in the Swedish and Norwegian markets for specialised mortgages, complemented by a focused personal loans offering. The Company aims to deliver on several aspects in order to ensure its long-term growth strategy, out of which a key factor will be to grow the Company's reach in relevant customer segments through building stronger brand awareness and perception, personalised communication and product acceptance. The Company also aims to invest in scalable IT infrastructure to be able to further optimise its operations. Furthermore, the Company sees strategic value in diversifying its funding sources to support and enhance



growth. Finally, the continued development of the Company's staff, culture and leadership also provides a key aspect of the Company's strategy going forward.

Both unsuccessful implementation of its growth strategy and strategic mistakes committed by the Company might have an adverse effect on the Company's business, financial condition and results of operations. The growth targets may require significant time and involve significant costs. There is a risk that the Company is not successful in executing its growth strategy due to lack of market acceptance, higher than forecasted costs or a variety of other factors, many of which are outside of the Company's control, which results in the Company not receiving a return on its investments. Further, in order to pursue its long-term growth objectives, the Company must remain flexible and be adaptive to changes in its current and prospective markets, and continuously be prepared to adjust its strategic plans. Risks associated to the Company not being sufficiently adaptive to meet such changing conditions and a growth strategy proven to be insufficient might have an adverse effect on the Company's forecasted net income.

Furthermore, the Company's ability to accurately assess the creditworthiness of loan applicants is partly dependent on the availability of historical credit performance data. Credit performance information can vary by market and in respect of marketing channel, product and product feature. Therefore, for example, a potential targeting of additional unserved customer groups and an introduction of new markets, marketing channels, products and product features may entail a higher risk of credit losses until sufficient credit performance data is available to tailor the credit assessment. If the Company's potential investments in developing new customer groups, new markets, new products or new product features are not profitable, or if the credit quality of the Company's loan portfolio decreases and the Company experiences higher credit losses due to such strategic initiatives, there is a risk that it will have an adverse effect on the Company's business, financial condition and results of operations.

#### **Liquidity and financing risks**

The Company is subject to liquidity risk. Liquidity risk is the risk that the Company will not be able to meet its payment obligations at maturity without significant cost increases or at all. The Company's funding policy is to maintain a diverse funding base for its lending operations through a combination of retail deposits in Sweden and Norway, long-term debt securitisation through RMBS, warehouse facilities and the issuance of bonds. Funding risks can be exacerbated by enterprise-specific factors, such as over-reliance on a particular source of funding, or by market-wide phenomena, such as market dislocation or a major disaster. The Company's ability to access funding sources on satisfactory economic terms is subject to a variety of factors, a number of them which are outside of the Company's control. If access to funding were to be constrained for a prolonged period of time, competition for retail deposits and the cost of accessing the capital markets could similarly increase. There is a risk that this will increase the Company's cost of funding or result in the Company not getting access to sufficient funding and, therefore, have an adverse effect on the Company's net interest income.

Retail deposits are the most significant source of funding for the Company. The ongoing availability of retail deposits is dependent on a variety of factors that are outside of the Company's control, such as general macroeconomic conditions, particularly interest rate levels, market volatility, the confidence of depositors in the economy or in the financial services in general and the Company in particular, the availability and extent of national deposit guarantee schemes (see "*Changes in the national deposit guarantee schemes*" below), and competition for retail deposits, which, in turn, depends on the interest rates offered. There is a risk that any changes in these or other factors adversely affect the Company's ability to access retail deposit funding on acceptable terms, or at all, in the future. A serious loss of confidence in banks by deposit customers, in general or for the Company specifically, could result in significant withdrawals of deposits over a sustained period. Should the Company experience an unusually high and/or unforeseen level of withdrawals, there is risk that it will require increased funding from other sources in the future, which are not available on acceptable terms or at all.

The availability of RMBS and warehouse funding depends on a variety of factors, including the credit quality of the Company's assets securing such funding, market conditions, the general availability of

credit, the Company's ability to raise funding through other sources, the volume of trading activities, and rating agencies' assessment of the Company's RMBSs. There is a risk that these and other factors limit the Company's ability to obtain funding through RMBSs and warehouse funding facilities, which, in turn, adversely affect the Company's ability to maintain or grow its loan portfolio as well as its net interest margin.

### **Outsourcing risks**

The Company outsources some of its business-related activities, and therefore relies on certain service and business process partners and other third parties. For example, the Company has outsourcing agreements with third parties regarding certain IT operations. There is a risk that it will be difficult for the Company to replace these relationships on commercially reasonable or similar terms, or at all, and seeking alternate relationships could be time consuming and result in interruptions to the Company's business. The Company's use of business outsourcing partners also exposes the Company to reputational risks. See "*Reputational risks*".

Further, the Company's business outsourcing or other partners could commit fraud with respect to the services that the Company outsources to them, fail to comply with applicable laws and regulations, such as data protection requirements, or fail to otherwise provide their agreed services to the Company. To the extent that these third parties violate laws, other regulatory requirements or their contractual obligations to the Company, or otherwise act inappropriately in the conduct of their business, there is a risk that the Company's business and reputation will be negatively affected or that penalties will be directly imposed on the Company. Further, some of the Company's agreements with third parties contain provisions that limit the liability of such third parties, and the Company may in such cases not be able to recover the full amount of a loss even if it is the result of the third party breaching the agreement. There is also a risk that the Company's methods and procedures for overseeing how outsourcing and other partners operate their businesses are inadequate, and that the Company does not become aware of the occurrence of any violations for a substantial period of time, exacerbating the effect of such violations. Should any of these risks materialise, there is a risk that it will have an adverse effect on the Company's business, financial condition and results of operations.

### **Partners and brokers**

External parties such as referral partners and brokers are important marketing and origination channels for a loan provider such as the Company. As a consequence, the Company is exposed to certain specific risks associated with its relationship with referral partners and brokers.

Overall, there is a risk that the Company's methods and procedures for overseeing how its different referral partners (such as real estate agents, debt collectors and conversion companies) and brokers interact with prospective customers are inadequate. A part of the Company's personal loans is offered directly by brokers on behalf of the Company, meaning that the Company has little direct interaction with its end customers, and the possibilities of creating a relationship with the customers are therefore limited. Lower customer loyalty increases the risk that a customer will choose another loan provider over the Company if it offers better loan terms. Also for mortgage loans, the Company to some extent uses external referral partners as intermediaries who refer loan applicants to the Company. There is a risk that the incentives of the Company's referral partners not always align with those of the Company, adversely affecting the volume and type of loan applicants that are referred to the Company from these partners. The Company's agreements with referral partners and brokers do not require them to offer the Company's loan products or refer loan applicants to the Company, and the referral partners and brokers could promote or offer the loan products of the Company's competitors.

On the Swedish and Norwegian market, the Company's mortgage and loan brokers must comply with applicable Swedish FSA regulations and regulations from the Norwegian Financial Supervisory Authority (the "**Norwegian FSA**"), respectively, including obtaining and maintaining an authorisation to mediate consumer or mortgage loans. If one or more of the Company's brokers were to reduce or suspend its relationship with the Company, or if the Company was obligated to suspend its relationship with one or

more brokers as a result of such brokers not being granted, or unable to maintain, authorisation by the applicable authority to mediate consumer or mortgage loans, there is a risk that the Company will be required to seek replacement for such broker, which in turn affects the Company's ability to maintain or grow its loan portfolio. In addition, the Company's ability to cooperate with brokers may be adversely affected by changes in the regulatory framework relating to credit intermediation, including the Swedish Act on credit undertakings offering consumer loans (Sw. lag (2014:275) om viss verksamhet med konsumentkrediter), the Swedish Act on credit undertakings offering residential mortgage loans (Sw. lag (2016:1024) om verksamhet med bostadskrediter) (the "Mortgage Act") and the Norwegian Financial Undertakings Act (No. Lov 10. april 2015 nr. 17 om finansforetak og finanskonsern) and related regulations, which set forth the requirements for operating as a credit intermediary in Sweden and Norway, respectively.

Should any of the above risks materialise, there is a risk that it will have an adverse effect on the Company's business, financial condition and results of operations.

### **Reputational risks**

The Company's reputation is important to maintaining and developing relationships with its existing and potential customers, owners, employees, authorities and other third parties with whom it does business. The Company's employees or service and business process outsourcing partners could engage in misconduct that adversely affects the Company's business. Even allegations of misconduct by the Company's employees, or actual or alleged misconduct by other financial services companies, could adversely affect the Company's reputation. There is a risk that employee or third-party misconduct prompt regulators to allege or to determine, based upon such misconduct, that the Company has not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules, resulting in monetary fines and other sanctions. There is also a risk that precautions taken by the Company to detect and prevent misconduct prove to be inadequate.

Furthermore, threatened or actual legal proceedings, regulatory sanctions, actual or alleged misconduct, operational failures, negative publicity and press speculation, whether or not valid, risk harming the Company's reputation and create disproportionate negative media coverage of the Company or some or all of its employees, directors or external cooperation partners. There is also a risk that the Company's reputation will be adversely affected by the conduct of third parties over whom it has no control, including customers, referral partners and brokers. Negative publicity could also result from failure in the Company's or third-party partners' information technology systems, loss or theft of customer data or confidential information, failure in its risk management or internal control procedures, legal proceedings, failure or alleged failure in the Company's obligations, or fraud or misconduct committed by customers or one or more of the Company's employees, directors or external cooperation partners.

There is a risk that damage to the Company's reputation will impair its ability to attract new customers, retain existing customers, attract and retain relevant competence and skills, maintain relationships with third parties, maintain trust from regulators and other authorities and obtain funding and, therefore, will have an adverse effect on the Company's business, financial condition and results of operations.

### **Deterioration of financial services institutions or the financial services industry**

The Company has entered into, and may in the future enter into, transactions with various counterparties in the financial services industry. Given the high level of interdependence between financial institutions, the Company is exposed to the risk of deterioration, or perceived deterioration, of the commercial and financial soundness of other financial services institutions. Within the financial services industry, the default of an institution could lead to defaults of other institutions. Concerns about, or a default of, one institution could lead to significant liquidity problems and losses or defaults by other institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. There is a risk that even the perceived lack of creditworthiness of, or questions about, a financial institution will lead to market-wide liquidity problems, including a so-called bank run involving significant withdrawals from deposit accounts, increased cost of

funding and losses or defaults by the Company or by other institutions, which consequently will have an adverse effect on the Company's business, financial condition and results of operations.

#### **Ability to retain and recruit qualified employees**

The Company is dependent on its ability to attract, motivate and retain qualified board members, management and employees. The Company relies on certain members of its management in order to sustain, develop and grow its business, and there is a risk that these persons will not remain with the Company. Furthermore, a number of the Company's functions are staffed by employees who have significant experience and could be difficult and costly to replace. There is a risk that loss of key members of management or of a substantial number of key employees or the inability to attract, retain and motivate the calibre of employees required for the continuation of, and the expansion of, the Company's business, will have an adverse effect on the Company's business, financial condition and results of operations.

#### **Disputes and claims**

The Company may from time to time become involved in disputes within the framework of normal business operations and is exposed to risks associated with the potential for customers, suppliers, partners or other parties to take legal action against the Company. Major and complicated disputes can be costly, time- and resource-consuming and may disrupt normal business operations. There is a risk that the results of disputes will have an adverse effect on the Company's business, financial condition and results of operations.

#### **Incurrence of losses not covered by insurance**

The Company's insurance coverage is designed to protect it from material losses associated with certain events as, for example, data processing system failures, internal or external fraud, and losses resulting from any associated business interruption. However, there is a risk that the actual losses suffered by the Company will exceed the Company's insurance coverage and could be material. Specifically, the mortgage loan portfolio in Sweden is reliant upon the lenders having comprehensive household insurances (Sw. *heltäckande hemförsäkring*) in place in accordance with the terms and conditions of the loan, and the Company has no block policy to cover any loss as a result of breaches of this obligation. There is a risk that realisation of one or more damaging events for which the Company has no, or insufficient, insurance coverage will have an adverse effect on the Company's business, financial condition and results of operations.

#### **Insufficient assessment and management of risks**

The internal governing documents, procedures, processes and evaluation methods used by the Company to assess and manage risks may not be fully effective in managing, or at all identifying, all types of risks. Examples of such risks include misconduct caused by remuneration policies that encourage risk taking or a lack of adequate internal governance or control with regards to the Company's products and funding. Furthermore, the Company faces the risk that its operations may not be in compliance with internal governing documents or that it may not correctly quantify identified risks. If the Company is unable to successfully implement and adhere to effective internal governing documents, procedures, processes and evaluation methods to assess and manage risk, there is a risk that it will have an adverse effect on the Company's business, financial condition and results of operations.

Effective internal governance and control is necessary for the Company to provide reliable financial reports and to ensure compliance with internal and external rules as well as to prevent fraud. The Company may be exposed to increased risk of errors in reporting due to the additional reporting requirements of its RMBS, which covers several loan portfolios and is denominated in both SEK and EUR. While the Company has implemented policies and controls regarding its financial reporting, such policies and controls may be inadequate. In addition, the Company's controls at the operational level may be inadequate, leading to non-compliance with the Company's internal governing documents and as a result,

may cause the Company to incur compliance costs and cause reputational damage. Inadequate internal governance and control could also cause investors and other third parties to lose confidence in the Company's reported financial information. If the Company does not implement reliable financial reports or maintain an effective internal governance and control framework, an adverse effect on the Company's reputation, business, financial condition and results of operations is at risk.

## **RISKS RELATED TO REGULATION**

### **Contingency upon the banking license issued by the Swedish FSA**

The Swedish Banking and Financing Business Act (Sw. *lag (2004:297) om bank- och finansieringsrörelse*) (the "BFBA") requires all Swedish banking companies to operate under a license granted by the Swedish FSA. Swedish banks are subject to supervision by the Swedish FSA and a banking license granted by the Swedish FSA may, following a notification procedure, be passported for operations conducted within other EEA states, by way of secondary establishment or of cross-border operations.

The Company was previously, since October 2007, registered as a credit market company (Sw. *kreditmarknadsbolag*) under the name Bluestep Finans AB (publ). On 7 October 2016, the Company was granted a banking license by the Swedish FSA and changed name to Bluestep Bank AB (publ). The Company also conducts operations in Norway through a branch, and thus passports its banking license to Norway. This license has indefinite duration but may be revoked by the Swedish FSA. Further, the authorities may intervene by, for example, issuing an injunction, a remark (Sw. *anmärkning*), a warning (each of the two latter can be combined with a fine), or an order to limit or reduce the risks of the operations, restrict or prohibit payment of dividends or interest, restrict the Company's right to dispose of its assets or altogether prohibit it from disposing of its assets, or appoint a special representative to run all or parts of the Company's business.

Moreover, the Company is subject to the supervision of several regulators and the Company may experience difficulties if there are conflicts between laws and regulations or the different regulators' interpretations of a law or regulation. If the Company was subject to material remarks or warnings and/or fines, it could cause significant, damage to the Company's reputation and, as a result, the Company's business, financial condition and results of operations could be materially adversely affected. The Company's operations are also contingent upon the Company's banking license. The loss or suspension of the banking license would require the Company to cease its banking operations which would have a material adverse effect on the Company's business, financial condition and results of operations.

### **Compliance with regulations**

The Company's operations are subject to legislation, regulations, codes of conduct and general recommendations in the jurisdictions in which it operates and in relation to the products it markets and sells. As a Swedish bank, the Company is subject to supervision by the Swedish FSA with regard to, among other things, capital adequacy and liquidity as well as rules on internal governance and control. In addition, the Swedish Consumer Agency (Sw. *Konsumentverket*) safeguard the interests of consumers in Sweden and monitor consumer interests within the EU, and the Swedish Data Protection Authority (Sw. *Datainspektionen*) works to protect individuals' privacy. As a result of conducting operations through a branch in Norway, Norwegian regulators, data protection agencies, consumer agencies and councils have jurisdiction over certain aspects of the Company's business, including marketing and selling practices, advertising, transfer pricing aspects, general terms of business and legal debt collection operations. Further, the Company holds an authorisation to mediate insurances and offers payment protection insurances ("PPI") to its personal loan customers in Sweden, which cover the customers' interest costs in the event of unemployment or sick leave. Such insurance mediation subjects the Company to insurance related law and regulations, including the Swedish Insurance Mediation Act (Sw. *lag (2005:405) om försäkringsförmedling*), as well as the Swedish FSA's supervision of insurance providers and mediators, and there is a risk that the Company is considered not to have complied, or in the future does not comply, with applicable insurance related laws and regulations. There is a risk that failure to comply with applicable laws and regulations subjects the Company to monetary fines and other penalties which will

have an adverse effect on the Company's reputation, business, financial condition and results of operations.

Historically, many changes have been made in laws and regulations that affect the Company's operations, and the effects of such changes are often difficult to predict. Also in the future, laws and regulations relating to or affecting, for example, financial services, capital, liquidity, marketing, consumer protection, data protection, personal bankruptcy, deposits (including the Swedish and Norwegian deposit guarantee schemes), enforcement, loan amortisation, interest charging, internal governance and control, remuneration and codes of conduct and their respective interpretations currently affecting the Company, may change. Notable changes include the implementation of the new EU General Data Protection Regulation (the "GDPR") in May 2018, the Swedish Resolution Act (Sw. *lag (2015:1016)* om resolution) (the "Resolution Act") and increased amortisation requirements on residential mortgage loans and the initiatives mentioned below in "*Consumer protection and marketing laws*". Changes on similar topics have been made in Norwegian legislation. The Company is unable to predict what regulatory changes may be imposed in the future as a result of regulatory initiatives in the EU, by the Swedish FSA, the Norwegian FSA or by other authorities and agencies. There is a risk that such changes will have an adverse effect on, among other things, the Company's product range and activities, the sales and pricing of the Company's products, and the Company's profitability, solvency and capital requirements, and give rise to increased costs of compliance. Also, if the Company is required to make additional provisions or increase its reserves as a result of potential regulatory changes, there is a risk that it will have an adverse effect on the Company's business, financial condition and results of operations.

