



If Skadeförsäkring AB (publ)

(incorporated with limited liability in Sweden)

€110,000,000 Subordinated Fixed / Floating Rate Callable Notes due 2041

Issue Price 99.50 per cent

The €110,000,000 Subordinated Fixed/Floating Rate Callable Notes due 2041 (the “Notes”) will be issued by If Skadeförsäkring AB (publ) (the “Issuer”). Interest on the Notes is payable annually in arrear on 8 December in each year commencing on 8 December 2012 and up to, and including, 8 December 2021. Subject as provided under “Terms and Conditions of the Notes – Interest Deferral” from, and including, 8 December 2021, Interest on the Notes is payable quarterly in arrear on 8 March, 8 June, 8 September and 8 December in each year, commencing on 8 March 2022. Payments on the Notes will be made without deduction for or on account of taxes of the Kingdom of Sweden to the extent described under “Terms and Conditions of the Notes — Taxation”.

Subject as provided under “Terms and Conditions of the Notes – Deferral of Redemption” the Notes mature at their principal amount together with accrued but unpaid interest and certain other amounts (if any) on the Interest Payment Date falling in December 2041 but may be redeemed before then at their principal amount together with accrued and unpaid interest and certain other amounts (if any) (a) in whole but not in part, at the option of the Issuer on any Interest Payment Date falling on or after 8 December 2021, (b) in whole, but not in part, at the option of the Issuer at any date falling after the Ratings Methodology Commencement Date on the occurrence of a Ratings Methodology Event (in each case as defined in “Terms and Conditions – Redemption and Purchase”) and (c) in whole, but not in part, at the option of the Issuer, on the occurrence of a Tax Event, a Withholding Event or a Capital Event (in each case as defined in “Terms and Conditions — Redemption and Purchase”).

The Notes will constitute unsecured, subordinated obligations of the Issuer. See “Terms and Conditions of the Notes — Status of the Notes and Subordination”. The Notes may be utilised by the Issuer for the purposes of avoiding liquidation, by writing down the principal amount by the amount needed to restore the registered share capital of the Issuer and converting such amount into a conditional capital contribution. See “Terms and Conditions of the Notes – Status and Subordination”.

Application has been made to the Swedish Financial Supervisory Authority (the “SFS”) in its capacity as competent authority under the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*), for the approval of this Prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”). Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to the official list of the Luxembourg Stock Exchange (the “Official List”) and to be admitted to trading on the Luxembourg Stock Exchange’s regulated market. Listing and trading of the Notes is expected to take place on and from approximately 8 December 2011. References in this Prospectus to the Notes being “listed” (and all related references) shall mean that the Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange’s regulated market. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Notes will initially be represented by a Temporary Global Note, without interest coupons, which will be deposited with a common depository on behalf of the Clearstream, Luxembourg and Euroclear systems on or about 8 December 2011. The Temporary Global Note will be exchangeable for interests in a Permanent Global Note, without interest coupons, on or after a date which is expected to be 17 January 2012, upon certification as to non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for definitive Notes in bearer form in the denominations of €50,000 or integral multiples of €1,000 in excess thereof not less than 60 days following the request of the Issuer or the holder in the circumstances set out in it. No definitive Notes will be issued with a denomination above €99,000. See “Summary of Provisions relating to the Notes while in Global Form”.

The Notes are expected to be rated BBB+ by Standard & Poor’s Rating Services, a division of the McGraw Hill Companies (“S&P”). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Upon issue, all of the Notes are expected to be placed by the Lead Manager with Sampo plc, the ultimate parent company of the Issuer. Sampo plc intends, in the future, to dispose of some or all of the Notes through different distribution channels at the market price prevailing from time to time in response to potential demand for the Notes.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.

Lead Manager

Deutsche Bank

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes that are the subject of the offering contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Lead Manager (as defined in “Subscription and Sale”) have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Lead Manager to publish or supplement a prospectus for such offer.

This Prospectus is to be read in conjunction with all the documents that are incorporated herein by reference (see “Documents Incorporated by Reference”).

