

## IMPORTANT NOTICE

### **THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE THE UNITED STATES.**

**IMPORTANT:** You must read the following before continuing. The following applies to the prospectus following this page (the **Prospectus**) and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE CAPITAL SECURITIES DESCRIBED IN THE PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE CAPITAL SECURITIES DESCRIBED IN THE PROSPECTUS MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE CAPITAL SECURITIES DESCRIBED IN THE PROSPECTUS.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Capital Securities described in the Prospectus, prospective investors must be, or acting on behalf of, non-U.S. persons (as defined in Regulation S) located outside the United States. The Prospectus is being sent to you at your request, and by accessing the Prospectus you shall be deemed to have represented to Akelius Residential Property AB (publ) (the **Issuer**) and the Joint Bookrunners as defined in the Prospectus that (i) you are not a U.S. person, or acting on behalf of a U.S. person and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction, and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, and (ii) you consent to delivery of the Prospectus by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Issuer or the Joint Bookrunners that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Prospectus or any other offering or publicity material relating to the Bonds described in the Prospectus, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer in such jurisdiction.

This communication is directed only at persons who (a) are outside the United Kingdom or (b) have professional experience in matters relating to investments or (c) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as **relevant persons**). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

The Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer or the Joint Bookrunners, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners. Please ensure that your copy of the Prospectus is complete. You are responsible for protecting against viruses and other destructive items.



**AKELIUS RESIDENTIAL PROPERTY AB (PUBL)**

*(incorporated in the Kingdom of Sweden as a public company with limited liability)*

**EUR 500,000,000 Subordinated Fixed to Reset Rate Capital Securities due 2081**

**Issue price: 100 per cent.**

Akelius Residential Property AB (publ), a public limited company with limited liability incorporated under the laws of the Kingdom of Sweden (the **Issuer**) is offering EUR 500,000,000 Subordinated Fixed to Reset Rate Capital Securities due 2081 (the **Capital Securities**).

Interest will accrue on the Capital Securities from (and including) 17 February 2020 (the **Issue Date**) to (but excluding) 17 May 2026 (the **First Reset Date**) at a rate of 2.249 per cent. per annum, and thereafter at the relevant Reset Interest Rate (as defined in the terms and conditions of the Capital Securities (the **Conditions**) under Condition 4(d)). Interest on the Capital Securities will (subject to the option of the Issuer to defer payments, as provided below) be payable annually in arrear on 17 May in each year from (and including) 17 May 2020. The first payment of interest will be made on 17 May 2020 in respect of the period from (and including) the Issue Date to (but excluding) 17 May 2020 (short first coupon).

Payments of interest on the Capital Securities may, at the option of the Issuer, be deferred, as set out in Condition 5(a). Deferred interest, which shall itself bear interest, may be paid at any time at the option of the Issuer (upon notice to the holders of the Capital Securities), and must be paid in the circumstances provided in Condition 5(b).

If the Issuer does not elect to redeem the Capital Securities in accordance with Condition 6(e) following the occurrence of the first Ratings Adverse Change of Control (as defined in the Conditions), the then prevailing interest rate per annum (and each subsequent interest rate per annum otherwise determined in accordance with the Conditions) for such Capital Securities shall be increased by an additional five percentage points per annum with effect from (and including) the day immediately following the Change of Control Step-Up Date, as set out in Condition 4(i).

Unless earlier redeemed or repurchased and cancelled, the Issuer shall redeem the Capital Securities on 17 May 2081. The Issuer will have the right to redeem the Capital Securities in whole, but not in part, on (a) any of the 90 days up to and including the First Reset Date or (b) any Interest Payment Date thereafter. The Issuer may also redeem the Capital Securities upon the occurrence of a Change of Control, a Tax Deductibility Event, a Substantial Repurchase Event, a Capital Event or a Withholding Tax Event, and may in certain circumstances vary the terms of, or substitute, the Capital Securities, all as set out in the Conditions.

**The Capital Securities (as defined under "Conditions of the Capital Securities") have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Capital Securities are being offered and sold outside the United States in accordance with Regulation S under the Securities Act (Regulation S), and may not be offered and sold or delivered within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.**

This prospectus (the **Prospectus**) has been approved by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The Central Bank of Ireland only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Capital Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Capital Securities.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Capital Securities to be admitted to the Official List and trading on its regulated market (the **Regulated Market**). Such approval relates only to the Capital Securities that are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**) and/or that are to be offered to the public in any member state of the European Economic Area (which, for these purposes, includes the United Kingdom (the **UK**)) (the **EEA**). References in this Prospectus to the Capital Securities being listed (and all related references) shall mean that the Capital Securities have been admitted to the Official List and have been admitted to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of MiFID II. This Prospectus will be valid for a period of twelve months from the date hereof. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus in the event of any significant new factor, material mistake or material inaccuracy after the earlier of (i) the date twelve months from the date of this Prospectus and (ii) the date on which the Notes are admitted to trading on a regulated market.

**MIFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

**PRIPs Regulation / PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** – The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIPs Regulation**) for offering or selling the Capital

Securities or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

The Issuer has been rated BBB by S&P Global Ratings Europe Limited (**S&P**). The Capital Securities have been rated BB+ by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the European Union (the **EU**) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation.

Amounts payable on the Capital Securities in respect of each Reset Period will be calculated by reference to the mid-swap rate for euro swap transactions with a maturity of five years which appears on the Reuters screen ICESWAP2 (**ICE Swap Rate**) and is provided by ICE Benchmark Administration Limited or by reference to the Euro Interbank Offer Rate (**EURIBOR**), which is provided by the European Money Markets Institute. As at the date of this Prospectus, ICE Benchmark Administration Limited and the European Money Markets Institute each appear in ESMA's register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**).

The Capital Securities will initially be represented by a temporary global capital security (the **Temporary Global Capital Security**), without interest coupons, which will be deposited on or about the Issue Date with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Capital Security will be exchangeable for interests in a permanent global capital security (the **Permanent Global Capital Security** and, together with the Temporary Global Capital Security, the **Global Capital Securities**), without interest coupons, on or after 30 March 2020 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Capital Security will be exchangeable for definitive Capital Securities only in certain limited circumstances. See "*Summary of Provisions relating to the Capital Securities while represented by the Global Capital Securities*".

**An investment in Capital Securities involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 1 of this Prospectus.**

*Structuring Adviser*

**BARCLAYS**

*Joint Bookrunners*

**BARCLAYS**

**BNP PARIBAS**

**DANSKE BANK**

The date of this Prospectus is 13 February 2020

## IMPORTANT INFORMATION

This Prospectus comprises a prospectus for the purposes of Article 6(3) of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*" below) and shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

References to the **Issuer** are to Akelius Residential Property AB (publ). References to **Akelius** or **Group** are to Akelius Residential Property AB (publ) and its subsidiaries taken as a whole, except where it is clear from the context that the term means Akelius Residential Property AB (publ), and except that references and matters relating to the shares and share capital of Akelius Residential Property AB (publ) or matters of corporate governance shall refer to shares, share capital and corporate governance of Akelius Residential Property AB (publ).

The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all material information with respect to the Issuer and the Capital Securities (including all information which, according to the particular nature of the Issuer and of the Capital Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Capital Securities), that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts known to the Issuer, the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading.

This Prospectus contains certain market, historical and forward looking economic and industry data, including information in "*Risk Factors*" and "*Information about the Issuer*" which have been obtained from publicly available information, independent industry publications and reports prepared by industry consultants. The Issuer has relied on the accuracy of such information without an independent verification thereof, however, the Issuer believes the information to be reliable. Where information in this Prospectus has been sourced from a third party, this information has been accurately reproduced and, so far as the Issuer is aware, and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or estimates or use rounded numbers. Information in this Prospectus which has been sourced from a third party is identified as such with the name of the third party source. None of the Issuer, the Joint Bookrunners or the Trustee (as defined below) represent that such information is accurate.

Save for the Issuer, no party has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Barclays Bank PLC, BNP Paribas or Danske Bank A/S as joint bookrunners (the **Joint Bookrunners**) or Deutsche Trustee Company Limited as trustee (the **Trustee**) for the holders of the Capital Securities (the **Holder**s) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Capital Securities. No Joint Bookrunner or the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Capital Securities or their distribution.

No person is or has been authorised by the Issuer, any Joint Bookrunner or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Joint Bookrunners or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the offering of the Capital Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Joint Bookrunners or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Capital Securities constitutes an offer or invitation by or on behalf of the Issuer, any of the Joint Bookrunners, or the Trustee to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Capital Securities or to advise any investor in the Capital Securities of any information coming to their attention. The Capital Securities have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, the Capital Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Capital Securities and on distribution of this Prospectus, see "*Subscription and Sale*" below.

None of the Issuer, the Joint Bookrunners or the Trustee, or any of their respective representatives, is making any representation to any offeree or purchaser of the Capital Securities regarding the legality of an investment in the Capital Securities by such offeree or purchaser under the laws applicable to such offeree or purchaser. Prospective investors should not construe anything in this Prospectus as legal, tax, business or financial advice. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Capital Securities.

#### **IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF CAPITAL SECURITIES GENERALLY**

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Capital Securities may be restricted by law in certain jurisdictions. The Issuer, the Joint Bookrunners and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Bookrunners or the Trustee which is intended to permit a public offering of the Capital Securities or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this

Prospectus and the offering and sale of Capital Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Capital Securities in the United States and the United Kingdom; see "*Subscription and Sale*".

## STABILISATION

**In connection with the issue of the Capital Securities, Barclays Bank PLC as stabilisation manager (the *Stabilisation Manager*) (or persons acting on behalf of the *Stabilisation Manager*) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Capital Securities and 60 days after the date of the allotment of the Capital Securities. Any stabilisation action or over-allotment must be conducted by the *Stabilisation Manager* (or persons acting on behalf of the *Stabilisation Manager*) in accordance with all applicable laws and rules.**

## PRESENTATION OF INFORMATION

The language of this Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Prospectus.

All references in this Prospectus to **Euro** and **EUR** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to **USD** are to the lawful currency for the time being of the United States, references to **GBP** are to the lawful currency for the time being of the United Kingdom, references to **CAD** are to the lawful currency for the time being of Canada, references to **SEK** are to the lawful currency for the time being of the Kingdom of Sweden and references to **DKK** are to the lawful currency for the time being of the Kingdom of Denmark.

Certain terms used in this Prospectus and financial measures presented in the documents incorporated by reference are not recognised financial measures under the international financial reporting standards (**IFRS**) (**Alternative Performance Measures** or **APMs**) and may therefore not be considered as an alternative to the financial measures defined in the accounting standards in accordance with generally accepted accounting principles. The Issuer presents APMs because it believes that these and similar measures are used by certain investors, securities analysts and other interest parties as supplemental measures of performance and liquidity. The APMs may differ from company to company and therefore may not be comparable to other similarly titled measures of other companies. The APMs may also have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Issuer's operating result as reported under IFRS.

For definitions and further explanations of Alternative Performance Measures, see "*Alternative Performance Measures*".

## SUITABILITY OF INVESTMENT

The Capital Securities are complex financial instruments and may not be a suitable investment for all investors. Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Capital Securities and be familiar with the behaviour of any relevant financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Prospective investors should consult their tax advisers as to the tax consequences of the purchase, ownership and disposition of the Capital Securities.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Capital Securities are legal investments for it, (2) Capital Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Capital Securities under any applicable risk-based capital or similar rules.

## CONTENTS

Risk Factors .....	1
Documents Incorporated by Reference.....	17
Forward-Looking Statements.....	18
Conditions of the Capital Securities.....	19
Summary of Provisions Relating to the Capital Securities in Global Form.....	50
Use of Proceeds.....	52
Alternative Performance Measures.....	53
Description of the Issuer and the Group .....	57
Board of Directors, Management and Auditors .....	78
Taxation .....	81
Subscription and Sale.....	84
General Information.....	86



## **RISK FACTORS**

*Any investment in the Capital Securities is subject to a number of risks. Prior to investing in the Capital Securities, prospective investors should carefully consider risk factors associated with any investment in the Capital Securities, the business of the Issuer and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Capital Securities" (the **Conditions**) below or elsewhere in this Prospectus have the same meanings in this section.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Capital Securities and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Capital Securities may decline and investors could lose all or part of their investment.*

*The risk factors in this section are categorised as follows:*

*"Risk factors that are specific and material to the Issuer and the Group" with the subcategories:*

- *"Risks relating to the financial position of the Issuer and the Group";*
- *"Risks relating to the industry and the market"; and*
- *"Legal and regulatory risks", as well as*

*"Risk factors that are specific and material to the Capital Securities"*

*When a risk factor is relevant in more than one category, such risk factor is presented only under the category deemed to be the most relevant for such risk factor. The most significant risk factor under each category is presented first. The other risk factors are not ordered by significance or probability of the risk being materialised. The significance is assessed mainly on the basis of two criteria, (i) the probability that the risk will materialise and (ii) the magnitude of the negative effect the materialised risk may have on the Issuer and the Group and any investors. In order to present the assessment of the significance of the risks on the basis of the criteria in a clear and concrete manner, the risk factors are described with quantitative information and/or a qualitative scale with the designations low, medium and high.*

### **Risk factors that are specific and material to the Issuer and the Group**

#### **Risks relating to the financial position of the Issuer and the Group**

##### ***Risk of change in value***

The Group's properties are recorded at fair value in the balance sheet, based on the Issuer's internal valuations, and changes in property value are recorded in the income statement. As a general rule, fair value is determined on the basis of prices in an active market and corresponds to the value attributed to the asset in a transaction between informed parties that are independent of each other and have an interest in the transaction being completed. On 31 December 2019, the Group's property portfolio consisted of 44,226 apartments. According to the Issuer's internal valuation, property holdings comprised a total value of EUR 11,964 million on that date. The Issuer's internal valuation is based,

among other things, on a number of assumptions. There is, therefore, a risk that the valuations have been based on assumptions that are entirely or partly inaccurate, which may give an incorrect reflection of the value of the Group's property portfolio and thus the Group's financial position.

Further, the value of the Group's properties are affected by a number of factors, including property-specific factors such as rent levels and operating costs (see "*Operating costs, etc*" below), as well as market-specific such as supply and demand for residential property and yield requirements, cost of capital and applied interest rates on comparable transactions in the property markets where the Group operates (see "*Interest risk*" below). In addition, the value of the Group's property is also affected by the potential that properties may be disposed of through sales. Large reductions in property value may decrease the Group's credit rating and reduce its ability to obtain financing (see more under "*Financing risk*" below) and to invest in new properties and property developments projects, as part of the Group's ongoing ordinary course operations.

The risk of such property-specific or market-specific factors occurring that adversely affect the value of the Group's property is deemed to be high. Given that the Group's balance sheet predominantly consists of property and that several adverse consequences may arise in the event of valuation decreases, it may have a highly material adverse effect on the Group's operations, results and financial position if the risk is materialised.

### ***Interest risk***

On 31 December 2019, the Group's loan-to-value ratio was 40 per cent. Loans, excluding the Group's existing 60-year subordinated hybrid loan, amounted to EUR 4,857 million with an average interest rate level of 2.25 per cent. and an average fixed-rate term of 4.5 years. The Group's total interest expenses for debt, including the existing 60-year subordinated hybrid loan, amounted to EUR 134 million during 2019 and is one of the Group's largest cost items.

The Group's interest rate levels are affected by underlying market rates as well as credit margins on the loan amount. Interest rates have historically fluctuated due to, and are in the future likely to be affected by, a number of different factors. Such factors include macroeconomic factors as well as inflation expectations, the households' financial capacity and confidence, and monetary policy (see more under "*Financing risk*" below), as well as factors linked to the Group's operations and industry, such as demand for rental properties. Because some of the Group's loans incur interest at floating rates, changes in interest rates can lead to increased interest expenses for the Group.

The risk that interest rates may increase and result in increases to the Group's interest expenses, and adversely affect the value of the Group's property, is deemed to be high (see "*Risk of change in value*" above). Considering the Group's loan-to-value ratio and that interest expenses are one of the Group's largest cost items, such increases can have a highly material adverse effect on the Group's operations, results and financial position, if the risk is materialised.

### ***Financing risk***

The Group depends on external financing for, among other things, its liquidity, refinancing its debt when it falls due and for property development. On 31 December 2019, the Group's loans, excluding the existing 60-year subordinated hybrid loan, amounted to EUR 4,857 million. If financing cannot be obtained on acceptable terms there is a high risk that both acquisitions and development projects could be postponed in the future. Delayed property upgrades affect the present value of development projects, which in turn has an adverse impact on the property value (see "*Risk of change in value*" above).

As a part of the Group's strategy to seek capital market financing on favourable terms and conditions, the Issuer has applied for and received the long-term credit rating BBB (stable outlook) from S&P. If

S&P should downgrade the Group's current credit ratings or if other credit rating agencies should give the Issuer or its outstanding debt instruments low credit ratings, the risk is high that the Group would only be able to obtain future financing on less favourable terms and conditions, primarily in the form of higher interest rates (see "*Interest risk*" above).

The Group's ability to obtain financing is affected not only by the Group's financial position, but also by macroeconomic factors. For example, disruptions in the capital markets and interest rate volatility may negatively affect the Group's ability to obtain financing (see "*Interest risk*" above and "*Macroeconomic factors*" below).

The risk that the Group may be unable to obtain financing or be unable to extend, increase or refinance its outstanding debt, or only be able to obtain such financing on unfavourable terms and conditions is deemed to be low. However, due to the Group's dependency on external financing, any such limitation could, however, have a material adverse effect on the Group's operations, results and financial position if such risk materialises.

### ***Macroeconomic factors***

The Group's main business is to own and manage properties, a line of business which to a substantial extent is affected by macroeconomic factors such as general economic trends, regional economic development, employment rate development, changes in infrastructure, population growth and other demographic trends, inflation, interest rate levels, access to financing, and other factors outside of the Group's control. In light of the Group's loan volume, which as of 31 December 2019, amounted to EUR 4,857 million, the Group is particularly exposed to factors that increase its borrowing costs such as generally increased interest rates (see "*Interest risk*" above) and increased risk premiums from lenders.

Growth in the broader economy affects the employment rates, salary levels and household financial capacity and confidence, which are significant factors for supply and demand on the housing market and thus affect the Group's vacancy rates and rent levels. In light of the fact that the Group's property portfolio mainly consists of residential properties, the Group's liquidity is to a large extent dependent on revenues from its rental properties and decreasing rental revenues and increased vacancy rates could lead to decreasing property prices on the real estate market in general (see "*Risk of change in value*" above).

The risk that several macroeconomic factors occur that may have high material adverse effect on the Group's operations, results and financial position is deemed to be low. However, the risk that some negative macroeconomic factors may occur is deemed to be high. The negative effect of such factors depends on the macroeconomic factor and its severity. For instance, increased market interest rates (see "*Interest risk*" above) or deteriorated access to financing (see more under "*Financing risk*" above) may have a high material adverse effect on the Group's operations, results and financial position, while changes in infrastructure or population structure may have a low material adverse effect for the Group.

### ***Financial undertakings***

The Group receives financing from banks, the public capital markets and the private capital markets. The Group has in total, as of 31 December 2019, loans from banks in six countries, eleven issued bond loans and one commercial paper programme as well as an issued hybrid bond. The Group has provided security and guarantees for some of these loans. All loan agreements, excluding the existing hybrid bond, are subject to financial undertakings (so-called covenants) that contain, among other things, provisions concerning ownership of the Group companies receiving loans, interest coverage ratio and loan-to-value ratio (see "*Description of the Issuer and the Group – Financial Policy and Covenants*").

The risk that the Group will breach one or several of these covenants is deemed to be low. However, should such a breach occur, it may lead to the loan or loans being terminated for immediate repayment, or security, consisting of among other things mortgages on the Group's properties, being enforced by the lender, which may have a highly material adverse effect on the Group's operations, results and financial position.

### ***Liquidity risk***

The Group's ability to fulfil its payment obligations at the relevant due date depends to a large extent on its ability to obtain loan financing when needed and on favourable terms, and, secondarily, on the Group's ability to sell properties. The Group's ability to obtain loan financing and carry out property sales is in turn connected with other risks described in this section, in particular "*Financing risk*" and "*Risk of change in value*".

On 31 December 2019, the Group's short-term liabilities amounted to EUR 590 million. If the Group's ability to secure funds to meet its payment obligations deteriorates, there is a risk that short-term financing would only be granted on less favourable terms and conditions. This could result in a considerable increase of the Group's costs for securing short-term financing.

The risk that the Group will not have the ability to meet payment obligations on the relevant due date is deemed to be medium. However, if the Group is unable to obtain short-term financing on acceptable terms and conditions, it could have a highly material adverse effect on the Group operations, results and financial position if the risk is materialised.

### ***Currency risk***

A substantial part of the Group's property investments are made in currencies other than EUR, which is the Group's reporting currency. The value of the Group's assets may deteriorate as a result of changes in exchange rates against EUR. If such deterioration occurs in countries where EUR is not the official currency, it could negatively affect the value of the Group's assets in such countries.

The risk that such exchange rate changes would occur that decrease the value on the Group's assets to such extent that would have an impact on the financial position of the Group is deemed to be low. However, because more than half of the assets recorded on the Group's balance sheet are located outside the Euro-zone and in countries without an official currency linked to EUR, it may have a highly material adverse effect on the Group's operations, results and financial position.

Furthermore, 60 per cent. of the Group's operating income and operating costs are denominated in other currencies than EUR, such as SEK, USD and CAD. Assets and liabilities denominated in local currencies are converted into EUR on the basis of exchange rates applicable on the relevant balance sheet date and revenues and expenses denominated in local currencies converted on the basis of an average exchange rate during the relevant period. Changes in the exchange rate of EUR in relation to local currencies affect the recorded value of such items in the Group's consolidated financial statements even though the fair value, as measured in the local currency, is not affected. The probability of exchange rate fluctuations is deemed to be high. The impact of such changes on the Group's operations, results and financial position if the risk is materialised is not deemed to be material, but such exchange rate fluctuations may have a highly material adverse effect on the income, costs and balance items as expressed in EUR.

## **Risks relating to the industry and the market**

### ***Operating costs, etc.***

The Group's operating costs mainly consist of utility costs such as costs for electricity, cleaning, water and heat, as well as other costs such as property taxes (see "*Tax risks*" below) and site leasehold fees. Several of the goods and services in most of the markets in which the Group operates may only be purchased from one operator. Therefore, the Group has limited control over these costs.

In the Swedish market, among others, the cost of utilities is included in the rent, meaning that the cost of heat, water and, in some cases, electricity is included in the amount paid by the lessee. In certain markets where the Group operates, especially in Sweden and Germany (see "*Changes in rental regulations*" below), rent levels (including utilities) are limited by rental regulations.

The risk that the Group's operating costs and other costs attributable to the Group's properties may be raised is deemed to be high. However, even if the Group cannot be compensated for such increased costs through rent increases, regulation in lease agreements or renegotiation of lease agreements, it may have a low material adverse effect on the Group's operations, results and financial positions.

### ***Project risks***

During 2019, the Group invested EUR 468 million in property development projects, of which EUR 150 million was attributable to apartment upgrades, EUR 64 million was attributable to upgrade of common areas and EUR 254 million was attributable to rationalisation projects. The Group had upgraded 48 per cent. of its apartments as at 31 December 2019. By upgrading properties and, occasionally, individual apartments, the Group can typically charge higher rent levels. Property valuation is partly based on estimated rent levels. The value of the Group's properties and its rent levels may thus be adversely affected if the Group cannot carry out property development projects due to e.g. lack of funding or regulatory barriers (see "*Financing risk*" above and "*Changes in other laws and regulations*" below).

Furthermore, the Group has to obtain the necessary governmental decisions and permits in order to carry out property development projects. For instance, about one-half of the Group's approximately 14,000 apartments in Berlin are located in socially protected areas where special permits are required for carrying out upgrades. Increased regulatory requirements have led to a higher administrative burden for the Group and an inability to complete upgrades with the same high standard as otherwise. It is likely that the number of socially protected areas will increase in Berlin, from the current 57 areas to at least over 80 areas, and thus apply to more of the Group's properties in Berlin.

Changes in permits, plans, regulations or legislation may also cause property development projects to be delayed (resulting in lost rental revenue), become more expensive to undertake or not to be carried out at all. Such changes may, for example, prohibit the Group from upgrading properties and apartments or from developing properties and apartments in the way that the Group has planned (see "*Changes in other laws and regulations*" below).

Moreover, in order to carry out profitable property development projects, the Group must be able (among other things) to retain and recruit competent construction, project planning, design, architecture and sales personnel to procure contracts for execution of the projects on terms acceptable to the Group.

The risk that the Group would not be able to carry out property development projects due to lack of funding, regulatory barriers or delays or barriers related to necessary governmental decisions and permits or a lack of skills and manpower is deemed to be medium. Considering the Group's main

business is to own and manage property, it may have a low material adverse effect on the Group's operations, results and financial position if the risk is materialised.

### ***Insurance risk***

It is difficult to obtain insurance policies for property that provide full coverage on various types of disasters, such as terrorist attacks, natural disasters and war. There are also other factors that may affect the chances of getting sufficient insurance compensation to make the Group whole following damage to insured properties, for example inflation, tax, changes in construction regulations and environmental concerns. The Group's properties are located in some of the world's larger and most significant cities, which have experienced terrorist attacks and natural disasters. In these cities, the Group's buildings are often older, exclusive and may also have been designated with antiquarian building classification and different forms of preservation listings. If any of these buildings were to be damaged, it is uncertain whether they could be restored to the previous condition and to the same value. If any of these events were to happen, there is a risk that the Group's insurance cover will not fully replace possibly destroyed properties. However, the probability of the occurrence of such events is deemed to be low. Considering that the Group has properties in several cities and that it is unlikely that a disaster would occur in all cities at the same time, the occurrence of the risk would have a low material effect on the Group's operations, results and financial position.

### **Legal and regulatory risks**

#### ***Tax risks***

Tax is a significant cost item for the Group. For example, the Group pays tax on its profits in the countries where the Group carries out its operations. Therefore, the Group is affected by the tax rules applicable from time to time in seven different countries.