There is a risk that the measures that the Company takes to ensure compliance with new laws and regulations are not adequate. In addition, the Company could misunderstand or misapply new or amended laws, especially due to the increasing quantity and complexity of legislation, which could lead to adverse consequences for the Company. Furthermore, since the Company is a niche specialist mortgage and personal loan provider, there is a risk that adverse changes in the regulatory environment will have a greater impact on the Company business, financial condition and results of operations as compared to, for example, high-street banks, which have a more diversified product offering. The Company incurs, and expects to continue to incur, significant costs and expenditures to comply with the increasingly complex regulatory environment.

In addition, as a foreign financial institution (as defined in the U.S. Foreign Account Tax Compliance Act ("FATCA")) active in Sweden and Norway, the Company must provide certain information on U.S. account holders to the Swedish and Norwegian tax authorities. Information on U.S. account holders will be automatically shared with the U.S. Internal Revenue Service (the "IRS"). Non-compliant foreign financial institutions will be subject to withholding tax on certain U.S.-source payments made to them. Investors should be aware that if any withholding tax is actualised, neither the Company, Euroclear Sweden nor any other person, is obligated under the Terms and Conditions to compensate the investors for the tax that is being withheld.

There is risk that failure by the Company to effectively manage these legal and regulatory risks will have a material adverse effect on the Company's business, financial condition and results of operations.

### **Capital adequacy and liquidity regulations**

The Company is subject to extensive regulation regarding capital adequacy and liquidity requirements, mainly deriving from the legislative package of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("CRD IV") and regulation (EU) No 575/2013 of the European Parliament and the Council of June 2013 on prudential requirements for credit and investment firms and amending regulation (EU) No 648/2012, the Capital Requirement Regulation ("CRR") implementing the proposals of Basel III in the EU. The CRR and CRD IV include certain capital requirements that are intended to vary over time and depend on, among other things, the existence of cyclical and structural systemic risks. The CRR has been directly effective in Sweden since 1 January 2014, while CRD IV was implemented in Sweden on 2 August 2014 by a

combination of amendments to existing Swedish legislation, regulations of the Swedish FSA, and the enactment of new legislation (primarily the Swedish Special Supervision of Credit Institutions and Investment Firms Act (Sw. *lag (2014:968) om särskild tillsyn över kreditinstitut och värdepappersbolag*) (the “**Swedish Special Supervision of Credit Institutions and Investment Firms Act**”), the Swedish Capital Buffers Act (Sw. *lag (2014:966) om kapitalbuffertar*) and certain regulations from the Swedish FSA (the Swedish FSA regulations regarding prudential requirements and capital buffers (Sw. *Finansinspektionens föreskrifter om tillsynskrav och kapitalbuffertar*) (FFFS 2014:12) and the Swedish FSA regulations regarding countercyclical capital buffers (Sw. *Finansinspektionens föreskrifter om kontracykliskt buffertvärde*) (FFFS 2014:33)). Since the implementation of CRR and CRD IV, the Swedish FSA has also made several amendments to its regulations in order to align these with, and to complement, the new rules.

In December 2017, the Basel Committee published complements to the Basel III Framework in order to complete it. The complements, often called Basel IV, entail substantial changes and are proposed to enter into force 1 January 2022 with a phasing-in period of five years. The proposed changes need to be implemented at EU level in order for them to become applicable for Sweden. In May 2018, the Council published a compromise proposal concerning a draft Regulation amending the CRR. The proposal entails substantial changes but is subject to further review by the European Parliament.

The Swedish FSA has decided to amend its regulation in relation to countercyclical capital buffers (FFFS 2014:33) so that the countercyclical capital buffer will be increased to 2.5 per cent. on 19 September 2019. Such an increase and any other changes in the risk weighting of assets may cause reductions in the capital adequacy ratios of the Company and/or cause the applicable minimum capital requirements to increase.

The Company must at any given time meet the specified capital and liquidity ratios and have adequate capital or liquidity resources. Further, the Company may be required to hold even more capital if deemed necessary by the Swedish FSA. The Company is exposed to the risk of changes in applicable regulatory provisions governing capital adequacy and liquidity, a divergent assessment by the Swedish FSA of the banking operations in relation to the regulatory requirements, or the implementation of new rules and regulations. There is also a risk that relevant authorities will judge that the Company does not fully comply with, or that the Company violates, applicable regulations. There is a risk that such situations lead to further unexpected requirements in relation to the Company’s capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated, which will have an adverse effect on the Company’s business, financial condition and results of operations.

#### **Bank Recovery and Resolution Directive**

To supplement the CRD IV and CRR, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms Directive 2014/59/EU (known as the Bank Recovery and Resolution Directive or “**BRRD**”) entered into force on 2 July 2014. The BRRD has been implemented in Sweden by a combination of amendments to existing legislation and the enactment of new legislation, such as the Resolution Act and the Swedish Preventive State Aid to Credit Institutions Act (Sw. *lag (2015:1017) om förebyggande statligt stöd till kreditinstitut*) (the “**Precautionary Support Act**”). The Resolution Act includes a toolkit to manage institutions’ failure provided that certain resolution conditions are satisfied. These tools and powers may be used alone or in combination and include the following: (i) a sale of the business - which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) a bridge institution - which enables resolution authorities to transfer all or part of the business of the institution to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) an asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down; and (iv) a general bail-in - which gives resolution authorities the power to write-down all or a portion of the principal amount of, or interest on, certain other eligible liabilities of a financial institution undergoing one of the resolution procedures noted above and/or to convert certain unsecured debt claims into another security. All the aforementioned

actions can be taken without any prior shareholder approval. It is the Swedish National Debt Office (Sw. *Riksgälden*) that is the resolution authority in Sweden, but also the Swedish FSA and the Swedish government have been assigned certain tasks and powers under the legislation. Bail-ins require creditors of a distressed institution to accept some losses in order to save the relevant institution from insolvency. If the Company becomes subject to such bail-in or resolution powers, existing shareholders could experience a dilution or cancellation of their holdings without any compensation therefor. There is also a risk that claims from creditors will be written down, which in turn affects the financing costs of the Company.

In order to ensure the effectiveness of bail-in and other resolution tools introduced by the Resolution Act, the Resolution Act requires that all in-scope firms have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied. Hence, each firm must meet an individual minimum requirement for eligible liabilities (“**MREL**”), calculated as a percentage of total liabilities and own funds set by the National Debt Office after consultation with the Swedish FSA. The MREL shall be decided on a case by case basis with reference to, amongst other things, the firm’s size, risk and business model. In February 2017, the Swedish National Debt Office presented the finalised model for the calculation of MREL, stating that systemically important firms need to replace a portion of their existing bonds with subordinated bonds. Firms which are not deemed as systemically important will not be affected by the framework presented by the Swedish National Debt Office; in a crisis, such firms will be declared bankrupt or placed in liquidation rather than resolution. The model presented for the calculation of MREL took effect from 1 January 2018 and firms must progressively build up the volume of subordinated liabilities required to meet the minimum requirement by 2022. The Company is currently not considered as a systematically important firm but if it would be considered to be systemically important in the future, the Company will need to issue a significant amount of additional eligible liabilities in order to meet the new MREL requirements within the required timeframes. If the Company was to experience difficulties in raising eligible liabilities, there is a risk that it will have to reduce its lending or investments in other operations, which will have an adverse effect on the Company’s business, financial condition and results of operations.

Under the Precautionary Support Act, the Swedish government has powers to intervene in the event of financial difficulties in a Swedish credit institution, provided that state aid is needed in order to contravene the risk of a serious disturbance in the Swedish financial system. State aid may be granted for continued operations of a credit institution that is viable. The Precautionary Support Act includes various state aid measures, including different forms of guarantees and equity contributions in order to ensure financial stability. In case of the Company experiencing financial difficulties, there is a risk that the Company would not fulfil the requirements under the Precautionary Support Act. The Company would in such case not be granted state aid, which could force the Company to change its business, cease its operations, or result in the revocation of the Company’s licenses. There is a risk that if any of the above would occur, it will have a material adverse effect on the Company’s business, financial condition and results of operations.

#### **Data protection laws and regulations**

The Company’s ability to obtain, retain, share and otherwise process customer data is governed by data protection laws, privacy requirements and other regulatory restrictions, including, for example, that personal data may only be collected for specified, explicit and legitimate purposes, and may only be processed in a manner consistent with these purposes. Further, the collected personal data must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed, and it must not be kept for a longer period of time than necessary for the purposes of the collection. The Company’s security controls over personal debtor data and other data protection practices may not prevent the improper disclosure or processing of personal data in breach of applicable laws and contracts. Insufficient routines for data retention may for example lead to excessive processing of personal data and lacking separation routines for personal data may cause the Company to process personal data, in its capacity of data processor, in violation of data processor agreements. If the Company’s policies or procedures are deemed not to be in compliance or are deemed not to have previously been in compliance,



with applicable data protection laws and regulations, there is a risk that it will have an adverse effect on the Company's business, financial condition and results of operations.

The Company's compliance with applicable data protection laws and regulations is primarily subject to supervision by the Swedish Data Protection Authority and the Norwegian Data Protection Authority (No. *Datatilsynet*). These authorities may, from time to time, review or audit the Company's data protection practices and require the Company to change its prevailing practices, which may result in additional costs and administration for the Company. There is risk that any material failure to protect or process customer data, or other personal data, in compliance with applicable laws and regulations result in monetary fines, criminal charges and breach of contractual arrangements, and/or reputational damages which, in turn, will have an adverse effect on the Company's business, financial condition and results of operations.

Since 25 May 2018, the GDPR is enforced in the EU and from 20 July 2018 in Norway after a two-year transition replacing the national laws and regulations based on the 1995 EU Data Protection Directive. The new regulation sets strict requirements for companies and organisations that collect, process and store personal data. Although much will be the same, the regulation adds some new principles with uncertain consequences, such as a stricter concept of consent, a requirement for data portability and a "right to erase". Also, the regulation puts great emphasis on the obligation for personal data controllers to demonstrate compliance with the regulation, which may result in demands for increased documentation. It is also possible for the supervisory authority, in certain cases, to impose an administrative penalty of up to EUR 20 million or four per cent of an enterprise's worldwide turnover, whichever is greater, when an enterprise neglects the appropriate treatment of personal data. Although the Company has not had any problems transitioning to GDPR compliance, projects of such size, importance and technical complexity often entail risks of adverse implications which could potentially risk that the Company has not been able to fully comply with the GDPR. There is a risk that the impact of GDPR, as well as any other changes in data protection legislation in any of the markets in which the Company operates, especially if resulting in restrictions on use of personal data, will have an adverse effect on the Company's business, financial condition and results of operations.

#### **Changes in the national deposit guarantee schemes**

The Company is able to offer retail deposits to the general public that are covered by the Swedish and Norwegian deposit guarantee schemes, which guarantee amounts of SEK 950,000 and NOK 2,000,000, respectively, for each depositor. As such, the Company is required to establish internal processes to handle operational risk related to the deposits, including managing and securing the data systems utilised to host the deposits. Any failure by the Company to comply with these requirements could result in intervention by regulators or the imposition of sanctions, including a decision that the Company's deposits shall no longer be covered by the deposit guarantee scheme. There is risk that the loss of coverage by the deposit guarantee scheme would mean that the Company would have to discontinue the offering of deposit savings accounts to the general public, which would adversely affect the Company's liquidity position and impair the Company's ability to fund its business and potentially also impair or terminate the Company's ability to continue its business as currently conducted.

In recent years, the relevant regulatory authorities in Sweden and Europe have proposed (and in some cases have commenced implementation of) changes to many aspects of the banking sector, including, among others, deposit guarantee schemes. While the impact of these regulatory developments remains uncertain, there is a risk that the evolution of these and future initiatives will have an impact on the Company's business, including by imposing greater administrative and financial burdens on the Company. Increased costs may result from, for example, increases in fee contributions to the schemes by covered financial institutions, which would have an adverse effect on the Company's business, results of operations or financial condition.

Furthermore, the implementation of directive 2014/49/EC into the EEA Agreement, may result in a total harmonisation of the maximum coverage under deposit guarantee schemes within the EEA. There is

therefore a risk that the current guarantee amount of NOK 2,000,000 is thereby reduced to a sum in NOK equivalent to EUR 100,000.

#### **Changes in laws regarding debt collection, debt restructuring and personal bankruptcy**

According to the Company's collection strategy, delinquent loans are transferred to the national enforcement agencies in Sweden and Norway for collection. The national enforcement agencies issue credit remarks, demand payment and enforces recovery of the loan. As a last resort, the national enforcement agencies will enforce the loan by a foreclosure of assets, income and, for mortgages, by selling the property. In Sweden, the Company has chosen to sell any remaining shortfall, i.e. outstanding amount after proceeds from foreclosure have been received, to third party debt collection agencies. In Norway, the recovering of any outstanding debt (including any shortfall) is either handled by the national enforcement agency or third-party debt collection agencies, meaning that the debt remains on the books of the Company.

The Company's recoveries on overdue and written-down loans depend primarily on the effectiveness of legal debt collection systems, including laws regarding debt collection, debt restructuring and personal bankruptcy, in Sweden and Norway. There is a risk that the Company's ability to collect on overdue loans will be adversely affected by changes in debt collection laws if, for example, the enforcement process at the enforcement agency gets more complicated, which in turn would have an adverse effect on the Company's business, financial condition and results of operations.

#### **Consumer protection and marketing laws**

The Company is subject to a number of consumer protection and marketing laws and regulations in Sweden and Norway, concerning, for example, sound credit assessments, advertising and other marketing practices, fair contract terms and information requirements. Consumer protection and marketing laws and regulations include, for example, requirements to provide specific information, requirements regarding marketing materials, specific rights for consumers, such as rights of withdrawal (Sw. *ångerrätt*), and various restrictions on how consumer lending activities may be conducted. Violations of consumer protection laws could lead to fines or other sanctions by regulatory agencies as well as damage the Company's reputation.

In recent years, the Swedish FSA as well as the Swedish Consumer Agency and the Norwegian government together with the Norwegian FSA, have shown increased focus on the monitoring and enforcement of consumer laws and regulation for the benefit of consumers and new stricter regulations are under discussion in both Sweden and Norway. In Norway, a new regulation on marketing of consumer credit entered into force on 1 July 2017. The regulation prohibits, for example, door-to-door marketing of credit and marketing that emphasises how fast the credit may be granted. In May 2018 in Sweden, for example, consumer protection was strengthened in respect of high-cost credits by imposing an interest cap and regulating what kind of information should be provided to a consumer in connection with marketing of high-cost credits. Failure to comply with consumer protection legislation and marketing laws could harm the Company's reputation and result in fees and other sanctions. Furthermore, changes in such laws and regulations could require the Company to change its business practices. There is a risk that any violations of applicable consumer protection or marketing laws or changes in such laws would have an adverse effect on the Company's business, financial condition and results of operations.

#### **Changes in laws and regulations regarding interest tax deduction and mortgage amortisation**

In Sweden and Norway, individuals are entitled to deduct a portion of their net capital expenses, such as interest paid on loans, from their income taxes. Although no legislative measures have been initiated, interest deductions are currently under public scrutiny in Sweden as part of the debate regarding household indebtedness. If such interest deductions were to be reduced or eliminated, it would increase the costs for the Company's customers. Correspondingly, under current Norwegian tax rules, rental income derived from renting out part of a residential property is tax exempt, provided that at least 50 per cent of the value of the property is used and occupied by the owner, which gives a positive effect on the

affordability calculation for customers who are eligible for this. If this tax relief would be reduced or eliminated, it would reduce the net rental income for these customers and have an adverse effect on their affordability calculation. There is a risk that any such adverse changes in laws and regulations would increase credit losses, increase customer prepayments or that the demand for the Company's loan products decreases, any of which will have an adverse effect on the Company's business, financial condition and results of operations.

From 2016, the Swedish FSA introduced rules in Sweden making it mandatory for new borrowers to amortise the principal of their residential mortgages, and similar rules have applied in Norway since 2015. Under the Swedish rules, home owners are required to amortise two (2) per cent of the principal per year on new residential mortgages until the loan is 70 per cent of the property value, and then amortise one (1) per cent a year until the loan is 50 per cent of the property value. The amortisation requirements were further increased from 1 March 2018 by implementing an additional amortisation requirement of one (1) per cent for borrowers being granted a new mortgage loan which exceeds four point five (4.5) times the borrower's relevant gross income per year. In Norway, a temporary regulation for mortgage loans entered into force from 1 July 2018 (extending a previous temporary regulation) which, for example, sets forth a loan-to-income-cap entailing that an individual shall not be granted a residential mortgage if the individual's total debt, including the new mortgage, exceeds five (5) times the borrower's gross income per year. The regulation also requires an own-capital ratio of fifteen (15) per cent in respect of residential mortgages and, in relation to secondary homes in Oslo, an own-capital ratio of forty (40) per cent.

Additional interest and amortisation related requirements may be implemented, increasing households' loan costs and, as a result, strain consumers' ability to make timely payments on other debts and adversely affect consumers' willingness to take up further debt. There is a risk that the demand for the Company's loan products would decrease in the future as a result thereof, which would have an adverse effect on the Company's business, financial condition and results of operations.

#### **Anti-money laundering, financing of terrorism and trade sanctions**

The Company is subject to laws and regulations regarding anti-money laundering, know your customer, financing of terrorism and trade sanctions in both Sweden and Norway. If the Company's policies or procedures are deemed not to be in compliance with applicable laws and regulations regarding anti-money laundering, know your customer-information, financing of terrorism and trade sanctions, there is a risk that the Company's business, financial condition and results of operations would be materially adversely affected.

The risk of exposure to money laundering or financing of terrorism or violating trade sanctions has increased worldwide. If a regulator would view the Company's policies and compliance procedures as being insufficient to comply with local rules and standards in any single jurisdiction, sanctions in the form of a reprimand or warning, fines or revocation of licenses are at risk for the Company. There is also a risk that business relationships and the Company's reputation would be damaged, which will have an adverse effect on the Company's business, financial condition and results of operations.

#### **Accounting rules**

From time to time, the International Accounting Standards Board (the "IASB") and/or the EU amend IFRS-EU, which governs the preparation of the Company's financial statements. These changes can be difficult to predict and materially affect how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retrospectively, resulting in restating prior periods' financial statements.