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Lead Manager to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see “Subscription and Sale”.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Lead Manager. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, the Lead Manager accepts no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) that it might otherwise have in respect of this Prospectus or any such statement.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

References to “EUR”, “euro” and “€” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended.

Each of the Board of Directors of the Issuer and the Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Board of Directors of the Issuer and the Issuer (each of which has taken all reasonable care to ensure that such is the case), 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.

Stockholm, 5 December 2011

If Skadeförsäkring AB (publ)

The Board of Directors

Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be 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.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to an investor's overall portfolio. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on its overall investment portfolio.

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RISK FACTORS

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

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes

Macro economic development and changes in general economic conditions

Macro economic development in Sweden, Norway and Denmark has an impact on the Issuer in that underwriting volumes as well as underwriting risks are affected by GDP growth, unemployment, new car sales volumes and unexpected changes in inflation rate. In some lines, such as business interruption and cargo insurances, the insured volume is dependent upon factors such as turnover or the amount of transported goods. Thus, a general decrease in corporate turnover or a decrease in the amount of transported goods following a fall in GDP or a slowing in GDP growth will have an adverse effect on the Issuer's insurance premium volumes. Similarly, a lower new car sales volume would affect premium volumes in the motor segment and a higher unemployment rate would affect workers' compensation premiums.

In the event of unexpected changes in the inflation rate, the business and financial performance of the Issuer could be adversely affected due to deviations in cost of claims from expected levels. The Issuer is particularly exposed to inflation changes in Sweden, Norway and Denmark.

Investment return is an important part of determining the Issuer's overall profitability and thus fluctuations in the financial markets, such as the fixed income, equity and currency markets, could have a material effect on the Issuer's consolidated results of operations. Although the Issuer has a diversified investment portfolio and constantly monitors and manages the composition of its investments in relation to the characteristics of its insurance liabilities, market events may occur that could have a material adverse effect on the Issuer's business, results of operations and financial condition.

Investment return is susceptible to changes in general economic conditions, including changes affecting the general creditworthiness of the issuers of debt securities and equity securities held in the Issuer's portfolios. The value of fixed income securities may be affected by, amongst other things, changes in the issuer's creditworthiness. Where the creditworthiness of the issuer of a debt security worsens, the credit rating defined by a rating agency may change and the value of the security may decline.

If Group's P&C insurance operations in Sweden, Norway and Denmark are conducted by the Issuer. The five largest insurers (of which the If Group is the largest) comprise almost two thirds of the Nordic P&C market and the four largest insurers are established in more than one Nordic country. Competition in the Nordic insurance market has been intense in recent years. The market has seen leading foreign insurers establishing themselves primarily within the industrial sector along with banks expanding their P&C insurance product

range. Increased competition from such insurers could lead to a reduction in the Issuer's market share which may have a material adverse effect on the Issuer's business, results of operations and financial condition.

Insurance risk

Insurance risk is the risk that the cost of future and outstanding insurance claims will be higher than anticipated due to inadequate pricing, risk concentration, incorrect assumptions or random fluctuations in the frequency and/or size of claims. The Issuer's insurance operations are exposed to the risk of unexpected changes in the frequency and severity of claims and timing in claims payments. The extent of this risk is largely dependent on the type of product and business. For example, the casualty business is exposed to medical and health care costs as well as legislative changes in respect of injury compensation, whilst property and motor hull insurance is sensitive to building cost inflation and prices of spare parts and repair cost. Claim frequency can fluctuate heavily over time. High economic activity in society usually correlates with a higher number of claims, while restrictions in terms and conditions and changes in legislation may serve to increase or decrease claims frequencies. Winter weather and cold periods traditionally affect the number of property and motor claims. Changes in interest rates might impact the value of discounted reserves (mainly annuities) and thus have an effect on the financial result.

Insurance risk can be divided into underwriting risk, provision risk, emerging risk, catastrophe risk and reinsurance risk.