Even though the Group's business activities are carried out in accordance with the Group's interpretation of applicable tax laws and regulations, and in accordance with advice from tax advisors, the Group's interpretation may be incorrect and such regulations may change with possible retroactive effect. Furthermore, future changes in applicable laws and regulations may affect the assumptions underlying the Group's current business. Moreover, tax rates may change in the future and other changes to regulations may occur that affect the assumptions underlying the Group's property ownership, property transactions or business in general.

Changes in taxes, such as company tax and property tax, or other public impositions in the countries where the Group operates could adversely affect the premises for the Group's operations, including the ability to carry out development projects. There is a high risk that tax rates will change in the future or that other changes will occur in the state and municipal systems that affect the Group's property holdings.

On 1 January 2019, new tax regulations entered into force in Sweden concerning, among other things, interest deduction limits for the business sector. The regulations are based on EU Directive 2016/1164 concerning the establishment of rules against tax avoidance practices that directly affect the functioning of the internal market and involve a general limitation on interest deductions in the business sector. According to the regulations, a company's net interest expense, i.e. the difference between the company's taxable interest income and deductible interest expenses, will only be deductible up to 30 per cent. of the company's taxable EBITDA (i.e. earnings before interest, taxes, depreciation and amortisation). On 31 December 2019, the Group had loans, excluding subordinated hybrid loans of EUR 4,857 million with an average interest rate level of 2.25 per cent. The regulations may cause the Group's final tax allowance, attributable to interest, to decrease as a result of the reduced allowance cap, which would result in lower profits after tax.

The risk of changes in tax legislation or in practice that result in, for example, changes in the Group's ability to make tax depreciations or use loss carry-forwards, is deemed to be high. Given that the Group is dependent on tax laws and regulations in a number of countries and that changes may affect the Group's tax burden adversely, the occurrence of the risk could have a highly material adverse effect on the Group's operations, results and financial position.

### ***Changes in rental regulations***

The Group's operations consist of owning and managing mainly residential property. A negative trend in rental regulations in one or several countries or regions where the Group operates may lead to lower rental revenues, or rents that do not increase to expected levels which could have an adverse effect on the value of the Group's property. This is, among other things, due to the inclusion of rental assumptions in property valuations (see "*Risk of change in value*" above).

55 per cent. of the total value of the Group's property portfolio on 31 December 2019 was located in Germany and Sweden, where rental regulations are more restrictive regarding rent increases among other things, than the other countries in which the Group owns property. Given the Group's large property holdings in these countries, the Group is particularly exposed to additional regulatory restrictions on rental increases, and in respect of Germany both on federal and state level. In Berlin, where the Group owned property corresponding to 25 per cent. of the total value of the property portfolio on 31 December 2019, a new law was passed by the Berlin House of Representatives on 30 January 2020, according to which rents will in certain cases not be permitted to be raised beyond levels agreed as of 18 June 2019 for a period of five years from the commencement of the law. The legislation also imposes limits on the maximum limits of rent permitted in respect of properties in Berlin built before 2014, with such limits depending on a number of factors, including the year of construction and the condition of the property. According to German media coverage, this may mean rent reductions for current tenants and lower rents for new tenants. As of the date of this Prospectus, the Issuer's initial analysis indicates that the new law may result in the Group having to reduce annual rent across its property portfolio by EUR 20 million (corresponding to 4 per cent. of rental income for the year ended 31 December 2019). While the legislation has been challenged as unconstitutional by several legal experts and a number of political parties have previously announced their intention to initiate legal proceedings against the law, there is nevertheless a risk that the new law limits the Group's rental revenues in respect of properties in Berlin.

The risk of changes in rental regulations which lead to lower rental revenues that are lower than estimated, and thereby result in decreased property valuations is deemed to be medium. Given the Group's area of business and its large property holdings, such regulatory developments could have a medium material adverse effect on the Group's operations, results and financial position.

### ***Changes in other laws and regulations***

The Group's business consists in owning and managing mainly residential properties, which means that the Group's business is regulated and affected by numerous laws and regulatory codes as well as different processes and decisions relating to such rules, both at the political as well as the civil servant level. The Group's properties are upgraded as part of the Group's real estate management. The regulations that affect the Group's business therefore consist of, *inter alia*, the Swedish Planning and Building Act and equivalent foreign regulations, construction norms, safety regulations, rules concerning permissible building materials, antiquarian building classifications and different forms of preservation listings. Changes in these regulations may result in increased costs for the Group and limit its ability to develop its properties in a desirable manner.

In order for the Group's properties to be used and developed as intended (for example, through upgrades), different permits and decisions may also be required, including, among others, zoning plans and different forms of land parcelling, which are granted and given by municipalities and

governmental authorities, and which are decided at both the political and the civil servant level. There is a risk that, in the future, the Group will not be granted permits or decisions needed in order to use and develop its properties in a desirable manner. Furthermore, decisions could be appealed and thus significantly delayed. Additionally, decision-making practices and political will or direction may change in the future in a way that is negative for the Group.

There is a medium risk that changes in laws and codes of regulations will cause the Group to be subject to increased costs and limit its ability to use and develop its properties in a desirable manner. Considering the Group's estimated exposure to such changes in laws and regulations, they would be deemed to have a low material adverse effect on the Group's business, results and financial position.

#### ***Disputes relating to property transactions***

During the period beginning on 1 January 2019 up to and including 31 December 2019, the Group acquired 23 properties and divested 161 properties. The Group has a strategy of acquiring carefully selected properties, rather than occasionally purchasing large property portfolios. In comparison with other real property companies, the Group performs many property transactions. Due to the Group's high level of activity in the real estate market, in multiple jurisdictions, there is a risk that the Group may become involved in disputes or subject to significant claims relating to property transactions. Such disputes and claims may be time consuming, interrupt the Group's daily operations, result in claims for significant amounts and result in significant costs for the Group. The probability that this risk materialises is deemed to be medium.

Considering that large expenses may occur if the Group loses one or more disputes concerning property transactions, it may have a medium material adverse effect on the Group's results and financial position.

#### ***Risks related to EU's General Data Protection Regulation***

The Group stores personal data and other confidential information relating to its current and previous approximately 85,000 tenants in seven countries and is thus obligated to follow data protection and privacy legislation where the Group conducts its business. The Group partly develops and maintains its IT solutions internally and its strategy is to do this to a greater extent in the future. Therefore, the Group cannot rely on third parties with respect to processing personal data.

The EU's General Data Protection Regulation (EU) 2016/679 (**GDPR**) concerning rules and regulations for personal data processing and other data protection and privacy rules in the countries where the Group is operating limits the Group's abilities to collect and process personal data relating to, among other things, its tenants and employees.

The application of GDPR and its implementation in different national legislation is subject to interpretation and development. There is a risk that these statutes will be interpreted and applied in a manner that is not in line with the Group's current data protection routines. The Group is thus subject to a risk that personal data will be used erroneously, lost, disclosed or processed in violation of the applicable rules concerning data protection and privacy by the Group or by a third party (contracted by the Group). However, the probability that the risk materialises is deemed to be low.

Sanctions pursuant to GDPR could be comprehensive. If the Group processes personal data in violation of GDPR, the Group risks being subject of administrative fines up to a maximum of the higher of (i) four per cent. of the Group's total worldwide annual turnover, and (ii) EUR 20 million. During the 2019 fiscal year the Group's turnover was EUR 496 million.



## **Risk factors that are specific and material to the Capital Securities**

### **Risks related to the Capital Securities generally**

Set out below is a brief description of certain risks relating to the Capital Securities generally.

#### ***The claims of holders of the Capital Securities are structurally subordinated to those of certain other creditors of the Issuer and to creditors of the Issuer's subsidiaries***

Generally, lenders and trade and other creditors of the Issuer's subsidiaries are entitled to payment of their claims from the assets of such subsidiaries before these assets would be available for distribution to the Issuer, as direct or indirect shareholder, which would then allow for the Issuer to make payments under the Capital Securities. Any debt that the Issuer's subsidiaries may incur in the future will also rank structurally senior to Capital Securities.

A significant part of the Group's assets and revenues are generated by the Issuer's subsidiaries. The subsidiaries are legally separated from the Issuer and the subsidiaries' ability to make payments to the Issuer is restricted by, among other things, the availability of funds, corporate restrictions and local law. Furthermore, in the event of insolvency, liquidation or a similar event relating to one of the subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before any entity within the Group, as a shareholder, would be entitled to any payments. Thus, the Capital Securities are structurally subordinated to the liabilities of the subsidiaries of the Issuer.

#### ***The market price of the Capital Securities may be volatile***

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

#### ***Denominations involve integral multiples; definitive Capital Securities***

The Capital Securities have denominations consisting of a minimum of EUR 100,000 plus integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000. It is possible that the Capital Securities may be traded in amounts that are not integral multiples of EUR 100,000. In such a case a holder who, as a result of trading such amounts, holds a principal amount which is less than EUR 100,000 in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Capital Securities at or in excess of EUR 100,000 such that its holding amounts to EUR 100,000 or a higher integral multiple of EUR 1,000. Further, a Holder who, as a result of trading such amounts, holds a principal amount which is less than EUR 100,000 in its account with the relevant clearing system at the relevant time may not receive a definitive Capital Security in respect of such holding (should definitive Capital Securities be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to EUR 100,000.

If definitive Capital Securities are issued, holders should be aware that definitive Capital Securities which have a denomination that is not an integral multiple of EUR 100,000 may be illiquid and difficult to trade.

### ***Modification, Waivers and Substitution***

The conditions of the Capital Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The conditions of the Capital Securities also provide that the Trustee may, without the consent of Holders, agree to (i) any modification of any of the provisions of Capital Securities, the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, the provisions of the Capital Securities, the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders or (iii) the substitution of another company as principal debtor under the Capital Securities in place of the Issuer, in the circumstances described in Condition 17.

In addition, pursuant to Condition 4(j), certain modifications may be made to the interest calculation provisions of the Conditions and/or the Trust Deed and/or the Agency Agreement in order to effect the Benchmark Amendments in the circumstances and as otherwise set out in such Condition, without the requirement for the consent of the Holders or the Couponholders.

### **Risks Related to the Market Generally**

#### ***An active trading market for the Capital Securities may not develop***

The Capital Securities may have no established trading market when issued, and the Issuer cannot assure investors that an active trading market for the Capital Securities will develop or be maintained. If a market does develop, it may not be liquid. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. Therefore, investors may not be able to sell their Capital Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. A lack of liquidity may have a material adverse effect on the market value of the Capital Securities.

#### ***Credit ratings may not reflect all risks***

The Issuer's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Capital Securities. One or more independent credit rating agencies may assign credit ratings to the Capital Securities. The ratings may not reflect the potential impact of all risks related to the structure and marketing of the Capital Securities and additional factors discussed in this Prospectus or any other factors that may affect the value of the Capital Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Any change in the credit ratings of the Capital Securities or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Capital Securities.

In addition, S&P or any other rating agency may change their methodologies or their application for rating securities with features similar to the Capital Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Capital Securities, sometimes called "notching". If the rating agencies were to change their practices or their application for rating such securities in the future and the ratings of the Capital Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Capital Securities. If as a consequence of an amendment, clarification or change in the

equity credit criteria of any Rating Agency (as defined in the Conditions), the Capital Securities are no longer eligible for the same or higher category of equity credit attributed to the Capital Securities at the date of their issue (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time), the Issuer may redeem the Capital Securities in whole, but not in part, as further described in the Conditions.

In general, European (including UK) regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or UK-registered credit rating agency or the relevant non-EU and non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). If the status of the rating agency rating the Capital Securities changes, European (including UK) regulated investors may no longer be able to use the rating for regulatory purposes and the Capital Securities may have a different regulatory treatment. This may result in European (including UK) regulated investors selling the Capital Securities, which may impact the value of the Capital Securities and any secondary market.

The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

### **Risks related to the structure of the Capital Securities**

***The Capital Securities are subordinated obligations; accordingly, claims in respect of the Capital Securities would rank junior to claims in respect of unsubordinated obligations of the Issuer in the event of an Issuer Winding-up or Issuer Re-construction***

The Capital Securities are direct, unsecured and subordinated obligations of the Issuer. In the event of an Issuer Winding-up (as defined in the Conditions), the Trustee on behalf of the Holders or, in the limited circumstances described in Condition 12(d), the Holders will have a claim ranking behind claims of unsubordinated creditors of the Issuer and creditors of the Issuer in respect of all Subordinated Indebtedness (as defined in the Conditions), *pari passu* without any preference among themselves and with any present and future claims in respect of obligations of the Issuer in respect of Parity Securities (as defined in the Conditions) and in priority to any present and future claims in respect of (i) any class of share capital of the Issuer and (ii) any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Security.

In the event of an Issuer Re-construction (as defined in the Conditions), the Trustee on behalf of the Holders or, in the limited circumstances described in Condition 12(d), the Holders will have a statutory claim ranking *pari passu* among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities, but junior to any present or future claims in respect of all unsubordinated obligations of the Issuer and all Subordinated Indebtedness (as defined in the Conditions).

In the event of an Issuer Re-construction, unsecured debt could be subject to a mandatory write-down provided that a qualified majority of the unsecured creditors has approved such write-down. All unsecured debt will then be written down pro rata. A debt composition proposal, which involves at least 50 per cent of the amount of the unsecured debt, shall be deemed to be accepted by the creditors, where three-fifths of the creditors voting have accepted the proposal and their claims amount to three-

fifths of the total amount of claims held by the creditors entitled to vote. Where the debt composition percentage is lower, the debt composition proposal shall be deemed to be accepted where three-fourths of the creditors voting have approved the proposal and their claims amount to three-fourths of the total amount of the claims held by the creditors entitled to vote. If a debt composition is approved, all subordinated debt of the Issuer, including the Capital Securities, will be completely written-off. In respect of subordinated debt it is important to note that subordinated creditors may only take part in the creditors' meeting voting on a proposed debt composition provided the unsubordinated creditors consent to such participation. Potential investors should note that claims in respect of the share capital of the Issuer are not subject to loss absorbing measures under an Issuer Re-construction.

In the event of an Issuer Winding-up or an Issuer Re-construction, Holders (or the Trustee on their behalf) will only be eligible to recover any amounts in respect of their Capital Securities if all claims in respect of more senior-ranking obligations of the Issuer (whether secured or unsecured) have first been paid in full. If, on an Issuer Winding-up or Issuer Re-construction, the assets of the Issuer are insufficient to repay the claims of all senior-ranking creditors in full, the Holders will lose their entire investment in the Capital Securities. If there are sufficient assets to repay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of the Capital Securities and all other obligations of the Issuer ranking *pari passu* with the Capital Securities, Holders will lose some or substantially all of their investment in the Capital Securities. The Holders therefore face a higher recovery risk than holders of unsubordinated obligations and Subordinated Indebtedness (as defined in the Conditions) of the Issuer. Furthermore, the Conditions do not limit the amount of the liabilities ranking senior to or *pari passu* with the Capital Securities which may be incurred or assumed by the Issuer from time to time, whether before or after the Issue Date of the Capital Securities.

Furthermore, subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Capital Securities and each Holder shall, by virtue of their holding, be deemed to have waived all such rights of set-off, compensation or retention.

In addition, if the financial condition of the Issuer deteriorates such that Issuer Winding-up may be anticipated, the market price of the Capital Securities can be expected to fall, and such fall may be significant. A Holder that sells its Capital Securities in such an event may lose some or substantially all of its initial investment in the Capital Securities (whether or not an Issuer Winding-up subsequently occurs).

### ***The Issuer may defer interest payments***

The Issuer may, under the Conditions, at any time and in its sole discretion (except on the Maturity Date of the Capital Securities or any other Interest Payment Date on which the Capital Securities are to be redeemed), elect to defer payment of all (but not some only) of the interest which would otherwise be paid on any Interest Payment Date (as defined in the Conditions), and the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose.

Any interest not paid on an applicable Interest Payment Date and deferred shall constitute Deferred Interest and shall be paid in whole, but not in part, at any time, at the option of the Issuer or on the occurrence of certain mandatory settlement events described in the Conditions.

Any deferral of interest payments will be likely to have an adverse effect on the market price of the Capital Securities. In addition, as a result of such interest deferral provisions of the Capital Securities, the market price of the Capital Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition.

### ***The Issuer may be restricted from making payments under the Capital Securities***

Certain of the Issuer's existing outstanding senior debt securities contain a covenant restricting the Issuer's ability to, amongst other things, make payments of interest or principal under any of its subordinated debt where such payment would breach certain specified financial ratios. The Issuer is permitted under the terms of the Capital Securities to defer interest payments without such deferral constituting a default under the Capital Securities and the existence of payment restrictions under other existing outstanding indebtedness may result in the Issuer being more likely to defer payments than would otherwise be the case. See "*The Issuer may defer interest payments*", above and "*Description of the Issuer and the Group - Financial Policy and Covenants*".

### ***The Issuer may redeem the Capital Securities early; investors should consider reinvestment risk***

The Issuer will have the right to redeem the Capital Securities in whole, but not in part, on (a) any of the 90 days up to and including the First Reset Date or (b) any Interest Payment Date thereafter, at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the date of redemption.

The Issuer may also, at its option, redeem the Capital Securities in whole, but not in part, upon the occurrence of a Tax Deductibility Event, a Capital Event, a Change of Control, a Withholding Tax Event or a Substantial Repurchase Event with respect to the Capital Securities, as further described in the Conditions.

In the case of a Tax Deductibility Event or a Capital Event, such redemption will be at (i) 101 per cent. of the principal amount of the Capital Securities, where such redemption occurs before the date falling 90 days prior to the First Reset Date, or (ii) 100 per cent. of the principal amount of the Capital Securities, where such redemption occurs on or after the date falling 90 days prior to the First Reset Date, together in each case with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

In the case of a Withholding Tax Event, a Change of Control or a Substantial Repurchase Event, such redemption will be at 100 per cent. of the principal amount of the Capital Securities, together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

During any period when the Issuer may elect to redeem the Capital Securities, the market value of the Capital Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer might redeem the Capital Securities when its cost of borrowing is lower than the interest rate on the Capital Securities. There can be no assurance that, at the relevant time, Holders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Capital Securities. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***Substitution or variation of the Capital Securities***

There is a risk that, after the issue of the Capital Securities, a Tax Deductibility Event, a Capital Event or a Withholding Tax Event may occur which would entitle the Issuer, without any requirement for the consent or approval of the Holders, to substitute all, but not some only, of the Capital Securities for, or vary the terms of the Capital Securities so that they become or remain, Qualifying Capital Securities (as defined in the Conditions).

Whilst Qualifying Capital Securities are required to have terms which are not materially less favourable to Holders than the terms of the Capital Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of

international standing), there can be no assurance that the Qualifying Capital Securities will not have a significant adverse impact on the price of, and/or the market for, the Capital Securities, nor that there will not be any adverse tax consequences for any Holders of the Capital Securities arising from such substitution or variation.

### ***Fixed rate securities have a market risk***

The Capital Securities will bear interest at a fixed rate, reset by reference to the 5 Year EUR Mid-Swap Rate (as defined in the Conditions) plus a margin on the First Reset Date for the Capital Securities and on each fifth anniversary of such first reset date. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the **Market Interest Rate**). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate may cause the price of such security to change. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Potential investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Capital Securities and can lead to losses for the Holders if they sell the Capital Securities.

Each Reset Interest Rate may be different from the initial interest rate of the Capital Securities and may adversely affect the yield of the Capital Securities.

### ***Reform and Regulation of "benchmarks"***

So-called benchmarks such as the ICE Swap Rate and EURIBOR (which is the floating leg of the 5 Year EUR Mid-Swap Rate used in the reset provisions for the Capital Securities) and other indices which are deemed "benchmarks" (each a **Benchmark** and together, the **Benchmarks**), to which the interest on the Capital Securities during any Reset Period is linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. It is not possible to predict with certainty whether, and to what extent, the Benchmarks will continue to be supported going forwards. In addition, the reform of EURIBOR to adopt a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate) could require an adjustment to the Conditions or result in other consequences in respect of the Capital Securities. Any such consequence could have a material adverse effect on the value of and the amount payable under the Capital Securities. International proposals for reform of Benchmarks include the Benchmarks Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

Any changes to a Benchmark as a result of the Benchmarks Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks. Although it is uncertain whether or to what extent any of the abovementioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of the Capital Securities, investors should be aware that they face the risk that any changes to the relevant Benchmark may have a material adverse effect on the value of and the amount payable under the Capital Securities.

The Conditions provide that, if the Issuer (in consultation with the Independent Adviser) determines that a Benchmark Event (which, amongst other events, includes the Original Reference Rate ceasing to exist, be administered or be published) has occurred, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Issuer and the Independent Adviser shall endeavour to determine a Successor Rate or an Alternative Rate and, in either case, an Adjustment Spread (which could be positive, negative or zero) to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate with the application of an Adjustment Spread to determine the Reset Interest Rate for a Reset Period may result in the Capital Securities performing differently (which may include payment of a lower Reset Interest Rate for such Reset Period) than they would do if the Original Reference Rate were to continue to apply.

Furthermore, if a Successor Rate, Alternative Rate and/or Adjustment Spread, as applicable, is determined by the Issuer and the Independent Adviser, the Conditions provide that the Issuer and the Independent Adviser may agree to vary the Conditions and/or the Trust Deed and/or the Agency Agreement, as necessary, to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, as applicable, without any requirement for the consent or approval of the Holders or the Couponholders, in the circumstances and as otherwise set out in the Conditions.

Notwithstanding the occurrence of a Benchmark Event, the Issuer may be unable to appoint an Independent Adviser in accordance with the Conditions, or the Issuer and the Independent Adviser may not be able to determine, or may not agree on the selection of, a Successor Rate or Alternative Rate or, in either case, the applicable Adjustment Spread in accordance with the Conditions before the Reset Interest Determination Date in respect of a Reset Period. In such circumstances, the Conditions provide for certain additional fall-back provisions which may result in (i) the 5 Year EUR Mid-Swap Rate being set by reference to offered quotations from banks communicated to the Calculation Agent or (ii) the last 5 Year EUR Mid-Swap Rate that was available on the Reset Screen Page being used to determine the Reset Interest Rate for a Reset Period.

If the Issuer is unable to appoint an Independent Adviser or the Issuer and the Independent Adviser fail to determine, or do not agree on the selection of, a Successor Rate or Alternative Rate or, in either case, the applicable Adjustment Spread for the life of the Capital Securities, this could result in the Capital Securities, in effect, becoming fixed rate securities.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Capital Securities.

***Holders of the Capital Securities have very limited rights in relation to the enforcement of payments on the Capital Securities***

If a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, the rights of the Holders in respect of the Capital Securities are limited to directing the Trustee to institute proceedings for an Issuer Winding-up, and the Holders (or the Trustee on their behalf) may prove and/or claim in respect of the Capital Securities in an Issuer Winding-up.

Whilst the claims of the Holders (or the Trustee on their behalf) in an Issuer Winding-up are for the principal amount of their Capital Securities together with any Deferred Interest and any other accrued and unpaid interest, such claims will be subordinated as provided above under "*The Capital Securities are subordinated obligations; accordingly, claims in respect of the Capital Securities would rank junior to claims in respect of unsubordinated obligations of the Issuer in the event of an Issuer Winding-up*". The Holders (or the Trustee on their behalf) shall not be entitled to accelerate payments of interest or principal under the Capital Securities in any circumstances outside an Issuer Winding-up. Furthermore, whilst the Trustee (if so directed by the Holders in accordance with the provisions of the Conditions and the Trust Deed) may institute other proceedings against the Issuer to enforce the terms

of the Capital Securities, the Issuer shall not, by virtue of such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Accordingly, the Holders' rights of enforcement in respect of payments under the Capital Securities are very limited.

***No limitation on issuing or guaranteeing debt ranking senior to or pari passu with the Capital Securities***

There is no restriction in the Conditions on the amount of debt which the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness or guarantees of third parties, including indebtedness that ranks *pari passu* with or senior to the Capital Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on an Issuer Winding-up and/or may increase the likelihood of a deferral of interest payments under the Capital Securities.



## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the audited annual consolidated financial statements of the Issuer in respect of the year ended 31 December 2018 (the **2018 Financial Statements**) and the audit report from Ernst & Young AB in respect of the 2018 Financial Statements, as set out on pages 100 – 166 (inclusive) of the Issuer's annual report for 2018:

[https://www.ise.ie/debt\\_documents/2018%20ARPAB%20Annual%20Report\\_985b3027-f62b-4bb4-a818-d9bf56ec443b.pdf](https://www.ise.ie/debt_documents/2018%20ARPAB%20Annual%20Report_985b3027-f62b-4bb4-a818-d9bf56ec443b.pdf)

2. the audited annual consolidated financial statements of the Issuer in respect of the year ended 31 December 2017 (the **2017 Financial Statements**) and the audit report from Öhrlings PricewaterhouseCoopers AB in respect of the 2017 Financial Statements, as set out on pages 92 – 147 (inclusive) of the Issuer's annual report for 2017:

[http://www.ise.ie/debt\\_documents/Annual\\_Report\\_2017\\_f6f369ce-ec60-4ad7-a11b-22106031c15b.PDF](http://www.ise.ie/debt_documents/Annual_Report_2017_f6f369ce-ec60-4ad7-a11b-22106031c15b.PDF)

3. the unaudited consolidated financial statements of the Issuer for the twelve months ended 31 December 2019 (the **2019 Q4 Financial Statements**), as set out on pages 1 – 37 (inclusive) of the Issuer's year-end report for 2019:

[https://www.ise.ie/debt\\_documents/Akelius%20Residential%20Property%20AB%20\(publ\)%200Year%20End%20Report%202019\\_90bb9905-f317-4d77-bd4f-8c0ba0b0cbe4.pdf](https://www.ise.ie/debt_documents/Akelius%20Residential%20Property%20AB%20(publ)%200Year%20End%20Report%202019_90bb9905-f317-4d77-bd4f-8c0ba0b0cbe4.pdf)

4. the Terms and Conditions of the notes contained in the Base Prospectus dated 12 May 2017 (as supplemented by the supplements dated 31 August 2017 and 6 November 2017) at pages 27 – 60 (inclusive) prepared by the Issuer in connection with its EUR 1,500,000,000 Euro Medium Term Note (EMTN) Programme:

[https://www.ise.ie/debt\\_documents/Base%20Prospectus\\_113ddf9f-3c73-4a89-80fc-9a4f27fee2fd.PDF](https://www.ise.ie/debt_documents/Base%20Prospectus_113ddf9f-3c73-4a89-80fc-9a4f27fee2fd.PDF)

save, that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus may be inspected, free of charge, during usual business hours at the specified offices of the Principal Paying Agent. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

The 2018 Financial Statements, the 2017 Financial Statements and the 2019 Q4 Financial Statements are English translations of the Swedish financial statements prepared for and used in the Kingdom of Sweden.