The IASB may make other changes to the financial accounting and reporting standards that govern the preparation of the Company's financial statements, which the Company may adopt prior to the date on which such changes become mandatory if determined to be appropriate, or which the Company may be required to adopt. There is a risk that any such change in the Company's accounting policies or accounting

standards will have an adverse effect on the Company's business, financial condition and results of operations.

#### **Changes to tax rules and the tax authorities' interpretations of applicable rules**

The Company's business and transactions are conducted in accordance with the Company's interpretations of applicable laws, tax treaties, regulations and requirements of the tax authorities. There is a risk that the Company's interpretation of applicable rules and administrative practice is not correct. In addition, the rules and practice may change, possibly with retroactive effect. For example, the Swedish Ministry of Finance (Sw. *Finansdepartementet*) sent a memorandum, proposing new interest deduction limitation rules regarding both internal and external interests, for a referral on 20 June 2017. On 21 March 2018, the government presented its proposal on new tax legislation in relation to interest deduction limitation rules in the corporate sector, following the receipt of the consultation response from the bodies, to whom the proposal was referred for consultation. The proposal is based on the OECD's BEPS-project and EU Anti-Tax Avoidance Directive and includes a general EBITDA rule, under which the deductibility of net interest expense is limited to 30% of EBITDA. The EBITDA rule applies to negative net interest expenses (as defined in Swedish tax law), however a group may deduct net interest expenses up to SEK 5,000,000 (per group) without applying the EBITDA rule. There is a risk that that such change, other changes in the applicable laws, tax treaties, regulations and requirements of the tax authorities would change the Company's previous or current tax situation and cause an adverse effect on the Company's business, financial condition and results of operations.

### **RISKS RELATING TO THE MEDIUM TERM NOTES**

#### **Credit risk**

An investor in the Medium Term Notes must assess the credit risk associated with the Company and the Medium Term Notes. In case the financial position or prospects for the Company should deteriorate, there is a risk that the Company would not be able to fulfil its payment obligations under the Medium Term Notes. There is also a risk that a deterioration of the Company's financial position or prospects adversely affect the market price of the Medium Term Notes. Another aspect of the credit risk is if a deteriorated financial position results in a lower credit worthiness, which affects the Company's ability to refinance the Medium Term Notes and other existing debt, which in turn adversely affects the Company's operations, result and financial position.

#### **Credit rating**

One or several credit rating agencies may rate the Medium Term Loan raised under the MTN Programme. There is a risk that such rating does not reflect all risks associated with an investment in the Medium Term Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time. If a Medium Term Loan is assigned a credit rating that is lower than expected, there is a risk that the market value and liquidity of the Medium Term Notes are adversely affected.

#### **Certain material interests**

The Dealers have engaged in, and/or may in the future engage in, banking or other services for the Company in the ordinary course of business. Therefore, there is a risk that conflicts of interest exist or will arise as a result of the parties having previously engaged, or will in the future engage, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

#### **Noteholders' meeting and lack of Noteholders' representation**

The Terms and Conditions include certain provisions regarding Noteholders' meetings which may be held in order to resolve on matters relating to the Noteholders' interests. Such provisions allow for designated

majorities to bind all Noteholders, including Noteholders 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 Noteholders' meeting.

It is the Administrative Agent that shall convene a Noteholders' meeting pursuant to the Terms and Conditions. Other than that, the Noteholders' do not have any representative in relation to the Medium Term Notes. As a consequence, each Noteholder can bring their own action against the Company. A Noteholder may for example submit an application for bankruptcy against the Company. There is therefore a risk that a Noteholder take actions in relation to the Medium Term Notes which are not desirable by certain other Noteholders and which have an adverse effect on market value and liquidity of the Medium Term Notes.

#### **Market and tenor risks**

The market risks between the different Medium Term Notes varies depending on the debt construction and tenor. The risks associated with an investment in the Medium Term Notes increases with the length of the tenor of the Medium Term Notes, because the credit risk of the Medium Term Notes with a longer tenor is more difficult to assess compared to the Medium Term Notes with a shorter tenor. In addition, the market risks increase with the tenor of the Medium Term Notes as fluctuations in the market value of the Medium Term Notes is greater for the Medium Term Notes with a longer tenor than the Medium Term Notes with a shorter tenor.

#### **Clearing and settlement**

The Medium Term Notes are registered with Euroclear Sweden AB's account based-system or VPS's account-based system. Clearing and settlement of the Medium Term Notes, as well as payment of interest and repayment of principal amounts, will be performed within the relevant account based-system. The Noteholders are therefore dependent on the functionality of these systems (as applicable).

#### **Exchange rates and exchange rate controls**

The Company will pay principal and interest on the Medium Term Notes in the currency set out in the Final Terms for each Medium Term Loan, either SEK, NOK or EUR (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 depreciation of the Specified Currency or appreciation 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 rate controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Medium Term Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Medium Term Notes and (iii) the Investor's Currency-equivalent market value of the Medium Term Notes. Government and monetary authorities may impose (as some have done in the past) exchange rate controls. As a result, investors may receive less interest or principal than expected, or no interest or principal as measured in the Investor's Currency.

#### **Structural subordination and dependence on upstream funding**

The Company's principal activities are residential mortgage lending and unsecured lending. The Company regularly sells Swedish mortgages in its loan portfolio to special purpose vehicles ("**SPVs**") within the Group, and such loans are used as security for the Company's collateralised funding in the form of RMBS and warehouse financing. Since the Company uses funding subsidiaries (through securitisation) to finance part of its operations, a large part of the Company's Swedish mortgages is held by the Company's subsidiaries (the "**Subsidiaries**"). The Company is therefore reliant on the financial performance of the Subsidiaries and their ability to make dividend distributions and other payments, to enable it to meet its payment obligations (including making payments under the Medium Term Notes). All Subsidiaries are legally separate and distinct from the Company and have no obligation to pay amounts due with respect

to the Company's obligations and commitments or to make funds available for such payments. No present or future Subsidiary will guarantee or provide any security for the Company's obligations under the Medium Term Notes.

#### **No limitation on incurring debt**

There is no restriction on the amount of debt which the Company may incur or issue which ranks senior to the Medium Term Notes or on the amount of securities which the Company may issue which ranks *pari passu* with the Medium Term Notes. There is therefore a risk that such issuance reduces the amount recoverable by the Noteholders upon the bankruptcy (Sw. *konkurs*) or liquidation (Sw. *likvidation*) of the Company.

#### **The Company may provide collateral for other debt**

The Terms and Conditions do not contain any negative pledge undertaking and, consequently, the Company may issue secured market loans in the future. Therefore, the Company may retain, provide or renew security over its current or future assets to secure existing or additional bank loans or other debt instruments.

A Medium Term Note represents an unsecured obligation of the Company. This means that in the event of the Company's liquidation or bankruptcy the Noteholders normally receive payment after any creditors with security over certain assets have been paid in full. There is a risk that the remaining assets would not be sufficient to satisfy all unsecured claims on the Company in full or that no such assets will exist. Every investor should thus be aware that by investing in the Medium Term Notes, it risks losing the entire or parts of its investment in the event of the Company's liquidation, company re-organisation or bankruptcy.

#### **Specific risks related to the Subordinated Notes**

The rights of the Noteholders related to Subordinated Notes will, in the event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Company, be subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Company but shall rank at least *pari passu* with all other subordinated indebtedness of the Company (excluding creditors whose rights are expressed to rank in priority to the holders of the Subordinated Notes).

Although the Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a significant risk that an investor in the Subordinated Notes will lose all or some of his investment should the Company become insolvent or enter into liquidation.

#### **MiFiD II / MiFIR**

From 3 January 2018, new rules entered into force in the securities market by Directive (2014/65/EU) and Regulation (EU) No 600/2014 on markets in financial instruments. These rules entail a number of changes in the securities market, including increased reporting and transparency requirements in the fixed income market. These increased requirements may entail that financial institutions that act intermediaries in trading financial instruments are less likely to buy securities in their own stocks. There is a risk that the effect of this leads to lower liquidity for issued Medium Term Notes and extend the time at a desired sale of the Medium Term Notes.

#### **Benchmark Regulation**

In order to ensure the reliability of reference rates, legislative action at EU level has been taken. Hence, the so-called Benchmark Regulation (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indexes used as reference values for financial instruments and financial agreements or for measuring investment fund results and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014) were added and entered into force on 1 January 2018. The Benchmark Regulation regulates the provision of reference values, reporting of data bases for

reference values and use of reference values within the EU. Since the benchmark regulation has only been applied for a short period of time, the effects of the so far are difficult to assess. However, there are future risks that the benchmark regulation may affect how certain reference rates are determined and how they are developed. This in conjunction with increased administrative requirements can lead to a reduced number of entities involved in the determination of reference rates, which may lead to a certain reference interest ceasing to be published. Should such a reference rate be linked to a particular Medium Term Note, a holder of such Medium Term Note is at risk of being adversely affected.

### **Secondary market**

The Medium Term Notes which have been issued under the MTN Programme may not necessarily be held by multiple Noteholders nor traded in a significant volume. Therefore, there is a risk that a secondary market for the Medium Term Notes will not arise or persist. Following a listing, the price of the Medium Term Notes may be affected by a number of factors of which only a few are mentioned in this section (Risk Factors). The transaction costs for trading with the Medium Term Notes may also prove to be high. Noteholders therefore risk, in the view of the Noteholders, not being able to trade the Medium Term Notes to acceptable terms. An investment in the Medium Term Notes shall therefore only be made by investors who can bear the risk of there not arising a secondary market and therefore need to hold the Medium Term Notes until the Maturity Date.

### **Medium Term Notes with fixed interest rate**

The value of the Medium Term Notes is influenced by the general interest rate level. There is a risk that an increase in the general interest rate level decreases the value of a Medium Term Note bearing fixed interest rate.

### **Medium Term Notes with floating interest rate**

There is risk that a decrease in the general interest rate level decreases the return of the Medium Term Notes bearing floating interest rate. Furthermore, the fact that the applicable base interest rate in accordance with the Terms and Conditions may have a value lower than zero means that an investor in the Medium Term Notes is not guaranteed a return corresponding to the applicable margin.

### **Medium Term Notes without interest**

Investments in the Medium Term Notes not bearing interest (zero coupon) implies a risk that the market value of the Medium Term Notes is adversely affected by changes in the market interest rate. There is a risk that an increase in the general interest rate level decreases the value of a Medium Term Note not bearing interest. Generally, the longer the duration of the Medium Term Notes not bearing interest the higher price volatility compared to interest-bearing securities with comparable maturities.

### **Medium Term Notes with real interest rate**

For Medium Term Notes bearing real interest rate, the return, and sometimes also the repayment of Nominal Amount, are affected by consumer price index. There is therefore a risk that the value of Medium Term Notes bearing real interest rate, in the view of the investor, is affected both positively and negatively. It is important for each investor in the Medium Term Notes to note that a calculation of the inflation protection with the use of consumer price index is made on the basis of statistics which do not necessarily reflect the inflation to which the individual investor is exposed. It is also important to note that the interest rate of Medium Term Notes bearing real interest rate based on a floating interest rate, always is zero if the sum of the applicable base rate and margin is less than zero. This means that the interest rate on Medium Term Notes bearing real interest rate based on a floating interest rate is not inflation protected if the sum of the applicable base rate and margin is less than zero.

### **The Company may redeem the Subordinated Notes on the occurrence of a Capital Event or Tax Event**

The Company may in certain circumstances, at its option, but in each case subject to obtaining the prior consent of the Swedish FSA, redeem the Subordinated Notes upon the occurrence of a Capital Event or Tax Event at par together with accrued interest on any Interest Payment Date.

There is a risk that the Noteholders will not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Subordinated Notes.



## DESCRIPTION OF THE MTN PROGRAMME

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### General information

Bluestep has established the MTN Programme for the purpose of issuing Medium Term Notes up to a total amount of SEK 5,000,000,000 (or corresponding amount in EUR or NOK) or such other amount that the Dealers and the Company may agree. The Medium Term Notes may be issued with a tenor of not less than one (1) year. The Medium Term Notes may be issued in SEK, EUR or NOK with real interest rate, fixed interest rate, floating interest rate or as zero-coupon bonds. The Medium Term Notes may not be issued with a Nominal Amount of less than EUR 100,000 (or corresponding amount in SEK or NOK). Each Medium Term Loan is given a specific loan identification number (ISIN).

Bluestep has appointed Skandinaviska Enskilda Banken AB (publ) as arranger and Nordea Bank Abp, Danske Bank A/S, Danmark, Sverige Filial and Skandinaviska Enskilda Banken AB (publ) as dealers. Further dealers may be appointed. The Dealers have not verified and are not responsible for the contents of the Base Prospectus.

A holder of the Medium Term Notes represents itself in its capacity as Noteholder in all matters relating to the Medium Term Notes and this MTN Programme. Under the Terms and Conditions, the Administrative Agent has the right to (and shall if requested by the Company, a Dealer or Noteholders holding a certain percentage of a Medium Term Loan) convene a Noteholders' Meeting (please refer to Clause 15 of the Terms and Conditions).

### Form of the Medium Term Notes

The Medium Term Notes are issued in dematerialised book-entry form and registered on a Securities Account on behalf of the relevant Noteholder. Hence, no physical notes will be issued. The Medium Term Notes are registered in accordance with the Swedish Financial Instruments Accounts Act or the Norwegian Financial Instruments Registrations Act (as applicable) and registration requests relating to the Medium Term Notes shall be directed to an Account Operator. The Medium Term Notes may be freely transferred.

The Company has appointed Skandinaviska Enskilda Banken AB (publ), Oslo Branch as issuing and paying agent to establish and manage the Company's account in the VPS in accordance with Norwegian law, to register the Company's issues of the Medium Term Notes in the VPS and perform payments of interest and principal in respect of such Medium Term Notes.

### Status of the Medium Term Notes

The Notes constitute unsecured obligations of the Company and shall at all times rank at least *pari passu* with all other unsecured and unsubordinated obligations of the Company, except those obligations which are mandatorily preferred by law.

The rights of the Noteholders under the Subordinated Notes will, in the event of the liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Company, be subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Company but shall rank at least *pari passu* with all other subordinated indebtedness of the Company (excluding creditors whose rights are expressed to rank in priority to the holders of the Subordinated Notes).

### Sales

Sales will take place through the Dealers receiving issue and sale instructions from the Company. Purchase and sale of the Medium Term Notes will be made on over the counter or the market place where the Medium Term Notes are admitted to trading. Payments for and delivery of the Medium Term Notes takes place through the Issuing Dealer within the VPC or VPS (as applicable).

### Pricing of the Medium Term Notes

The price of the Medium Term Notes cannot be established in advance but is set in connection with the relevant issue on the basis of prevailing market conditions. The Medium Term Notes may be issued at a

price corresponding to, below or exceeding the relevant Nominal Amount. The interest (if any) applicable to the Medium Term Notes depends on several factors, one of which is the interest rate applicable to other investments with a corresponding term.

### **Admission to trading on a regulated market**

If stated in the applicable Final Terms for a Medium Term Loan, an application for admission to trading on a regulated market will be made. In relation to a Medium Term Loan which according to its Final Terms will be subject to trading on a regulated market, the Company will apply for listing at Nasdaq Stockholm, Oslo Børs or another regulated market and take such measures as may be required to maintain such listing during the term of that Medium Term Loan. The market place to which the application is made will carry out its own assessment of the application and will approve or reject the registration.

The Company is responsible for all costs associated with admission to trading of Medium Term Loans under this MTN Programme such as the costs of producing a prospectus, admission to trading, documentation and fees to Euroclear Sweden and VPS.

### **Credit rating**

When investing in the Medium Term Notes, the investor takes a credit risk on the Company. The applicable Final Terms for a Medium Term Loan will stipulate whether the Medium Term Loan shall be assigned a credit rating. Such credit rating reflects the assessment by an independent rating agency regarding of the creditworthiness of the Company with respect to the relevant Medium Term Loan, i.e. its ability to fulfil payment obligations in a timely manner, and may assess the applicable Loan Terms.

### **Statute of Limitation**

Claims for principal amounts under a Medium Term Loan will be subject to time bar ten years after the relevant Maturity Date. Claims on interest will be subject to time bar three years after each relevant interest payment date. If a claim becomes void due to the time barring of claims, amounts set aside for payment of such claim will fall to the Company. Where a period of limitation is duly interrupted, a new period of ten years (or three years, respectively) will start to run in accordance with the Limitations Act (Sw. *preskriptionslagen (1981:130)*).

### **Governing law**

The Terms and Conditions, the applicable Final Terms and any non-contractual obligations arising out of or in connection therewith are governed by and construed in accordance with the laws of Sweden. The Company submits to the non- exclusive jurisdiction of the District Court of Stockholm (Sw. *Stockholms tingsrätt*). Norwegian law and jurisdiction will be applicable with regards to the registration of Medium Term Notes in VPS.

## PRODUCT DESCRIPTION

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### Terms and Conditions and Final Terms

Medium Term Notes issued under the MTN Programme are governed by the Terms and Conditions together with the applicable Final Terms. The Terms and Conditions apply to all Medium Term Loans issued under the MTN Programme. Applicable Final Terms are specified in relation to each Medium Term Loan on the basis of the form of final terms set out on page 61 of this Base Prospectus. The applicable Final Terms must be read together with the Terms and Conditions. The Final Terms specify, among other things, Loan Date, the basis for interest calculation, possible rights of early redemption for the Company and Maturity Date. The Final Terms in relation to an offer to invest in the Medium Term Notes or in relation to Medium Term Notes that are admitted to trading on a regulated market will be submitted for registration by the Swedish FSA as soon as possible and in any event prior to an application is made for admission to trading of the relevant Medium Term Notes on a regulated market. Final Terms in relation to each Medium Term Loan issued under the MTN Programme will also be made available on the Company's website, [www.bluestep.se](http://www.bluestep.se).