Underwriting risk

Underwriting risk is the risk of losses due to inadequate pricing of insurance contracts. The Issuer's pricing models generally build on statistical evaluations and actuarial methods. Should the pricing models incorporate inaccurate methods (for example due to poor or incorrect data) and / or the pricing process fails to capture unexpected developments in claims costs, this could have an adverse effect on the financial position of the Issuer.

Provision risk

Provision risk is the risk of loss due to the technical provisions not being sufficient to cover the cost of claims, (e.g. due to higher inflation than expected) from insurance business already written. The level of provisions deemed to be sufficient is established by use of relevant actuarial methods that reflect assumptions and empirical outcomes. The Issuer continuously monitors the adequacy of technical provisions and makes necessary adjustments as soon as new information is available. Unexpected increases in the cost of claims when measured against the level of provisions may occur nonetheless, for example due to the appearance of risks that have not yet been recognised or because the methods used for setting provisions prove to be inaccurate, which might have an adverse effect on the Issuer's business, results of operations or financial condition.

Emerging risk

The Issuer is also subject to emerging insurance risks. By their very nature these risks are evolving, uncertain and difficult to quantify. The Issuer's potential emerging risk exposures include, for example, areas such as nanotechnology and the environmental impact of climate change (for example destruction caused to property by events such as flooding). Due to the difficulty in predicting these risks, potential emerging insurance risks could have a material adverse effect on the Issuer's business, results of operations or financial condition.

Catastrophe risk

Catastrophe risk (the risk of low frequency, high severity events that are often not captured adequately by the premium and reserve risk charge) is related to the type of events that might trigger multiple insured losses to property or to the person and thus might have a large financial impact on the Issuer. Catastrophe risk can

either result from natural catastrophes, for example windstorms, floods or other weather phenomena or man-made catastrophes such as acts of terrorism. Catastrophe risk is assessed at the If Group level and handled and mitigated through reinsurance protection in order to protect the If Group balance sheet from severe outcomes.

An unexpected increase in catastrophe claims could have a material adverse effect on the Issuer's business, results of operation or financial condition.

Reinsurance risk

Reinsurance is utilised for the purpose of protecting the Issuer's capital against adverse outcomes of large claims and event losses (including, but not limited to, catastrophe risk) and to achieve tolerable result volatility aligned with an established risk tolerance level.

External reinsurance programs are purchased annually on an If Group-wide basis. In order to ensure that no legal entity within the If Group has an excessive risk level, intra-group reinsurance arrangements are used.

If Group has reinsurance programs in place for all major lines of business including a group wide event program. In addition there are separate reinsurance programs in place to cover specific risks, for example reinsurance for terrorism risks in the United States which is purchased due to the Terrorism Risk Insurance Act of 2002 and related legislation.

The If Group's reinsurance protection is exposed to the following risks:

- default of reinsurer(s) participating in the If Group's current or historic reinsurance program;
- misinterpretation of reinsurance wording resulting in lack of cover for specific risks or exposures;
- mismatch in the timing of payments of claims against collection of reinsurance recoveries;
- claims outcome exceeding the amount of reinsurance capacity purchased; and
- reduced market capacity for certain risks or exposures, which makes it difficult to renew specific programs.

A failure of, or deficiency in the level of reinsurance cover could have a material adverse effect on the Issuer's business, results of operations or financial condition.

General investment risk

Interest rate risk

Interest rate risk refers to the uncertainty in the values of assets and liabilities as well as interest income and expenses resulting from changes in the market interest rates. When market interest rates rise, the balance sheet values of fixed income securities fall and this has an immediate impact on the Issuer's equity capital and earnings. On the other hand, higher interest rates mean increased interest income for new investments, which gradually improves profitability and the Issuer's capital position.

When market interest rates decrease, the balance sheet values of fixed income securities rise and this has an immediate impact on the Issuer's investment income. Conversely, consistently low market interest rates would result in a reduction in the return on the Issuer's future fixed income investments. Generally, investment income may be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature or are sold and the proceeds are reinvested at lower rates even though prices of fixed income securities tend to rise and gains realised upon their sale tend to increase.