## FORWARD-LOOKING STATEMENTS

Certain statements included in this Prospectus may constitute "forward-looking statements". Forward-looking statements are all statements in this Prospectus that do not relate to historical facts and events, and include statements concerning the Issuer's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. The Issuer uses the words "may", "will", "could", "believes", "assumes", "intends", "estimates", "expects", "plans", "seeks", "approximately", "aims", "projects", "anticipates" or similar expressions, or the negative thereof, to generally identify forward-looking statements.

Forward-looking statements are set forth in a number of places in this Prospectus, including (without limitation) in the sections "*Risk Factors*" and "*Information about the Issuer*". The Issuer has based these forward-looking statements on the current view with respect to future events and financial performance. These views involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements contained in this Prospectus and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Issuer's actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements are made only as at the date of this Prospectus. Except to the extent required by law, the Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Capital Securities should not place undue reliance on these forward-looking statements.

## CONDITIONS OF THE CAPITAL SECURITIES

*The following, except for paragraphs in italics, is the text of the terms and conditions of the Capital Securities which, subject to modification, will be endorsed on each Capital Security in definitive form (if issued):*

The EUR 500,000,000 Subordinated Fixed to Reset Rate Capital Securities due 2081 (the **Capital Securities**, which expression shall, unless the context otherwise requires, include any Further Capital Securities issued pursuant to Condition 18 (*Further Issues*) and forming a single series with the Capital Securities) of Akelius Residential Property AB (the **Issuer**) are constituted by a trust deed dated 17 February 2020 (the **Trust Deed**) between the Issuer and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include its successor(s) as trustee for the holders of the Capital Securities (the **Holder**s) and the holders of the interest coupons (the **Couponholders** and the **Coupons**, respectively, which expression shall, unless the context otherwise requires, include the talons (**Talons**) for further Coupons and the holders of the Talons)).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 17 February 2020 (the **Agency Agreement**) made between the Issuer, Deutsche Bank AG, London Branch as initial principal paying agent and calculation agent (the **Principal Paying Agent**, which expression shall include any successor thereto, and together with any further paying agents as may be appointed under the Agency Agreement from time to time, the **Paying Agents**, and each a **Paying Agent** and the **Calculation Agent**, which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours by the Holders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Capital Securities at 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Paying Agents. The Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

### 1. FORM, DENOMINATION AND TITLE

#### (a) Form and Denomination

The Capital Securities are serially numbered and in bearer form in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000, each with Coupons and a Talon attached at the time of issue. No definitive Capital Securities will be issued with a denomination above EUR 199,000. Capital Securities of one denomination may not be exchanged for Capital Securities of any other denomination.

#### (b) Title

Title to the Capital Securities, Coupons and Talons will pass by delivery. The Issuer, the Trustee and any Paying Agent will (except as ordered by a court of competent jurisdiction or as otherwise required by law) deem and treat the bearer of any Capital Security, Coupon or Talon as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

### 2. STATUS

The Capital Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the Capital Securities and the

Couponholders in respect of the Coupons, in each case against the Issuer, are subordinated as described in Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*).

### 3. SUBORDINATION AND RIGHTS ON A WINDING-UP

#### (a) Rights on a Winding-Up or Company Re-Construction

In the event of the voluntary or involuntary liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer (each an **Issuer Winding-up**), the Trustee on behalf of the Holders or, in the limited circumstances described in Condition 12(d) (*Right of Holders*), the Holders, shall, in respect of the Capital Securities and Coupons, have a claim (in lieu of any other amount) for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:

- (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities;
- (ii) in priority to all present or future claims in respect of (A) any share capital of the Issuer and (B) any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Security; and
- (iii) junior to any present or future claims in respect of (A) all unsubordinated obligations of the Issuer and (B) all Subordinated Indebtedness.

In the event of a company re-construction (Sw. *företagsrekonstruktion*) of the Issuer under the Swedish Company Reorganisation Act (Sw. *lag (1996:764) om företagsrekonstruktion*) (an **Issuer Re-construction**), the Trustee on behalf of the Holders or, in the limited circumstances described in Condition 12(d) (*Right of Holders*), the Holders, shall, in respect of the Capital Securities and Coupons, have a statutory claim (in lieu of any other amount) for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:

- (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities; and
- (ii) junior to any present or future claims in respect of (A) all unsubordinated obligations of the Issuer and (B) all Subordinated Indebtedness.

*Claims in respect of the share capital of the Issuer are not subject to loss absorbing measures under an Issuer Re-construction.*

*The Issuer does not intend (without thereby assuming a legal or contractual obligation or restriction) to issue any preference shares that would rank junior to the Capital Securities or any Parity Securities.*

Nothing in this Condition 3(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or Agents or the rights and remedies of the Trustee or the Agents in respect thereof.

#### (b) Set-Off

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities, the Coupons or the

Trust Deed and each Holder and Couponholder shall, by virtue of its holding of any Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

#### 4. INTEREST

##### (a) Interest Payment Dates

The Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 17 February 2020 (the **Issue Date**) up to (but excluding) the Maturity Date in accordance with the provisions of this Condition 4 (*Interest*).

Subject to Condition 5 (*Optional Interest Deferral*), interest shall be payable on the Capital Securities annually in arrear on 17 May in each year (each an **Interest Payment Date**) from (and including) 17 May 2020 (the **First Interest Payment Date**).

##### (b) Interest Accrual

The Capital Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 (*Redemption*) or the date of substitution thereof pursuant to Condition 7 (*Substitution or Variation*), as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the Capital Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Capital Securities, both before and after judgment, and shall be payable as provided in these Conditions up to (but excluding) the Relevant Date.

When interest is required to be calculated in respect of a period of less than a full year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or, as the case may be, the first) scheduled Interest Payment Date (the **day-count fraction**). Where it is necessary to compute an amount of interest in respect of any Capital Security for a period of more than an Interest Period, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the period exceeding the full year calculated in the manner as aforesaid.

Interest in respect of any Capital Security shall be calculated per EUR 1,000 in principal amount thereof (the **Calculation Amount**). The amount of interest calculated per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of a Capital Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Capital Security without any further rounding.

##### (c) Initial Interest Rate

The Interest Rate in respect of each Interest Period commencing prior to the First Reset Date is 2.249 per cent. per annum (the **Initial Interest Rate**).

The first payment of interest, to be made on the First Interest Payment Date, will be in respect of the short first period from (and including) the Issue Date to (but excluding) the First Interest

Payment Date and will amount to EUR 5.53 per Calculation Amount. The Interest Payment in respect of each Interest Period commencing on or after the First Interest Payment Date and before the First Reset Date will amount to EUR 22.49 per Calculation Amount (and any such Interest Payment may be deferred in accordance with Condition 5 (*Optional Interest Deferral*)).

(d) **Reset Interest Rates**

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the applicable Margin and the applicable 5 Year EUR Mid-Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a **Reset Interest Rate**), subject in each case to a minimum of zero (0) per cent. per annum.

(e) **Determination of Reset Interest Rates and Calculation of Interest Amounts**

The Calculation Agent shall, at or as soon as practicable after 11.00 a.m. (Central European time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the Reset Period commencing immediately following such Reset Interest Determination Date and shall calculate the amount of interest which will (subject to deferral in accordance with Condition 5 (*Optional Interest Deferral*)) be payable per Calculation Amount in respect of each such Interest Period (the **Interest Amount**).

(f) **Publication of Reset Interest Rates and Interest Amounts**

Unless the Capital Securities are to be redeemed, the Issuer shall cause notice of each Reset Interest Rate and each related Interest Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 19 (*Notices*), the Holders, in each case as soon as practicable after its determination but in any event not later than the first Business Day of the relevant Reset Period.

(g) **Calculation Agent**

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another reputable independent financial institution of good standing. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another independent financial institution approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid. If the Issuer fails to appoint a successor Calculation Agent approved in writing by the Trustee in a timely manner, then the Calculation Agent shall be entitled to appoint as its successor a reputable independent financial institution of good standing which the Issuer and the Trustee shall approve.

(h) **Determinations of Calculation Agent Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 (*Interest*) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default and fraud) no liability to the Holders, the Couponholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) **Step-Up after First Change of Control**

Notwithstanding any other provision of this Condition 4 (*Interest*), if the Issuer does not elect to redeem the Capital Securities in accordance with Condition 6(e) (*Redemption for Change of Control*) following the occurrence of the first Ratings Adverse Change of Control (if any) to occur on or after the Issue Date, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Condition 4 (*Interest*), in respect of the Capital Securities shall be increased by an additional 5 percentage points per annum with effect from (and including) the day immediately following the Change of Control Step-up Date.

(j) **Benchmark Event**

(i) Notwithstanding the provisions above in this Condition 4 (*Interest*), if, (on or after 17 November 2025, the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred in relation to the Original Reference Rate (whether such occurrence is before, on or after 17 November 2025) when any Reset Interest Rate (or any component part thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply:

(A) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer and the Independent Adviser determining, no later than three Business Days prior to the relevant Reset Interest Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(j)(i)(B) below) and, in either case, an Adjustment Spread (in accordance with Condition 4(j)(i)(C) below) and any Benchmark Amendments (in accordance with Condition 4(j)(i)(D) below).

An Independent Adviser appointed pursuant to this Condition shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Calculation Agent, any Paying Agent, the Trustee, the Holders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with the operation of this Condition 4(j).

(B) If:

(i) the Issuer and the Independent Adviser agree that there is a Successor Rate, then such Successor Rate (as adjusted by the applicable Adjustment Spread as provided in Condition 4(j)(i)(C) below) shall subsequently be used in place of the Original Reference Rate as a component part of determining the relevant Reset Interest Rate(s) for all future payments of interest on the Capital Securities (subject to the subsequent further operation of this Condition 4(j)); or

(ii) the Issuer and the Independent Adviser agree that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate (as adjusted by the applicable Adjustment Spread as provided in Condition 4(j)(i)(C) below) shall subsequently be used in place of the Original Reference Rate as a component part of determining the relevant Reset Interest Rate(s) for all future payments of interest on the Capital Securities (subject to the subsequent further operation of this Condition 4(j)); or

- (iii) either (1) the Issuer is unable to appoint an Independent Adviser or (2) the Issuer and the Independent Adviser do not agree on the selection of a Successor Rate or an Alternative Rate or, in either case, no applicable Adjustment Spread is determined pursuant to Condition 4(j)(i)(C) below, three Business Days prior to the Reset Interest Determination Date relating to any applicable Reset Period, the fallback provisions set out in the definitions of 5 Year EUR Mid-Swap Rate and Reset Reference Bank Rate in Condition 23 (*Definitions*) will continue to apply. For the avoidance of doubt, this Condition 4(j)(i)(B)(iii) shall apply to the determination of the Reset Interest Rate on the relevant Reset Interest Determination Date only, and the Reset Interest Rate applicable to any subsequent Reset Period(s) is subject to the subsequent operation of, and to the adjustment as provided in, this Condition 4(j).
- (C) If a Successor Rate or Alternative Rate is determined in accordance with Condition 4(j)(i)(B), the Independent Adviser acting in good faith and in a commercially reasonable manner shall determine an Adjustment Spread (which may be expressed as a specified quantum or a formula or methodology for determining the applicable Adjustment Spread (and, for the avoidance of doubt, an Adjustment Spread may be positive, negative or zero)) which shall be applied to the Successor Rate or the Alternative Rate (as the case may be), for each subsequent determination of a relevant Reset Interest Rate by reference to such Successor Rate or Alternative Rate (as applicable), subject to the subsequent further operation and adjustment as provided in this Condition 4(j).
- (D) If any Successor Rate, Alternative Rate and (in either case) the applicable Adjustment Spread is determined in accordance with this Condition 4(j) and the Issuer and the Independent Adviser agree: (1) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) Adjustment Spread (such amendments, the **Benchmark Amendments**) and (2) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4(j)(i)(E) below, without any requirement for the consent or approval of the Holders or the Couponholders, vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.
- In connection with any such variation in accordance with this Condition 4(j)(i)(D), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the Capital Securities are for the time being listed or admitted to trading.
- (E) The Issuer shall no later than three Business Days prior to the relevant Reset Interest Determination Date notify the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 19 (*Notices*), the Holders of any Successor Rate, Alternative Rate, the applicable Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4(j). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.



No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer:

- (i) confirming (x) that a Benchmark Event has occurred; (y) the Successor Rate or, as the case may be, Alternative Rate; and (z) the applicable Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4(j);
- (ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) Adjustment Spread; and
- (iii) certifying that the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above.

The Trustee shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and (in either case) the Adjustment Spread, the Benchmark Amendments (if any) and any such other relevant changes pursuant to this Condition 4(j) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and (in either case) the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Paying Agents, the Calculation Agent, the Holders and the Couponholders.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Authorised Signatories of the Issuer pursuant to this Condition 4(j)(i)(E), the Trustee, the Principal Paying Agent, the Paying Agents and the Calculation Agent shall, (at the Issuer's expense and direction), without any requirement for the consent or approval of the Holders or Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments required to the Trust Deed (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), the Agency Agreement and these Conditions and the Trustee, the Principal Paying Agent, the Paying Agents and the Calculation Agent shall not be liable to any party for any consequences thereof, provided that none of the Trustee, the Principal Paying Agent, the Paying Agents and the Calculation Agent shall be obliged so to concur if in its sole opinion doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in the Conditions, the Agency Agreement or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

- (F) Without prejudice to the obligations of the Issuer under this Condition 4(j)(i), the Original Reference Rate and the fallback provisions provided for in the definitions of 5 Year EUR Mid-Swap Rate and Reset Reference Bank Rate in Condition 23 (*Definitions*) will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), the applicable Adjustment Spread and Benchmark Amendments, in accordance with this Condition 4(j).

(G) If, in the case of any Benchmark Event, any Successor Rate, Alternative Rate and/or Adjustment Spread is notified to the Calculation Agent and the Paying Agents pursuant to Condition 4(j)(i)(E), and the Calculation Agent or the Paying Agents, as applicable, is in any way uncertain as to the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the calculation or determination of any Reset Interest Rate, it shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent or the Paying Agents, as applicable, in writing (which direction may be by way of a written determination of an Independent Adviser) as to which course of action to adopt in the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the determination of such Reset Interest Rate. If the Calculation Agent or Paying Agents, as applicable, is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent or Paying Agents, as applicable shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so. For the avoidance of doubt, for the period that the Calculation Agent or the Paying Agents, as applicable remains uncertain of the application of the Successor Rate, Alternative Rate and/or Adjustment Spread in the calculation or determination of any Reset Interest Rate, the Original Reference Rate and the fallback provisions provided for in the definitions of 5 Year EUR Mid-Swap Rate and Reset Reference Bank Rate in Condition 23 (*Definitions*) shall continue to apply.

(ii) As used in this Condition 4(j):

**Adjustment Spread** means either a spread (which may be positive or negative or zero), or the formula or methodology for calculating a spread, in either case which is to be applied to the Successor Rate or Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recognised in relation to the replacement of the Original Reference Rate with the Successor Rate by any relevant Nominating Body; or
- (b) in the case of an Alternative Rate, or (where (a) above does not apply) in the case of a Successor Rate, is in customary market usage in the international debt capital markets for transactions which reference the Original Reference Rate, where such has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (c) (if the Independent Adviser determines that neither (a) nor (b) above applies) the Independent Adviser determined is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

**Alternative Rate** means an alternative benchmark or screen rate which the Independent Adviser and the Issuer agree in accordance with this Condition 4(j) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for resetting 5 year periods in euro or, if the Independent Adviser determines there is no such rate, such other rate as the Independent Adviser

acting in good faith and in a commercially reasonable manner determines is most comparable to the Original Reference Rate;

**Benchmark Amendments** has the meaning specified in Condition 4(j)(i)(D);

**Benchmark Event** means:

- (a) the Original Reference Rate ceasing to be published for at least five Business Days or ceasing to exist or be administered;
- (b) the later of (1) the making of a public statement by the administrator or an insolvency official with jurisdiction over the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (2) the date falling six months prior to the specified date referred to in (b)(1) above;
- (c) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;
- (d) the later of (1) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (2) the date falling six months prior to the specified date referred to in (d)(1) above;
- (e) the later of (1) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (2) the date falling six months prior to the specified date referred to in (e)(1) above;
- (f) it has, or will prior to the next Reset Interest Determination Date, become unlawful for the Issuer, the Calculation Agent, any Paying Agent or any other party to calculate any payments due to be made to any Holder using the Original Reference Rate; and/or
- (g) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used;

**Independent Adviser** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4(j)(i) at its own expense and with prior notification to the Trustee;

**Original Reference Rate** means the rate described in the first paragraph of the definition of 5 Year EUR Mid-Swap Rate in Condition 23 (*Definitions*) (provided that if, following one or more Benchmark Events, such 5 Year EUR Mid-Swap Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a

(or a further) Successor Rate or Alternative Rate, the term **Original Reference Rate** shall include any such Successor Rate or Alternative Rate);

**Relevant Nominating Body** means, in respect of the Original Reference Rate:

- (a) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (3) a group of the aforementioned central banks or other supervisory authorities, or (4) the Financial Stability Board or any part thereof; and

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is provided by law or regulation applicable to indebtedness denominated in the currency to which the Original Reference Rate relates and/or formally recommended by any Relevant Nominating Body.

## 5. OPTIONAL INTEREST DEFERRAL

### (a) Deferral of Interest Payments

The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment, in whole but not in part, which is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date or any other Interest Payment Date on which the Capital Securities are to be redeemed) by giving notice (a **Deferral Notice**) of such election to the Holders in accordance with Condition 19 (*Notices*), the Trustee and to the Principal Paying Agent not less than seven Business Days prior to the relevant Interest Payment Date.

Any Interest Payment so deferred pursuant to this Condition 5(a) (*Deferral of Interest Payments*) shall, from (and including) the Interest Payment Date on which such Interest Payment would (but for its deferral) have been payable to (but excluding) the date on which it is paid in full, itself bear interest at the Interest Rate prevailing from time to time (which interest shall compound on each subsequent Interest Payment Date on which such interest remains unpaid) and, for so long as the same remains unpaid, such deferred interest (together with the interest accrued thereon) shall constitute **Deferred Interest**.

The deferral of an Interest Payment in accordance with this Condition 5(a) (*Deferral of Interest Payments*) shall not constitute a default by the Issuer under the Capital Securities or the Trust Deed or for any other purpose.

### (b) Settlement of Deferred Interest

#### (i) Optional Settlement

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 19 (*Notices*), the Trustee and the Principal

Paying Agent not less than seven Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

(ii) **Mandatory Settlement**

The Issuer shall pay any Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (A) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;
- (B) any Interest Payment Date in respect of which the Issuer does not elect to defer the interest accrued in respect of the relevant Interest Period; and
- (C) the date on which the Capital Securities are redeemed or repaid in accordance with Condition 6 (*Redemption*) or Condition 12 (*Default and Enforcement*).

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders in accordance with Condition 19 (*Notices*), the Trustee and to the Principal Paying Agent within three Business Days of such event.

**6. REDEMPTION**

(a) **Final Redemption Date**

Unless previously repaid, redeemed or purchased and cancelled as provided in these Conditions, the Capital Securities will be redeemed on the Maturity Date at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the Maturity Date.

(b) **Issuer's Call Option**

The Issuer may, by giving not less than 10 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Capital Securities on (a) any of the 90 days up to and including the First Reset Date or (b) on any Interest Payment Date thereafter at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(c) **Redemption upon a Tax Deductibility Event or a Capital Event**

If a Tax Deductibility Event or a Capital Event has occurred and is continuing, the Issuer may, by giving not less than 10 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8 (*Preconditions to Special Event Redemption, Change of Control Redemption, Substitution or Variation*), redeem all, but not some only, of the Capital Securities at any time at an amount equal to:

- (i) 101 per cent. of their principal amount, where such redemption occurs before the date falling 90 days prior to the First Reset Date; or

- (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the date falling 90 days prior to the First Reset Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(d) **Redemption upon a Withholding Tax Event or a Substantial Repurchase Event**

If a Withholding Tax Event has occurred and is continuing, or if a Substantial Repurchase Event has occurred, the Issuer may, by giving not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8 (*Preconditions to Special Event Redemption, Change of Control Redemption, Substitution or Variation*), redeem all, but not some only, of the Capital Securities at any time at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(e) **Redemption for Change of Control**

If a Change of Control occurs on or after the Issue Date the Issuer may, at the earliest on the date following the expiry of the Exercise Period, and upon giving not less than 10 nor more than 60 days' notice (a **Change of Control Notice**) to the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

**7. SUBSTITUTION OR VARIATION**

If at any time a Tax Deductibility Event, a Capital Event or a Withholding Tax Event has occurred on or after the Issue Date and is continuing, then the Issuer may, subject to Condition 8 (*Preconditions to Special Event Redemption, Change of Control Redemption, Substitution or Variation*) (without any requirement for the consent or approval of the Holders or Couponholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), to the Holders (which notice shall be irrevocable), at any time either:

- (a) substitute all, but not some only, of the Capital Securities for Qualifying Capital Securities; or
- (b) vary the terms of the Capital Securities with the effect that they remain or become, as the case may be, Qualifying Capital Securities,

and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate by two Authorised Signatories of the Issuer referred to in Condition 8 below) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Capital Securities in accordance with this Condition 7.

The Trustee shall (at the expense of the Issuer) use reasonable endeavours to assist the Issuer in the substitution of the Capital Securities for, or the variation of the terms of the Capital Securities so that they remain or, as the case may be, become, Qualifying Capital Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Capital Securities, or the participation in or assistance with such substitution or variation, would expose the Trustee to any liability or impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Capital Securities as provided in Condition 6 (*Redemption*).

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

#### **8. PRECONDITIONS TO SPECIAL EVENT REDEMPTION, CHANGE OF CONTROL REDEMPTION, SUBSTITUTION OR VARIATION**

Prior to the publication of any notice of redemption pursuant to Condition 6 (*Redemption*) (other than redemption pursuant to Condition 6(b) (*Issuer's Call Option*) or 6(e) (*Redemption for Change of Control*)) or any notice of substitution or variation pursuant to Condition 7 (*Substitution or Variation*), the Issuer shall deliver to the Trustee:

- (a) a certificate signed by two Authorised Signatories of the Issuer stating:
  - (i) that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary (as the case may be) the Capital Securities is satisfied;
  - (ii) in the case of a Withholding Tax Event, that the Issuer is unable to avoid paying additional amounts pursuant to and in accordance with Condition 11 (*Taxation*) by taking measures reasonably available to it; and
  - (iii) in the case of a substitution or variation pursuant to Condition 7 (*Substitution or Variation*), that:
    - (A) the Issuer has determined that the terms of the Qualifying Capital Securities are not materially less favourable to Holders than the terms of the Capital Securities and that determination was reasonably reached by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing;
    - (B) the criteria specified in paragraphs (a) to (i) of the definition of Qualifying Capital Securities will be satisfied by the Qualifying Capital Securities upon issue; and
    - (C) the relevant substitution or variation (as the case may be) will not result in the occurrence of a Special Event; and

- (b) in the case of a Tax Deductibility Event, an opinion of counsel to the Issuer in Sweden (experienced in such matters) addressed to the Trustee to the effect that a Tax Deductibility Event has occurred and is continuing.

The Trustee may rely absolutely upon and shall be entitled to accept such certificate and any such opinion without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the criteria set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Capital Securities in accordance with Condition 6 (*Redemption*) shall be conditional on all Deferred Interest being paid in full in accordance with the provisions of Condition 5(b)(ii) (*Mandatory Settlement*) on or prior to the date of such redemption.

The Trustee is under no obligation to ascertain whether any Special Event, Change of Control or any event which could lead to the occurrence of, or could constitute, any such Special Event or Change of Control has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or Change of Control or such other event has occurred.

## **9. PURCHASES AND CANCELLATION**

### **(a) Purchase**

Each of the Issuer and any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account any or all Capital Securities in the open market or otherwise and at any price. In each case, purchases of Capital Securities will be made together with all unmatured Coupons and Talons appertaining thereto.

All Capital Securities purchased by the Issuer or any of its Subsidiaries may, at the option of the Issuer or such Subsidiary, be held, reissued, resold or surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons attached to them) to a Paying Agent.

### **(b) Cancellation**

All Capital Securities which are redeemed pursuant to Condition 6 (*Redemption*) or substituted pursuant to Condition 7 (*Substitution or Variation*) and all Capital Securities purchased and surrendered for cancellation pursuant to Condition 9(a) (*Purchase*) (in each case, together with all unmatured Coupons and unexchanged Talons relating thereto) will be cancelled and may not be reissued or resold.

## **10. PAYMENTS**

### **(a) Method of Payment**

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Capital Securities. Such payments will be made by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System.



- (ii) Upon the due date for redemption of any Capital Security, unmatured Coupons relating to such Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Capital Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of any of the Paying Agents in exchange for a further Coupon sheet (to include another Talon for a further Coupon sheet, if appropriate) (but excluding any Coupons that may have become void pursuant to Condition 13 (*Prescription*)).

(b) **Payments on Business Days**

If the due date for payment of any amount in respect of any Capital Security or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, **business day** means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, is a day on which the TARGET System is operating.

(c) **Payments subject to Fiscal Laws**

All payments in respect of the Capital Securities are subject in all cases to any (i) applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (**FATCA Withholding**).