### Repayment and redemption

The Nominal Amount of a Medium Term Loan (together with accrued interest, if any) falls due for repayment on the Maturity Date as specified in the Final Terms. Should the Maturity Date fall on a date which is not a Business Day, the Medium Term Loan will however be repaid on the following Business Day. The Final Terms for a Medium Term Loan may contain a right or obligation for the Company to repay a Medium Term Loan (together with accrued interest, if any) in whole or in part prior to its stated Maturity Date.

In case of a change of control of the Company (as defined in the Terms and Conditions), a Noteholder will have the right to demand repayment of a Note Loan in accordance with Clause 9 of the Terms and Conditions. If an early redemption option for the Company is specified in the Final Terms for a Medium Term Loan, the Company may in accordance with and subject to such terms repay the Medium Term Loan prior to its Maturity Date.

### Basis for the calculation of interest on the Medium Term Loans

#### Fixed Interest Rate

For Medium Term Loans denominated in SEK or EUR with a fixed interest rate, interest accrues in accordance with the rate specified in the applicable Final Terms from, but excluding, the Loan Date, up to, and including, the Maturity Date. For Medium Term Loans denominated in NOK with a fixed interest rate, interest accrues in accordance with the rate specified in the applicable Final Terms from, and including, the Loan Date, up to, but excluding, the Maturity Date. Accrued interest for Medium Term Loans in SEK, EUR or NOK shall be paid in arrears on each Interest Payment Date and is calculated using the Day Count Convention 30/360.

#### Floating Interest Rate (FRN)

For Medium Term Loans denominated in SEK or EUR with a floating interest rate, interest accrues at the rate specified in the applicable Final Terms from, but excluding, the Loan Date, up to, and including, the Maturity Date. For Medium Term Loans denominated in NOK with a floating interest rate, interest accrues at the rate specified in the applicable Final Terms from, and including, the Loan Date, up to, but excluding, the Maturity Date. The interest rate for Medium Term Loans in SEK, EUR or NOK is calculated by the relevant Administrative Agent on each Interest Determination Date and is comprised by the Base Rate plus the applicable Margin. Accrued interest for Medium Term Loans denominated in SEK, EUR or NOK shall be paid in arrears on each Interest Payment Date and is calculated using the Day Count Convention Actual/360.

The Base Rate for Medium Term Loans in SEK is STIBOR, the Base Rate for Medium Term Loans in EUR is EURIBOR and the Base Rate for Medium Term Loans in NOK is NIBOR, as such terms are defined in the

Terms and Conditions. STIBOR, EURIBOR and NIBOR constitute reference values according to the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**BMR**"). As at the date of this Base Prospectus none of the administrators for STIBOR, EURIBOR or NIBOR appear in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ESMA in accordance with article 36 of the BMR. As far as the Company is aware, the transitional provisions in article 51 of the BMR apply, such that the administrators for STIBOR, NIBOR or EURIBOR are not currently required to obtain authorisation or registration.

#### **Zero Coupon**

Zero Coupon Loans do not bear interest.

#### **Real Interest Rate**

For Medium Term Loans where real interest rate applies, inflation protected interest accrues from, but excluding, the Loan Date up to, and including, the Maturity Date. The interest rate may be fixed or floating (as described above) and is multiplied with a number which is the result of dividing Final CPI with Base CPI. The calculation of CPI will be based on statistics which does not necessarily reflect the inflation to which an investor in the Medium Term Notes is exposed. The Company will notify the Noteholders, in accordance with Clause 19 of the Terms and Conditions, of the applicable interest rate as established by the Administrative Agent.

#### **Day count conventions**

The following day count conventions may be used for the calculation of interest under the MTN Programme.

**30/360:** The calculation is based on a year of 360 days divided into 12 months of 30 days each and in case of a fraction of a month using the actual number of days of the month that have passed.

**Actual/360:** The calculation is based on the actual number of days elapsed in the relevant Interest Period, divided by 360.

**Interpolation:** Means that interest is calculated based on two known data points in accordance with the Final Terms.

## DESCRIPTION OF BLUESTEP

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### General corporate information

The Company, Bluestep Bank AB (publ), incorporated under the laws of Sweden with registration number 556717-5129, is a public limited liability bank company (Sw. *Bankaktiebolag*). The Company has its principal office at Sveavägen 163, 104 35 Stockholm. As a public limited liability bank company, it is under the supervision of the Swedish FSA and is regulated by inter alia the Swedish Banking and Financing Act (Sw. *lag (2004:297) om bank- och finansieringsrörelse*) and the Swedish Deposit Insurance Act (Sw. *lag (1995:1571) om insättningsgaranti*). The Company was registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on 13 December 2006.

Pursuant to the Company's articles of association, the object of the Company's business shall be to conduct banking business in accordance with Chapter 1, Section 3 of the Swedish Banking and Financing Act. The Company may also conduct financial business and other related business which is naturally related thereto in accordance with Chapter 7, Section 1 of the Swedish Banking and Financing Act. Furthermore, the Company may conduct collection business, insurance mediation and other business which is compatible with the above-mentioned business.

Bluestep is a dedicated and solution-oriented mortgage lender that offers mortgages and personal loans in Sweden as well as mortgages in Norway. The goal is to be the preferred and best option for those who have difficulties obtaining a mortgage loan in a traditional bank. The Company's focus is to provide loans to people with the ability to improve and change their life situation and thereby successfully manage their finances in a sustainable way going forward. Focus is on people's future financial capabilities rather than the historic challenges that they may have experienced.

Bluestep is funded by deposits from the public, issuance of RMBS, warehouse facilities and equity.

Under its current articles of association, the Company's share capital shall be not less than SEK 100,000,000 and not more than SEK 400,000,000, divided into not fewer than 2 shares and not more than 8 shares. As at the date of this Base Prospectus, the Company's registered share capital is SEK 100,000,000 represented by 2 shares. Each share has a quota value of SEK 50,000,000.

### History

The business was originally established in Stockholm late 2004 through Bluestep Holding AB (at the time named Bluestep Bostadslån AB), in order to provide mortgages to property owners rejected by the traditional banks. The business was later transferred from Bluestep Holding AB to the Company.

In 2010, Bluestep entered the Norwegian market through its Oslo branch and in 2011 it launched unsecured loans in Sweden, to complement the mortgage business. In 2015, Bluestep acquired, through its wholly owned subsidiary Bluestep Servicing AB, part of its former loan and deposit administrator in Sweden (Cerdo Bankpartner AB), allowing the Group to develop its loan and deposit administration platform for Sweden in-house.

The Swedish FSA granted the Company its banking license in 2016 and its license to conduct insurance mediation in 2017.

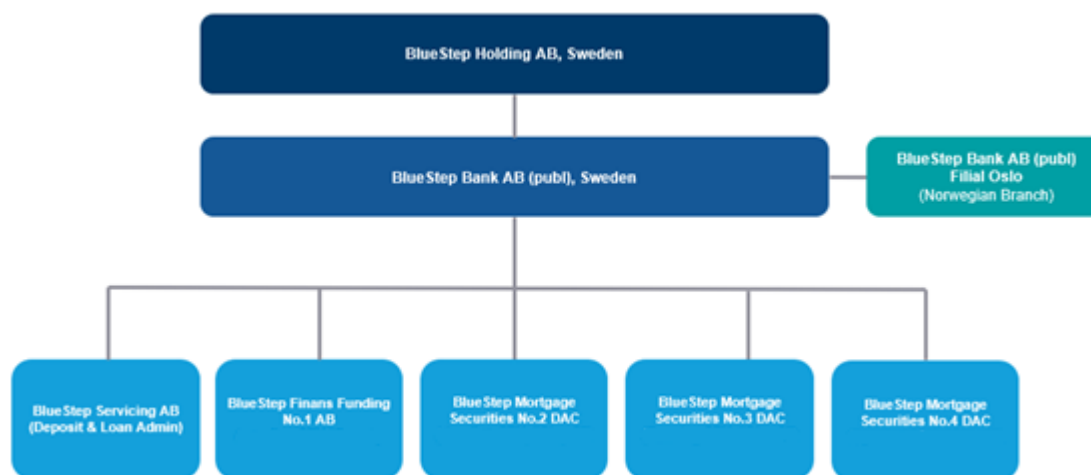
In November 2017, Bluestep Holding AB and the Group was acquired by the private equity fund EQT VII.

### Ownership and organisational structure of the Group

The Company is the operating company of the Group. The Company is wholly owned by Bluestep Holding AB and then indirectly by Butterfly Holdco Pte Limited (Singapore), Butterfly Topco Pty Limited (Singapore) and ultimately by the private equity fund EQT VII, including certain of its co-investment schemes. The Company owns four on-balance-sheet funding subsidiaries, which are used for issuing RMBS and obtaining warehouse funding and one subsidiary that handles the administration for the Swedish mortgages,

personal loans and the Swedish deposit portfolio. It is therefore dependent upon dividend distributions and other payments from its subsidiaries.

The picture below illustrates the Company, its principal active subsidiaries and branches as well as its direct ownership as at the date of this Base Prospectus.



## Business of the Group

### Introduction

Bluestep offers residential mortgage loans in Sweden and Norway, as well as personal loans in Sweden.

The Company's mortgage offering targets five main customer segments with different characteristics that make them unable or unlikely to be approved by a traditional bank for a mortgage. These segments are: (i) individuals that are credit impaired; typically individuals that for different reasons have credit remarks, (ii) individuals with need of debt consolidation; individuals with full-time employment but with a high level of unsecured debt obligations, (iii) individuals with modern employment forms or self-employed; non-traditionally employed, often entrepreneurs or those conducting freelance work with short-term employment contracts, (iv) individuals with insufficient credit history; customers with limited credit history; typically part time employed, recent graduates, recent immigrants, and returning expats, and (v) retirees; retired individuals often with low income, but with retirement benefits and significant equity in property.

The role of personal loans is to complement the core mortgage business in Sweden. Focus today is to help customers who have difficulties in obtaining a loan in a traditional bank, typically people with payment remarks or adverse credit history. Most of them are in need of debt consolidation but do not own a property. A prime loan product has also been offered in order to reach economy of scale.

### Strategy

The core strategy of Bluestep within the mortgage business is to understand each new borrower's financial situation in detail, not just relying on historic data, but also ensuring that they, going forward, have the capability to afford the loan from Bluestep together with all other financial obligations they may have. When refinancing other financial obligations, the aim is to decrease the monthly payment for financial debts for the borrower.

Retaining and developing a strong credit culture and an ability to understand risk have been, and will be, the core focus areas for Bluestep. This includes individual credit assessment, which, in most cases, includes obtaining an on-site valuation of the properties, by independent valuers or real estate agents before a loan is granted. In the case where customers want to purchase a property, the reliance on a

purchase price is only accepted if the purchase is an open market transaction which is handled by a real estate agent. Given that borrowers might have an adverse credit history, Bluestep only grants loans based on a thorough, manual, credit assessment of the individual borrower and within the current amortisation regulation. Risk grade, income type, loan size, type of property and affordability dictates if a loan can be granted, the product offered, as well as the cost to the borrower.

Due to customer risk being highest during the first couple of years, Bluestep charges a higher interest rate during the first years for its borrowers. In Sweden, after three years of clean payment history, the interest rate is reduced and after five years of clean payment history an additional reduction may be made, subject to the lowest offered margin. In Norway the interest rate might be reduced after two years, and then a further reduction after the third year.

As to the mortgage loan security, Bluestep has a first ranking pledge in Sweden. In Norway, Bluestep predominantly offers first charge mortgages but may in respect of certain customers also accept a second charge pledge, for example, in the property in which a first ranking pledge has been obtained by another mortgage provider or as an additional collateral to the property in which Bluestep has obtained a first ranking pledge.

In contrast to the mortgage businesses, the private loan business is more automated, however there is still a degree of detailed manual credit underwriting to assist more customers by understanding and verifying their financial situation. The underwriting process for personal loans is governed by Bluestep's credit risk policy and related credit instruction. The underwriting includes a combination of: (a) automated credit rules, (b) referral rules, (c) affordability calculation, (d) a scoring model based on the portfolio performance combined with credit bureau information, (e) a manual review of all documents collected and (f) finally an information call to customers prior to the loan being paid out.

#### **Insurance mediation**

Personal loan customers, who are between 18 and 64 years of age, are offered payment protection insurance ("PPI") to secure monthly payments in the event of illness or involuntary unemployment and to secure total repayment in the event of death. The insurance policies are optional and offered by Bluestep as a tied insurance intermediary (Sw. *anknuten försäkringsförmedlare*) to AmTrust international Underwriters DAC.

#### **Collection process**

Loan and interest payments are made monthly and the majority of all customers have direct debit as payment solution when the loan is paid out. If a payment is late, or direct debit attempts are unsuccessful, the internal collection process at Bluestep commences immediately.

Kronofogdemyndigheten and Namsmannen are the governmental bodies responsible for carrying out enforcement orders over assets in Sweden and Norway, respectively, including the collection of unpaid debts, whether secured or unsecured. This means that all enforced sales of pledged collateral in Sweden and Norway are being handled by either Kronofogdemyndigheten or Namsmannen. Until an enforcement process is started, the collection activity is handled in-house, and in the case of the Norwegian business, in cooperation with a reputable third-party debt collection agency.

For the personal loan business, Bluestep is currently selling its non-performing loans to a reputable third-party debt collection agency. All collection activity prior to the non-performing loans are sold is handled internally by Bluestep's Collection team.

The above collection processes are governed by the Company's Collection Policy, which is in compliance with the Swedish Debt Enforcement Code (Sw. *Utsökningsbalk (1981: 774)*) and the Norwegian Enforcement Act 1992 (No. *Tvangsfullbyrdelsesloven av 26. juni 1992 no. 86*).

### **Customer sourcing**

Bluestep uses a multi-channel platform for finding and attracting target customer segments as well as building brand awareness and positive perception, leading to positive word of mouth. The platform includes direct channels like TV, radio, digital channels, direct mail, e-mail and indirect channels like brokers, real estate agents, conversion consultants (Sw. "ombildningskonsulter") and debt collectors.

### **Funding**

Bluestep has developed a funding platform with access to a diverse funding mix, including deposits in Sweden and Norway, RMBS and warehouse funding.

Bluestep has been using retail deposits as a funding source since 2008 in Sweden and 2010 in Norway. Retail deposits is a flexible source of funding as Bluestep is able to adjust inflows and outflows and the maturity profile of the deposit book by adjusting rates offered on deposits.

The Company offers deposit products ranging from instant access to longer term savings products. All products are competitively priced, providing customers with a competitive return on their short and long-term savings.

All deposits in Sweden and Norway are covered by the Swedish Deposit Insurance Act (up to SEK 950,000) and the Norwegian Banks' Guarantee Fund respectively (currently up to NOK 2,000,000).

On a regular basis, Bluestep has issued RMBS and used the proceeds to repay retail deposit funding, warehouse facilities and to support increased lending. Warehouse facility funding is used as a complement to other types of funding.

The Company's RMBS funding have maturity profiles of 45 years. However, the transactions do contain a call option after 5 years from issuance, which the Company has not yet exercised but intends to exercise.

### **Competitors**

#### *Sweden*

In Sweden, the four largest traditional banks, Nordea, SEB, Handelsbanken and Swedbank dominate the traditional mortgage market. The Company sees itself a complement to these traditional banks, helping customers they reject but who are credit worthy based on a thorough underwriting process.

The Company currently has, pursuant to the Company's own calculations, approximately 90% market share in its niche in Sweden and is the only provider with specialist mortgages as core business.<sup>1</sup> Marginalen Bank, Svea Ekonomi and Nordax Bank offer specialist mortgages as part of their business model.

#### *Norway*

The Company was the second specialist mortgage provider to enter the Norwegian market and is now the largest provider (based on the Company's own calculations of outstanding lending volumes for known specialized mortgage providers on the Norwegian market). Furthermore, the same situation regarding a lack of true peers in Sweden applies for Norway, as only banks offering specialist mortgages are deemed relevant competitors. The traditional banks in Norway processing standard mortgages are similar to the Swedish landscape, with DNB, Sparebank 1 Group, Nordea, Handelsbanken and Danske Bank as the largest providers.

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<sup>1</sup> The calculation of market shares relates to the outstanding lending volumes for known specialized mortgage providers in the market (i.e. in addition to the Company - Marginalen Bank, Svea Ekonomi and Nordax Bank). The data used for the calculations are based on official year-end figures for 2017.



The Company currently has, pursuant to the Company's own calculations, approximately 60% market share in its niche in Norway and is the only large provider with specialist mortgages as core business.<sup>2</sup> The relevant Norwegian peers are Svea Ekonomi, Bank 2, Balansebank and Kraft Bank. Bank 2 is the Company's largest Norwegian competitor. In light of the foregoing, the Company believes that it holds a strong position within its niche in Norway.

### **Relevant legislation**

The Company is a public limited liability bank company and regulated by the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*) and its articles of association. As a bank, the Company is subject to the supervision of the Swedish FSA and regulated by inter alia the Swedish Banking and Financing Business Act (Sw. *lag (2004:297) om bank- och finansieringsrörelse*) and the Swedish Deposit Insurance Act (Sw. *lag (1995:1571) om insättningsgaranti*). The Company is also subject to the Norwegian Financial Undertakings Act (No. *Lov 10. april 2015 nr. 17 om finansforetak og finanskonsern*) with respect to its branch in Oslo and is a member of the Norwegian Banks' Guarantee Fund (No. *Bankenes sikringsfond*).

The Company is further subject to the provisions set forth in the CRR, the Swedish Supervision of Credit and Investment Firms Act (Sw. *lag (2014:968) om särskild tillsyn över kreditinstitut och värdepappersbolag*) and the Swedish Act on Capital Buffers (Sw. *lag 2014:966) om kapitalbuffertar*) which implements CRD IV.

The capital adequacy requirements are measured both on the level of the Company and on the consolidated situation which the Company reports to the Swedish FSA.

In addition to laws and official regulations, the Company has a number of internal documents that govern the day-to-day management of the Company. These are adopted by the board of directors or the CEO and include inter alia the rules of procedures for the board of directors, instructions for the CEO, the risk management policy, the credit policies, the remuneration policy, the outsourcing policy, the anti-money laundering policy, information policy, the liquidity risk policy, the data protection policy and the customer protection policy.