Credit spread volatility

The Issuer's exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. A widening of credit spreads will generally reduce the value of fixed income securities the Issuer holds.

Equity risk

The Issuer is exposed to changes in the prices of its equity portfolio, which consists of mainly Scandinavian equities and global funds, which are generally subject to greater volatility and hence risks than fixed income securities. The policy of the Issuer is to have a diversified portfolio among industry sectors and geographic regions, although general economic conditions and many other factors beyond the control of the Issuer can adversely affect the equity markets and hence the Issuer.

Liquidity risk

Liquidity risk is the risk that an insurance undertaking will be unable to realise investments and other assets in order to settle its financial obligations when they fall due. Liquidity risk can be divided into the refinancing risk of debt and the market liquidity risk of investments. The Issuer's refinancing risk is related mainly to the credit rating of the Issuer's debt. Should the credit rating of the Issuer drop to a level such that the investment guidelines or regulations applicable to key investors prohibit the holding of the Issuer's securities, these investors might be forced to decrease their investments in the Issuer, which, in turn, could lead to the increase in the cost of new funding or restrict the Issuer's ability to obtain new funding.

Market liquidity risk is the risk that insurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due. Market liquidity risk is reduced by placing certain amounts of investment in instruments generally considered to be liquid or with short maturities. However, if the Issuer faces large-scale demands requiring immediate realisation of liquid assets, this could have a material adverse effect on its business, results of operations or financial condition.

Currency risk

Currency risk is the risk of loss due to changes in currency exchange rates. The Issuer's exposure to currency risk is mainly operational and is associated with its branches offering products denominated in a foreign currency. The major functional currencies are Euro, Norwegian kroner, US dollars and Danish kroner. Since the Issuer presents its consolidated financial statements in Swedish kronor, the Issuer's consolidated balance sheet and income statement are affected by exchange differences between the Swedish kronor and the then functional currencies. Operational currency risk is a part of the Issuer's normal business activities and investment decisions. Operational currency risk occurs in the insurance activities where most of the written insurance policies are denominated in Scandinavian currencies and in Euros. This currency risk is to a large extent reduced by matching the technical provisions with investment assets denominated in the corresponding currencies or by using currency derivatives. Operational currency risk also occurs in investment management, where active currency positions are taken.

Credit risk

Credit risk is the risk of loss or of adverse change in the financial position resulting from fluctuations in the credit standing by issuers of securities, counterparties and other debtors. The Issuer is exposed to credit risk through, amongst other things, holdings of fixed income instruments, derivative contracts, reinsurance agreements and loan advances. A failure by an issuer of a security or of a counterparty to a derivative or reinsurance agreement to meet its obligations could have a material impact on the Issuer's financial position. The counterparty risk in the Issuer's investment portfolios mainly arises from financial institutions and corporations in the Nordic region. In addition, when it comes to credit risk, the Issuer is exposed to concentration risk, which is managed by taking into account the Issuer's concentration exposure by industry

sectors, products and creditworthiness when setting individual issuer-specific limits in the investment policy. The Issuer's investments are also exposed to the spread risk which relates mainly to changes in the credit spreads of fixed income investments. Additionally, counterparty risk related to reinsurers arises through reinsurance receivables and through the reinsurers' portion of outstanding claims. The Issuer has substantial exposure to reinsurers through reinsurance arrangements. Under such arrangements other insurers assume a portion of the costs, losses and expenses associated with policy claims and maturities, and reported and unreported losses, in exchange for a portion of the policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Any decrease in the amount of reinsurance cover purchased will increase the Issuer's risk of loss. When reinsurance is obtained, the Issuer is still liable for those transferred risks if the reinsurer does not meet its obligations. Therefore, the inability or failure of reinsurers to meet their financial obligations could materially affect the Issuer's operations and financial condition.