(d) **Interpretation of Principal, Premium and Interest**

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any additional amounts which may become payable pursuant to Condition 11 (*Taxation*).

**11. TAXATION**

All payments of principal, premium and interest (including Deferred Interest) in respect of the Capital Securities and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges (**Taxes**) of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal, premium and interest (including Deferred Interest) on the Capital Securities and Coupons, unless the withholding or deduction of such Taxes is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Holders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no

such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Capital Security or Coupon:

- (a) presented for payment in Sweden; or
- (b) held by or on behalf of, a Holder who is liable for the Taxes in respect of such Capital Security or Coupon by reason of having some connection with the Kingdom of Sweden other than the mere holding of such Capital Security or Coupon; or
- (c) presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Capital Securities or the Coupons by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to any FATCA Withholding. Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

## **12. DEFAULT AND ENFORCEMENT**

### **(a) Proceedings**

Without prejudice to the Issuer's right to defer the payment of interest under Condition 5(a) (*Deferral of Interest Payments*), if a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, then the Issuer shall, without notice from the Trustee, be deemed to be in default under the Trust Deed, the Capital Securities and the Coupons and the Trustee at its discretion may, and if so requested in writing by the Holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 12(c) (*Entitlement of the Trustee*)), institute proceedings for an Issuer Winding-up.

In the event of an Issuer Winding-up, (whether instituted by the Trustee as aforesaid or otherwise), the Trustee may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 12(c) (*Entitlement of the Trustee*)), prove and/or claim in such Issuer Winding-up in respect of the Capital Securities, such claim being for such amount, and being subordinated in such manner, as is provided under Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*).

### **(b) Enforcement**

The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Capital Securities or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

### **(c) Entitlement of the Trustee**

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) (*Proceedings*) or Condition 12(b) (*Enforcement*) above to enforce the terms of the Trust Deed,

the Capital Securities or the Coupons or any other action, step or proceeding under or pursuant to the Trust Deed or the Capital Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) **Right of Holders**

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for an Issuer Winding-up and/or prove and/or claim in an Issuer Winding-up unless the Trustee, having become so bound to proceed or prove and/or claim in such Issuer Winding-up, fails or is unable to do so within a reasonable period and such failure or inability shall be continuing. In that case, each Holder and Couponholder shall have only such rights against the Issuer in respect of such Holder's or Couponholder's Capital Securities or Coupons (as the case may be) as those which the Trustee is entitled to exercise on behalf of such Holder or Couponholder, as set out in this Condition 12 (*Default and Enforcement*)

(e) **Extent of Holders' Remedy**

No remedy against the Issuer, other than as referred to in this Condition 12 (*Default and Enforcement*), shall be available to the Trustee or the Holders, or Couponholders, whether for the recovery of amounts owing in respect of the Capital Securities, the Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities, the Coupons or the Trust Deed.

**13. PRESCRIPTION**

Claims against the Issuer in respect of the Capital Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment or made, as the case may be, within a period of 10 years in the case of Capital Securities (in respect of claims relating to principal and premium) and five years in the case of Coupons (in respect of claims relating to interest, including Deferred Interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 (*Prescription*) or Condition 10(a)(iii) (*Method of Payment*).

**14. REPLACEMENT OF CAPITAL SECURITIES, COUPONS AND TALONS**

If any Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders in accordance with Condition 19 (*Notices*), on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Capital Security, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Capital Securities, Coupons or further Coupons) and otherwise as the Issuer may reasonably require.

Mutilated or defaced Capital Securities, Coupons or Talons must be surrendered before replacements will be issued.

## 15. AGENTS

The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that:

- (a) the Issuer shall at all times maintain a paying agent; and
- (b) so long as the Capital Securities are listed on any stock exchange, there will at all times be a Paying Agent having a specified office outside Sweden in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents shall promptly be given to the Holders in accordance with Condition 19 (*Notices*).

If the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

## 16. MEETINGS OF HOLDERS; MODIFICATION AND WAIVER; ISSUER SUBSTITUTION

### (a) Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or by the Trustee (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) and shall be convened by the Trustee upon the request in writing of Holders holding not less than ten per cent. of the aggregate principal amount of the outstanding Capital Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Capital Securities or, at any adjourned meeting, one or more persons being or representing Holders whatever the principal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities or Coupons (including, *inter alia*, the provisions regarding subordination referred to in Condition 3 (*Subordination and Rights on a Winding-Up*), the terms concerning currency and due dates for payment of principal, premium or interest (including Deferred Interest) in respect of the Capital Securities and reducing or cancelling the principal amount of any Capital Securities, any premium or any Interest Rate) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in nominal amount of the Capital Securities for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders and Couponholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast, (ii) a

resolution in writing signed by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing systems by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions required to be made in the circumstances described in Condition 7 (*Substitution or Variation*) in connection with the substitution or variation of the terms of the Capital Securities so that they remain or become Qualifying Capital Securities.

(b) **Modification and Waiver**

The Trustee may, without the consent of the Holders, agree to (i) any modification of any of the provisions of these Conditions or any provision of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for an Issuer Winding-up in circumstances which are more extensive than those set out in Condition 12 (*Default and Enforcement*)). In addition, the Trustee shall be obliged to concur with the Issuer in using its reasonable endeavours to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 4(j), without the consent or approval of the Holders or the Couponholders. Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 19 (*Notices*), as soon as practicable.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution pursuant to Condition 17 (*Issuer Substitution*)), the Trustee shall have regard to the interests of the Holders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise of its trusts, powers, authorities or discretions for individual Holders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders, except to the extent already provided in Condition 11 (*Taxation*) and/or any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

**17. ISSUER SUBSTITUTION**

The Trustee may, without the consent of the Holders or the Couponholders, agree with the Issuer (or, if applicable, its successor in business, as defined in the Trust Deed) to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 (*Status*) and 3 (*Subordination and Rights on a Winding-Up*) in place of the Issuer (or of any previous substitute under this Condition 17 (*Issuer Substitution*)) as the principal debtor under the Capital Securities, the Coupons and the Trust Deed of:

- (a) the successor in business (as defined in the Trust Deed) of the Issuer; or

- (b) another company being a wholly-owned direct or indirect finance Subsidiary of the Issuer (or its successor in business as aforesaid),

subject to:

- (i) in the case of (b) above, the Capital Securities being unconditionally and irrevocably guaranteed by the Issuer (or its successor in business) on the same subordinated basis as the Capital Securities under Condition 3 (*Subordination and Rights on a Winding-Up*);
- (ii) in each case, the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution; and
- (iii) certain other conditions set out in the Trust Deed being complied with.

Any substitution effected in accordance with this Condition 17 (*Issuer Substitution*) shall be binding on the Holders and the Couponholders.

The Issuer will give notice of any substitution pursuant to this Condition 17 (*Issuer Substitution*) to the Holders in accordance with Condition 19 (*Notices*) as soon as reasonably practicable (and in any event within 10 days) following such substitution.

## **18. FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Holders or the Couponholders, create and issue further Capital Securities having the same terms and conditions as the Capital Securities in all respects (or in all respects except for the first payment of interest) so that the same shall be consolidated and form a single series with the Capital Securities (**Further Capital Securities**).

## **19. NOTICES**

All notices regarding the Capital Securities shall be validly given if published (i) in a leading newspaper having general circulation in London (which is expected to be the *Financial Times* or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe) and (ii) if and for so long as the Capital Securities are admitted to trading on Euronext Dublin and the rules of Euronext Dublin so require, publication will also be made in a leading daily newspaper having general circulation in the Republic of Ireland (which is expected to be the *Irish Times*). Any such notice will be deemed to have been given on the date of the first publication in the required newspaper or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

## **20. INDEMNIFICATION OF THE TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings or taking any other steps or actions to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction.

## 21. GOVERNING LAW AND JURISDICTION

### (a) Governing Law

The Trust Deed, the Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with any of them, are governed by, and shall be construed in accordance with, English law, other than the provisions of Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*), Clause 2.3 of the Trust Deed and any non-contractual obligations arising out of or in connection with them which are governed by, and shall be construed in accordance with, the laws of Sweden.

### (b) Jurisdiction

The Issuer has, in the Trust Deed, agreed for the benefit of the Trustee, the Holders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes (a **Dispute**) which may arise out of or in connection with the Trust Deed, the Capital Securities, the Coupons or the Talons, or any non-contractual obligation arising out of or in connection with them, and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

To the extent allowed by law, the Trustee, the Holders and the Couponholders may in respect of any Dispute or Disputes take any suit, action or proceedings (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

### (c) Appointment of Process Agent

The Issuer has in the Trust Deed appointed Akelius Residential Ltd at 10 Bloomsbury Way, London WC1A 2SL, United Kingdom at its registered office for the time being, as its agent for service of process in England and has agreed that, in the event of the same being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Proceeding. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## 22. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Capital Securities under the Contracts (Rights of Third Parties) Act 1999.

## 23. DEFINITIONS

In these Conditions:

**5 Year EUR Mid-Swap Rate** means, with respect to a Reset Period:

- (a) the mid swap rate for euro swap transactions with a maturity of five years (**5 Year EUR Mid-Swap**), as published on Reuters screen ICESWAP2 under FIXED VS. 6M EURIBOR (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in Euro) (the **Reset Screen Page**), as at approximately 11.00 a.m. (Central European time) on the Reset Interest Determination Date applicable to such Reset Period; or

- (b) if, on the Reset Interest Determination Date applicable to such Reset Period, the 5 Year EUR Mid-Swap Rate does not appear on the Reset Screen Page, the 5 Year EUR Mid-Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date. If (a) at least three quotations are provided, the 5 Year EUR Mid-Swap Rate will be calculated by the Calculation Agent on the basis of the arithmetic mean (or, if only three quotations are provided, the median) of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (b) only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; (c) only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and (d) no quotations are provided, the Reset Reference Bank Rate for the relevant period will be: (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Reset Reference Bank Rate in respect of the immediately preceding Reset Period, or (ii) in the case of the Reset Period commencing on the First Reset Date, -0.283 per cent. which represents the 5 Year EUR Mid-Swap Rate at pricing;

**the 5 Year Swap Rate Quotations** means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days);

**2031 Step-up Date** means 17 May 2031;

**2046 Step-up Date** means 17 May 2046;

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

**Agency Agreement** has the meaning given in the preamble of the Conditions;

**Agents** means the Paying Agents, the Calculation Agent or any successor thereto appointed in accordance with the Agency Agreement;

**Authorised Signatory** means any Director or any other person notified by the Issuer in writing to the Trustee as being duly authorised to sign documents and to do other acts or things on behalf of the Issuer for the purposes of the Trust Deed or these Conditions;

**Business Day** means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London, Stockholm and on which the TARGET System is open;

**Calculation Agent** means Deutsche Bank AG, London Branch, or any successor appointed in accordance with the Agency Agreement;

**Calculation Amount** has the meaning given to it in Condition 4(b) (*Interest Accrual*);



a **Capital Event** shall be deemed to occur if the Issuer has received confirmation from any Rating Agency, providing a solicited rating at the invitation or with the consent of the Issuer, either directly or via a publication by such Rating Agency, that an amendment, clarification or change has occurred in the equity credit criteria of such Rating Agency effective after the Issue Date (or effective after the date when the equity credit is assigned for the first time, as applicable) and this has resulted in lower equity credit (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Capital Securities (or, if the Capital Securities have been fully or partially re-financed since the Issue Date and are no longer eligible for equity credit from such Rating Agency, would have resulted in lower equity credit for the Capital Securities had such Capital Securities not been re-financed) than the equity credit assigned to the Capital Securities on the Issue Date (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time);

**Capital Securities** has the meaning given in the preamble to the Conditions;

**Change of Control** will be deemed to occur if any person or any persons acting in concert, other than the Main Owner or Affiliates of the Main Owner, shall acquire control over the Issuer where “control” means (A) acquiring or controlling directly or indirectly more than 50 per cent. of the voting rights exercisable at a general meeting of the Issuer or (B) the right to appoint or remove the whole or a majority of the board of directors of the Issuer;

**Change of Control Notice** has the meaning given to it in Condition 6(e) (*Redemption for Change of Control*);

**Change of Control Step-up Date** shall be the date which is 30 days after the date following the expiry of the Exercise Period;

**Code** has the meaning given to it in Condition 10(c) (*Payments subject to Fiscal Laws*);

**Conditions** means these terms and conditions of the Capital Securities, as amended from time to time;

**continuing** is an event or failure that has not been waived or remedied;

**Coupon** has the meaning given in the preamble to the Conditions;

**Couponholders** has the meaning given in the preamble to the Conditions;

**Deferral Notice** has the meaning given in Condition 5(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

**Deferred Interest** has the meaning given in Condition 5(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

A **Deferred Interest Payment Event** means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities;
- (b) declaration or payment of any distribution or dividend or any other payment made by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Securities;

(c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities; and/or

(d) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of the Capital Securities or any Parity Securities,

save for:

(i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;

(ii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition that is executed in connection with, or for the purpose of (1) any reduction of the quota value of the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (2) any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan, in all cases, reserved for directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction; and

(iii) in the case of (d) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Capital Security or per Parity Security below its par value;

**EUR** and/or **euro** means the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

**EURIBOR** means the month Euro Interbank Offered Rate;

**Exercise Period** means the period from the date on which the Change of Control occurred to the day which is the later of (a) 60 days after such date and (b) the last day on which holders of senior indebtedness of the Issuer, which have a right to put (a **Put Option**) such senior indebtedness for redemption exercisable upon the occurrence of a Change of Control event (howsoever described), and to the extent they have exercised such Put Option within any applicable put option redemption period (howsoever described), have received the redemption proceeds;

**FATCA Withholding** has the meaning given in Condition 10(c) (*Payments subject to Fiscal Laws*);

**First Interest Payment Date** has the meaning given to it in Condition 4(a) (*Interest Payment Dates*);

**First Reset Date** means 17 May 2026;

**Fitch** means Fitch Ratings Ltd;

**Further Capital Securities** has the meaning given to it in Condition 18 (*Further Issues*);

**Holders** has the meaning given in the preamble to these Conditions;

**Initial Interest Rate** has the meaning given in Condition 4(c) (*Initial Interest Rate*);

**Interest Amount** has the meaning given in Condition 4(e) (*Determination of Reset Interest Rates and Calculation of Interest Amounts*);

**Interest Payment** means, in respect of the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4 (*Interest*);

**Interest Payment Date** has the meaning given in Condition 4(a) (*Interest Payment Dates*);

**Interest Period** means the period from (and including) the Issue Date to (but excluding) the First Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date;

**Interest Rate** means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

**Issue Date** has the meaning given in Condition 4(a) (*Interest Payment Dates*);

**Issuer** has the meaning given in the preamble to these Conditions;

**Issuer Re-construction** has the meaning given in Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*);

**Issuer Winding-up** has the meaning given in Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*);

**Main Owner** means Akelius Foundation, reg. no. 73F, 700 Don Mackay Boulevard, P.O. Box AB-20415, Marsh Harbour, Abaco, Bahamas.

**Margin** means:

- (a) in respect of the period from (and including) the First Reset Date to (but excluding) the 2031 Step-up Date, 2.479 per cent.;
- (b) in respect of the period from (and including) the 2031 Step-up Date to (but excluding) the 2046 Step-up Date, 2.729 per cent.; and
- (c) in respect of the period from (and including) the 2046 Step-up Date to (but excluding) the Maturity Date, 3.479 per cent.;

**Maturity Date** means 17 May 2081;

**Moody's** means Moody's Investors Services Ltd;

**Parity Securities** or **Parity Security** means any obligations of:

- (a) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Capital Securities (which shall include, for so long as any of the same remain outstanding, the Issuer's EUR 500,000,000 Subordinated Fixed to Reset Rate Capital Securities due 2078 (ISIN: XS1788973573); and

- (b) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Capital Securities;

**Paying Agent** has the meaning given in the preamble to these Conditions;

**Person** means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality;

**Qualifying Capital Securities** means securities that contain terms not materially less favourable to Holders than the terms of the Capital Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing) and provided that a certification to such effect shall have been delivered to the Trustee prior to the substitution or variation of the Capital Securities, provided that:

- (a) they shall be issued by the Issuer or by any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on an Issuer Winding-up with the ranking of the Capital Securities; and
- (c) they shall contain terms which provide for the same interest rate from time to time applying to the Capital Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Capital Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under the Capital Securities to any accrued interest, any Deferred Interest and any other amounts payable under the Capital Securities which, in each case, has accrued to Holders and not been paid; and
- (f) they shall not contain terms providing for the mandatory deferral or cancellation of interest and shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall, immediately after such exchange or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the Capital Securities immediately prior to such exchange or variation (if any); and
- (h) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Capital Securities, save where any modifications to such terms are required to be made to avoid the occurrence or effect of, a Tax Deductibility Event, a Capital Event or, as the case may be, a Withholding Tax Event; and
- (i) they shall be listed and admitted to trading on a regulated market for the purposes of Directive 2014/65/EU as selected by the Issuer and approved by the Trustee;

**Rating Agency** means each of Fitch, Moody's and S&P and any other rating agency of equivalent international standing requested by the Issuer to grant a corporate credit rating to the Issuer and, in each case, their successors or affiliates;

**Ratings Adverse Change of Control** means a Change of Control in respect of which at least one Rating Downgrade occurs;

a **Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control if within the relevant Exercise Period:

- (a) a rating previously assigned to the Issuer by any Rating Agency is withdrawn and not subsequently reinstated within the Exercise Period; or
- (b) a non-investment grade rating previously assigned to the Issuer by any Rating Agency is lowered one rating category (for example, from Ba1/BB+ to Ba2/BB or such similar lower or equivalent rating) and not subsequently upgraded within the Exercise Period; or
- (c) if any rating previously assigned to the Issuer by any Rating Agency is changed from an investment grade rating (being at least Baa3 by Moody's, BBB- by Fitch or BBB- by S&P) to a non-investment grade rating (being Ba1 or lower by Moody's, or BB+ or lower by Fitch or BB+ or lower by S&P) and is not subsequently reinstated to an investment grade rating within the Exercise Period,

provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the withdrawal or reduction of the rating was the result of the applicable Change of Control;

**Relevant Date** means:

- (a) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-up, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders by or on behalf of the Issuer or the Trustee in accordance with Condition 19 (*Notices*); and
- (b) in respect of any sum to be paid by or on behalf of the Issuer in an Issuer Winding-up, the date which is one day prior to the date on which an order is made or a resolution is passed for such Issuer Winding-up;

**Reset Date** means the First Reset Date and each fifth anniversary thereof up to and including 17 May 2076;

**Reset Interest Determination Date** means, with respect to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;

**Reset Interest Rate** has the meaning given in Condition 4(d) (*Reset Interest Rates*);

**Reset Period** means each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date thereafter;

**Reset Reference Banks** means four major banks in the European Interbank market selected by the Issuer (or an independent investment bank, commercial bank or stockbroker appointed by the Issuer);

**Reset Reference Bank Rate** means the percentage rate calculated by the Calculation Agent in accordance with these Conditions on the basis of the 5 Year Swap Rate Quotations provided by the Reset Reference Banks to the Issuer and the Calculation Agent at approximately 11:00 a.m. (Central European Time) on the relevant Reset Interest Determination Date;

**S&P** means S&P Global Ratings Europe Limited;

**Special Event** means any of a Tax Deductibility Event, a Substantial Repurchase Event, a Capital Event, a Withholding Tax Event, or any combination of the foregoing;

**Subordinated Indebtedness** means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of an Issuer Winding-up to the claims of all unsubordinated creditors of the Issuer but senior to the Capital Securities or to the obligations of the Issuer in respect of any Parity Securities;

**Subsidiary** means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer;

a **Substantial Repurchase Event** shall be deemed to occur if the Issuer and/or any of its Subsidiaries repurchases and cancels or has at any time repurchased and cancelled, a principal amount of Capital Securities equal to or greater than 75 per cent. of the aggregate principal amount of the Capital Securities initially issued (which shall include, for these purposes, any Further Capital Securities);

**TARGET System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

**Talons** has the meaning given in the preamble to these Conditions;

**Tax Deductibility Event** means that, as a result of a Tax Law Change, the Issuer is no longer entitled to claim a deduction in respect of payments relating to the Capital Securities in computing its taxation liabilities for Swedish tax purposes or the amount is materially reduced and, in either case, in circumstances where unsubordinated debt obligations of the Issuer continue to be fully or partly tax deductible for such purposes;

**Tax Law Change** means (a) any amendment to, clarification of, or change in, the laws or treaties (or any regulations thereunder) of Sweden, or any political subdivision or any authority thereof or therein having the power to tax, affecting taxation, (b) any governmental action (c) or any amendment to, clarification of, or change in the application, official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in Sweden, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the Issue Date;

**Taxes** has the meaning given in Condition 11 (*Taxation*); and

a **Withholding Tax Event** shall be deemed to occur if, as a result of any Tax Law Change, in making any payments on the Capital Securities, the Issuer has paid or will or would on the

next Interest Payment Date be required to pay additional amounts on the Capital Securities pursuant to Condition 11 (*Taxation*) and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

***The following text in italics does not form part of the Conditions:***

*The Issuer intends (without thereby assuming any legal or contractual obligation whatsoever) that it will only redeem or repurchase Capital Securities to the extent that the equity credit initially assigned to the Capital Securities to be redeemed or repurchased does not exceed the equity credit resulting from the sale or issuance prior to the date of such redemption or repurchase by the Issuer or any subsidiary of the Issuer of replacement hybrid securities to third party purchasers (other than subsidiaries of the Issuer).*

*The foregoing shall not apply if:*

- (a) the issuer rating assigned by S&P to the Issuer is (i) at least 'BBB', or (ii) if lower, at least the long-term corporate credit rating assigned to the Issuer as at the date when the most recent additional hybrid security was issued (excluding refinancings) and the Issuer is of the view that such Issuer credit rating would not fall as a result of such redemption or repurchase; or*
- (b) the Capital Securities are not assigned any category of equity credit (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or*
- (c) the Capital Securities are redeemed following a Change of Control or pursuant to a Special Event; or*
- (d) in the case of repurchase of the Capital Securities taken together with other repurchases of hybrid securities of the Issuer (as the case may be) which are less than (x) 10 per cent. of the aggregate principal amount of the Issuer's outstanding hybrid securities in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Issuer's outstanding hybrid securities in any period of 10 consecutive years provided that in each case such repurchase has no materially negative effect on the Issuer's credit profile; or*
- (e) the relevant repurchase has followed an issuance of any class of share or other instruments which are granted on issuance high equity content where the amount of equity credit resulting from such issuance is equal to or more than the amount of equity credit assigned by S&P to the Capital Securities being repurchased at the time of their issuance; or*
- (f) such replacement would cause the Issuer's outstanding hybrid capital which is assigned equity credit by S&P to exceed the maximum aggregate principal amount of hybrid capital which S&P, under its then prevailing methodology, would assign equity credit to, based on the Issuer's adjusted total capitalisation; or*
- (g) if such redemption or repurchase occurs on or after the 2046 Step-up Date.*

*For the avoidance of doubt, the Issuer wishes to clarify that at any time, including during the period up to the fifth anniversary of the Issue Date, the Issuer shall not be required to replace the Capital Securities if paragraph (c), (e) or (f) above applies.*

*For the purposes of the foregoing, 'equity credit' (or such similar nomenclature then used by S&P) describes:*

- (i) the part of the nominal amount of the Capital Securities that was assigned equity credit by S&P at the time of their issuance, or when the Capital Securities were first assigned more than minimal equity credit; and*



- (ii) *the part of the net proceeds received from issuance of replacement hybrid securities or any class of share that was assigned equity credit by S&P at the time of their sale or issuance (or the equity credit S&P has confirmed will be assigned by it upon expiry or waiver of issuer call rights which prevent the assignment of equity credit by S&P on the issue date of such replacement hybrid securities).*

## SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES IN GLOBAL FORM

### Global Capital Securities and Definitive Capital Securities

The Capital Securities will initially be represented by a temporary global capital security (the **Temporary Global Capital Security**) which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg.

The Temporary Global Capital Security will be exchangeable in whole or in part for interests in a permanent global capital security (the **Permanent Global Capital Security** and, together with the Temporary Global Capital Security, the **Global Capital Securities**) not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Capital Security unless exchange for interests in the Permanent Global Capital Security is improperly withheld or refused. In addition, interest payments in respect of the Temporary Global Capital Security cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Capital Security will become exchangeable in whole, but not in part, for Capital Securities in definitive form (the **Definitive Capital Securities**) in the denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000, at the request of the bearer of the Permanent Global Capital Security against presentation and surrender of the Permanent Global Capital Security to the Principal Paying Agent if either of the following events (each, an **Exchange Event**) occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 12(a) occurs.

Whenever the Permanent Global Capital Security is to be exchanged for Definitive Capital Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Capital Securities, duly authenticated and with Coupons (and, if applicable a Talon) attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Capital Security to the bearer of the Permanent Global Capital Security against the surrender of the Permanent Global Capital Security to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

### Modifications to the terms of the Capital Securities whilst in global form

In addition, the Temporary Global Capital Security and the Permanent Global Capital Security will contain provisions which modify the Conditions as they apply to the Capital Securities for so long as they are represented by the Temporary Global Capital Security and/or the Permanent Global Capital Security. The following is a summary of certain of those provisions:

#### *Payments*

All payments in respect of the Temporary Global Capital Security and the Permanent Global Capital Security will be made to, or to the order of, the bearer of the same against presentation and (in the case of payment of principal in full with all Deferred Interest and any other interest accrued thereon) surrender of the Temporary Global Capital Security or (as the case may be) the Permanent Global Capital Security to any Paying Agent, and each payment so made will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the relevant amount so paid on the Capital Securities.

On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Capital Security or the Permanent Global Capital Security, the Issuer shall procure that the payment is noted in a schedule thereto.

#### *Calculation of interest*

For so long as all of the Capital Securities are represented by the Temporary Global Capital Security and/or the Permanent Global Capital Security (as the case may be), interest shall be calculated in respect of the entire principal amount of Capital Securities represented by the Temporary Global Capital Security and/or the Permanent Global Capital Security (as the case may be) and not per Calculation Amount as provided in Condition 4(b).