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<sup>2</sup> The calculation of market shares relates to the outstanding lending volumes for known specialized mortgage providers in the market (i.e. in addition to the Company - Svea Ekonomi, Bank 2, Balansebank and Kraft Bank). The data used for the calculations are based on official year-end figures for 2017 or Q1 2018, and the comparison is made as of year-end 2017.

## **BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITORS**

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### **Board of Directors**

Pursuant to the Company's articles of association, the board of directors shall consist of no less than five and no more than ten members, with no more than three deputy members, elected by the general meeting of the shareholders. The board of directors currently consists of eight members elected by the general meeting of the shareholders (elected on the annual general meeting in 2018 until the annual general meeting in 2019). Below are the names and current positions of the members of the board of directors of the Company.

Per-Arne Blomquist

*Born 1962. Board member and chairman of the board since 2018.*

**Principal education:** B.Sc. in Business Administration and Economics from Stockholm School of Economics.

**Other on-going principal assignments:** Board member and chairman of the board of Bluestep Holding AB, CFO and Deputy CEO at Dometic Holding AB, board member of Djurgården Hockey AB.

Göran Bronner

*Born 1962. Board member since 2017.*

**Principal education:** B.Sc. in Business Administration and Economics from Stockholm University.

**Other on-going principal assignments:** Chairman of the board of Lovima AB, board member of StoEr AB, Chairman of the board of MaBro AB, board member of Election Committee Pricer AB.

Toby Franklin

*Born 1972. Board member since 2008.*

**Principal education:** University of Warwick, BSc Hons, First Class, Maths Operational Research Statistics and Economics. Tuck School of Business at Dartmouth College, NH USA, MBA

**Other on-going principal assignments:** Chairman of the board of Tower Leasing Ltd, UK, board member of the board of Pro Global Holdings Ltd, UK, board member of GoCarCredit Ltd, UK, board member of Cinium Holdings, FL, USA.

Albert Gustafsson

*Born 1977. Board member since 2017.*

**Principal education:** B.Sc. Business Administration, University of Gothenburg, School of Economics and Law.

**Other on-going principal assignments:** Board member of Bluestep Holding AB, partner at EQT Partners AB, board member of Top Toy Holding II A/S.

Harry Klagsbrun

*Born 1954. Board member since 2017.*

**Principal education:** B.A. in Journalism from Stockholm University, a M.Sc. in Business from the Stockholm School of Economics and an MBA from New York University.

**Other on-going principal assignments:** Partner and head of Mid Market Europe's advisory team at EQT Partners AB.

**Andreas Pettersson Rohman**

*Born 1980. Board member since 2017.*

**Principal education:** B.Sc och M.Sc in Industrial Engineering and Management, Chalmers University of Technology, B.Sc in Economics, University of Gothenburg, School of Economics and Law, M.Sc Finance University of Gothenburg, School of Economics and Law.

**Other on-going principal assignments:** Director at EQT Partners AB.

Lars Wollung

*Born 1961. Board member since 2018.*

**Principal education:** M.Sc Royal Institute of Technology (KTH), B.Sc in Business Administration, Stockholm School of Economics

**Other on-going principal assignments:** Chairman of the board of TPS Investment AB, chairman of the board of Dignisia AB, chairman of the board of MySafety AB, board member of IFS AB, senior industrial advisor at EQT Partners AB, management consultant at TPS Advisory AB.

Sofia Arhall Bergendorff

*Born 1969. Board member since 2018.*

**Principal education:** B.A. University of Oregon, MBA INSEAD

**Other on-going principal assignments:** Board member of Tele2; Director, VC, Boards and Consultancies, Google, Northern Europe.

## **Senior Management**

The senior management of the Company consist of a team of 9 persons. The section below sets forth the name and current position of each member of the senior management.

Rolf Stub, acting CEO and Head of Strategy and Business Development

*Born 1963. With Bluestep since 2006.*

**Other on-going principal assignments:** Board member and chairman of the board of Bluestep Finans Funding No 1 AB and Bluestep Servicing AB, board member of Bluestep Holding AB.

Johanna Clason, CFO

*Born 1965. With Bluestep 2018.*

**Other on-going principal assignments:** Will soon resign as board member of Spiltan Fonder AB and Stabelo Asset Management AB.

Tomas Netz, COO Sweden

*Born 1978. With Bluestep 2018.*

**Other on-going principal assignments:** Board member and managing director of Bluestep Servicing AB.

Erik Walberg Olstad, COO Norway

*Born 1987. With Bluestep since 2012.*

**Other on-going principal assignments:** None.

Christian Marker, Chief Legal Officer

*Born 1979. With Bluestep since 2005.*

**Other on-going principal assignments:** Board member of Bluestep Finans Funding No 1 AB and Bluestep Servicing AB.

Daniel Garcia, Risk Manager  
*Born 1971. With Bluestep since 2012.*

**Other on-going principal assignments:** None

Karin Jenner, Head of HR  
*Born 1982. With Bluestep since 2014.*

**Other on-going principal assignments:** None.

Erik Lind, Chief Information Officer  
*Born 1974. With Bluestep since 2005.*

**Other on-going principal assignments:** None.

Anna Bofeldt, Chief Marketing Officer  
*Born 1977. With Bluestep since 2016.*

**Other on-going principal assignments:** None.

### **Business address**

The address for all board members and members of the senior management is c/o Bluestep Bank AB (publ), Box 23138, 104 35 Stockholm, Sweden.

### **Conflicts of interest**

No board member or member of senior management has any personal interests that could conflict with the interests of the Company. Several board members and members of the senior management have a long term financial interest in the Group as indirect shareholders in the Company.

### **Auditors**

The Company's auditor is currently the accounting firm Ernst & Young AB (P.O. Box 7850, 103 99 Stockholm, Sweden) with Daniel Eriksson, born 1973, as auditor in charge (the "**Current Auditor**"). The Current Auditor was elected at the annual general meeting 2018 for the time until the end of the annual general meeting 2019.

The Company's annual reports for the financial years 2016 and 2017 was audited by the accounting firm Deloitte AB (Rehngatan 11, 113 57 Stockholm, Sweden) with Patrick Honeth, born 1973, as auditor in charge.

Both Daniel Eriksson and Patrick Honeth are authorised public accountants and members of FAR, the professional institute for accountants in Sweden.

## **LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION**

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### **Authorisations and responsibility**

The Company has obtained all necessary resolutions, authorisations and approvals required in conjunction with the MTN and the performance of its obligations relating thereto. The programme for the issuance of MTN was authorised by a resolution of the Board of Directors of the Company on 26 September 2018.

The Company accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that this is the case, the information contained in this Base 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 Company is, to the extent provided by law, responsible for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

### **Material agreements**

Neither the Company nor any other Group Company has 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 Company's ability to meet its obligations to the Noteholders.

### **Shareholders' agreement**

As far as the Board of Directors of the Company is aware, there are no shareholders' agreements or other agreements that could result in a change of control of the Company.

### **Legal and arbitration proceedings**

The Group is currently and may from time to time be subject to disputes, claims and administrative proceedings as a part of the ordinary course of business. However, the Group is not now and has not been party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened which the Company is aware of) during the previous 12 months from the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the Company's and/or the Group's result or financial position.

### **Certain material interests**

The Arranger and/or the Dealers (and closely related companies) may have provided, and may in the future provide, certain investment banking and/or commercial banking and other services to the Company and the Group for which they have received, or will receive, remuneration. Accordingly, conflicts of interest may exist or may arise as a result of the Arranger and/or the Dealers 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**

Öyvind Thomassen decided in October 2018 to resign as CEO of the Company. Until a new CEO has been appointed, Rolf Stub, current Head of Strategy and Business Development, is the acting CEO of the Company. Other than the aforementioned, there has been no material adverse change in the prospects of the Company since 31 December 2017, being the end of the last audited financial information of the Company.

### **Significant changes since 30 June 2018**

There have been no significant changes in the financial or trading position of the Company since 30 June 2018, being the end of the last financial period for which interim financial information of the Company was presented.

## **Incorporation by reference**

The following information has been incorporated into this Base Prospectus by reference and made available on the Company's website at <https://www.bluestepbank.com/investor-relations/financial-reports/content/financial-reports/>. The incorporated information should be read as part of the Base Prospectus.

**Annual report for the financial year 2016**, in respect of the audited consolidated financial information and the audit report on the following pages:

- 14 (Consolidated income statement and the Company's income statement)
- 15 (Consolidated balance sheet and the Company's balance sheet)
- 16 (Consolidated statement of changes in equity and the Company's statement of changes in equity)
- 17 (Consolidated statement of cash flows and the Company's statement of cash flows)
- 18 - 50 (Notes to the financial statements)
- 51 - 58 (Auditor's report)

**Annual report for the financial year 2017**, in respect of the audited consolidated financial information and the audit report on the following pages:

- 18 (Consolidated income statement and the Company's income statement)
- 19 (Consolidated balance sheet and the Company's balance sheet)
- 20 (Consolidated statement of changes in equity and the Company's statement of changes in equity)
- 21 (Consolidated statement of cash flows and the Company's statement of cash flows)
- 22 - 55 (Notes to the financial statements)
- 59 - 63 (Auditor's report)

**Interim report for the first half year 2018** as regards the unaudited consolidated financial information (including comparable numbers for the financial year 2017 and the second half year 2017) on pages:

- 4 (Consolidated income statement and the Company's income statement)
- 5 (Consolidated statement of financial position and the Company's statement of financial position)
- 6 (Consolidated statement of changes in equity and the Company's statement of changes in equity)
- 7 (Consolidated statement of cash flows and the Company's statement of cash flows)
- 8 - 26 (Notes to the financial statements)

Information in the above documents which is not incorporated by reference is either deemed by the Company not to be relevant for investors in the MTN or is covered elsewhere in the Base Prospectus.

The Company's annual reports for the financial years 2016 and 2017 have 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 (Sw. *årsredovisningslag (1995:1554)*). In addition, the interim report is prepared in accordance with IAS 34, Interim Financial Reporting. The interim report applies the same accounting principles and method of calculation as stated in the annual report of 2017 except for IFRS 9 Financial Instruments. IFRS 9 came into force as from 1st of January 2018. No restatement of previous years has been made. With the exception of the annual reports, no information in this Base Prospectus has been audited or reviewed by the Company's auditor.

**Documents available for inspection**

Paper copies of the following documents are available at the Company's office, Sveavägen 163, Stockholm, during the validity of the Base Prospectus (regular office hours):

- the Company's articles of association;
- the Company's annual reports (including auditor's report) for the financial years 2016 and 2017;
- the Company's interim report for the first half year 2018;
- the annual reports (including auditor's report) of all subsidiaries of the Company for the financial years 2016 and 2017;
- the Terms and Conditions; and
- the Final Terms.

# TERMS AND CONDITIONS

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## TERMS AND CONDITIONS FOR BLUESTEP BANK AB (PUBL) MEDIUM TERM NOTES

These general terms and conditions (the “**Terms and Conditions**”) shall apply to any and all loans that Bluestep Bank AB (publ) (Reg. No. 556717-5129) (the “**Issuer**”) raises on the Swedish or Norwegian capital market under an agreement with the Dealers (as defined below) in respect of a Swedish medium term note programme (the “**MTN-Programme**”) by issuing notes in SEK, NOK or EUR with terms of not less than one year, so called notes or subordinated notes.

For each Medium Term Loan, final terms are prepared in accordance with Appendix 1 (Form of Final Terms) that include supplementary terms and conditions (the “**Final Terms**”), which together with these Terms and Conditions constitute the complete terms and conditions for the relevant Medium Term Loan (the “**Loan Terms**”). Final Terms for Medium Term Notes that are offered to the public will be published on the Issuer’s website ([www.bluestep.se](http://www.bluestep.se)) and made available at the office of the Issuer. For as long as any Medium Term Notes are outstanding, the Issuer will keep the Terms and Conditions and the Final Terms for such Medium Term Notes available on its website.

### 1 Definitions

1.1 In addition to the definitions set forth above, the following terms shall have the meaning given below.

“**Account Operator**” means a bank or other party duly authorised to operate as an account operator (Sw. *kontoförande institut*) pursuant to (a) the Swedish Financial Instruments Accounts Act or (b) the Norwegian Securities Register Act and through which a Noteholder has opened a Securities Account in respect of its Medium Term Notes.

“**Additional Tier 1 Instruments**” means Additional Tier 1 instruments (Sw. *primärkapitaltillskott*) as defined in Part Two, Title 1, Chapter 3 of the Capital Requirements Regulation.

“**Adjusted Loan Amount**” means, with respect to a specific Medium Term Loan, the Loan Amount less the amount of all Medium Term Notes owned by the Issuer, another Group Company or EQT VII, whether the Issuer, that Group Company or EQT VII is directly registered as owner of such Medium Term Notes or not.

“**Administrative Agent**” means (i) if a Medium Term Loan has been raised through two or more Issuing Dealers, the Issuing Dealer designated by the Issuer to be responsible for certain administrative tasks regarding the Medium Term Loan in accordance with the Final Terms; and (ii) if a Medium Term Loan has been raised through only one Issuing Dealer, the Issuing Dealer.

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Base CPI**” means the relevant rate of inflation determined at the date specified in the Final Terms.

“**Base Rate**” has the meaning specified in the Final Terms.

“**Business Day**” means:

- (a) in respect of Euroclear Notes, a day other than a Sunday or other public holiday in Sweden on which commercial banks are open for general business in Stockholm.



Saturdays, Midsummer's Eve (Sw. *midsommarafton*), Christmas Eve (Sw. *julafton*) and New Year's Eve (Sw. *nyårsafton*) shall for the purpose of this definition be deemed to be public holidays in Sweden; and

- (b) in respect of VPS Notes, a day other than a Saturday, Sunday or other public holiday in Norway on which banks are open for general business in Oslo and Stockholm and in relation to payments of Medium Term Notes, also a day on which the Norwegian Central Bank's (No. *Norges Bank*) and the VPS's settlement system are operating.

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

- (a) the Swedish FSA considers such a change to be sufficiently certain; and
- (b) the Issuer demonstrates to the satisfaction of the Swedish FSA that the regulatory reclassification of the Subordinated Notes was not reasonably foreseeable at the Loan Date.

**"Capital Regulations"** means, at any time, regulations, directives, guidelines or similar of the EU and its institutions and any delegated act adopted by the European Commission thereunder, as well as the legal acts, regulations, requirements, guidelines and policies relating to capital adequacy of credit institutes issued by the Swedish Parliament, the Swedish Government, the Swedish FSA and/or any European successor then in effect in Sweden, including (but not limited to):

- (a) the Capital Buffer Act (Sw. *lag (2014:966) om kapitalbuffertar*);
- (b) the Special Supervision of Credit Institutions and Investment Firms Act (Sw. *lag (2014:968) om särskild tillsyn av kreditinstitut och värdepappersbolag*);
- (c) the Capital Requirements Regulation;
- (d) the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC; and
- (e) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

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

**"Change of Control Event"** means an event or series of events (other than an IPO Event) resulting in a natural or legal person, other than EQT VII, alone or together with a person (or several persons who either (i) are, in respect of individuals, related; (ii) are, in respect of legal entities, members of the same group; or (iii) who act or have agreed to act in concert for the purposes of and prior to the acquisition of, or the establishment of control over, shares in the Issuer):

- (i) control more than 50 per cent of the total outstanding shares or votes in the Issuer; or

- (ii) through agreement, or in any other way, alone (or together with such closely associated person as stated above) have the power to appoint a majority of the members of the board of directors of the Issuer,

except where the Noteholders have approved such event or series of events in accordance with Clause 15.11.

**“Code on Parents and Children”** means the Swedish Code on Parents and Children (Sw. *föräldrabalken (1949:381)*).

**“Common Equity Tier 1 Instruments”** means Common Equity Tier 1 instruments (Sw. *kärnprimärkapitalinstrument*) as defined in Part Two, Title 1, Chapter 2 of the Capital Requirements Regulation.

**“Companies Act”** means the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*).

**“CPI”** means consumer price index or – if CPI has ceased to be determined or published – an equivalent index with respect to consumer prices in Sweden as determined or published by Statistics Sweden (SCB) or the body which, in SCB’s place, determines or publishes such index. In the event an index series is changed, the new index shall be recalculated to the index series on which the Base CPI is based.

**“CSD”** means the central securities depository and registrar in which the Medium Term Notes are registered as stated in the Final Terms and is (i) Euroclear Sweden in respect of Euroclear Notes and (ii) VPS in respect of VPS Notes.

**“Currency”** has the meaning set out in the Final Terms.

**“Day Count Convention”** means, when calculating an amount for a certain reference period, the stated basis of calculation and which:

- (a) if the calculation method “30/360” is specified as applicable, means that the amount is to be calculated based on a year with 360 days consisting of twelve months each consisting of 30 days 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 calculation method “actual/360” is specified as applicable, means that the amount is to be calculated on the actual number of days elapsed in the relevant period divided by 360.

**“Dealers”** means Skandinaviska Enskilda Banken AB (publ), Nordea Abp, Danske Bank A/S, Danmark, Sverige Filial and such other dealer (Sw. *emissionsinstitut*) appointed for this MTN-Programme in accordance with Clause 17.3, but only for so long as such dealer has not withdrawn as a dealer.

**“Debt Register”** means the register, held by (i) Euroclear Sweden in respect of Euroclear Notes and (ii) VPS in respect of VPS Notes, of Noteholders in relation to a Medium Term Loan.

**“EQT VII”** means EQT VII, being comprised of EQT VII (No.1) Limited Partnership and EQT VII (No. 2) Limited Partnership (in each case acting by its manager, EQT Fund Management S.à r.l.) or any other person managed by EQT Fund Management S.à r.l., or by any successor as manager of such partnerships or person, provided that such successor is an Affiliate of EQT AB.

**“EUR”** means euro, the single currency of the participating member states in accordance with the European Union’s framework for the Economic and Monetary Union (EMU).