Systemic risk

The Issuer is exposed to systemic risk which is the risk whereby default by a financial institution, or general concerns as to its creditworthiness, could lead to significant liquidity problems, losses or defaults by other institutions because the stability of many financial institutions may be closely linked to credit, trading, clearing or other relationships between such financial institutions. Such liquidity problems may adversely affect financial intermediaries such as clearing houses, banks and securities firms with which the Issuer interacts on a daily basis and, therefore, could adversely affect the Issuer both directly and indirectly.

Asset Liability Management

Asset Liability Management ("ALM") risk is the risk of a change in value from a deviation between assets and liability cash flows, prices or carrying amounts caused by a change in actual cash flows (for assets and liabilities) or a change in expectations of future cash flows. ALM risk is caused by differences in the sensitivity of investments and technical provisions to interest rates, inflation and foreign exchange rates.

For the Issuer the ALM risk is mainly attributable to the following:

- mismatch in currency exposure between assets and liabilities causing sensitivity to currency movements against Swedish kronor which might have adverse financial impact; and
- cash flow mismatch between assets and liabilities which might force the Issuer to sell investment instruments during unfavourable market conditions.

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes and systems, from human errors, or from external events. Each business area of the Issuer has the responsibility for identifying, assessing, monitoring and managing operational risks within its various units.

The Issuer's business is dependent on processing a large number of complex transactions across numerous and diverse products. The Issuer's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but a weakness in systems could negatively impact its results of operations.

The Issuer is also dependent on the efficient and uninterrupted operations of its IT and telephone systems, which are vulnerable to damage or interruption from power loss, telecommunication failure, negligence or similar misconduct or events beyond its control. Any such damage or interruption could have a material adverse effect on the Issuer's operations and financial condition.

Reputation risk

The Issuer is vulnerable to adverse market perception as it operates in a regulated industry where it must display a high level of integrity and maintain the trust and the confidence of customers. Reputation risks are related to the way the Issuer is perceived from the perspective of different stakeholders (shareholders, customers, staff, business partners or the general public). Reputation risks may arise through external distribution channels, the behaviour of which could be difficult to control. Mismanagement, fraud or failure to satisfy regulatory responsibilities, or the negative publicity resulting from such activities could have a material adverse effect on the Issuer's business, results of operations and/or financial condition.

Litigation risk

The Issuer is subject to a wide range of legal obligations in the countries in which it and its clients operate. There are a number of legal proceedings against the Issuer, arising in the ordinary course of business. An unfavourable outcome of potential future litigation could have a material adverse effect on the Issuer's business, results of operations and financial condition.

Regulatory compliance and regulatory changes

Insurance is a highly regulated business with formal rules for minimum capital and capital structure and the Issuer's business is subject to government regulation in the jurisdictions in which it conducts business. Regulatory agencies – in particular, the SFSA – have broad jurisdiction over many aspects of the Issuer's business, which may include capital adequacy, marketing and selling practices, licensing agents, policy forms, terms of business and permitted investments. The Issuer believes that it complies with all current legal requirements. However, regulation in countries in which the Issuer operates may change, which could have a material adverse effect on the Issuer's business, results of operations and/or financial condition.

The European Commission's Solvency II framework directive entered into force in December 2009. The introduction of a new economic risk based solvency regime aims to deepen the integration of the insurance and reinsurance market, to enhance the protection of policyholders and beneficiaries, to improve international competitiveness of the European Union (the "EU") insurers and reinsurers and to promote better regulation. Although the Issuer is well prepared for the proposed new solvency requirements and its aim is full compliance by the time Solvency II is implemented (which is expected in the beginning of 2013 or 2014), compliance with the requirements cannot be guaranteed at this stage and potential non-compliance could have a material adverse effect on the Issuer's business, results of operations and/or financial condition.

All financial services groups face the risk that regulators may find that they have failed to comply with applicable regulations or have not undertaken corrective action as required. Regulatory proceedings could result in adverse publicity for, or negative perceptions regarding, the Issuer, as well as diverting management's attention away from the day-to-day management of the business. A significant regulatory action against the Issuer could have a material adverse effect on the business of the Issuer, its results of operations and/or financial condition.