#### *Transfers*

Transfers of book-entry interests in the Capital Securities will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

#### *Redemption and cancellation*

Any redemption or purchase and cancellation of any Capital Securities will be effected by a corresponding reduction in the nominal amount of the Temporary Global Capital Security or Permanent Global Capital Security representing such Capital Securities.

#### *Notices*

For so long as all of the Capital Securities are represented by the Temporary Global Capital Security and/or the Permanent Global Capital Security (as the case may be) and the same are deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders may be given, in lieu of publication as provided in Condition 19, by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for onwards transmission to the Holders and, in any case, such notice shall be deemed to have been given to the Holders on the date of delivery of the notice to Euroclear and Clearstream, Luxembourg.

For so long as such Capital Securities are admitted to listing and/or trading on any market or stock exchange, notice shall also be given in such manner as may be required or permitted by the rules of such market or stock exchange.

#### *Clearing Systems*

References herein to Euroclear and Clearstream, Luxembourg shall include any successor or other clearing system approved by the Trustee in which the Capital Securities may be cleared and/or traded from time to time.

## **USE OF PROCEEDS**

The estimated amount of net proceeds of the issue of the Capital Securities is EUR 497,975,000. The net proceeds of the issue of the Capital Securities will be used by the Issuer for (i) general corporate purposes (including investments, acquisitions and development projects) and (ii) the repayment of some of the Group's existing indebtedness.

## ALTERNATIVE PERFORMANCE MEASURES

### Description of alternative performance measures

This section provides further information relating to alternative performance measures (APMs) for the purposes of the guidelines (the **Guidelines**) published by ESMA. Certain of the financial measures included in the "Description of the Issuer and the Group" below can be characterised as APMs and we set out below further clarifications as to the meaning of such measures (and any associated terms) and tables which illustrate the basis for their calculation and provide comparative data for such measures for previous financial periods.

#### Definitions

"Adjusted profit before taxes" .....	The consolidated profit before taxes of the Group from ordinary activities according to the latest financial statements, adjusted for (i) depreciations, (ii) impairments, (iii) expenses for property sales, (iv) total net interest expenses, (v) change in value (realised or unrealised) of properties, (vi) exchange rate differences that are included in the profit before taxes, (vii) change in value of derivative instruments, (viii) change in value (realised or unrealised) of available-for-sale investments and liquid financial assets (if and when applicable) and (ix) non-recurring or exceptional items, in each case subject to the determination specified in the Conditions.
"Available-for-sale investments" ...	Consists of highly liquid, fixed-income and money-market investments, bonds and shares.
"Consolidated Net Financial Indebtedness" .....	Financial Indebtedness of the Group (excluding any subordinated debt) less the Group's consolidated total cash, cash equivalents and liquid financial assets, in each case on a consolidated basis determined in accordance with the accounting principles as shown in the latest financial statements.
"EBITDA" .....	<p>Net operating income plus central administrative expenses, other income and expenses with add back of depreciation and impairment charges and operating exchange rate differences.</p> <p>This measure is used to illustrate the Group's current cash flow capacity from property management.</p>
"Equity-to-assets ratio" .....	<p>The ratio of (i) total equity to (ii) total assets.</p> <p>This measure highlights the Group's financial stability.</p>
"Interest coverage ratio, including realised value growth" .....	<p>The ratio of (i) net operating income plus central administrative expenses, other income and expenses (operating exchange rate differences are excluded for the whole year 2017), other financial income and expenses, realised value growth with add back of depreciation and impairment charges to (ii) net interest.</p> <p>This measure is used to illustrate the Group's sensitivity to interest rate changes.</p>
"Interest coverage ratio, excluding realised value growth" .....	<p>The ratio of (i) net operating income plus central administrative expenses, other income and expenses (operating exchange rate differences are excluded for the years 2017 and 2018), other financial income and expenses with add back of depreciation and impairment charges to (ii) net interest.</p> <p>This measure is used to illustrate the Group's sensitivity to interest rate changes.</p>

"Loan-to-value, total loans" .....	The result of the following calculation: (i) net debt <i>divided by</i> (ii) total assets minus cash, cash equivalents and liquid financial assets.  This measure is used to illustrate the Group's financial risk.
"Loan-to-value, secured loans" .....	The result of the following calculation: (i) net debt reduced by unsecured interest bearing debt <i>divided by</i> (ii) total assets minus cash, cash equivalents and liquid financial assets.  This measure is used to illustrate the Group's financial risk.
"Net Debt" .....	The result of the following calculation: (i) interest bearing debts (excluding any subordinated debt) <i>minus</i> (ii) cash, cash equivalents and liquid financial assets.  This measure is used to illustrate the Group's financial risk.
"Net operating income growth for comparable portfolio" .....	The growth during the year of rental income less property costs for the properties owned during the periods being compared. This means that the properties acquired or sold during any of the periods being compared are excluded.  This measure is used to illustrate the growth of the Group's ongoing earnings capacity from property management.
"Profit before tax and revaluation" .....	EBITDA less net interest expenses and less other financial income and expenses.  This measure is used to illustrate the Group's current cash flow capacity from property management adjusted for interest charges.
"Realised value growth" .....	The proceeds from the sale of properties <i>minus</i> acquisition costs, accumulated investments and costs of sale.  This measure analyses the realised value growth of properties sold.
"Rental income growth for comparable portfolio" .....	The growth during the year of rental income for the properties owned during the periods being compared. This means that the properties acquired or sold during any of the periods being compared are excluded.  This measure is used to illustrate the growth of the Group's ongoing turnover capacity from property management.

## Illustrative tables

### Realised value growth

	Year ended 31 December						
	2019	2018	2017	2016	2015	2014	2013
	<i>(EUR million)</i>			<i>(SEK million)</i>			
Proceed from the sale of properties.....	1,616	300	7,096	9,061	5,755	1,084	1,801
Cost of property sale .....	-18	-5	-83	-109	-121	-20	-36
Acquisition cost .....	-663	-112	-2,778	-4,775	-3,126	-666	-1,248
Accumulated property investments.....	-262	-54	-1,110	-1,301	-696	-207	-182
<b>Realised value growth.....</b>	<b>673</b>	<b>129</b>	<b>3,125</b>	<b>2,876</b>	<b>1,812</b>	<b>191</b>	<b>335</b>

### Interest coverage ratio

	Year ended 31 December						
	2019	2018	2017	2016	2015	2014	2013
	<i>(EUR million)</i>			<i>(SEK million)</i>			
Net operating income.....	255	259	2,413	2,311	2,175	1,882	1,579

	Year ended 31 December						
	2019	2018	2017	2016	2015	2014	2013
Central administration.....	-36	-29	-215	-134	-112	-54	-54
Other income and expenses.....	3	3	8	16	-1	5	-49
Less depreciation and impairment.....	5	3	21	15	10	8	32
<b>EBITDA.....</b>	<b>227</b>	<b>236</b>	<b>2,227</b>	<b>2,208</b>	<b>2,072</b>	<b>1,841</b>	<b>1,507</b>
Net interest expense.....	-115	-128	-1,126	-1,135	-1,273	-1,184	-1,195
Other financial income and expenses.....	1	-3	-45	-33	-31	-39	-54
<b>Profit before tax and revaluation.....</b>	<b>228</b>	<b>105</b>	<b>1,056</b>	<b>1,040</b>	<b>768</b>	<b>618</b>	<b>258</b>
Realised value growth.....	673	129	3,125	2,876	1,812	191	335
<b>Interest coverage ratio including realised value growth.....</b>	<b>7.8</b>	<b>2.8</b>	<b>4.7</b>	<b>4.5</b>	<b>3.03</b>	<b>1.68</b>	<b>1.49</b>
<b>Interest coverage ratio excluding realised value growth.....</b>	<b>2.0</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>	<b>1.60</b>	<b>1.52</b>	<b>1.21</b>

*Total assets minus cash, pledged cash and liquid assets*

	Year ended 31 December						
	2019	2018	2017	2016	2015	2014	2013
	<i>(EUR million)</i>			<i>(SEK million)</i>			
Total assets.....	12,149	12,516	105,871	88,438	74,024	58,789	45,692
Cash and cash equivalents.....	-19	-13	-155	-137	-238	-278	-59
Liquid financial assets.....	0	0	0	0	0	0	0
Pledged cash.....	0	-1	-12	-16	-358	-108	-116
<b>Total assets minus cash, cash equivalents, pledged cash and liquid financial assets.....</b>	<b>12,130</b>	<b>12,502</b>	<b>105,704</b>	<b>88,285</b>	<b>73,428</b>	<b>58,403</b>	<b>45,517</b>

*Loan to value*

	Year ended 31 December						
	2019	2018	2017	2016	2015	2014	2013
	<i>(EUR million)</i>			<i>(SEK million)</i>			
Total interest bearing liabilities.....	5,356	6,018	46,756	38,095	35,955	30,336	25,521
Hybrid bond.....	-499	-499	0	0	0	0	0
Cash and cash equivalents.....	-19	-13	-155	-137	-238	-278	-59
Liquid financial assets.....	0	0	0	0	0	0	0
Pledged cash.....	0	-1	-12	-16	-358	-108	-116
Net Debt.....	4,838	5,505	46,589	37,942	35,359	29,950	25,346
<b>Total assets minus cash, cash equivalents, pledged cash and liquid financial assets.....</b>	<b>12,130</b>	<b>12,502</b>	<b>105,704</b>	<b>88,285</b>	<b>73,428</b>	<b>58,403</b>	<b>45,517</b>
<b>Loan to value, total loans.....</b>	<b>40%</b>	<b>44%</b>	<b>44%</b>	<b>43%</b>	<b>48%</b>	<b>51%</b>	<b>56%</b>
Net Debt.....	4,838	5,505	46,589	37,942	35,359	29,950	25,345
Less unsecured debt.....	-3,199	-3,173	-27,718	-16,613	-8,829	-2,670	-3,049
<b>Secured debt excl cash, cash equivalents, pledged cash and liquid financial assets.....</b>	<b>1,639</b>	<b>2,332</b>	<b>18,871</b>	<b>21,329</b>	<b>26,530</b>	<b>27,280</b>	<b>22,297</b>
Total assets minus cash, cash equivalents pledged cash and liquid financial assets.....	12,130	12,502	105,704	88,285	73,428	58,403	45,517
<b>Loan to value, secured loans.....</b>	<b>14%</b>	<b>19%</b>	<b>18%</b>	<b>24%</b>	<b>36%</b>	<b>47%</b>	<b>49%</b>

## Adjusted Profit Before Taxes

	Year ended 31 December			
	2019	2018	2017	2016
	<i>(EUR million)</i>		<i>(SEK million)</i>	
Profit/loss before tax .....	464	634	9,480	13,320
Depreciations .....	7	3	21	14
Impairments .....	0	0	0	0
Expenses for property sales .....	18	5	83	109
Total net interest expenses .....	115	129	1,126	1,135
Interest expense hybrid bond .....	19	14		
Change in value of properties .....	-421	-551	-8,539	-12,715
Exchange rate differences that are included in the profit before taxes .....	-2	-1	7	-10
Change in value of derivative instruments .....	28	0	4	322
Change in value of available-for-sale investments and liquid financial assets .....	0	0	0	0
<b>Adjusted Profit Before Taxes .....</b>	<b>228</b>	<b>233</b>	<b>2,182</b>	<b>2,175</b>
Total net interest expenses .....	115	129	1,126	1,135
Ratio of Adjusted Profit Before taxes to total net interest expenses .....	1.98	1.81	1.94	1.92

## Consolidated Net Financial Indebtedness to Total net assets

	Year ended 31 December						
	2019	2018	2017	2016	2015	2014	2013
	<i>(EUR million)</i>			<i>(SEK million)</i>			
Total assets .....	12,149	12,516	105,871	88,438	74,024	58,789	45,692
Cash and cash equivalents .....	-19	-13	-155	-137	-238	-278	-59
Liquid financial assets .....	0	0	0	0	0	0	0
<b>Total assets minus cash, cash equivalents and liquid financial assets .....</b>	<b>12,130</b>	<b>12,503</b>	<b>105,716</b>	<b>88,301</b>	<b>73,786</b>	<b>58,511</b>	<b>45,633</b>
Financial indebtedness .....	5,356	6,018	46,756	38,095	35,955	30,336	25,521
Cash and cash equivalents .....	-19	-13	-155	-137	-238	-278	-59
Liquid financial assets .....	0	-1	0	0	0	0	0
<b>Financial indebtedness minus cash, cash equivalents and liquid financial assets .....</b>	<b>5,337</b>	<b>6,004</b>	<b>46,601</b>	<b>37,958</b>	<b>35,717</b>	<b>30,058</b>	<b>25,462</b>
<b>Consolidated Net Financial Indebtedness to total net assets .....</b>	<b>44%</b>	<b>48%</b>	<b>44%</b>	<b>43%</b>	<b>48%</b>	<b>51%</b>	<b>56%</b>



## DESCRIPTION OF THE ISSUER AND THE GROUP

### Introduction

Akelius Residential Property AB (publ) is a public limited liability company incorporated under the laws of the Kingdom of Sweden (**Sweden**) and registered in Sweden with registration number 556156-0383, having its registered address at Svärdvägen 3A, P.O. Box 104, SE-182 12 Danderyd, Kingdom of Sweden. The Issuer's website is [www.akelius.com](http://www.akelius.com) and its telephone number is +46 8 566 130 00. The Issuer was formed on 9 August 1971 and registered with the Swedish Companies Registration Office on 29 December 1971. The Issuer is subject to a number of Swedish corporate and financial legislative acts including, but not limited to, the Swedish Companies Act (*Sw: aktiebolagslagen (2005:551)*) and the Swedish Annual Accounts Act (*Sw: årsredovisningslagen (1995:1554)*). The Issuer has been incorporated for an indefinite period of time.

### Share capital, shares and ownership structure of the Issuer

According to its articles of association, the Issuer's share capital shall be no less than EUR 100,000,000 and not more than EUR 400,000,000 divided into not less than 1,800,000,000 shares and not more than 7,200,000,000 shares. The Issuer's share capital, as at the date of this Prospectus, amounts to EUR 199,185,144.38 divided among 3,411,809,140 shares (3,191,809,140 ordinary shares of class A and 220,000,000 ordinary shares of class D). Each ordinary class A share entitles the holder to one vote and each ordinary class D share entitles the holder to one-tenth of a vote at general meetings. The Issuer's ordinary class D shares are listed on the multilateral trading facility Nasdaq First North and are, thus, publicly traded. Nasdaq First North (operated by Nasdaq Stockholm) is a multilateral trading facility and not a regulated market for the purposes of the MiFID II.

It was resolved at the annual general meeting of the Issuer, which was held on 11 April 2019, to give the Board of Directors of the Issuer the authorisation to issue, on one or more occasions prior to the annual general meeting in 2020 with preference rights for existing holders of ordinary shares, a maximum amount of 500,000,000 ordinary shares.

It was resolved at the previous annual general meeting of the Issuer held in 2018 to change the Issuer's accounting currency from SEK to EUR as of 1 January 2019.

As at the date of this Prospectus, all ordinary class A shares in the Issuer, accounting for approximately 93.6 per cent. of the total share capital, are held by Akelius Apartments Ltd, Cyprus, reg. no. 84077, Xange Holding Ltd, Cyprus, reg. no. 313781 and Giannis Beta Ltd, Cyprus, reg. no. 342009. Akelius Apartments Ltd therefore holds approximately 79.5 per cent. of the total share capital of the Issuer, Xange Holding Ltd holds approximately 9.4 per cent. and Giannis Beta Ltd holds approximately 4.7 per cent. of the total share capital of the Issuer. The Issuer, therefore, is controlled by its Cypriot parent company Akelius Apartments Ltd, which is, in turn, controlled by the Akelius Foundation, a humanitarian foundation, registered in the Bahamas, with five council members and the purpose of which is to act under its charter and articles. The foundation is set up to achieve charitable purposes, including assistance of people in need, advancement of education and research, and other philanthropic purposes and its main beneficiary is SOS Children's Villages. As at the date of this Prospectus, the council members of the Akelius Foundation (which holds all the shares in Akelius Apartments Ltd) are: Kerstin Engström, Igor Rogulj, Fredrik Lindgren, Tove Andersson and Johan Warodell. None of the council members are beneficiaries of the Akelius Foundation.

To ensure that the control over the Issuer is not abused, the Issuer complies with the Swedish Companies Act (*Sw: aktiebolagslagen (2005:551)*). In addition, the Issuer acts in accordance with the rules of procedure of its Board of Directors and the instructions for the committees and the chief

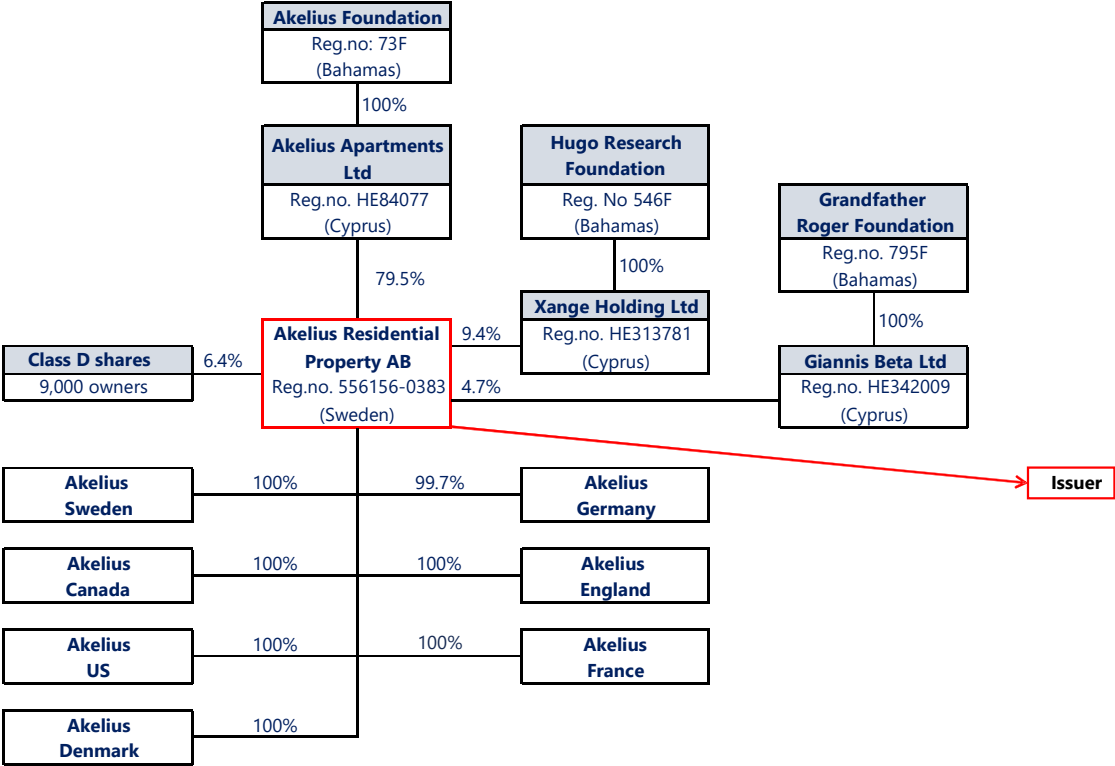
executive officer adopted by the Issuer's Board of Directors. As far as the Issuer is aware, there are no shareholder agreements or other agreements which could result in a change of control of the Issuer.

**Group structure**

The Issuer is the holding company of the Group. Its main functions include the overall strategic management of the Group, the determination of the objectives and strategies of the Group, central co-ordination of the activities of the Group companies and central allocation of resources as well as monitoring of Group activities.

As at 31 December 2019, the Issuer had a total of 466 subsidiaries. The subsidiaries comprise real estate holding companies, service companies and management companies in all of the countries in which the Group has its operations or assets. The Issuer does not directly hold properties. Generally, the purpose of each real estate holding company within the Group is to hold one or more properties of the Group in the relevant country.

The following chart sets out the Group's simplified corporate structure and the ownership structure of the Issuer as at the date of this Prospectus.



The table below sets out details regarding the Group's property holding companies in each jurisdiction of its operations, including the Issuer's percentage ownership (direct or indirect) in each:

Branch	Holding Company	Registration number	Date of registration	Date of acquisition	Effective ownership (%)
Sweden	Akelius Lägenheter AB (Stockholm, Sweden).....	556549-6360	19 November 1997	01 September 2003	100
Germany	Akelius GmbH (Berlin, Germany) ...	HRB 101392B	07 April 2006	N/A	99.7

<b>Branch</b>	<b>Holding Company</b>	<b>Registration number</b>	<b>Date of registration</b>	<b>Date of acquisition</b>	<b>Effective ownership (%)</b>
Canada	Akelius Real Estate Management Ltd (Toronto, Canada) ...	659852	03 October 2011	31 December 2013 (originally owned by Akelius Canada AB, (subsidiary to Akelius Apartments Ltd))	100
England	Akelius Residential Ltd (United Kingdom, London).....	7954505	17 February 2012	31 March 2014 (originally owned by Akelius Apartments Ltd)	100
France	Akelius France Holding SAS (France, Paris) .....	804 104 537	18 August 2014	N/A	100
US	Akelius US LLC (US, Delaware).....	364803632	09 February 2015	N/A	100
Denmark	Akelius Bolig Holding ApS (Copenhagen, Denmark) .....	37222119	06 November 2015	N/A	100

## Business strategy and operations

The Group operates in the real estate sector and its operations comprise of investing in, developing and managing residential properties across a number of cities in Europe and North America. The Group acquired its first residential properties in Gothenburg, Helsingborg and Trollhättan in Sweden in 1994. In subsequent years, the Group expanded through reinvestments of profits in real estate properties in Sweden. In 2003, by acquiring Mandamus Fastigheter AB, a Swedish listed real estate company, which is now the unlisted Swedish holding company Akelius Lägenheter AB, the Issuer increased its property portfolio to SEK 13,000 million. In 2006, the Group entered the German market acquiring 402 residential units in Berlin followed by properties in Hamburg and other German cities. An affiliated company of the Group first acquired properties in Toronto in 2011. This affiliated company was acquired by the Group in December 2013. In 2015 the Group entered the residential market in Montreal. An affiliated company of the Group first acquired residential properties in London in 2011 and these properties were acquired by a subsidiary of the Issuer in 2014. The Group acquired its first properties in Paris in 2014. In 2015, the Group entered into the US market through its acquisitions of property in New York, Boston and Washington. In 2016, the Group entered the Danish market through its acquisitions of property in Copenhagen.

The Group's business strategy is based on the long-term ownership and management of residential properties that generate a steadily growing cash flow. In this respect, the Group particularly focuses on the total return from the properties over ten years rather than the initial short-term yield. The Group's business strategy is centred around properties located in cities that evidence a growing economy and population and stable rent growth, and within those cities, the Group targets properties that are in districts and suburbs that are either well established residential areas or that are undergoing regeneration or development. For example, with respect to well established residential areas, WalkScore provides a metric that assesses how easy it is to run daily errands by foot from a certain location. As at 31 December 2019, the WalkScore assessment of Akelius property portfolio was 89<sup>1</sup> out of 100. With respect to cities evidencing a growing population, the average population growth over the previous ten years in the metropolitan areas where a large proportion of the Group's portfolio is located (namely, Stockholm, Copenhagen, Boston, Washington D.C., Malmö, Berlin, Hamburg, London, Paris, Toronto, Montreal and New York) was approximately 12 per cent. By comparison, the average population growth over the previous 10 years in the countries where those cities are based (namely, Sweden, Germany, United Kingdom, France, Canada, the US and Denmark) was

<sup>1</sup> Source: The Walkscore assessment figure has been calculated by the Issuer internally and has been derived from the Walkscore result for each residential property owned by the Group (such result being available at [www.walkscore.com](http://www.walkscore.com)).

approximately 7 per cent.<sup>2</sup> The Group also seeks to invest in properties that can benefit from, and generate greater returns as a result of, an upgrade of such properties by the Group to a "better living" standard (as discussed below in "Development projects"). The Group believes that the combination of residential properties in established locations in metropolitan areas with growing populations minimises the property vacancy risk and provides strong growth in rent and net operating income. The Group regularly reinvests its profits and applies its profits to the upgrading of the Group's current properties to a "better living" standard and to the acquisition of new properties (as discussed below in "Acquisition process").

As at 31 December 2019, the Group had 1,516 employees and a property portfolio of 44,226 residential units with an aggregate fair value of EUR 11,964 million. Germany is the Group's largest market and, as at 31 December 2019, accounted for 33 per cent. of the Group's property portfolio, while Sweden accounted for 22 per cent., the United States accounted for 16 per cent., Canada accounted for 15 per cent., the United Kingdom accounted for 8 per cent., France accounted for 3 per cent. and Denmark accounted for 3 per cent.

## Financial highlights

The following table sets out certain of the Group's financial highlights for the periods indicated:

	<b>Year ended 31 December</b>	
	<b>2019<sup>1</sup></b>	<b>2018<sup>2</sup></b>
	<i>(EUR millions)</i>	
Rental income, millions.....	496	482
Net operating income, millions.....	255	259
Operating profit, millions .....	625	779
Profit before tax, millions.....	464	634
Earnings per share before and after dilution .....	0.11	0.15

<sup>1</sup> The financial highlights for the year 2019 are contained in the Issuer's year-end report January to December 2019.

<sup>2</sup> The financial highlights for the year 2018 are contained in the 2018 Financial Statements.

In general terms, the Group's profit is largely generated from rental income and from the increase in value of its property portfolio. The Group's consolidated rental income for the year 2019 was EUR 496 million, which represents an increase of EUR 14 million as compared to the year 2018. The rental income for comparable properties for the year 2019, adjusted for changes in exchange rates, increased by 5.7 per cent. as compared to the year 2018. The Group's net profit before tax for the year 2019 was EUR 464 million, which was a decrease of EUR 170 million compared with the figure from 2018. The decrease in the fair value of the Group's properties was due to sales.