**“EURIBOR”** means the interest rate for a period comparable to the relevant Interest Period (a) listed at 11.00 a.m. (Brussels time) on the Interest Determination Date 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 (b) at the mentioned time, according to information released by the Administrative Agent, equivalent to:

- (i) the arithmetic mean of four leading commercial banks’ (that quote EURIBOR at the time in question and that are reasonably selected by the Administrative Agent) quoted interest rates to leading commercial banks in Europe for deposits of EUR 10,000,000 for the period in question; or
- (ii) if only one or no such quotation is given, 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 interbank market in Europe.

**“Euroclear Notes”** means Medium Term Notes denominated in SEK or EUR.

**“Euroclear Sweden”** means Euroclear Sweden AB (Reg. No. 556112-8074).

**“Event of Default”** means any event or circumstance specified as such in Clause 13 (*Events of Default in relation to Note Loans*) or Clause 14 (*Events of Default in relation to Subordinated Loans*).

**“Final CPI”** means the relevant rate of inflation determined at the date specified in the Final Terms.

**“Financial Year”** means the annual accounting period of the Group.

**“Fixed Interest Rate”** has the meaning set out in Clause 6 (*Interest*) and as further specified in the Final Terms.

**“Floating Rate”** has the meaning set out in Clause 6 (*Interest*) and as further specified in the Final Terms.

**“Framework Amount”** means SEK 5,000,000,000 or the equivalent in other currencies.

**“Group”** means the Issuer and its Subsidiaries from time to time.

**“Group Company”** means a company which is a part of the Group.

**“Holding Company”** means, in relation to a person, any other person in respect of which it is a Subsidiary.

**“Interest Commencement Date”** means, in accordance with the Final Terms, the date from which interest (if applicable) shall begin to accrue.

**“Interest Determination Date”** means the date specified in the Final Terms.

**“Interest Payment Date”** has the meaning set out in the Final Terms.

**“Interest Period”** has the meaning set out in the Final Terms.

**“Interest Rate”** means the rate of interest applicable to a Medium Term Loan, as specified in the Final Terms.

**"IPA"** and **"Issuing and Paying Agent"** means the issuing and paying agent appointed by the Issuer.

**"IPO Event"** means the occurrence of an event or series of events whereby the shares in the Issuer are admitted to trading on a MTF or Regulated Market.

**"Issuing Dealer"**, means, in accordance with the Final Terms, that or those Dealers through which a particular Medium Term Loan has been raised under this MTN-Programme.

**"Limitations Act"** means the Swedish Limitations Act (Sw. *preskriptionslag (1981:130)*).

**"Loan Amount"** is the aggregate Nominal Amount of Medium Term Notes with regards to a particular Medium Term Loan.

**"Loan Date"** means the date specified in the Final Terms.

**"Margin"** has the meaning specified in the Final Terms.

**"Material Group Company"** means the Issuer and each Group Company representing (on a consolidated basis) more than ten per cent of the consolidated total assets of the Group, as set out in the most recently published audited financial statements of such Group Company and the Issuer.

**"Maturity Date"** means, in accordance with the Final Terms, the date when the relevant Medium Term Notes shall be repaid.

**"Medium Term Loan"** means each Note Loan and Subordinated Loan.

**"Medium Term Note"** means each Note and Subordinated Note.

**"MTF"** means any multilateral trading facility (as defined in Directive 2014/65/EU on markets in financial instruments).

**"Net Proceeds"** means the gross proceeds from the offering of the relevant Medium Term Notes, minus costs and fees incurred in connection with the issuance thereof.

**"NIBOR"** means the interest rate for a period comparable to the relevant Interest Period (a) fixed for a period comparable to the relevant Interest Period on Oslo Børs's webpage at approximately 12.15 p.m. (Oslo time) on the Interest Determination Date or, on days on which Oslo Børs has shorter opening hours (New Year's Eve and the Wednesday before Maundy Thursday), the data published at approximately 10.15 a.m. (Oslo time) on the day in question shall be used or, if such quotation does not exist (b) at the mentioned time equivalent to:

- (i) the arithmetic mean of the quoted interest rates (rounded upwards to four decimal places) for deposits of NOK 100,000,000 for the period in question on the Norwegian interbank market as supplied by leading banks in the Norwegian interbank market reasonably selected by the Administrative Agent; or
- (ii) if only one or no such quotation is given, the Administrative Agent's assessment of the interest rate offered by Norwegian commercial banks for lending of NOK 100,000,000 for the period in question on the Norwegian interbank market.

**"NOK"** means Norwegian kroner, the lawful currency of Norway.

**“Nominal Amount”** means the amount of each Medium Term Note as stated in the Final Terms (reduced by any repaid amount).

**“Note”** means a debt instrument for the Nominal Amount, of the type set forth in the Swedish Financial Instruments Accounts Act in respect of Euroclear Notes, or the Norwegian Securities Register Act in respect of VPS Notes, which represents a part of a Note Loan which is governed by these Terms and Conditions.

**“Note Loan”** means each unsubordinated and unsecured loan, comprising of one or more Notes, raised by the Issuer under this MTN-Programme.

**“Norwegian Securities Register Act”** means the Norwegian Securities Register Act (No. *lov av 5. juli 2002 nr. 64 om registrering av finansielle instrumenter*).

**“Noteholder”** means the person who is registered on a Securities Account as direct registered owner (Sw. *ägare*) or nominee (Sw. *förvaltare*) with respect to a Medium Term Note.

**“Noteholders’ Meeting”** means a meeting among the Noteholders, in respect of a Medium Term Loan, held in accordance with Clause 15 (*Noteholders’ Meeting*).

**“Record Date”** means:

- (a) in relation to Euroclear Notes, the fifth Business Day (or another Business Day which is market practice on the Swedish bond market), prior to (i) the payment date for interest or principal in accordance with the Loan Terms, (ii) a date on which payments is to be made to Noteholders, (iii) the date of a Noteholders’ Meeting, (iv) a date on which a notice is sent or (v) another relevant date; and
- (b) in relation to VPS Notes, (A) the third Business Day (or another Business Day which is market practice on the Norwegian bond market), prior to (i) the payment date for principal in accordance with the Loan Terms, (ii) a date on which payments (other than interest payments) is to be made to Noteholders, (iii) the date of a Noteholders’ Meeting, (iv) a date on which a notice is sent or (v) another relevant date; and (B) the fourteenth Business Day (or another Business Day which is market practice on the Norwegian bond market), prior to the payment date for interest in accordance with the Loan Terms.

**“Redemption Date”** means the date on which a Medium Term Loan is repaid in accordance with Clause 9 (*Early redemption on change of control*) or Clause 10 (*Early redemption of Subordinated Notes*).

**“Real Interest Rate”** has the meaning set out in Clause 6 (*Interest*) and as further specified in the Final Terms.

**“Regulated Market”** means a regulated market as defined in Directive 2014/65/EU on markets in financial instruments (or any replacing or supplementing legal act) and stated in the Final Terms as applicable to a Medium Term Loan.

**“Securities Account”** means the account maintained by the relevant CSD 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, in accordance with applicable law of the relevant country.

**“SEK”** means Swedish kronor, the lawful currency of Sweden.

**“STIBOR”** means the interest rate for a period comparable to the relevant Interest Period (a) listed at 11.00 a.m. (Stockholm time) on the Interest Determination Date on Nasdaq Stockholm’s webpage for STIBOR fixing (or on such other webpage that replaces the webpage mentioned or, if such quotation does not exist (b) at the mentioned time equivalent to:

- (i) the arithmetic mean of quoted interest rates (rounded upwards to four decimal places) for deposits of SEK 100,000,000 for the period in question on the Stockholm interbank market as supplied by leading banks in the Stockholm interbank market reasonably selected by the Administrative Agent; or
- (ii) if only one or no such quotation is given, 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 Stockholm interbank market.

**“Subordinated Loan”** means each subordinated loan, comprising of one or more Subordinated Notes, raised by the Issuer under this MTN-Programme.

**“Subordinated Note”** means a debt instrument for the Nominal Amount, of the type set forth in the Swedish Financial Instruments Accounts Act in respect of Euroclear Notes, or the Norwegian Securities Register Act in respect of VPS Notes, which represents a part of a Subordinated Loan which is governed by these Terms and Conditions.

**“Subsidiary”** means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), which at any time is a subsidiary to such person, directly or indirectly, as defined in the Companies Act.

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

**“Swedish FSA”** means the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*).

**“Tax Event”** means that, at any time after the relevant Loan Date, there is a change in the applicable tax treatment of Subordinated Notes which the Issuer demonstrates to the satisfaction of the Swedish FSA is material and was not reasonably foreseeable on the relevant Loan Date.

**“Tier 2 Instruments”** means Tier 2 instruments (Sw. *supplementärkapitalinstrument*) as defined in Part Two, Title 1, Chapter 4 of the Capital Requirements Regulation.

**“VPS”** means Verdipapirscentralen ASA (Reg. No. 985 140 421).

**“VPS Notes”** means Medium Term Notes denominated in NOK.

1.2 When ascertaining whether a limit or threshold expressed in SEK has been reached or exceeded, an amount in another currency shall be counted on the basis of the rate of exchange on the previous Business Day which is published on Reuters site “SEKFIX=” (or through other such system or on another site which replaces the aforementioned system or site) or, if no such rate is published, the rate of exchange for such currency against SEK for the mentioned date, as published by the Swedish Central Bank (Sw. *Riksbanken*) on its website ([www.riksbank.se](http://www.riksbank.se)).

1.3 The definitions set out in in these Terms and Conditions shall apply to the Final Terms.

- 1.4 Unless a contrary indication appears, any reference in these Terms and Conditions to any word importing the singular shall include the plural and vice versa.

## **2 STATUS OF THE MEDIUM TERM NOTES**

### **2.1 Notes**

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves and shall at all times rank at least *pari passu* with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Issuer, except obligations which are preferred by mandatory law.

### **2.2 Subordinated Notes**

The Subordinated Notes will constitute Tier 2 Instruments of the Issuer. The Subordinated Notes constitute wholly subordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. In the event of liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer, the claims of the Noteholders shall in respect of the Subordinated Notes be subordinated to the claims of any depositors and other unsubordinated creditors of the Issuer in respect of such obligations, but rank *pari passu* with the claims of any holders of other subordinated indebtedness of the Issuer in respect of such obligations, and rank in priority to the claims of any holders of Common Equity Tier 1 Instruments, any other class of share capital or Additional Tier 1 Instruments of the Issuer in respect of such obligations.

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

## **3 ISSUE OF MEDIUM TERM NOTES**

- 3.1 Under this MTN-Programme the Issuer may issue Notes and Subordinated Notes, denominated in SEK, NOK or in EUR, with a maturity of at least one year. Under a Medium Term Loan, Medium Term Notes may be issued in multiple tranches without the approval of any Noteholder under the relevant Loan, provided that the terms of such tranches are identical with the exception of Loan Date, Loan Amount, price per Medium Term Note and Issuing Dealer.
- 3.2 By subscribing to Notes or Subordinated Notes each initial Noteholder approves that its Medium Term Notes shall be governed by the Loan Terms. By acquiring Medium Term Notes each new Noteholder confirms such approval.
- 3.3 The Issuer undertakes to make payments in respect of issued Medium Term Notes in accordance with the Loan Terms and to comply with the Loan Terms for the Medium Term Notes.
- 3.4 If the Issuer wishes to issue Medium Term Notes under this MTN-Programme the Issuer shall enter into a separate agreement for this purpose with one or more Dealers which shall be the Issuing Dealers for such Medium Term Loan. Final Terms shall be established in relation to each particular Medium Term Loan, which together with these Terms and Conditions shall constitute the full Loan Terms.

## **4 REGISTRATION OF MEDIUM TERM NOTES**

- 4.1 Medium Term Notes shall be registered on a Securities Account on behalf of Noteholders and, accordingly, no physical Medium Term Note will be issued. Registration requests relating to Medium Term Notes shall be directed to an Account Operator.
- 4.2 Those who according to assignment, pledge, the provisions of the Code on Parents and Children, conditions of will or deed of gift or otherwise have acquired a right to receive payment in respect of a Medium Term Note shall procure for registration of their right to receive payment.
- 4.3 The Administrative Agent shall, at all times, be entitled to obtain information from the relevant CSD regarding the contents of the Debt Register for purposes of carrying out their duties in accordance with these Terms and Conditions and if the relevant CSD permits, for other purposes, and shall not disclose such information to the Issuer, any Noteholder or third party unless necessary for such purposes. The Administrative Agent shall not be responsible for the content of such excerpt or in any other way be responsible for verifying who is a Noteholder.
- 4.4 The Issuer shall, if necessary for the Administrative Agent to be able to obtain information in accordance with Clause 4.3, issue a power of attorney for individuals employed by the Administrative Agent (as specified by the Administrative Agent) in order for these individuals to independently obtain information from the Debt Register. The Issuer may not revoke such power of attorney except if the Administrative Agent so instructs the Issuer, or gives its approval to the Issuer.
- 4.5 In order to comply with the conditions for a Medium Term Loan, the Issuer and the Administrative Agent, may, acting as a data controller, collect and process personal data. The processing is based on the Issuer's or the Administrative Agent's legitimate interest to fulfil its respective obligations under the conditions. Unless otherwise required or permitted by law, the personal data will not be kept longer than necessary given the purpose of the processing. To the extent permitted under the conditions for a Medium Term Loan, personal data may be shared with third parties, such as Euroclear Sweden, which will process the personal data further as a separate data controller. Data subjects generally have right to know what personal data the Issuer and the Administrative Agent processes about them and may request the same in writing at the Issuer's or the Administrative Agent's registered address. In addition, data subjects have the right to request that personal data is rectified and have the right to receive personal data provided by themselves in machine-readable format. Information about the Issuer's and the Administrative Agent's respective personal data processing can be found on their respective websites.

## **5 PAYMENTS**

- 5.1 Payment in respect of Medium Term Notes denominated in SEK shall be made in SEK, payment in respect of Medium Term Notes denominated in NOK shall be made in NOK and payment in respect of Medium Term Notes denominated in EUR shall be made in EUR.
- 5.2 Repayment of principal and payment of interest shall be made to the person who is registered as a Noteholder on the Record Date for the respective payment date or to such person who is registered with the relevant CSD on the Record Date as being entitled to receive such payment.
- 5.3 The Issuer has appointed the IPA to facilitate payments of interest and repayment of principal amounts for VPS Notes. The Issuer undertakes to, for as long as any VPS Notes registered with VPS are outstanding, procure that payments of interest and repayment of principal



amounts for such Medium Term Notes may be made by the IPA in accordance with the conditions for the VPS Note, the rules and regulations of VPS and relevant agreements between the Issuer and the IPA.

- 5.4 For as long as VPS Notes are outstanding with VPS, the IPA shall ensure that payments of interest and principal in relation to VPS Notes may be made by the IPA, these Terms and Conditions and the regulations applicable to the IPA from time to time in relation to record keeping, clearing and settlement.
- 5.5 If a Noteholder has registered, through an Account Operator, that principal or interest shall be deposited into a certain bank account, such deposit shall be effected by the relevant CSD on the relevant payment date. In any other case, the relevant CSD shall transfer the amount on the respective payment date to the Noteholder to the address registered with the relevant CSD on the Record Date.
- 5.6 Should the relevant CSD, due to a delay on behalf of the Issuer or due to any other obstacle (other than the obstacle set out in Clause 5.7), not be able to effect payments as aforesaid, the Issuer shall ensure that such payments are made to the persons who are registered as Noteholders on the relevant Record Date as soon as possible after such obstacle has been removed. In the case of such postponement, interest shall accrue in accordance with Clause 7.1.
- 5.7 If the Issuer is unable to carry out its obligations to pay through the IPA or a CSD due to obstacles for the IPA or the relevant CSD, the Issuer shall have a right to postpone the obligation to pay until the obstacle has been removed. In the case of such postponement, interest shall accrue in accordance with Clause 7.2.
- 5.8 If payment is made in accordance with this Clause 5, the Issuer and the relevant CSD shall be deemed to have fulfilled their payment obligations, irrespective of whether such payment was made to a person not entitled to receive such amount. However, this shall not apply if the Issuer or the CSD were aware that payment was made to a person not entitled to receive the payment.
- 5.9 The Issuer is not liable to gross-up any payments under Medium Term Notes by virtue of any withholding tax or otherwise imposed pursuant to any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto, public levy or the similar.

## **6 INTEREST**

- 6.1 Interest (if any) on a particular Medium Term Loan is calculated in accordance with the Final Terms.
- 6.2 The basis for interest calculation shall be stated in the Final Terms according to one of the following alternatives:

(a) Fixed Rate

If a Medium Term Loan denominated in SEK or EUR is specified as a Medium Term Loan with Fixed Rate the Medium Term Loan will bear interest at the Interest Rate from, but excluding, the Loan Date up to and including the Maturity Date.

If a Medium Term Loan denominated in NOK is specified as a Medium Term Loan with Fixed Rate the Medium Term Loan will bear interest at the Interest Rate from and including the Loan Date up to, but excluding, the Maturity Date.

Interest accrued during each Interest Period is paid in arrears on the relevant Interest Payment Date and shall be calculated using the Day Count Convention 30/360.

(b) Floating Rate (FRN)

If a Medium Term Loan denominated in SEK or EUR is specified as a Medium Term Loan with Floating Rate the Medium Term Loan will bear interest at the Interest Rate from, but excluding, the Loan Date up to and including the Maturity Date. The Interest Rate for the relevant Interest Period shall be calculated by the Administrative Agent on the respective Interest Determination Date and is the sum of the Base Rate and the Margin for the relevant period.

If a Medium Term Loan denominated in NOK is specified as a Medium Term Loan with Floating Rate the Medium Term Loan will bear interest at the Interest Rate from and including the Loan Date up to, but excluding, the Maturity Date. The Interest Rate for the relevant Interest Period shall be calculated by the Administrative Agent on the respective Interest Determination Date and is the sum of the Base Rate and the Margin for the relevant period.

If the Interest Rate cannot be determined on the Interest Determination Date due to such obstacle as referred to in Clause 20.1, interest shall continue to accrue on the Medium Term Loan at the interest rate applicable to the preceding Interest Period. As soon as the obstacle has been removed, the Administrative Agent (for Euroclear Notes) and the IPA (for VPS Notes) shall calculate a new Interest Rate which shall be effective from the second Business Day following the day of the calculation until the expiration of the current Interest Period.