## Acquisition process

The Group selectively acquires residential properties through numerous smaller transactions (so called "cherry-picking") rather than making fewer purchases of large portfolios of properties. Acquisitions of properties follow a strict procedure based on established criteria and appropriate commercial, financial, tax, legal and technical diligence. In the acquisition process, the Group aims to exploit its market knowledge and years of experience in the real estate sector and, as a result, acquisitions are predominantly made in city districts or blocks where the Group already owns or has previously owned

<sup>2</sup> Source: Statistics Sweden, Statistics Denmark, Statistics Canada, INSEE, Office for National Statistics, Statistisches Bundesamt, US Census Bureau, London data store and several local Bundesländer statistics offices.

properties. This assists the Group in making assessments as to the rent, vacancy, price and return levels of the properties. Acquisitions are completed locally by the regional office in the city or area where the property is located. Following an acquisition, each regional office must follow up on the assumptions made during the purchase and it is responsible for any deviations between the initial assumptions and the actual performance. Any necessary financing is also secured prior to the acquisitions being made.

In 2019, the Group acquired properties for a total price of EUR 181 million compared to EUR 1,286 million in 2018. In 2019, properties for EUR 64 million were acquired in Washington D.C., EUR 42 million in Berlin, EUR 30 million in Montreal, EUR 16 million in Boston, EUR 13 million in Stockholm and EUR 16 million in the other large cities such as London, Toronto, Hamburg and Cologne.

### Description of the Group's property portfolio

In 2009, the Group's property portfolio was spread across 46 cities. Since then, the Group has "Cleaned the map" and disposed or agreed to dispose of all of its property holdings in 42 cities and has acquired properties in eight new metropolitan cities (London, Toronto, Montreal, Paris, New York, Boston, Washington and Copenhagen), leaving the Group with a property portfolio spread across 12 cities. This shift in focus is a reflection of the Group's strategy to target established metropolitan cities that evidence growing income and population.

The following table provides a breakdown of the Group's property portfolio (including a breakdown for the countries in which the Group operated) as at 31 December 2019.

		Sweden	Germany	Canada	UK	France	US	Denmark	Total
Residential units ....		10,000	18,106	7,366	2,242	1,550	3,931	1,031	44,226
	Residential .....	690	1,104	439	88	48	272	83	2,724
Lettable space, thousand sqm.....	Commercial .....	118	82	7	16	5	10	6	244
	<b>Total</b> .....	<b>808</b>	<b>1,186</b>	<b>446</b>	<b>104</b>	<b>53</b>	<b>282</b>	<b>89</b>	<b>2,968</b>
Fair value .....	EUR millions .....	2,647	3,977	1,736	951	402	1,928	322	11,964
	EUR/sqm .....	3,279	3,353	3,895	9,106	7,559	6,812	3,649	4,031
Required yield, % ..		2.89	3.44	4.21	4.13	4.06	4.37	2.95	3.67
Vacancy rate, residential, % .....	Total vacancy.....	1.6	4.4	14.9	16.0	38.6	19.9	1.0	8.6
	Real vacancy.....	0.0	1.0	1.4	1.7	2.3	3.1	0.0	1.1
Average residential rent ...		SEK 1,372 sqm/ year	EUR 9.81 sqm/ month	CAD 2.03 sqft/ month	GBP 2.88 sqft/ month	EUR 25.61 sqm/ month	USD 3.02 sqft/ month	DKK 1,065 sqm/ year	EUR 13.65 sqm/ month
	Rent potential <sup>1</sup> , % .	17.2	51.6	26.2	7.9	58.7	22.6	53.5	54.8

<sup>1</sup> Rent potential is the ratio between the new lease rent level for the period from 2 January 2019 to 1 January 2020 and the average rent level as at 1 January 2020, excluding sold properties.

The following table provides a breakdown of the Group's property portfolio (including a breakdown for the countries in which the Group operated) as at 31 December 2018.

		Sweden	Germany	Canada	UK	France	US	Denmark	Total
Residential units		12,298	21,727	7,779	2,244	1,546	3,782	1,031	50,407
	Residential.....	866	1,317	467	88	48	261	83	3,130
Lettable space, thousand sqm.	Commercial .....	164	97	6	12	5	2	6	292
	<b>Total</b> .....	<b>1,030</b>	<b>1,414</b>	<b>473</b>	<b>100</b>	<b>53</b>	<b>263</b>	<b>89</b>	<b>3,422</b>
Fair value .....	EUR millions.....	3,068	4,525	1,487	878	380	1,741	300	12,379
	EUR /sqm.....	2,976	3,201	3,147	8,772	7,143	6,623	3,385	3,617
Required yield, % .....		3.02	3.52	4.26	4.14	4.06	4.33	2.99	3.67

		Sweden	Germany	Canada	UK	France	US	Denmark	Total
Vacancy rate, residential, %.	Total vacancy	2.1	7.4	13.0	19.1	43.8	21.4	4.2	9.6
	Real vacancy .....	0.0	1.4	2.3	3.0	1.8	2.9	0.1	1.4
Average residential rent		SEK 1,316	EUR 9.48	CAD 1.90	GBP 2.77	EUR 22.79	USD 2.88	DKK 1,011	EUR 12.42
		sqm/	sqm/	sqft/	sqft/	sqm/	sqft/	sqm/	sqm/
		year	month	month	month	month	month	year	month
	Rent potential <sup>1</sup> , %.	17.8	68.0	20.9	2.5	87.1	33.0	59.3	56.6

<sup>1</sup> Rent potential is the ratio between the new lease rent level for the period from 2 January 2018 to 1 January 2019 and the average rent level as at 1 January 2019, excluding sold properties.

The following table provides a breakdown of the Group's property portfolio in the countries in which the Group operated as at 31 December 2017.

		Sweden	Germany	Canada	UK	France	US	Denmark	Total
Residential units		13,808	20,463	5,500	2,148	1,100	3,127	1,031	47,177
	Residential .....	961	1,242	331	84	32	207	83	2,940
Lettable space, thousand sqm.	Commercial .....	175	92	4	6	4	1	6	288
	<b>Total</b> .....	<b>1,136</b>	<b>1,334</b>	<b>335</b>	<b>90</b>	<b>36</b>	<b>208</b>	<b>89</b>	<b>3,228</b>
Fair value .....	EUR millions .....	3,205	3,924	994	780	245	1,199	277	10,624
	EUR/sqm .....	2,821	2,941	2,968	8,689	6,883	5,758	3,129	3,292
Required yield, % .....		3.00	3.54	4.29	4.16	4.16	4.36	3.09	3.60
Vacancy rate, residential, %.	Total vacancy .....	1.1	6.5	3.9	14.7	46.4	17.3	6.1	6.6
	Real vacancy .....	0.0	1.3	0.6	2.0	1.3	2.2	0.6	0.9
Average residential rent .....		SEK 1,287	EUR 8.98	CAD 1.92	GBP 2.75	EUR 23.40	USD 2.77	DKK 936	EUR 11.96
		sqm/	sqm/	sqft/	sqft/	sqm/	sqft/	sqm/	sqm/
		year	month	month	month	month	month	year	month
	Rent potential <sup>1</sup> , % ..	17.9	61.9	19.4	-5.0	87.4	23.1	77.8	50.7

<sup>1</sup> Rent potential is the ratio between the new lease rent level for the period from 2 January 2017 to 1 January 2018 and the average rent level as at 1 January 2018, excluding sold properties.

The following two tables provide the current state and development of some key performance indicators for the Group's property portfolio in the primary metropolitan areas in which the Group operated as at 31 December 2019.

	Fair value			Capitalisation Rate <sup>(1)</sup>	Discount Rate <sup>(2)</sup>	Walk score <sup>3</sup>
	(%)	(EUR million)	(EUR per sqm)	(%)	(%)	(scale 1-100)
Berlin .....	25	3,038	3,193	3.39	5.39	91
Stockholm .....	14	1,657	3,624	2.69	4.69	69
Malmö .....	8	970	2,773	3.23	5.22	91
London .....	8	951	9,106	4.13	6.13	86
New York .....	8	943	7,785	4.31	6.31	96
Toronto .....	8	908	4,884	4.14	6.14	81
Montreal .....	7	828	3,187	4.29	6.29	87
Hamburg .....	7	816	3,901	3.67	5.67	91
Boston .....	4	541	8,342	4.24	6.24	90
Washington D.C. ....	4	444	4,576	4.65	6.64	88
Paris .....	3	402	7,559	4.06	6.06	97
Copenhagen .....	3	322	3,649	2.95	4.94	95
Other .....	1	144	5,560	3.34	5.33	93
<b>Total</b> .....	<b>100</b>	<b>11,964</b>	<b>4,031</b>	<b>3.67</b>	<b>5.66</b>	<b>89</b>

<sup>1</sup> "Capitalisation Rate" is the expected eternal yield from the property portfolio minus the growth rate of net operating income.

<sup>2</sup> "Discount Rate" is the expected eternal yield from the property portfolio including the growth rate of net operating income.

<sup>3</sup> Source: The Walkscore assessment figure has been calculated by the Issuer internally and has been derived from the Walkscore result for each residential property owned by the Group (such result being available at [www.walkscore.com](http://www.walkscore.com)).

	Units	Proportion upgraded	Real vacancy	Rent/sqm growth <sup>1</sup>	In-place	New lettings <sup>2</sup>	Rent potential <sup>2</sup>	Market rent vs in-place, %	Downside buffer, %
	(units)		(%)		EUR/ apt			(%)	
Berlin.....	14,038	42	0.9	8.1	586	949	62	62	38
Stockholm.....	5,921	53	0.0	3.5	773	964	25	80	44
Malmö.....	4,078	57	0.0	3.5	728	849	17	50	33
London.....	2,242	63	1.7	3.6	1,494	1,747	17	17	14
New York.....	1,719	37	2.6	6.5	1,989	3,360	69	69	41
Toronto.....	3,506	46	1.5	8.0	917	1,465	60	60	37
Montreal.....	3,860	47	1.3	3.7	867	1,303	50	50	33
Hamburg.....	3,601	54	0.8	3.9	658	892	36	36	26
Boston.....	974	73	5.0	4.2	2,367	2,635	11	11	10
Washington D.C.....	1,238	60	2.2	8.4	1,853	2,145	16	16	14
Paris.....	1,550	28	2.3	11.7	771	1,289	67	67	40
Copenhagen.....	1,031	38	0.0	5.4	952	1,433	51	51	34
Other.....	468	37	4.5	2.7	628	989	58	58	37
<b>Total.....</b>	<b>44,226</b>	<b>48</b>	<b>1.1</b>	<b>5.7</b>	<b>852</b>	<b>1,235</b>	<b>45</b>	<b>56</b>	<b>36</b>

<sup>1</sup> Like for like 1 January 2019 to 1 January 2020.

<sup>2</sup> Internal valuations as at 31 December 2019.

The new lettings during the period 1 January 2019 to 1 January 2020 had an average rent of EUR 1,235 per apartment which can be compared to the average rent of EUR 852 per apartment as at 31 December 2019. Given the rental regulations in Sweden, Akelius estimates that the rent potential in Stockholm and Malmö, had there been no rental regulations, would have been 80 and 50 per cent., respectively. The Issuer estimates that the new lettings rent would have been on average EUR 1,325 per apartment for the period 1 January 2019 to 1 January 2020 if the Issuer was allowed to rent at market rent levels in all countries.

The rent potential for the Group's properties was 45 per cent. as at 31 December 2019. The Issuer estimates that 40 per cent. of that potential, equivalent to an annual rent of approximately EUR 90 million, can be achieved without investments when there is a turnover of tenants. Another 40 per cent., equivalent to an annual rent of approximately EUR 90 million, can be reached if the Issuer invests and upgrades the properties to a "better living" standard, while the remaining EUR 50 million can be achieved by lowering vacancy.

As at 31 December 2019, the Group owned 44,226 residential units situated in Sweden, Germany, Canada, the United Kingdom, France, the US and Denmark. As at 31 December 2019, 100 per cent. of the property portfolio's market value, as assessed internally, was located in metropolitan areas. As at 31 December 2019, the Group's property portfolio offers 2,724,283 square metres of residential lettable space and 243,803 square metres of commercial lettable space. The commercial lettable space predominantly forms part of the ground floor of primarily residential properties.

Internally, Akelius categorises its property portfolio across the following five types: "Luxury", "Prime", "Mid", "Entry" and "Discount" and the respective distribution of these property types across the Akelius property portfolio as at 31 December 2019 was 0 per cent., 50 per cent., 35 per cent., 15 per cent. and 0 per cent. Luxury properties, as defined by Akelius, are located in A+ locations and the buildings and service are considered extraordinary. Prime properties are located in A+ to B+ locations and the buildings are attractive, while Mid are ordinary properties in B+ to B locations. Entry properties are located in B to B- locations and the buildings are considered to be regular, an example is the German "Plattenbau" buildings. Discount properties are those in C+ to C- locations and are properties located in socially challenging areas.

The fair value of the Group's property portfolio as at 31 December 2019 was EUR 11,964 million, which represented a decrease of EUR 415 million as compared to 31 December 2018, due to sales of properties.

During 2019, the property portfolio had an increase in fair value of EUR 423 million, mainly due to improved cash flow and realized value gain on sold properties. In 2019, the value of the Group's property investments was EUR 468 million, the value of net sales was EUR 1,435 million and the effect due to changes in currency levels amounted to EUR 129 million. In the event of a crisis (in other words, a situation where the Group's ability to raise new funding is limited), the Group's total property investments could be reduced to EUR 17 million, on an annual basis, as most of the investments carried out are optional and undertaken for profit.

The fair value of the properties is determined by internal valuations by the Group. The properties are valued using the yield method, which means that each property is valued by discounting its estimated future cash flows. The estimated future cash flows are based on actual rent adjusted for potential growth and actual operating and maintenance expenses adjusted for inflation. Vacancies are considered for each individual property on the basis of the current situation adjusted to a market vacancy level. The property's fair value comprises the sum of the discounted cash flows during the calculation period and the residual value. The valuation is made under IFRS 13, level 3 – see Note 16 - Financial Instruments - Fair value hierarchy of the 2018 Annual Report for further information. In order to verify the internal valuation, the Group engages external valuers, primarily local branches of CBRE Group, Inc. (**CBRE**), to estimate at least one third of the portfolio each year. In 2019, external valuers reviewed 215 properties out of 950 properties owned by the Group, which corresponded to 23 per cent. of the number of properties and 15 per cent. of the fair value. The external valuers' estimate was EUR 46 million, or 2.5 per cent., higher than the Group's internal valuation.

In the ordinary course of its business, the Group regularly reviews and analyses the existing property portfolio with the aim of identifying assets which require upgrading, refurbishment or extension, or to dispose of the properties which do not continue to meet the Group's business objectives. The Group often reinvests the proceeds of such property disposals by acquiring new properties that it has identified. In 2019, the Group sold properties for a total price of EUR 1,616 million and signed agreements for future sales in the amount of EUR 134 million. Compared to the ingoing value of the properties the year the sales agreement was signed, the sales price was 15 per cent. higher. In 2018, the Group sold properties for a total price of EUR 300 million. Compared to the ingoing value of the properties the year the sales agreement was signed, the sales price was 17 per cent. higher. In 2017, the Group sold properties for a total price of EUR 737 million. Compared to the ingoing value of the properties the year the sales agreement was signed, the sales price was 19 per cent. higher.

As at 31 December 2019, the total vacancy rate for residential properties of the Group was 8.6 per cent. (as compared to 9.6 per cent. as at 31 December 2018), of which 88 percentage units was the result of upgrades and intended sales of residential units. As at 31 December 2019, the real vacancy rate decreased by 0.3 percentage units from 31 December 2018 down to 1.1 per cent. As at 31 December 2018, the total vacancy rate for residential properties of the Group was 9.6 per cent. (as compared to 6.6 per cent. as at 31 December 2017), of which 86 percentage units was the result of upgrades. The difference between the real vacancy rate and the vacancy rate is that the real vacancy rate does not include residential units that are left vacant as a result of upgrades or sales.

The table below provides the average annual rental income and net operating income growth for a comparable portfolio, adjusted for changes in exchange rates, of the Group and each country for the years 2013 to 2019. A "**comparable portfolio**" refers to the properties owned during the periods being compared. This means that the properties acquired or sold during any of the periods being compared are excluded. These measures are used to (i) (in the case of rental income growth for a comparable portfolio) illustrate the growth of the Group's ongoing turnover capacity from property management and (ii) (in the case of net operating income for a comparable portfolio) illustrate the growth of the ongoing earnings capacity from property management.



	Sweden			Germany			Total		
	Jan-Dec 2014	Jan-Dec 2013	Growth in per cent.	Jan-Dec 2014	Jan-Dec 2013	Growth in per cent.	Jan-Dec 2014	Jan-Dec 2013	Growth in per cent.
	<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>		
<b>Rental income</b> .....	2,101	2,038	3.1	1,249	987	26.5	3,350	3,025	10.8
Exchange differences .....		0			51		0	51	
Purchase/Sale .....	-354	-349		-462	-274		-816	-623	
<b>Rental income for comparable property portfolio</b> .....	1,747	1,688	3.5	787	764	3.1	2,534	2,452	3.4
<b>Net operating income</b> .....	1,063	1,018	4.3	710	561	26.5	1,773	1,579	12.2
Exchange differences .....		0			29		0	29	
Purchase/Sale .....	-159	-181		-106	-19		-265	-200	
<b>Net operating income for comparable property portfolio</b> .....	904	837	8.0	604	571	5.8	1,508	1,408	7.1

	Sweden			Germany			Canada			England			Total		
	Jan-Dec 2015	Jan-Dec 2014	Growth in per cent.	Jan-Dec 2015	Jan-Dec 2014	Growth in per cent.	Jan-Dec 2015	Jan-Dec 2014	Growth in per cent.	Jan-Dec 2015	Jan-Dec 2014	Growth in per cent.	Jan-Dec 2015	Jan-Dec 2014	Growth in per cent.
	<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>		
<b>Rental income</b> .....	2,216	2,101	5.5	1,531	1,249	22.6	276	158	74.7	190	93	104.3	4,339	3,602	20.5
Exchange differences .....		0			36			10			13			59	
Purchase/Sale .....	-327	-267		-642	-445		-130	-28		-80	-10		-1,305	-752	
<b>Rental income for comparable property portfolio</b> .....	1,889	1,834	3.0	889	839	6.0	146	140	4.1	110	96	15.1	3,034	2,909	4.3
<b>Net operating income</b> .....	1,111	1,063	4.5	847	710	19.3	96	54	77.8	114	57	100.0	2,175	1,882	15.6
Exchange differences .....		0			20			3			8			32	
Purchase/Sale .....	-157	-126		-182	-90		-34	-8		-43	-8		-423	-229	
<b>Net operating income for comparable property portfolio</b> .....	954	937	1.8	665	640	3.9	62	50	25.1	71	58	23.0	1,752	1,684	4.0

	France			United States			Denmark <sup>2</sup>		
	Jan-Dec 2016	Jan-Dec 2015	Growth in per cent.	Jan-Dec 2016	Jan-Dec 2015	Growth in per cent.	Jan-Dec 2016	Jan-Dec 2015	Growth in per cent.
	<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>		
<b>Rental income</b> .....	40	20	100.0	334	106	315	5	0	
Exchange differences .....		2						0	
Purchase/Sale <sup>1</sup> .....	-33	-17		-334	-106		-5	0	
<b>Rental income for comparable property portfolio</b> .....	7	5	11.9	0	0	0		0	
<b>Net operating income</b> .....	-7	-14	-50.0	102	21	386	-2	0	
Exchange differences .....		1			0			0	
Purchase/Sale .....	8	11		-102	-21		2	0	
<b>Net operating income for comparable property portfolio</b> .....	1	-2	241.1	0	0	0	0	0	

	Sweden			Germany			Canada			England			Total		
	Jan-Dec 2016	Jan-Dec 2015	Growth in per cent.	Jan-Dec 2016	Jan-Dec 2015	Growth in per cent.	Jan-Dec 2016	Jan-Dec 2015	Growth in per cent.	Jan-Dec 2016	Jan-Dec 2015	Growth in per cent.	Jan-Dec 2016	Jan-Dec 2015	Growth in per cent.
	<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>		
<b>Rental income</b> .....	1,956	2,216	-11.7	1,587	1,531	3.7	376	276	36.2	175	190	-7.9	4,473	4,339	3.1
Exchange differences .....					19			-6			-20			-5	
Purchase/Sale <sup>1</sup> .....	-371	-660		-463	-493		-129	-39		-59	-62		-1,394	-1,377	
<b>Rental income for comparable property portfolio</b> .....	1,585	1,556	1.9	1,124	1,057	6.3	247	231	7.0	116	108	7.5	3,079	2,957	4.1
<b>Net operating income</b> .....	1,016	1,111	-8.7	912	847	7.7	172	96	79.2	118	114	3.5	2,311	2,175	6.3
Exchange differences .....					10			-2			-12		0	-3	
Purchase/Sale .....	-190	-304		-65	-89		-56	-4		-37	-32		-440	-439	
<b>Net operating income for comparable property portfolio</b> .....	826	807	2.4	847	768	10.3	116	90	29.0	81	70	15.4	1,871	1,733	8.0

	Sweden			Germany			Canada			England		
	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.
	<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>		
<b>Rental income</b> .....	1,569	1,956	-19.8	1,275	1,226	4.0	453	376	20.5	226	175	29.1
Exchange differences .....	0	0			40			26			-16	
Purchase/Sale <sup>1</sup> .....	-219	-656		-67	-88		-86	-67		-40	1	
<b>Rental income for comparable property portfolio</b> .....	1,350	1,300	3.8	1,208	1,178	2.5	367	335	9.6	186	160	16.3
<b>Net operating income</b> .....	847	1016	-16.6	953	912	4.5	237	172	37.8	150	118	27.1
Exchange differences .....		0			25			6			-7	
Purchase/Sale .....	-120	-360		-43	-52		-47	-30		-26	-3	
<b>Net operating income for comparable property portfolio</b> .....	727	656	10.8	910	885	2.8	190	148	28.4	124	108	14.8

	France			United States			Denmark			Total		
	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.
	<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>			<i>(SEK million)</i>		
<b>Rental income</b> .....	51	37	37.8	471	335	41.0	77	4	1,825.0	4,122	4,109	0.3
Exchange differences .....		1			3						54	
Purchase/Sale .....	-22	-		-180	-75		-77	-4		-691	-898	
<b>Rental income for comparable property portfolio</b> .....	29	29	0.0	291	263	10.6	0	0	0.0	3,431	3,265	5.1
<b>Net operating income</b> .....	-6	-7	-14.3	195	102	91.2	37	2	-1,950.0	2,413	2,311	4.4
Exchange differences .....					2						26	
Purchase/Sale .....	9	10		-74	-29		-37	-2		-338	-462	
<b>Net operating income for comparable property portfolio</b> .....	3	3	0.0	121	75	61.3	0	0	0.0	2,075	1,875	10.7

	Sweden			Germany			Canada			England		
	Jan-Dec 2018	Jan-Dec 2017	Growth in per cent.	Jan-Dec 2018	Jan-Dec 2017	Growth in per cent.	Jan-Dec 2018	Jan-Dec 2017	Growth in per cent.	Jan-Dec 2018	Jan-Dec 2017	Growth in per cent.
	<i>(EUR million)</i>			<i>(EUR million)</i>			<i>(EUR million)</i>			<i>(EUR million)</i>		
<b>Rental income</b> .....	132	163	-18.6	182	173	4.9	60	47	28.6	30	23	26.2
Exchange differences .....	0	-11		0	0		0	-2		0	0	
Purchase/Sale <sup>1</sup> .....	-9	-34		-6	0		-17	-3		-10	-3	
Service income .....				-40	-41							
<b>Rental income for comparable property portfolio</b> .....	123	118	2.4	136	132	4.3	43	42	3.1	20	20	4.2
<b>Net operating income</b> .....	73	88	-17.4	105	99	6.6	30	25	22.6	18	16	16.9
Exchange differences .....	0	-5		0	0		0	-1		0	0	
Purchase/Sale .....	-5	-17		-2	0		-8	-2		-4	-3	
<b>Net operating income for comparable property portfolio</b> .....	68	66	5.0	103	99	3.3	22	22	0.7	14	13	5.1

	France			United States			Denmark			Total		
	Jan-Dec 2018	Jan-Dec 2017	Growth in per cent.	Jan-Dec 2018	Jan-Dec 2017	Growth in per cent.	Jan-Dec 2018	Jan-Dec 2017	Growth in per cent.	Jan-Dec 2018	Jan-Dec 2017	Growth in per cent.
	<i>(EUR million)</i>			<i>(EUR million)</i>			<i>(EUR million)</i>			<i>(EUR million)</i>		
<b>Rental income</b> .....	8	6	34.0	59	49	21.5	11	4	36.7	482	469	2.8
Exchange differences .....	0	0		0	-2		0	0		0	-15	
Purchase/Sale .....	-3	-1		-17	-6		-9	-6		-71	-53	
Service income .....	0	0		0						-40	-41	
<b>Rental income for comparable property portfolio</b> .....	5	5	6.3	42	41	1.4	2	2	0.9	371	360	3.2
<b>Net operating income</b> .....	1	-1	207	27	20	31.2	5	4	30.1	259	251	3.3
Exchange differences .....				0	-1		0	0		0	-7	
Purchase/Sale .....	0	0		-8	-2		-4	-3		-31	-27	
<b>Net operating income for comparable property portfolio</b> .....	1	-1	254.1	19	17	11.3	1	1	12.1	228	217	5.1

	Sweden			Germany			Canada			England		
	Jan-Dec 2019	Jan-Dec 2018	Growth in per cent.	Jan-Dec 2019	Jan-Dec 2018	Growth in per cent.	Jan-Dec 2019	Jan-Dec 2018	Growth in per cent.	Jan-Dec 2019	Jan-Dec 2018	Growth in per cent.
	<i>(EUR million)</i>			<i>(EUR million)</i>			<i>(EUR million)</i>			<i>(EUR million)</i>		
<b>Rental income</b> .....	110	132	-17.4	186	182	2.2	71	60	17.8	31	30	6.2
Exchange differences .....	0	-5		0	0		0	2		0	0	
Purchase/Sale <sup>1</sup> .....	-11	-31		-25	-31		-23	-15		0	-1	
Service income .....	0	0		-39	-39		0	0		0	0	
<b>Rental income for comparable property portfolio</b> .....	99	95	4.0	122	112	8.6	48	47	2.0	31	29	4.4
<b>Net operating income</b> .....	61	73	-16.2	105	105	-0.7	32	30	7.4	19	18	4.0
Exchange differences .....	0	-2		0	0		0	1		0	0	
Purchase/Sale .....	-4	-18		-18	-22		-10	-7		0	0	
<b>Net operating income for comparable property portfolio</b> .....	57	53	6.6	87	83	4.7	22	24	-6.8	19	18	2.2

	France			United States			Denmark			Total		
	Jan-Dec 2019	Jan-Dec 2018	Growth in per cent.	Jan-Dec 2019	Jan-Dec 2018	Growth in per cent.	Jan-Dec 2019	Jan-Dec 2018	Growth in per cent.	Jan-Dec 2019	Jan-Dec 2018	Growth in per cent.
	<i>(EUR million)</i>			<i>(EUR million)</i>			<i>(EUR million)</i>			<i>(EUR million)</i>		
Rental income.....	10	8	28.9	76	59	27.1	12	11	11.6	496	482	2.7
Exchange differences.....	0	0		0	4		0	0		0	1	
Purchase/Sale.....	-2	-2		-18	-7		0	0		-79	-87	
Service income.....	-1	-1		0	0		0	0		-40	-40	
<b>Rental income for comparable property portfolio.....</b>	<b>7</b>	<b>6</b>	<b>16.2</b>	<b>58</b>	<b>56</b>	<b>4.2</b>	<b>12</b>	<b>11</b>	<b>11.8</b>	<b>377</b>	<b>356</b>	<b>5.7</b>
Net operating income.....	0	1	-35.6	32	27	18.7	6	5	28.7	255	259	-1.3
Exchange differences.....	0	0		0	1		0	0		0	0	
Purchase/Sale.....	0	0		-8	-3		0	0		-40	-50	
<b>Net operating income for comparable property portfolio.....</b>	<b>0</b>	<b>1</b>	<b>-67.5</b>	<b>24</b>	<b>25</b>	<b>-4.2</b>	<b>6</b>	<b>5</b>	<b>28,9</b>	<b>215</b>	<b>209</b>	<b>2.9</b>

<sup>1</sup> Including adjustment for revenue from utility expenses and other property expenses in Germany.

<sup>2</sup> As the Issuer only purchased properties in Denmark in 2016, no comparison figures are available for 2015.

The average annual rental growth for comparable properties of the Group for the period 2014 to 2019 was 4.3 per cent. The average net operating income growth for comparable properties of the Group for the period 2014 to 2019 was 6.3 per cent.

The annual growth in the average rent level for comparable properties of the Group, in the years 2014, 2015, 2016, 2017, 2018 and 2019 was 4.3 per cent., 3.8 per cent., 4.5 per cent., 4.7 per cent., 3.6 per cent. and 5.7 per cent., respectively. In 2014, 2015, 2016, 2017 and 2018, the inflation (using data from the World Bank), as weighted by the exposure of the Group in fair value terms in each of the countries where it operates as at 31 December 2019, was 0.94 per cent., 0.39 per cent., 0.86 per cent., 1.73 per cent. and 1.98 per cent., respectively.<sup>4</sup>

An important part of the Group's strategy is to optimise the new lease level while keeping the number of days in which apartments are vacant to a minimum. The table below demonstrates the level of rent increase across different apartment types over the period 2 January 2019 to 1 January 2020 (those that were not upgraded at the time tenants moved out and were not upgraded for the new lease, those that were already upgraded at the time tenants moved out and finally those that were upgraded between the time tenants moved out and the new lease).

	Residential units	Proportion	Average size	Move out rent	Move in rent	Change
	<i>(Units)</i>	<i>(%)</i>	<i>(Sqm)</i>	<i>(EUR/sqm/month)</i>	<i>(EUR/sqm/month)</i>	<i>(%)</i>
Not upgraded.....	350	5	62	11.13	11.82	6.2
Already upgraded.....	4,773	64	58	19.95	20.46	2.6
Upgraded between move out and move in.....	2,279	31	57	13.75	21.38	55.5
<b>Total.....</b>	<b>7,402</b>	<b>100</b>	<b>58</b>	<b>17.62</b>	<b>20.30</b>	<b>15.3</b>

As at 31 December 2019, 82 per cent. of the apartments owned by the Group had a current rent level that was below the market rent level. Of that 82 per cent., the relative distance of the current rent level of such apartments from the market rent level was distributed as follows: (i) 12 percentage units of the apartments were 0 to 10 per cent. below the market rent level; (ii) 9 percentage units of the apartments were 10 to 20 per cent. below the market rent level; (iii) 9 percentage units of the apartments were 20 to 30 per cent. below the market rent level; and (iv) 52 percentage units of the apartments were more than 30 per cent. below the market rent level.

The distance from the market rent level for each occupied apartment within the Group has been based on the average new lease level per square metre for each respective property during the period 2 January 2019 to 1 January 2020, in relation to the rent per square metre for each occupied apartment, as at 31 December 2019. Given the rental regulation laws in Sweden, the distance has been estimated

<sup>4</sup> Data for 2019 is not available from the World Bank as of the date of this Prospectus.

to be larger than 30 per cent. below the market rent level in both the Stockholm region and Malmö region.

In the countries where the Group operates, the fair value of residential properties has generally been more resilient towards value losses in economic downturns as compared to office buildings, in the past 30 years. The spread of the Group's portfolio across a number of countries further mitigates any potential property value losses. In the periods 1991-1992 and 2008-2009, the estimated loss in value of the properties for the Group, as weighted by the exposure of the Group in fair value terms in each of the countries where it operates as at 31 December 2019, would have been 2 per cent. and 7 per cent., respectively.

A brief description of the property portfolio of the Group in each country in which the Group operates is set out below.

### ***Sweden***

In Sweden, as at 31 December 2019, the Group had a portfolio of 10,000 residential units with residential lettable space of 689,910 square metres (as compared to 12,298 residential units and 866,548 square metres of residential space as at 31 December 2018). Most of the Group's properties are located in fast-growing cities in Greater Stockholm and the Öresund Region.

Over the past 30 years, the major cities in Sweden have experienced a 41 per cent. growth in population, the suburbs of two major cities have experienced a growth of 43 per cent., while the population of mid-sized cities has grown by 25 per cent., small cities by 6 per cent. and rural areas have seen their population decrease by 20 per cent.<sup>5</sup>

As at 31 December 2019, the average residential rent for the properties was SEK 1,372 per square metre per year, which represented an increase as compared to 31 December 2018 (SEK 1,316 per square metre per year).

In Sweden, the rental levels of residential properties have generally increased steadily over the period 1985-2018, evidencing a growth of approximately 294 per cent.<sup>6</sup> During the same period, the rental levels of offices in Stockholm generally increased by approximately 151 per cent.<sup>7</sup>

### ***Germany***

In Germany, as at 31 December 2019, the Group had a portfolio of 18,106 residential units with residential lettable space of 1,104,471 square metres (as compared to 21,727 residential units and 1,317,056 square metres of residential lettable space as at 31 December 2018). As at 30 June 2019, Akelius had entered into sales agreements for all properties in Munich, Cologne, Düsseldorf and Frankfurt. At the end of the first quarter of 2020, all of the Group's properties will be located in city centres in Berlin and Hamburg.

Over the past 22 years, the major cities in Germany have experienced a 10 per cent. growth in population, while other big cities have seen their stand still, mid-sized cities have had an increase of 2 per cent. and rural areas have had a decrease of 1 per cent.<sup>8</sup>

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<sup>5</sup> Source: Statistics Sweden. Definitions of major cities, suburbs to major cities, large cities and rural areas are all defined by SCB. The other six categories that SCB defines, all of which typically have a population of 5,000 - 50,000, are categorised as "small cities" above.

<sup>6</sup> Source: Boverket, the Swedish National Board of Housing, Building and Planning and Statistics Sweden.

<sup>7</sup> Source: Cushman & Wakefield.

<sup>8</sup> Source: Destatis – Based on population development of "Kreise" and "kreisfreie Städte". Rural area: <80 000, Mid-sized city: <150 000, Big city: <650 000, Metropolitan area:>650 000. Year for determining city category:1995.

As at 31 December 2019, the average residential rent for the Group's properties in Germany was EUR 9.81 per square metre per month, which represented an increase as compared to 31 December 2018 (EUR 9.48 per square metre per month).

In Germany, the rental levels of residential properties have generally increased steadily over the last 28 years, evidencing a growth of approximately 111 per cent. during the period 1990-2018. During the same period, the rental levels of commercial property have only increased by seven per cent.<sup>9</sup>

### ***Canada***

In Canada, as at 31 December 2019, the Group had a portfolio of 7,366 residential units with residential lettable space of 439,401 square metres (as compared to 7,779 residential units and 466,831 square metres of residential lettable space as at 31 December 2018).

Over the past 25 years, the major cities in Canada have experienced a strong growth in population, 43 per cent., while large cities have seen their population increase by 36 per cent., mid-sized cities have had an increase of 18 per cent. and small cities have had an increase of 8 per cent.<sup>10</sup>

As at 31 December 2019, the average residential rent for the Group's properties in Canada was CAD 2.03 per square foot per month, which represented an increase as compared to 31 December 2018 (CAD 1.90 per square foot per month).

In Canada, the residential rent level has generally increased steadily over the last 28 years, evidencing a growth of approximately 93 per cent. during the period 1990-2018.<sup>11</sup> During the same period, the rental levels of offices in Canada generally increased by approximately 20 per cent.<sup>12</sup>

### ***United Kingdom***

In the United Kingdom, as at 31 December 2019, the Group had a portfolio of 2,242 residential units with residential lettable space of 87,914 square metres, virtually the same amounts as at 31 December 2018.

As at 31 December 2019, the average residential rent for the Group's properties in the United Kingdom was GBP 2.88 per square foot per month, which represented an increase as compared to 31 December 2018 (GBP 2.77 per square foot per month).

In the United Kingdom, the residential rent level has generally increased over the last 33 years, evidencing a growth of approximately 309 per cent. during the period 1985-2018. During the same period, the rental levels of offices generally increased by approximately 110 per cent.<sup>13</sup>

### ***France***

In France, as at 31 December 2019, the Group had a portfolio of 1,550 residential units with residential lettable space of 47,851 square metres, virtually the same amounts as at 31 December 2018.

As at 31 December 2019, the average residential rent was EUR 25.61 per square metre per month, which represented an increase as compared to 31 December 2018 (EUR 22.79 per square metre per month).

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<sup>9</sup> Source: Bulwiengesa AG.

<sup>10</sup> Source: Statistics Canada – Based on population development of divisions (around 300 in total in Canada). Small city: <50 000, Mid-sized city: <150 000, Large city: <500 000, Major city: >500 000. Year for determining city category: 1990.

<sup>11</sup> Source: Canada Mortgage and Housing Corporation.

<sup>12</sup> Source: CBRE Ltd.

<sup>13</sup> Source: MSCI Inc.(IPD).

In Paris, the residential rent level has generally increased over the last 28 years, evidencing a growth of approximately 106 per cent. during the period between 1990-2018.<sup>14</sup> During the same period, the rental levels of offices in Paris' central business district generally increased by approximately 13 per cent.<sup>15</sup>

### ***United States***

In the US, as at 31 December 2019, the Group had a portfolio of 3,931 residential units with residential lettable space of 272,209 square metres (as compared to 3,782 residential units and 261,058 square metres of residential lettable space as at 31 December 2018).

As at 31 December 2019, the average residential rent was USD 3.02 per square foot per month, which represented an increase as compared to 31 December 2018 (USD 2.88 per square foot per month).

In the US, the residential rent level has generally increased over the last 27 years, evidencing a growth of approximately 160 per cent. during the period between 1991-2018.<sup>16</sup> During the same period, the rental levels of offices in the US generally increased by approximately 66 per cent.<sup>17</sup>

### ***Denmark***

As at 31 December 2019, the Group owned 1,031 apartments in Copenhagen with a residential lettable space of 82,527 square metres, same amounts as at 31 December 2018.

As at 31 December 2019, the average rent per square metre and year was DKK 1,065 which represented an increase as compared to 31 December 2018 (DKK 1,011 per square metre and year).

In Denmark, the residential rent level has generally increased over the last 28 years, evidencing a growth of approximately 94 per cent. during the period between 1990-2018.<sup>18</sup> During the same period, the rental levels of offices in Copenhagen's central business district has not changed in nominal terms.<sup>19</sup>

## **Rent Regulations**

The ability of the Group to increase the rent payable by tenants of its properties is regulated differently in the jurisdictions in which the Group operates. In some countries (such as the United Kingdom), the Group is, in the majority of cases, able to increase rent freely in accordance with market practice, whereas in others (such as Sweden) the ability to increase rent is subject to restrictions. In the regulated markets, the rent level normally fluctuates less and the rental income is more predictable. A brief description of the rental regulations in each country in which the Group operates is set out below.

### ***Sweden***

Rents in Sweden are negotiated between the landlord and the Swedish Union of Tenants in accordance with the system of "utility value" (Sw: *Bruksvärdessystemet*). If an agreement between the landlord and the Swedish Union of Tenants is not met, the landlord can enter an agreement directly with the tenant. The rent level may then be challenged and the rent tribunal will decide in accordance with the system of "utility value". This system implies that rent levels should be proportionate to the standard and location of the property in question and can only be increased to a level that is in line with the rent that is charged on other comparable residential units (in other words, rents can normally only be

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<sup>14</sup> Source: OLAP (*Observatoire des loyers de l'Agglomération Paris*).

<sup>15</sup> Source: CBRE.

<sup>16</sup> Source: US Census Bureau.

<sup>17</sup> Source: Jones Lang LaSalle.

<sup>18</sup> Source: Statistics Denmark.

<sup>19</sup> Source: Saddin & Albaek.

subject to more significant above-inflation increases when the residential units have been upgraded). This rental regulation has resulted in low rent levels in Sweden, which in turn leads to fewer new rental residential units and a housing shortage in growing cities such as Stockholm and Malmö. In Sweden, rental regulation has also resulted in lower risks for property owners in relation to vacancy rates and rental income.

### ***Germany***

In Germany, the parties to a new rental agreement are in general freely able to agree on the rent. However, in cities with a tense housing market situation, the rent may be restricted to the locally prevailing comparable market rents plus 10 per cent. This restriction does not apply to extensively upgraded residential units. Increases in the rent of current tenants can be conducted by different methods. Since 2012, the Group has used indexation according to the consumer price index as the method for setting levels of rent in new lease contracts. If the lease contract does not include such indexation, the rent is set by a comparison to the locally prevailing rents set forth in rent indices (Ge: *Mietspiegel*). The index rent is calculated by local authorities to reflect the standard and location of the properties. Increases in rent by comparison to the rent mirror are capped at 15 per cent. for every three-year period. Following any upgrades to the residential units, landlords are allowed to increase the rent of an existing tenant by a total of 8 per cent. of the modernisation cost incurred. However, the Berlin Senate voted on 18 June 2019, to freeze rents for five years. The law is likely to be enacted in 2020 (see also "*Changes in rental regulations*" under "*Risk factors*"). Further, the Senate plans as of the date of this Prospectus to implement a rent cap in Berlin with levels lower than current rent caps. According to German media coverage, this may mean rent reductions for current tenants and lower rents for new tenants. There is a risk that the plans result in a passed bill which caps the rent for Akelius' properties in Berlin, depending on the age of the apartment and recent modernisation, to EUR 8 per sqm per month. Akelius' average rent in Berlin was EUR 9.33 per sqm per month at the end of December 2019. In the unlikely event of the legislation being implemented and in those levels as indicated in the media coverage, this would mean approximately EUR 22 million in lowered rent per year for Akelius in Berlin.

### ***Canada***

In Toronto, the parties to a new rental agreement are freely able to agree on the rent but increases for current tenants are controlled by the local authorities. The rent increase normally follows the level of inflation. As a result of extensive renovations or improvements to residential units, increased taxes or tariffs on utility costs, landlords are allowed to increase the rent of an existing rent contract by up to 9 per cent. over a period of three years.

In Montreal, the parties to a new rental agreement are freely able to agree on the rent but the new tenants are entitled to a court assessment of the rent. Landlords are allowed to increase the rent of an existing tenant when the landlord's costs increase and costs incurred for upgrades can to some extent be passed on to the tenants.

### ***United Kingdom***

In the United Kingdom, rental regulations are in place only for tenancies that were granted prior to 1988. Such tenancies comprise 1.9 per cent. of the Group's portfolio as at 31 December 2019. The most common residential lease contract in England is an assured shorthold tenancy with an average duration of 12 months. Parties to such contract are freely able to renew the contract at market rent after expiry. Because of the high fluctuation and short duration of the lease contracts, the rent levels are usually close to market rents. By upgrading the residential units and the common areas, landlords are able to increase rents above the market rent.

## **France**

In France, new leases can be set with a free rent level only if one of the following conditions is fulfilled: (i) first letting of the residential unit, (ii) the residential unit has been vacant for the past eighteen months, (iii) the residential unit has been renovated within the last six months with a total cost of works that exceeds the previous annual rent. Current leases can be renegotiated after six years of tenancy only if the rent level is significantly below the market rent. In that case, the landlord can increase the rent based on one of the following methods: (i) 50 per cent. of the difference between the locally prevailing rents observed in the neighbourhood (Fr: *Loyer de référence*) and the current rent at the renewal date, or (ii) 15 per cent. of the improvement works (including value added tax) performed in the common or private areas during the lease period and if the total costs of those works exceed the previous annual rent. During the first six years of tenancy following the acquisition date for existing contracts, the annual rental increase cannot exceed the variation of the reference rent index (Fr: *L'Indice de Référence de Loyers*).

## **United States**

In the US, the rental regulations vary significantly from city to city. In New York, rent systems comprise three types. Controlled rent exists when the landlord is generally not entitled to any significant increase of the rent level for existing tenants but can increase the rent when there is a change of tenant and the new tenant is not a lawful successor. The landlord can apply to a current tenant for an increased rent, but the tenant has the opportunity to challenge this request. Stabilised rent exists when the landlord can increase the rent annually according to a guideline which is approximately in line with the consumer price index. Initial rents can be raised by about 0.6 per cent. of upgrading costs up to a maximum of USD 15,000.<sup>20</sup>

In Boston, the rent level in current rental agreements is either free or income restricted. The parties to a new rental agreement for market rate apartments are freely able to agree on the rent. In income restricted units, rent level follows a local consumer price index determined by the local housing authority and is adjusted once a year for all income restricted units.

In Washington, rent control does not apply to buildings constructed after 1975. For buildings built before 1975, existing tenants are subject to a maximum increase of 2 per cent. plus the consumer price index. For vacant units, an automatic increase of 10 per cent. is allowed. Rent levels can be increased by up to 30 per cent. if a similar unit in the building exists with a rent level that high. Voluntary agreements allow for rent to be raised above rent control guidelines in exchange for negotiated capital improvements, services, repairs, and maintenance. This agreement requires approval by 70 per cent. of the residents occupying the property.

In Virginia there is no rent control. Rental levels can be raised to market upon expiration of the lease term, as long as notice of at least thirty days is given.

## **Denmark**

The rental system in Denmark can be divided into three main parts.

In the cost-based rent system, the rent is calculated as the sum of the operating costs plus an owner's yield in the range of 7 to 14 per cent. The owner's yield is based on either (i) the unadjusted property value as of 1 April 1973 or (ii) the construction costs if the property is constructed after 1 April 1973. On a yearly basis, the rent will fluctuate with the operating costs. If the cost increases from one year to another, this will be apportioned between the owner and the tenant through an increase in rent.

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<sup>20</sup> Source: New York State, Division of Housing and Commercial Renewal, Office of Rent Administration.



If an apartment is substantially improved, the landlord is allowed to change to the utility value rent system, where the rent levels reflect the utility value of the apartment. The rent level is determined by a comparison of similar properties in similar locations. Yearly rent increases are made by adjusting the lease agreements and connecting the rent to an index; normally the consumer price index NPI (Dk: *Nettoprisindeks*).

For buildings constructed after 1991 the new lease rent level is free. This includes conversion of commercial buildings as well as attic extensions. Yearly rent increases are made by adjusting the lease agreements and connecting the rent to an index; normally the consumer price index NPI (Dk: *Nettoprisindeks*).

### **Property management**

The Group's property management teams at a local level are dedicated to the management of properties in a given region. The Group's property management is organised into three units, one for each region in which the Group owns properties. The Scandinavian region consists of properties in Sweden and Denmark, the Europe region consists of properties in Germany, France and the United Kingdom and the North America region consists of properties in the US and Canada. The Group manages each of the three units separately and dedicates a region manager to each unit. Each region manager is responsible for managing tenants, lettings, services, upgrades, projects, purchases and sales, property valuations, and monitoring compliance with regulatory and accounting requirements, including tax and value added tax returns. The region managers provide insight into the local requirements and market dynamics and aim to ensure profitability in their respective regions. The Group has dedicated administration teams responsible for the Group's overall activities which supports the units in their local operations.

### **Development projects**

The Group also seeks to enhance the value of its properties by carrying out projects that are designed to develop and upgrade its residential units and real estate properties. The Group's overarching project in this respect is the upgrading of its properties of all types (in particular the apartments, stairwells, entrances and gardens within those properties) to a "better living" standard. The concept is orientated towards upgrading vacant rental residential units to the standard of newly-built condominiums. The costs associated with these upgrades are, to a certain extent, recovered through increases to the rent payable for such properties. By upgrading only its vacant residential units, the Group ensures that its current tenants are not obliged to accept a higher standard and, respectively, higher rents. In 2019, the Group upgraded 2,569 residential units for a total investment of EUR 108 million and upgraded the communal areas of some of its properties for a total investment of EUR 360 million. The share of upgraded apartments represented 48 per cent. of the Group's total portfolio as at 31 December 2019 (compared to 43 per cent. as at 31 December 2018). Of the total apartments, only around three per cent. are deemed necessary to upgrade before re-let, in order to attract a new tenant. 55 per cent. of the apartments will be upgraded if the yield is greater than seven per cent., but it is not necessary to upgrade in order to re-let the apartments at the same or higher rent level than before. The Group also invests significantly in development projects that seek to maximise the energy efficiency of its properties and in projects that convert commercial premises into residential units.

The Group commits to centralised and standardised purchasing of construction materials (so called "StreamLine Production"). This ensures consistency in terms of quality and provides opportunities for volume discounts. In 2014, the Group introduced a fully-developed support system which manages the logistics and the administration of its development projects. This system simplifies, among other things, the logistics and cost control processes associated with the projects. The Group continuously focuses on effective internal coordination in order to reduce both the time and the cost of its development projects.

## Finance

The following table sets out the key figures in relation to the Group's consolidated equity and interest-bearing liabilities as at 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016:

	31 December			
	2019	2018	2017	2016
<b>Equity</b>				
Equity, 2018-19 in EUR million, 2016-17 in SEK million.....	5,526	5,370	48,270	40,937
Equity to assets ratio, per cent.....	45	43	46	46
<b>Interest-bearing liabilities</b>				
Loan-to-value, secured loans, per cent.....	14	19	18	24
Loan-to-value, total loans, per cent.....	40	44	44	43
Interest coverage ratio, excluding realised value growth.....	2.0	1.8	1.9	1.9
Interest coverage ratio, including realised value growth.....	7.8	2.8	4.7	4.5
Interest rate hedge total loans, year <sup>1</sup> .....	4.5	4.5	5.3	4.5
Capital tied up total loans, year <sup>2</sup> .....	5.4	5.7	5.6	5.0

<sup>1</sup> "Interest rate hedge total loans" refers to volume weighted remaining term for interest rates on the Group's interest-bearing liabilities and derivatives on the balance sheet date. This measure is used to analyse the Group's financial risk.

<sup>2</sup> "Capital tied up total loans" refers to volume weighted remaining term of the Group's interest-bearing liabilities and derivatives on the balance sheet date. This measure is used to analyse the Group's financial risk.

Please see "*Description of alternative performance measures*" below for a further description of the method of calculating certain of the financial measures set out in the table above.

The Group's investments, operations and development projects are financed by a variety of sources. During 2019, the Group's profit was EUR 385 million and the Group increased its consolidated equity by EUR 156 million, which amounted to EUR 5,526 million as at 31 December 2019 (as compared to EUR 5,370 million as at 31 December 2018). The Group's equity to assets ratio was 45 per cent. as at 31 December 2019, as compared to 43 per cent. as at 31 December 2018.

The Issuer raised a total of SEK 6,020 million (gross proceeds) through the issue of 19 million preference shares in 2014 and 2015. The Issuer redeemed all previously outstanding preference shares on 20 December 2019 and, as at 31 December 2019, had no outstanding preference shares.

The Group believes in diversification and has developed relationships with a number of credit institutions in the respective markets in which it operates. As at 31 December 2019, the Group had entered into financing arrangements with 31 banks across Sweden, Germany, the United Kingdom, Canada, France, Denmark and the US. The Group uses its long-term debt to reduce refinancing and interest rate risk. The Issuer does not usually distribute net dividends to its ordinary shareholders and regularly reinvests the Group's profits, thus effectively increasing the size of the Group's property portfolio without increasing the loan-to-value ratio. Net dividends means any dividends where the proceeds are not immediately used by the shareholders to subscribe for new shares. There are no mandatory rules on the Issuer distributing dividends to its preference shareholders (if any) and, while the Issuer does not maintain a prescriptive strategy in this respect, it does intend to defer the distribution of dividends when required in accordance with the Group's business strategy. During 2019, the Issuer distributed dividends on its then outstanding preference shares in an aggregate amount of EUR 32 million. The Group's secured loans amounted to EUR 1,658 million as at 31 December 2019, a decrease of EUR 688 million as compared to EUR 2,346 million as at 31 December 2018. During 2019, the Group's total borrowings decreased by EUR 662 million to a total of EUR 5,356 million as compared to EUR 6,018 million as at 31 December 2018. During 2019, the Group's total loan-to-value ratio decreased from 44 per cent. as at 31 December 2018 to 40 per cent. as at 31 December 2019.