Interest accrued during each Interest Period will be payable in arrears on the relevant Interest Payment Date and shall be calculated using the Day Count Convention Actual/360.

(c) Real Interest Rate

A Medium Term Loan with real interest rate bears an inflation-protected interest from, but excluding, the Loan Date up to and including the Maturity Date. The Interest Rate may be fixed or floating and shall be calculated in the same manner as set forth above in Clause 6.2 (a) or (b), and is multiplied with a number which is calculated by dividing Final CPI with Base CPI. The amount of interest linked to inflation for each Interest Period shall be notified to the Noteholders in accordance with Clause 19 (*Notices*), when the Administrative Agent has determined the amount.

If the Interest Rate cannot be determined on the Interest Determination Date due to such obstacle as referred to in Clause 20.1, interest shall continue to accrue on the Medium Term Loan at the interest rate applicable to the preceding Interest Period. As soon as the obstacle has been removed, the Administrative Agent (in respect of Euroclear Notes) and the IPA (in respect of VPS Notes) shall calculate a new Interest Rate which shall be effective from the second Business Day following the day of the calculation until the expiration of the current Interest Period.

(d) Zero coupon

If the Medium Term Loan is specified as a zero coupon Medium Term Loan it bears no interest. Zero coupon Medium Term Loans may be issued at a discount and redeemed at an amount per Medium Term Note corresponding to the Nominal Amount or a proportion thereof.

6.3 If the Interest Payment Date for a Medium Term Loan bearing a Fixed Interest Rate is not a Business Day, then interest will be paid on the next Business Day. Interest is calculated and

accrued only up to and including the Interest Payment Date for Euroclear Notes and up to, but excluding, the Interest Payment Date for VPS Notes.

- 6.4 If the Interest Payment Date for a Medium Term Loan bearing Floating Rate is not a Business Day, then the next Business Day shall be considered the Interest Payment Date provided that such Business Day does not occur in a new calendar month, in which case the Interest Payment Date shall be the previous Business Day. Interest is calculated and accrued up to and including the Interest Payment Date for Euroclear Notes and up to, but excluding, the Interest Payment Date for VPS Notes.

## **7 PENALTY INTEREST**

- 7.1 In the event of any delay in payment relating to principal and/or interest, penalty interest shall be payable on the overdue amount from its due date up to and including the date on which payment is made at a rate corresponding to the average of one week STIBOR for Medium Term Notes denominated in SEK, one week EURIBOR for Medium Term Notes denominated in EUR and one week NIBOR for Medium Term Notes denominated in NOK for the duration of the delay, plus two (2) percentage points in each case. STIBOR, EURIBOR and NIBOR shall for this purpose be determined on the first Business Day in each calendar week for the duration of the period of default. Penalty interest, in accordance with this Clause 7.1, for interest-bearing Medium Term Loans shall never be paid at a lower interest rate than the interest rate applicable to the relevant Medium Term Loan on its relevant due date with the addition of two (2) percentage points. Penalty interest shall not be capitalised.
- 7.2 If the delay is due to an obstacle of the kind set out in Clause 20.1 on the part of the Issuing Dealer, the IPA or any relevant CSD, no penalty interest shall apply, in which case the interest rate which applied to the relevant Medium Term Loan on the relevant due date shall apply instead.

## **8 REDEMPTION AND REPURCHASE**

- 8.1 The Medium Term Loan shall be redeemed on the Maturity Date at the amount per Medium Term Note stated in the Final Terms together with accrued and unpaid interest (if any). If the Maturity Date is not a Business Day, redemption shall occur on first following Business Day.
- 8.2 Subject to applicable law, the Final Terms may contain provisions which gives the Issuer a right or obligation to redeem all or part of Medium Term Loans together with accrued but unpaid interest (if any) prior to the Maturity Date.
- 8.3 The Issuer may repurchase Medium Term Notes at any time and at any price in the open market or otherwise provided that this is compatible with applicable law.
- 8.4 Medium Term Notes owned by the Issuer may be retained, resold or cancelled at the Issuer's discretion.

## **9 EARLY REDEMPTION ON CHANGE OF CONTROL**

- 9.1 Each Noteholder has the right to request that its Note under a Note Loan be redeemed prior to its stated Maturity Date upon the occurrence of a Change of Control Event.
- 9.2 The Issuer shall, without undue delay, notify the Noteholders and each Dealer upon becoming aware of the occurrence of a Change of Control Event in accordance with Clause 19 (*Notices*). Such notice may be given in advance of the occurrence of a Change of Control Event and be conditional upon the occurrence thereof, if a definitive agreement is in place providing for such Change of Control Event. The notice shall contain information on (i) how a Noteholder

that wishes to exercise its right of redemption pursuant to this Clause 9 shall proceed; and (ii) the Redemption Date. Within ten Business Days after having received such notice, a Noteholder that wishes to redeem its Notes shall give notice to the Issuer. Should any Dealer not receive such information, it is entitled to assume that no Change of Control Event exists or can be expected to occur, provided that such Dealer does not have actual knowledge of such Change of Control Event.

9.3 The Redemption Date shall fall no earlier than 30 Business Days and no later than 40 Business Days after notice of the Change of Control Event has been submitted to the Noteholders and each Dealer in accordance with Clause 9.2, however, if the Redemption Date is not a Business Day the Redemption Date shall be the following Business Day.

9.4 If there is a right of redemption and a Noteholder wishes to redeem its Notes, the Issuer shall redeem the relevant Notes on the Redemption Date at the price per Note equal to the Nominal Amount together with accrued but unpaid interest (if any). For a Note which is a zero coupon Medium Term Loan the amount per Note shall be calculated in accordance with paragraph (b) of Clause 13.5.

## **10 EARLY REDEMPTION OF SUBORDINATED LOANS**

The Issuer has the right to redeem Subordinated Notes under Subordinated Loans (at the amount per Subordinated Note equal to the Nominal Amount together with accrued but unpaid interest (if any)):

- (a) on a date (or dates) prior to its stated Maturity Date as set out in the Final Terms; or
- (b) if a Capital Disqualification Event or a Tax Event occurs,

provided that (i) the Issuer notifies the Noteholders in accordance with Clause 19 (*Notices*) no later than ten Business Days prior to the Redemption Date and (ii) the Swedish FSA has given its consent thereto.

## **11 INFORMATION TO NOTEHOLDERS**

The Issuer will make the following information available to the Noteholders by way of press release and publication on the website of the Issuer:

- (a) as soon as the same become available, but in any event within six months after the end of each Financial Year, its audited consolidated financial statements for that Financial Year;
- (b) Terms and Conditions and the Final Terms for all outstanding Medium Term Loans admitted to trading on a Regulated Market;
- (c) as soon as practicable upon becoming aware of an acquisition or disposal of any Medium Term Loan by a Group Company, information regarding the aggregate Nominal Amount held by Group Companies, or the amount of any Medium Term Loan cancelled by the Issuer; and
- (d) any other information required by the Swedish Securities Markets Act (*Sw. lag (2007:582) om värdepappersmarknaden*) or the Norwegian Securities Trading Act (*No. lov av 29. juni 2007 nr. 75 om verdipapirhandel*), as applicable, and in any event the rules and regulations of the Regulated Market on which any Medium Term Notes are admitted to trading.

## 12 GENERAL UNDERTAKINGS

The Issuer undertakes, as long as any Medium Term Loan is outstanding, to comply with the undertakings set out in this Clause 12.

### 12.1 Status of Note Loans

The Issuer shall ensure that its payment obligations under the Note Loans rank at least *pari passu* with its other unsubordinated and unsecured payment obligations, except for those obligations which are mandatorily preferred by law.

### 12.2 Change of business

The Issuer shall procure that no substantial change is made to the general nature of the business of the Group taken as a whole if such change would adversely affect the Issuer's ability to fulfil its payment obligations to the Noteholders.

### 12.3 Admission to trading on a Regulated Market

The Issuer undertakes to apply for admission on the relevant Regulated Market for Medium Term Loans, which according to the Final Terms shall be admitted to trading on a Regulated Market and to take any measures that may be required to maintain the admission as long as the relevant Medium Term Loan is outstanding, however, no longer than what is possible pursuant to applicable laws and regulations.

### 12.4 Compliance with laws

The Issuer undertakes to comply in all material respect with all laws and regulations to which it is subject.

### 12.5 Licence

The Issuer undertakes to maintain a licence to conduct banking and/or financing business (*Sw. tillstånd att bedriva bankrörelse och/eller finansieringsrörelse*) as required pursuant to the Swedish Banking and Financing Business Act (*Sw. lag (2004:297) om bank och finansieringsrörelse*) or any corresponding licence required pursuant to any legislation replacing the Swedish Banking and Financing Business Act.

## 13 EVENTS OF DEFAULT IN RELATION TO NOTE LOANS

13.1 The Administrative Agent shall (i) following a written demand from a Noteholder (or Noteholders) representing at least one-tenth of the Adjusted Loan Amount of the relevant Note Loan (such a request can only be made by Noteholders registered in the relevant CSD account on the Business Day occurring immediately after the date that the request was received by the Administrative Agent and must, if made by several Noteholders, be made jointly), or (ii) following a resolution at a Noteholders' Meeting by Noteholders of the relevant Note Loan, on behalf of the Noteholders by notice to the Issuer, declare the whole of the relevant Note Loan (but not in part) together with interest (if any) due for payment immediately or at the date determined by the Administrative Agent or Noteholders' Meeting (if applicable), if:

- (a) the Issuer does not in due time pay principal or interest attributable to the Note Loan, unless the non-payment:
  - (i) is caused by technical or administrative error; and
  - (ii) is remedied within five Business Days;
- (b) the Issuer does not fulfil its obligations in accordance with the Loan Terms relating to the relevant Note Loan, other than those stated above in (a), provided that:
  - (i) remedy is possible; and

- (ii) the non-compliance is remedied within 20 Business Days of the earlier of (A) the Administrative Agent giving notice thereof to the Issuer and (B) the Issuer becoming aware of the non-compliance;
  - (c) any financial indebtedness of the Issuer or a Material Group Company is not paid when due nor within any applicable grace period, or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this paragraph (c) if the aggregate amount of financial indebtedness referred to herein is less than SEK 50,000,000 (or the equivalent in other currencies);
  - (d) any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, affects any asset with a value exceeding SEK 50,000,000 of a Group Company and is not discharged within 30 Business Days;
  - (e) a Material Group Company suspends its payments;
  - (f) a Material Group Company applies for, or approves an application for, company reconstruction or similar proceedings;
  - (g) a Material Group Company enters into bankruptcy (Sw. *konkurs*);
  - (h) a decision is made that the Issuer shall go into liquidation (Sw. *likvidation*) or that a Material Group Company shall be placed in compulsory liquidation (Sw. *tvångslikvidation*), provided that no Event of Default will occur under this paragraph (h) if a Material Group Company is liquidated following the Material Group Company has repaid or otherwise redeemed in full (excluding after the occurrence of an event of default) all the notes issued by the Material Group Company to finance its purchase of mortgage loans originated by other Group Companies; or
  - (i) the Issuer carries out a merger, other than a merger where the Issuer is the surviving entity.
- 13.2 The Administrative Agent may not declare the relevant Note Loan together with interest (if any) due for payment in accordance with Clause 13.1 by a reference to circumstances constituting an Event of Default if it is no longer continuing or if a Noteholders' Meeting has resolved to waive such circumstances.
- 13.3 The Issuer shall, without undue delay, notify the Noteholders and each Dealer upon becoming aware of the occurrence of an Event of Default listed in Clause 13.1 in accordance with Clause 19 (*Notices*). Should any Dealer not receive such information, it is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that such Dealer does not have actual knowledge of such event or circumstance. The Administrative Agent and the Dealers are not obliged to monitor whether an Event of Default pursuant to Clause 13.1 is outstanding.
- 13.4 The Issuer shall, at the times considered necessary by the Administrative Agent, provide the Administrative Agent with a certificate regarding the circumstances set out in Clause 13.1. The Issuer shall further provide the Administrative Agent with any information that the Administrative Agent may request regarding the circumstances in Clause 13.1 and, on the request of the Administrative Agent, provide the Administrative Agent with documentation which may be of importance in this respect.
- 13.5 In case of a redemption of Note Loans following acceleration in accordance with Clause 13.1:
- (a) interest-bearing Note Loans shall be redeemed at an amount per Note that would have been redeemed on the Maturity Date together with accrued but unpaid interest until and including the date of redemption; and

- (b) non-interest-bearing Note Loans shall be redeemed at an amount per Note determined by the following formula per the date of acceleration of the Note Loan:

$$\frac{\text{Nominal Amount}}{(1 + r)^t}$$

r = the ask rate quoted by the Administrative Agent for Swedish Government Bonds with an outstanding term to maturity corresponding to the remaining term of the relevant Note Loan. In the absence of such ask rate, the bid rate shall instead be used, as reduced by a market bid/ask spread, expressed in percentage points. The calculation shall be based on the closing quotation.

t = the remaining term for the relevant Note Loan, expressed in the Day Count Convention actual/360 for Notes denominated in SEK, EUR or NOK.

## 14 EVENTS OF DEFAULT IN RELATION TO SUBORDINATED LOANS

14.1 The Administrative Agent shall (i) following a written demand from a Noteholder (or Noteholders) representing at least one-tenth of the Adjusted Loan Amount of the relevant Subordinated Loan (such a request can only be made by Noteholders registered in the relevant CSD account on the Business Day occurring immediately after the date that the request was received by the Administrative Agent and must, if made by several Noteholders, be made jointly), or (ii) following a resolution at a Noteholders' Meeting by Noteholders of the relevant Subordinated Loan, on behalf of the Noteholders by notice to the Issuer, declare the whole of the relevant Subordinated Loan (but not in part) together with interest (if any) due for payment immediately or at the date determined by the Administrative Agent or Noteholders' Meeting (if applicable), if:

- (a) the Issuer enters into (Sw. *konkurs*); or
- (b) a decision is made that the Issuer shall go into liquidation (Sw. *likvidation*).

14.2 The Administrative Agent may not declare the relevant Subordinated Loan together with interest (if any) due for payment in accordance with Clause 14.1 by a reference to circumstances constituting an Event of Default if it is no longer continuing or if a Noteholders' Meeting has resolved to waive such circumstances.

14.3 The Issuer shall, without undue delay, notify the Noteholders and each Dealer upon becoming aware of the occurrence of an Event of Default listed in Clause 14.1 in accordance with Clause 19 (*Notices*). Should any Dealer not receive such information, it is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that such Dealer does not have actual knowledge of such event or circumstance. The Administrative Agent and the Dealers are not obliged to monitor whether an Event of Default pursuant to Clause 14.1 is outstanding.

## 15 NOTEHOLDERS' MEETING

15.1 The Administrative Agent is entitled to, and shall at the request of the Issuer, any other Issuing Dealer or Noteholders who at the time of the request represent at least one-tenth of the Adjusted Loan Amount under the relevant Medium Term Loan (such request may only be made by Noteholders who are registered in the Debt Register on the next Business Day after the day the request was received by the Administrative Agent and must, if made by several Noteholders who alone represents less than ten per cent of the Adjusted Loan Amount, be done together), convene a Noteholders' Meeting for the Noteholders under the relevant Medium Term Loan.

- 15.2 The Administrative Agent shall convene a Noteholders' Meeting by sending notice in accordance with Clause 19 (*Notices*) to each Noteholder and the Issuer, within five Business Days from the date when a complete request was received in accordance with Clause 15.1 (or such later date as necessary for technical or administrative reasons). The Administrative Agent shall also, without delay, inform each Issuing Dealer and the IPA in writing about such notice.
- 15.3 The Administrative Agent may refrain from convening a Noteholders' Meeting if (i) the proposed resolution must be approved by a person, in addition to the Noteholders, and this person has notified the Administrative Agent that such approval will not be given; or (ii) the proposed resolution is not compatible with applicable law.
- 15.4 The notice sent by the Administrative Agent in accordance with Clause 15.2, shall contain (i) the time and place of the meeting; (ii) an agenda listing the matters to be addressed at the meeting (including a detailed summary of each proposed decision); (iii) the day on which a person must be Noteholder in order to exercise Noteholders' rights at the Noteholders' Meeting (the "Voting Record Date") and (iv) a proxy form. A decision may not be made at the meeting in respect of any matter that is not listed in the notice. The notice shall, if Noteholders are required to announce their intention to participate in the Noteholders' Meeting, contain information of such requirement.
- 15.5 The Noteholders' Meeting shall not be held earlier than 15 Business Days and no later than 30 Business Days after the notice. Noteholders' Meetings for several Medium Term Loans under the MTN-Programme may be held on the same occasion.
- 15.6 The Administrative Agent may, without deviating from the provisions in these Terms and Conditions and as it deems appropriate, stipulate further provisions regarding the convening and holding of the Noteholders' Meeting. Such provisions may include provisions enabling Noteholders to vote without attending the meeting in person.
- 15.7 Only a person who is, or has been issued a power of attorney in accordance with Clause 16 (*Right to act on behalf of a Noteholder*) by someone who is a Noteholder on the Record Date for the Noteholders' Meeting may exercise voting rights at such Noteholders' Meeting, provided that the relevant Medium Term Note is covered by the Adjusted Loan Amount. The Administrative Agent has the right to attend, and shall make sure that an extract from the Debt Register at the Record Date for the Noteholders' Meeting is available at, the Noteholders' Meeting.
- 15.8 The Noteholders may not resolve to make amendments to the Loan Terms if the Issuer considers that, after consultation with the Swedish FSA, a change in the Loan Terms would be likely to result in the exclusion of the Subordinated Notes from the Tier 2 Instruments of the Issuer (an "Tier 2 Exclusion Event"). A resolution by the Noteholders to amend the Loan Terms is not valid if the Issuer considers that, after consultation with the Swedish FSA, such amendment would be likely to result in a Tier 2 Exclusion Event.
- 15.9 The Noteholders and the Administrative Agent, and their respective counsel or representatives, are entitled to attend a Noteholders' Meeting. The Noteholders' Meeting may resolve that other persons may attend. Representatives shall submit a power of attorney to be approved by the chairman of the Noteholders' Meeting. The Noteholders' Meeting shall commence with the appointment of a chairman, recording clerk and attester(s). The chairman shall prepare a list of Noteholders that are present with the right to vote at the meeting, with information on the proportion of the Adjusted Loan amount that is held by each respective Noteholder (the "**Voting Register**"). The Voting Register shall thereafter be approved by the Noteholders' Meeting. When applying these provisions Noteholders who have cast their vote via electronic voting, ballot paper or equivalent shall be deemed present



at the Noteholders' Meeting. Only those who, on the Voting Record Date of the Noteholders' Meeting, were Noteholders, or representatives for such Noteholders, and who are covered by the Adjusted Loan Amount, are entitled to vote and shall be included in the Voting Register. The Issuer shall be granted access to relevant voting calculations and the basis for these. The minutes shall be completed as soon as possible and be made available to Noteholders, the Issuer and the Administrative Agent.

- 15.10 Decisions on the following matters require the consent of the Swedish FSA (if required by law or applicable regulations) and the approval of Noteholders representing at least 90 per cent of the part of the Adjusted Loan Amount for which Noteholders vote under the relevant Medium Term Loan at the Noteholders' Meeting:
- (a) changing of the Maturity Date, reduction of the Nominal Amount, changing of terms relating to interest or the amount that is to be repaid (other than in accordance with the Loan Terms) and changing of the relevant Currency for the Medium Term Loan;
  - (b) amending the provisions for the Noteholders' Meeting in this Clause 15;
  - (c) mandatory exchange of Medium Term Notes into another security; and
  - (d) substitution of debtor.
- 15.11 Matters which are not covered by Clause 15.10 requires the approval of Noteholders representing more than 50 per cent of the portion of the Adjusted Loan Amount for which Noteholders vote under the relevant Medium Term Loan at the Noteholders' Meeting. This includes, but is not limited to, amendments and waivers of rights with relation to the Loan Terms which do not require a greater majority (other than changes in accordance with Clause 17 (*Amendment of Loan Terms, Framework Amount etc.*)) and acceleration of Medium Term Loans.
- 15.12 Quorum at a Noteholders' Meeting requires the presence of Noteholders, in person or via telephone (or by a representative with a power of attorney), representing at least 50 per cent of the Adjusted Loan Amount for matters listed in Clause 15.10 and for any other matter 20 per cent of the Adjusted Loan Amount.
- 15.13 If the Noteholders' Meeting has not met the necessary quorum requirements, the Administrative Agent shall convene a new Noteholders' Meeting (in accordance with Clause 15.2) provided that the relevant proposal has not been withdrawn by the initiator of the Noteholders' Meeting. The quorum requirement in Clause 15.12 is not applicable for such new Noteholders' Meeting.
- If the Noteholders' Meeting has met the quorum requirement for certain, but not all, matters which are to be resolved on in the meeting, decisions shall be made on those matters for which a quorum is present and any other matter is to be referred to a new Noteholders' Meeting.
- 15.14 A decision at a Noteholders' Meeting which extends new obligations to or limits the rights of the Issuer, the Administrative Agent, the Dealers or the Issuing Dealer under the Terms and Conditions requires the approval of the relevant party.
- 15.15 A Noteholder which holds more than one Medium Term Note does not need to vote for all, or vote in the same way for all Medium Term Notes held.
- 15.16 The Issuer may not, directly or indirectly, pay or contribute to the payment of any compensation to any Noteholder for its approval under the Loan Terms unless such compensation is offered to all Noteholders at the relevant Noteholders' Meeting.

- 15.17 A decision made at a Noteholders' Meeting shall be binding on all Noteholders under the relevant Medium Term Loan, whether or not they were present at the Noteholders' Meeting. Noteholders that did not vote in favour of a decision shall not be held liable for any damage that the decision may cause another Noteholder.
- 15.18 The Issuer shall reimburse the Administrative Agent for costs incurred by it in connection with the Noteholders' Meeting including reasonable compensation for the Administrative Agent.
- 15.19 The Issuer shall, without delay, at the request of the Administrative Agent, provide the Administrative Agent with a certificate which states the Nominal Amount for each Medium Term Note which is owned by Group Companies on the relevant Voting Record Date before a Noteholders' Meeting, regardless if such Group Company is directly registered as owner of such Medium Term Notes. The Administrative Agent shall not be held responsible for the contents of such certificate or otherwise be responsible for determining if a Medium Term Note is owned by a Group Company.
- 15.20 Noteholders under the relevant Medium Term Loan shall, without delay, be notified of decisions made at a Noteholders' Meeting in accordance with Clause 19 (*Notices*). The Administrative Agent shall, on the request of a Noteholders or a Dealer, provide them with the minutes from the relevant Noteholders' Meeting. Failure to notify the Noteholders as stated above in this Clause 15.20 does not affect the validity of the decision.

## **16 RIGHT TO ACT ON BEHALF OF A NOTEHOLDER**

- 16.1 If any person other than a Noteholder wishes to exercise the Noteholder's rights under the Loan Terms or vote at a Noteholders' Meeting, that person must present the Administrative Agent with a power of attorney or other proof of authorisation from the Noteholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Noteholder.
- 16.2 A Noteholder may issue one or several powers of attorney to third parties to represent it in relation to some, or all, of the Medium Term Notes held by the Noteholder. Any such representative may act independently and may further delegate its right to represent the Noteholder.

## **17 AMENDMENT OF LOAN TERMS, FRAMEWORK AMOUNT ETC.**

- 17.1 The Issuer and the Dealers are entitled to agree upon:
- (a) adjustment of clear and obvious errors in the Loan Terms; and
  - (b) changes and amendments to the Loan Terms as required by law, court order or official decision.
- 17.2 The Issuer and the Issuing Dealers may agree to increase or decrease the Framework Amount.
- 17.3 Appointment of a new Dealer may be made through an agreement between the Issuer, the relevant dealer and the Dealers. A Dealer may retire as a Dealer, however, the Administrative Agent under a particular Medium Term Loan may only retire as such if a new Administrative Agent is simultaneously appointed in its place.
- 17.4 The Issuer may, if resolved upon at a Noteholders' Meeting in accordance with Clause 15 (*Noteholders' Meeting*), make amendments to the Loan Terms in instances other than those set out in Clause 17.1 to Clause 17.3.

- 17.5 A decision made on a Noteholders' Meeting to amend or waive any Loan Term may include only the substance of the amendment and need not contain the specific form of the amendment.
- 17.6 A decision regarding an amendment to the Loan Terms shall also contain a decision regarding when the amendment shall enter into force and if relevant, any conditions for the amendment to enter into force. No decision shall enter into force before it has been duly registered with the CSD and published on the Issuer's website.
- 17.7 Information regarding a decision to amend or waive any terms and conditions of a Medium Term Loan in accordance with this Clause 17, shall be submitted to the Noteholders in accordance with Clause 19 (*Notices*). The decision shall also be published on the Issuer's website.

## **18 TIME BARRING OF CLAIMS**

- 18.1 The right to receive repayment of principal shall be subject to time bar and become void ten years from the Maturity Date. The right to receive payment of interest shall be subject to time bar and become void three years from the relevant Interest Payment Date. The Issuer is entitled to any funds set aside for payments in respect of claims which have become void due to time bar.
- 18.2 If a period of limitation is duly interrupted (*Sw. preskriptionsavbrott*) in accordance with the Limitations Act, a new limitation period of ten years with respect to the right to receive repayment of the principal, and of three years with respect to the right to receive payment of interest will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Limitations Act.

## **19 NOTICES**

- 19.1 Any notice or other communication to be made under or in connection with the Loan Terms:
- (a) if to the Administrative Agent, the Issuing Dealer or the Dealers shall be given at the address registered with the Swedish Companies Registration Office (*Sw. Bolagsverket*) on the Business Day prior to dispatch or, if sent by email by the Issuer, to the email address notified by the recipient to the Issuer from time to time;
  - (b) if to the Issuer, shall be given at the address registered with the Swedish Companies Registration Office on the Business Day prior to dispatch or, if sent by email by the Administrative Agent, to the email address notified by the Issuer to the Administrative Agent from time to time; and
  - (c) if to the Noteholders, shall be given at their addresses as registered with the relevant CSD, on the Record Date prior to dispatch, and by either courier delivery (if practicably possible) or letter for all Noteholders. A notice to the Noteholders shall also be published on the website of the Issuer and the Administrative Agent.
- 19.2 Any notice or other communication made by one person to another under or in connection with the Loan Terms shall be sent by way of courier, personal delivery or letter, or, if between the Issuer and the Administrative Agent, by email, and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 19.1 in case of letter, three Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 19.1 or, in case of email, when received in readable form by the email recipient. Any notice sent to the Noteholders shall also be disclosed by way of a press release and made available on the Issuer's website.

- 19.3 Failure to send a notice or other communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

## **20 FORCE MAJEURE AND LIMITATION OF LIABILITY**

- 20.1 With regards to the obligations imposed on the Dealers and the IPA, respectively, the Dealers and the IPA, 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.
- 20.2 Losses arising in other cases shall not be compensated by a Dealer or the IPA if the relevant entity has exercised due care. In no case shall compensation be paid for indirect losses.
- 20.3 Should a Dealer or the IPA not be able to fulfil its obligations under these Terms and Conditions due to any circumstance set out in Clause 20.1, such action may be postponed until the obstacle has been removed.
- 20.4 The aforesaid shall apply unless otherwise provided in the Swedish Financial Instruments Accounts Act or the Norwegian Securities Register Act, as applicable.

## **21 GOVERNING LAW AND JURISDICTION**

- 21.1 The Loan Terms, any non-contractual obligations arising out of or in connection herewith, shall be governed by and construed in accordance with the laws of Sweden, save for the registration of VPS Notes in VPS which will be governed by, and construed in accordance with, Norwegian law.
- 21.2 Disputes shall be settled in the courts of Sweden. The Stockholm District Court (Sw. *Stockholms tingsrätt*) shall be court of first instance.

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It is hereby confirmed that the above Terms and Conditions are binding on us.

Stockholm, 12 November 2018

**BLUESTEP BANK AB (publ)**

## FORM OF FINAL TERMS

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[Note Loan]/[Subordinated Loan] no [•]

under the Swedish MTN-Programme of

**Bluestep Bank AB (publ)**

The Terms and Conditions dated [\*\*] 2018 of the aforementioned MTN-Programme shall apply to this [Note Loan]/[Subordinated Loan], along with the Final Terms set out below.

The Terms and Conditions for the MTN-Programme are set out in the Issuer's base prospectus dated [\*\*] 2018, together with any supplementary prospectus published from time to time (the "**Base Prospectus**"). Capitalised terms used below shall have the meaning given to them in the Terms and Conditions, or as otherwise set out in the Base Prospectus.

This document constitutes the Final Terms for the purposes of article 5.4 of Directive 2003/71/EC (along with relevant implementing measures under this Directive in each Member State and in its current wording, including amendments via Directive 2010/73/EC to the extent implemented in the relevant Member State, referred to as the "Prospectus Directive") and must be read in conjunction with the Base Prospectus. Complete information about the Issuer and the offer can only be obtained through a combination of these Final Terms, the Base Prospectus (including any supplementary prospectus) and any documents incorporated therein by reference. These documents are available at [www.bluestep.se](http://www.bluestep.se).

[These Final Terms replace the Final Terms dated [•] whereby the Loan Amount is increased from [•] [SEK/EUR/NOK] to [•] [SEK/EUR/NOK]].

### GENERAL

1. **Loan number:** [•]
  - (i) Tranche name [•]
2. **Aggregate Nominal Amount:**
  - (i) for the Note Loan]/[Subordinated Loan]: [•]
  - (ii) for tranche [•]: [•]
  - [(iii) previous tranch(es):] [•]
3. **Price per Medium Term Note:** [•] % of the Nominal Amount [plus accrued interest from and including [date] *if applicable*]
4. **Currency:** [SEK]/[EUR]/[NOK]
5. **Nominal Amount per Medium Term Note:** [SEK]/[EUR]/[NOK] [•] (*Minimum [EUR [•]]/[NOK [•]] corresponding value in SEK.*)
6. **Loan Date:** [•]
7. **Interest Commencement Date (if other than Loan Date):** [•]
8. **Maturity Date:** [•]
9. **Basis for calculation of interest:** [Fixed Rate]  
[Floating Rate (FRN)]

- [Zero coupon]  
[Real Interest Rate]
10. **Amount as basis for calculation of interest:** [Nominal Amount]/[•]

**BASIS FOR CALCULATION OF RETURN**

12. **Fixed Interest Rate:** [Applicable]/[Not Applicable]  
*(If not applicable, delete the remaining subheadings under this heading)*
- (i) Interest Rate: [•] % annual interest calculated on [Nominal amount]/[•].
- (ii) Interest Period: [SEK/EUR: Period from [•] to and including the [•] (the First Interest Period) and thereafter each period of about [•] months with the final day on an Interest Payment Date]  
[NOK: Period from and including [•] to the [•] (the First Interest Period) and thereafter each period of about [•] months with the final day on an Interest Payment Date]
- (iii) Interest Payment Date(s): [Annually]/[Semi-Annually]/[Quarterly] the [•], the first time the [•] and last time the [•]  
*(The above is adjusted in the event of a shortened or extended Interest Period)*
13. **Floating Rate (FRN):** [Applicable]/[Not Applicable]  
*(If not applicable, delete remaining subheadings under this heading)*
- (i) Base Rate: [•] months [STIBOR]/[EURIBOR]/[NIBOR]  
[The Interest Basis for the first coupon will be a linear interpolation between [•] months [STIBOR]/[EURIBOR]/[NIBOR] and [•] months [STIBOR]/[EURIBOR]/[NIBOR].]
- (ii) Margin: [+]/[-][•] % annual interest calculated on the [Nominal Amount]/[•]
- (iii) Interest Determination Date: [Two] Business Days prior to each Interest Period, first time [•]
- (iv) Interest Period: [SEK/EUR: Period from [•] to and including the [•] (the First Interest Period) and thereafter each period of about [•] months with the final day on an Interest Payment Date.]  
[NOK: Period from and including [•] to the [•] (the First Interest Period) and thereafter each period of about [•] months with the final day on an Interest Payment Date.]
- (v) Interest Payment Date(s): The last day of each Interest Period, [[•], [•], [•] and [•],] the first time on [•] and last time on [•]

14. **Zero coupon [Note Loan]/[Subordinated Loan]:** [Applicable]/[Not Applicable]  
*(If not applicable, delete remaining subheadings under this heading)*
- (i) Terms for [Note Loans]/[Subordinated Loans] without interest: [•]
15. **Additional provisions applicable in relevant cases to [Notes]/[Subordinated Notes] with Real Interest Rate:** [Applicable]/[Not Applicable]  
*(If not applicable, delete remaining subheadings under this heading)*
- (i) Base CPI: [The date of determination of the Base CPI is [•] or Base CPI if fixed before the Loan Date]
- (ii) Final CPI: [The determination date of the Final CPI is [•]]

## REPAYMENT

16. **Amount with [Note]/[Subordinated Note] is to be repaid at the Maturity date:** [•] % of [Nominal Amount]/[•]
17. **Subordinated Note with voluntary early repayment options for the Issuer prior to the Maturity Date:** [Applicable]/[Not Applicable]  
*(If not applicable, delete remaining subheadings under this heading)*
- (i) Terms for early redemption: [The Issuer has the right to redeem (Call) on the following dates; [ ] [and thereafter each Interest Payment Date] provided that the conditions set out in paragraph (a) of Clause 10 are fulfilled.
- The Issuer further has the right to redeem (Call) provided that the conditions set out in paragraph (b) of Clause 10 are fulfilled.]

## OTHER

19. **Admitted to trading on a Regulated Market:** [Applicable]/[Not Applicable]  
*(If not applicable, delete remaining subheadings under this heading)*
- (i) Regulated Market: [Nasdaq Stockholm]/[Oslo Børs]/[Specify other relevant Regulated Market]
- (ii) Estimate of total expenses in connection with admission to trading: [•]
- (iii) Total number of Medium Term Notes admitted to trading: [•]
- (iv) Earliest date of admission to trading: [Specify]/[Not Applicable]

21. **CSD** [Euroclear Sweden]/[VPS]
22. **Interests:** [Specify]/[Not Applicable]  
*(Natural persons involved in the Issue and which may be relevant to individual Medium Term Loans, shall be described)*
23. **Following specific risk factors described in the Base Prospectus apply:** [Medium Term Notes with fixed interest rate]/[Medium Term Notes with floating interest rate]/[Medium Term Notes without interest]/[Medium Term Notes with real interest rate]  
*(Specify relevant interest rate risk for the applicable interest rate pursuant to above)*  
 [Specific risks related to the Subordinated Notes]  
 [The Company may redeem the Subordinated Notes on the occurrence of a Capital Event or Tax Event]  
 [Market and tenor risks]
24. **Credit rating for [Note Loan/[Subordinated Loan]:** [Specify]/[Not Applicable]
25. **Resolution as basis for the Issue:** [Specify]/[Not Applicable]
26. **Third party information:** [Information in these Final Terms that comes from a third party has been accurately reproduced and so far as the Issuer is aware and is able to ascertain from a comparison with other information that has been published by the relevant third party, no facts have been omitted in a way that would render the reproduced information inaccurate or misleading/Not Applicable]
27. **Issuing Dealer:** [Specify]  
 (i) for tranche [•]: [•]  
 [(ii) previous tranch(es):] [•]
28. **Administrative Agent:** [Specify]/[Issuing Dealer]
29. **ISIN:** SE[•]



The Issuer confirms that the above supplementary terms and conditions are applicable to the [Note Loan/Subordinated Loan] together with the Terms and Conditions and undertakes accordingly to pay principal and (where appropriate) interest. The Issuer also confirms that it has disclosed all material events after the date of this MTN-Programme regarding the Base Prospectus that could affect the market's perception of the Issuer.

Stockholm [*Date*]

**BLUESTEP BANK AB (publ)**

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## ADDRESSES

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