The Group's secured loan-to-value ratio was 14 per cent. as at 31 December 2019, which represented a decrease as compared to 31 December 2018 (19 per cent.). The level of the ratio is in line with the Group's ambition to maintain a low overall share of its secured lending. The Group's total loans were on average tied up for 5.4 years as at 31 December 2019. As at 31 December 2019, the total loans of the Group carried an average interest rate of 2.25 per cent. which represented a decrease as compared to 31 December 2018 (2.64 per cent.). The average interest rate hedge for total loans was 4.5 years as at 31 December 2019, the same as at 31 December 2018.

The Group's interest coverage ratio excluding realised value growth was 2.0 as at 31 December 2019, which represented an increase as compared to 31 December 2018 (1.8 per cent.). The Group's interest coverage ratio including realised value growth was 7.8 as at 31 December 2019, as compared to 2.8 as at 31 December 2018. This increase was principally a result of a large volume of successful divestments of properties in Sweden and Germany during the first half year 2019 as compared to 2018 during which fewer divestments were carried out. As at 31 December 2019, available funds in the form of cash and unutilised and available credit facilities totalled EUR 841 million, as compared to EUR 461 million as at 31 December 2018.

As at the date of this Prospectus, the Issuer has issued eleven senior unsecured bonds that remain outstanding, one of EUR 300 million (maturing in September 2020), one of EUR 600 million (maturing in January 2022), one of EUR 600 million (maturing in February 2025), one of EUR 500 million (maturing in March 2024), one of GBP 400 million (maturing in August 2025), one of SEK 1,000 million (maturing in October 2021), one of SEK 500 million (maturing in October 2021), one of SEK 700 million (maturing in October 2023), one of SEK 300 million (maturing in October 2023), one of SEK 800 million (maturing in November 2024) and one of SEK 200 million (maturing in November 2024). The bonds are listed on the regulated market of Euronext Dublin. In addition, the Issuer has issued a subordinated hybrid bond of EUR 500 million (maturing in October 2078) which is also listed on the regulated market of Euronext Dublin.

### **Financial Policy and Covenants**

The current published financial policy of the Group is aimed at minimising the impact of a financial crisis on the Group and it sets a background objective that the Group should be able to withstand (i) a 25 per cent. drop in property values, (ii) an interest rate increase of 5 percentage points and (iii) fluctuations in foreign exchange rates. Pursuant to this policy, the Group aims to achieve the following targets: (a) maintain a minimum Issuer credit rating of BBB by S&P (or such equivalent rating from any other rating agency) with a target to achieve a rating of BBB+ or higher; (b) a loan-to-value ratio of less than 50 per cent. (40 per cent. as at 31 December 2019) and below 40 per cent. from 2020; (c) a secured loan-to-value ratio of less than 25 per cent. (14 per cent. as at 31 December 2019); (d) an interest coverage ratio excluding realised value growth that exceeds 1.8 (2.0 as at 31 December 2019) and 2.0 from 2020, and (e) a liquidity reserve that amounts to at least EUR 300 million (EUR 841 million as at 31 December 2019).

The Issuer's financial policy is also aimed at maintaining a buffer between the financial covenants contained in the Conditions and the Group's financial position at any given time. Based on the financial position at 31 December 2019, the Issuer estimates that none of the following individual events would trigger a breach of any relevant covenant during 2020: a sudden increase in interest rates by five per cent.; a decrease in the fair value of its properties as of 1 January 2020 by 25 per cent.; or a change in the value of the Euro by 10 per cent. towards all currencies.

The Issuer has financial covenants in certain of its existing outstanding senior debt securities that restrict payments on ordinary shares and the Capital Securities. For example, the terms and conditions (the **Programme Conditions**) of Notes issued under the Base Prospectus dated 12 May 2017 relating to the Issuer's EUR 1,500,000,000 EMTN Programme restrict such payments if (i) Consolidated Net Financial Indebtedness to Total Assets is 60 per cent. or higher (40 per cent. as at 31 December 2019

and 44 per cent. as at 31 December 2018); or (ii) Adjusted Profit Before Taxes to Total Interest Expenses is 1.5 or less (1.98 as at 31 December 2019 and 1.81 as at 31 December 2018) (see "*Risk Factors – Financial Undertakings*" and "*Alternative Performance Measures*"). Other existing outstanding senior debt securities of the Issuer contain similar (but less restrictive) financial covenants. Each of the defined terms in this paragraph shall have the meanings set out in the Programme Conditions which are incorporated by reference in this Prospectus (see "*Documents Incorporated by Reference*").

The Group also aims to maintain more cash sources than cash uses. The Group defines "**cash sources**" as liquidity (available funds in the form of cash and unutilised and available credit facilities) plus profit before tax and revaluation plus signed property sales. As at 31 December 2019 cash sources totalled EUR 1,047 million. The Group defines "**cash uses**" as up-started investments on its properties plus short-term loans plus signed property purchases. The Group estimates that the remaining payments due on its up-started investments as at 31 December 2019 are approximately EUR 50 million, short term loans as at 31 December 2019 amounted to EUR 590 million and signed property purchases as at 31 December 2019 amounted to EUR 21 million; therefore, cash uses totalled approximately EUR 661 million.

The Issuer does not usually distribute net dividends to its ordinary shareholders of class A and almost exclusively reinvests the Group's profits to support organic growth. If dividends are declared on the Issuer's ordinary shares, the ordinary shares of class D are entitled to five times the total dividend on the class A ordinary shares, however not more than EUR 0.10 per share of class D per year.

### **Recent developments**

Since 31 December 2018, the Issuer has purchased properties for EUR 181 million, sold properties for EUR 1,616 million and contracted sales amounting to another EUR 134 million.

In March 2019, the Issuer entered into an agreement to sell properties with 2,839 apartments in Cologne, Düsseldorf, Frankfurt, Wiesbaden and Mainz to Deutsche Wohnen Management und Servicegesellschaft mbH. The purchase consideration was EUR 685 million, which will be paid to the Issuer at the closing date for each property. As of 31 December 2019, properties corresponding to a value of EUR 33 million had not yet been closed. The final closing is scheduled for the first quarter of 2020.

In August 2019, the Issuer also entered into an agreement for the sale of properties with 1,492 apartments in Munich and Hamburg to Patrizia AG. The purchase consideration was EUR 420 million to be paid at the closing date for each property. The closing was completed in full during the remainder of 2019.

In August 2019, the Issuer entered into an agreement to sell properties with 664 apartments in Toronto to Starlight Acquisitions Ltd. The purchase consideration was EUR 123 million, with payment to be received in three instalments. The first two instalments were paid on 10 September 2019 and 13 September 2019, and the third is scheduled for the second quarter of 2020.

The Issuer issued common shares of class D on Nasdaq First North Growth Market Stockholm on 4 October 2019. The price in the offer was set at EUR 1.75 per D-share following book building. The offer was directed at institutional investors, in Sweden and abroad, as well as to the general public in Sweden, and raised proceeds of EUR 385 million (before transaction costs). Settlement was concluded on 8 October 2019.

In November 2019, the Issuer decided on a mandatory redemption of all 18,835,606 outstanding preference shares. The redemption price was SEK 347.50 per preference share of which SEK 2.50 was accrued dividend.

The redemption amount of SEK 6,545 million was settled on 20 December 2019.

Other than the above-mentioned property sales and the issuance of the shares of Class D, no material changes of the Issuer's financial situation or market position have taken place after 31 December 2018.

**Credit rating**

The long-term senior obligations of the Issuer are rated BBB by S&P.

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

The business address for all members of the board of directors (the **Board**) and the management of the Issuer is: Akelius Residential Property AB, Svärdvägen 3A, P.O. Box 104, SE-182 12 Danderyd, Kingdom of Sweden. The Board currently consists of four members. The Board has also established, among others, a business committee, a finance committee and an audit committee. The role of the business committee is to approve property transactions not exceeding EUR 100 million and the role of the finance committee is to approve financial decisions not exceeding EUR 100 million. The obligations of the audit committee to monitor the Issuer's financial reporting are required by law. The Issuer's internal auditor, appointed by the Issuer's majority shareholder, Akelius Apartments Ltd, has a broad role in overseeing and auditing the Group's work streams, its development projects, IT, GDPR compliance, information security, accounting procedures and accounting systems. Information on the members of the Board and the management, including significant assignments outside the Issuer which are relevant for the Issuer, is set out below.

### **Board of Directors**

#### ***Anders Lindskog, chairman of the Board***

Anders Lindskog is the owner and sole board member of Anders Lindskog Byggkonsult AB. Anders Lindskog is also currently being engaged as Project Manager at Frank Projektpartner AB.

#### ***Pål Ahlsén, member of the Board***

Pål Ahlsén is chief executive officer of the Issuer. Pål Ahlsén also is the chairman of the Board of Directors of Akelius Lägenheter Aktiefbolag, Akelius Fastigheter i Haninge AB and Akelius France Holding. Pål Ahlsén also is a member of the Board of Directors of Akelius US LLC, Akelius Real Estate Management LLC and Akelius Systems AB. Pål Ahlsén is also a deputy member of the Board of Directors of Tobias Frick Fastighet AB.

#### ***Igor Rogulj, member of the Board***

Igor Rogulj is currently a council member of Akelius Foundation, member of the Board of Directors of Akelius Apartments Ltd, Torpet Sweden Ltd and Xange Holding Ltd as well as a partner in Vukovic+Rogulj Gesellschaft von Architekten mbH. Igor Rogulj is also the owner of Solekius S.L.

#### ***Lars Åhrman, member of the Board***

Lars Åhrman is the owner and managing director of Åhrman Consulting AB. Lars Åhrman is also chairman of the Board of Directors of Anna Ahrenbergs foundation, Karin and John Drums foundation, Signhild Ekmans foundation, Ernst Wallins foundation, Eleonore Dicksons foundation and Karin Karlings Scholarship foundation. Lars Åhrman is member of the Board of Directors of Douglas and Caroline Kennedys foundation, Emil and Maria Palms foundation, Per-Olof Ahls foundation and John and Britt Wennerströms foundation and deputy member of the Board of Directors of Foundation for Stroke Research.

### **Management**

#### ***Pål Ahlsén, Chief Executive Officer of the Group***

Pål Ahlsén is chief executive officer of the Issuer. Pål Ahlsén also is the chairman of the Board of Directors of Akelius Lägenheter Aktiefbolag, Akelius Fastigheter i Haninge AB and Akelius France Holding. Pål Ahlsén also is a member of the Board of Directors of Akelius US LLC, Akelius Real

Estate Management LLC and Akelius Systems AB. Pål Ahlsén is also a deputy member of the Board of Directors of Tobias Frick Fastighet AB.

***Leiv Synnes, Chief Financial Officer***

Leiv Synnes is currently a member and/or chairman of the Board of the Directors of the majority of the subsidiaries of the Issuer and a member of the Board of Directors and chairman of both Akelius Systems AB and Akelius Språkkurs AB. In addition, Leiv Synnes is also the chairman of the Board of Directors in Akelius Spar AB (publ) and a member of the Board of Directors in Akeliusfonder Ltd and Akelius Invest Ltd.

***Lars Lindfors, Deputy Chief Executive Officer of the Group***

Lars Lindfors is deputy chief executive officer of the Group. Lars Lindfors is a member of the Board of Directors in all Swedish and Danish Akelius-companies and in Akelius Språkkurs AB as well as being the managing director thereof.

***Andreas Wallén, Chief Business Development Officer***

Andreas Wallén is the Group manager for the following departments: Architecture, Business Development, Business School, Construction, Customer, Procurement, Property, Staff and Technology. Andreas Wallén does not hold any significant assignments outside of the Issuer which are relevant for the Issuer.

***Peter Ullmark, Head of Scandinavia***

Peter Ullmark is currently the managing director of Akelius Lägenheter AB, Akelius Holding Bolig Aps and all its Danish subsidiaries as well as a member of the Board of Directors of Akelius Lägenheter AB and in most of the Akelius entities in Sweden and Denmark.

***Ralf Spann, Head of Europe***

Ralf Spann is Vice President for all German Akelius entities and a member of the board in most of the Akelius entities in the UK and France.

***Shelly Lee, Head of North America***

Shelly Lee is currently a member of the Board of Directors of Akelius Real Estate Management Ltd and all its Canadian subsidiaries as well as all Akelius US subsidiaries.

**Conflicts of interests**

To the Issuer's knowledge, there are no potential conflicts of interest between any duties owed to the Issuer by the members of the Board or the management of the Issuer and their private interests and/or other duties.

Although the Issuer is not currently aware of any potential conflicts of interest, it cannot be excluded that conflicts of interest may come to arise between companies in which members of the Board and members of the management have duties, as described above, and the Issuer.

**Auditors**

The Issuer's auditor, Ernst & Young AB, was first appointed at the annual general meeting held on 10 April 2018, the appointment being valid as from that date and was re-appointed at the annual general meeting held on 11 April 2019, the appointment being valid as from that date. The current auditor-in-

charge is Ingemar Rindstig, who was re-appointed on 11 April 2019. Ingemar Rindstig is a member of the institute for the accountancy profession in the Kingdom of Sweden - FAR (Sw: Föreningen Auktoriserade Revisorer). The business address for Ingemar Rindstig is Ernst & Young AB, Jakobsbergsgatan 24, SE- 111 44 Stockholm, Kingdom of Sweden.

Prior to 10 April 2018, the Issuer's auditor was Öhrlings PricewaterhouseCoopers AB. Unless otherwise explicitly stated, no information contained in this Prospectus has either been audited or reviewed by Ernst & Young AB or by Öhrlings PricewaterhouseCoopers AB.

### **Financial interests**

Several members of the Board and management of the Issuer have a financial interest in the Issuer through their holdings of ordinary shares of class D in the Issuer.



## TAXATION

### **Certain Swedish tax considerations**

The following summary of certain Swedish tax considerations that may arise as a result of holding listed<sup>21</sup> Capital Securities is based on current Swedish tax legislation and is intended only as general information for Holders who are resident in the Kingdom of Sweden for tax purposes, unless otherwise indicated. This description does not deal comprehensively with all tax consequences that may occur for Holders and is neither intended nor should be construed as legal or tax advice. For instance, it does not cover the specific rules where Capital Securities are held by a partnership, as current assets in a business operation, via a capital insurance (*kapitalförsäkring*) or investment savings account (*investeringssparkonto*) or held as hedge for foreign currency exposure. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, investment funds and insurance companies. Prospective purchasers of the Capital Securities should consult their own tax advisers for information with respect to the special tax consequences that may arise as a result of holding Capital Securities, including the applicability and effect of foreign income tax rules, provisions in double taxation treaties and other rules which may be applicable.

### ***Taxation of Individuals Resident in the Kingdom of Sweden***

#### *Capital Gains and Losses*

Individuals who sell their Capital Securities are subject to capital gain taxation with a tax rate of 30 per cent. The capital gain or loss is calculated as the difference between the sales (or redemption) proceeds, after deduction of sales costs, and the Capital Securities' acquisition cost for tax purposes. The acquisition cost is determined according to the "average method". This means that the costs of acquiring all Capital Securities of the same type and class as the sold Capital Securities are added together and the average acquisition cost is calculated collectively, with respect to changes to the holding.

Gains or losses on currency exchange rate fluctuations may arise in relation to Capital Securities where the sales proceeds received are in a foreign currency. However, no special calculations are required if the sales proceeds are exchanged into SEK within 30 days from the time of disposal. In such case, the exchange rate on the date of exchange shall be used when calculating the value of the sales proceeds. The exchange rate on the date of acquisition is generally used when determining the acquisition cost for tax purposes.

As a general rule, 70 per cent. of a capital loss is deductible against any other taxable income from capital. However, capital losses on listed Swedish receivables are fully deductible in the income from capital category. According to Swedish case law, full deductibility also applies for capital losses on listed foreign receivables.

If a deductible deficit arises in the income from capital category, a reduction of the tax on income from employment and from business operations, as well as tax on real estate and the municipal real estate fee, is allowed. The tax reduction amounts to 30 per cent. of the deficit not exceeding SEK 100,000 and 21 per cent. of any part of the deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

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<sup>21</sup> For the Capital Securities to be considered as listed it is, according to the Swedish Tax Agency, not sufficient that the Capital Securities are admitted to trading on a regulated market, the Capital Securities also have to be traded.

### *Interest*

Any interest income received by an individual holder during the time of holding the Capital Securities is subject to Swedish tax at a tax rate of 30 per cent. in the income from capital category. Interest income is taxable when the income can be disposed of, in accordance with the "cash method".

### *Preliminary Withheld Tax on Interest*

If amounts that are considered to be interest for Swedish tax purposes are paid by a legal entity domiciled in the Kingdom of Sweden (including a Swedish branch) to a private individual (or an estate of a deceased individual) tax resident in Sweden, Swedish preliminary taxes are normally withheld at a rate of 30 per cent. Swedish preliminary taxes should normally also be withheld on other return on the Capital Securities (but not capital gains), if the return is paid out together with such a payment of interest referred to above.

### *Taxation of Swedish Legal Entities*

Limited liability companies and other legal entities (except for estates of deceased Swedish individuals) are normally taxed on their worldwide income as income from business operations (including income from the sale or redemption of the Capital Securities) at a flat rate of 21.4 per cent. (the tax rate is 22 per cent. for fiscal years commencing prior to 1 January 2019 and the rate will be reduced to 20.6 per cent. for fiscal years beginning after 31 December 2020).

### *Capital Gains and Losses*

The calculation of capital gains and capital losses for legal entities is in general calculated as described under the section "*Taxation of Individuals Resident in the Kingdom of Sweden*" above. However, tax deductible capital losses on receivables incurred by limited liability companies and certain other legal entities are normally fully deductible against any taxable income.

Capital Securities in foreign currency should be valued at closing date rate at year end. A foreign exchange gain is taxable, and a foreign exchange loss is tax deductible. Foreign exchange rate fluctuations that are treated as taxable/tax deductible may affect the acquisition cost of the Capital Securities.

### *Interest*

Interest income is normally taxed on an accrual basis as income from business operations at the rate set out under the section "*Taxation of Swedish Legal Entities*" above.

### *Taxation of Tax Residents Outside of the Kingdom of Sweden*

#### *Capital Gains and Losses*

Holders that are not tax residents in the Kingdom of Sweden and who are not engaged in trade or business through a permanent establishment in the Kingdom of Sweden are generally not liable for Swedish capital gains taxation on the disposal of Capital Securities. The Holders may be subject to tax in their country of tax residence.

#### *Withholding Tax and Preliminary Withheld Tax on Interest*

There is no withholding tax in the Kingdom of Sweden on interest payments to Holders that are not tax resident in the Kingdom of Sweden. Preliminary tax will not be withheld on interest payments or on a portion of the repayment of the Capital Securities that constitute interest to Holders that are not

tax resident in the Kingdom of Sweden and that do not engage in trade or business through a permanent establishment in the Kingdom of Sweden.

### **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it shall not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Capital Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Capital Securities should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EEA member states may decide to participate and certain of the participating Member States may decide to withdraw.

Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Barclays Bank PLC, BNP Paribas and Danske Bank A/S (together, the **Joint Bookrunners**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 13 February 2020, jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities. The Issuer has agreed to pay the Joint Bookrunners a combined management and underwriting commission, will reimburse the Joint Bookrunners in respect of certain of their expenses, and has also agreed to indemnify the Joint Bookrunners against certain liabilities, incurred in connection with the issue of the Capital Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### **United States**

The Capital Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Capital Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Joint Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Capital Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Capital Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Capital Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **Prohibition of sales to EEA and UK retail investors**

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Capital Securities to any retail investor in the EEA or in the UK. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## **United Kingdom**

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the **FSMA**)) received by it in connection with the issue or sale of any Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the United Kingdom.

## **The Kingdom of Sweden**

This document has not been approved by or registered with the Swedish Financial Supervisory Authority (Sw: *Finansinspektionen*). Each Joint Bookrunner has represented and agreed that it will not market or offer the Capital Securities in Sweden in circumstances that are deemed to be an offer to the public in Sweden which would require that a prospectus is approved by the Swedish Financial Supervisory Authority.

## **General**

No action has been taken by the Issuer or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Capital Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Capital Securities or distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Capital Securities by it will be made on the same terms.

## GENERAL INFORMATION

### **Issuer Legal Entity Identifier**

The Legal Entity Identifier of the Issuer is 213800REBFN6T3PU8L97.

### **Authorisation**

The issue of the Capital Securities was authorised by a resolution of the Board of the Issuer passed on 29 January 2020.

### **Listing**

Application has been made to Euronext Dublin for the Capital Securities to be admitted to the Official List and to trading on the Regulated Market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Capital Securities to the Official List and to trading on the Regulated Market will be granted on or about 17 February 2020, subject only to the issue of the Capital Securities.

The total expenses related to the admission to trading of the Capital Securities on the Regulated Market are expected to be approximately EUR 6,000.

### **Listing Agent**

Maples and Calder is acting solely in its capacity as listing agent for the Issuer in connection with the Capital Securities and is not itself seeking admission of the Capital Securities to the Official List of Euronext Dublin or to trading on the Regulated Market for the purposes of the Prospectus Regulation.

### **Clearing Systems**

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for this issue is XS2110077299 and the Common Code is 211007729. The FISN for this issue is AKELIUS RES (PU/2.249 BD 20810517 and the CFI is DBFQFB. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **No significant change**

There has been no material adverse change in the prospects of the Issuer since 31 December 2018.

There has been no significant change in the financial position or the financial performance of the Issuer or the Group since 31 December 2019.

## **Litigation**

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

## **Auditors**

Ernst & Young AB of Jakobsbergsgatan 24, SE-103 99 Stockholm, Kingdom of Sweden, regulated by the Supervisory Board of Accountants in the Kingdom of Sweden (Sw: *Revisorsnämnden*) and a member of FAR (the institute for the accountancy profession in the Kingdom of Sweden (Sw: *Föreningen Auktoriserade Revisorer*)) have audited without qualification and in accordance with generally accepted auditing standards in the Kingdom of Sweden, the 2018 Financial Statements, prepared in accordance with IFRS, and have given, and have not withdrawn, their consent to the inclusion of their unqualified audit report in this Prospectus in the form and context in which it is included.

Öhrlings PricewaterhouseCoopers AB of Torsgaran 21, SE-113 97 Stockholm, Kingdom of Sweden, regulated by the Supervisory Board of Accountants in the Kingdom of Sweden (Sw: *Revisorsnämnden*) and a member of FAR (the institute for the accountancy profession in the Kingdom of Sweden (Sw: *Föreningen Auktoriserade Revisorer*)) have audited without qualification and in accordance with generally accepted auditing standards in the Kingdom of Sweden, the 2017 Financial Statements, prepared in accordance with IFRS, and have given, and have not withdrawn, their consent to the inclusion of their unqualified audit report in this Prospectus in the form and context in which it is included.

Ernst & Young AB and Öhrlings PricewaterhouseCoopers AB do not have a material interest in the Issuer.

## **U.S. tax**

The Capital Securities (other than the Temporary Global Capital Security) and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

## **Documents Available**

For so long as the Capital Securities are outstanding, copies of the following documents will be available for inspection in electronic form on the following websites:

- (a) the constitutional documents of the Issuer (with an English translation thereof):

<https://www.akelius.com/site/binaries/content/assets/pdf/investor/articles-of-association/bolagsordning-faststalld-2019-09-02.pdf>

- (b) the 2019 Q4 Financial Statements:

[https://www.ise.ie/debt\\_documents/Akelius%20Residential%20Property%20AB%20\(publ\)%20Year%20End%20Report%202019\\_90bb9905-f317-4d77-bd4f-8c0ba0b0cbe4.pdf](https://www.ise.ie/debt_documents/Akelius%20Residential%20Property%20AB%20(publ)%20Year%20End%20Report%202019_90bb9905-f317-4d77-bd4f-8c0ba0b0cbe4.pdf)

- (c) the 2018 Financial Statements:

[https://www.ise.ie/debt\\_documents/2018%20ARPAB%20Annual%20Report\\_985b3027-f62b-4bb4-a818-d9bf56ec443b.pdf](https://www.ise.ie/debt_documents/2018%20ARPAB%20Annual%20Report_985b3027-f62b-4bb4-a818-d9bf56ec443b.pdf)

(d) the 2017 Financial Statements:

[http://www.ise.ie/debt\\_documents/Annual\\_Report\\_2017\\_f6f369ce-ec60-4ad7-a11b-22106031c15b.PDF](http://www.ise.ie/debt_documents/Annual_Report_2017_f6f369ce-ec60-4ad7-a11b-22106031c15b.PDF)

(e) the Trust Deed:

<https://www.akelius.com/en/investor/financial/bonds>

For so long as the Capital Securities are outstanding, a copy of the Agency Agreement will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the office of the Issuer.

This Prospectus will be published on the website of Euronext Dublin at [www.ise.ie](http://www.ise.ie).

### **Websites**

For the avoidance of doubt, the content of any website referred to in this Prospectus does not form part of this Prospectus.

### **Joint Bookrunners transacting with the Issuer**

In the ordinary course of their business activities the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of Capital Securities. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Yield**

On the basis of the issue price of the Capital Securities of 100 per cent. of their principal amount, the yield on the Capital Securities for the period until the First Reset Date is 2.250 per cent. on an annual basis. Such yield is calculated in accordance with the ICMA (International Capital Markets Association) Method.

The yield is calculated on the Issue Date on the basis of the issue price of the Capital Securities. It is not an indication of future yield.

### **Interests of natural and legal persons involved in the issue of the Capital Securities**

Save for the commissions described under "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the issue of the Capital Securities has an interest material to the offer.



**THE ISSUER**

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