In addition, changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect its product range, distribution channels, capital requirements and, consequently, its results and financing requirements.

Accounting compliance and risk from possible accounting changes

Financial statements presented by the Issuer are prepared in compliance with Swedish laws and SFSA regulations. These regulations prescribe the full use of international accounting standards issued by the International Accounting Standards Board (the "IASB") and endorsed by the EU with some exceptions. In October 2010 IASB published the second part of a standard within phase 1 of the project aiming at improving

the requirements for the recognition and measurement of financial instruments (IFRS 9, Financial Instruments). IASB has also published exposure drafts related to the project, regarding phase 2 (Impairment Methodology) and phase 3 (Hedge Accounting). Depending on the business model chosen at implementation, a mixed valuation model could be applied, where the income from investments could be recognised in the income statement at fair value or accrued in accordance with an amortised cost measurement model, in which expected losses (impairments) are taken into consideration. The current category of “available for sale-assets” is planned to be abolished.

In July 2010, IASB also presented an exposure draft regarding accounting for insurance contracts (IFRS 4, Phase II) that could change the valuation and presentation of technical accounts to a significant extent. The exposure draft proposes the use of margin accounting to replace the current gross accounting presentation for a significant part of written insurance contracts.

Depending on the business model chosen at the implementation of IFRS 9 and changes that may be required by the not yet finalised IFRS 4, the financial reporting of the Issuer may change significantly compared to the current standards, which could adversely affect the presentation of performance and financial position.

The final and comprehensive accounting standards are planned to be issued by IASB in June 2012 and mandatory application is expected at the earliest in respect of 2015 financial statements and most likely later than that.

Factors which may be material for the purposes of assessing other risks associated with the Notes

Capitalised terms used but not defined in this section have the meaning given to them in the Terms and Conditions.

Risks related to the structure and terms of the Notes

The Issuer's obligations under the Notes are subordinated

The Issuer's obligations under the Notes will be unsecured and subordinated (as described in “Terms and Conditions of the Notes – Status of the Notes and Subordination”) and on Liquidation, the rights of holders of Notes and/or Coupons will rank as described in “Terms and Conditions of the Notes – Status of the Notes and Subordination”.

Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a risk that an investor in the Notes will lose all or some of his investment if the Issuer becomes insolvent.

The Notes may be utilised to avoid liquidation and converted into conditional capital contributions.

In certain circumstances, as set out in “Terms and Conditions of the Notes – Status of the Notes and Subordination”, accrued interest on, and the principal of the Notes will be utilised for the purposes of the Issuer avoiding being obliged to enter into liquidation by writing down first, all or part of the accrued interest then outstanding on the Notes and secondly, all or part of the principal amount of the Notes by the amount required to avoid the Issuer’s liquidation and to restore the Issuer’s capital to a level which is equal to the registered share capital of the Issuer by converting such amount into a conditional capital contribution.

Utilisation of the accrued interest on, and the principal amount of, the Notes for the purpose of the Issuer avoiding being obliged to enter into Liquidation shall be made *pro rata* to accrued but unpaid interest on, and the principal amount of, other Parity Obligations, and may only be made after utilisation in full for the same purpose of any Junior Obligations.

In such circumstances the rights of Noteholders will thereupon be converted into the rights of providers of conditional capital contributions to the Issuer.

Deferral of payments of interest

On any Optional Interest Payment Date, the Issuer may elect, by notice to the Noteholders, the Trustee and the Principal Paying Agent, to defer payment of all (but not some only) of the interest accrued but unpaid to such date. Payments in respect of or arising under the Notes and the relative Coupons are, in addition to the right of the Issuer to defer payment of interest, conditional upon the Interest Payment Date on which such Optional Interest Payment Date falls not also being a Mandatory Interest Deferral Date and no principal, interest or any other amount will be due and payable in respect of or arising from the Notes, the relative Coupons and the Trust Deed if the Interest Payment Date on which such Optional Interest Payment Date falls is also a Mandatory Interest Deferral Date. Any such payments that the Issuer defers shall be deferred and constitute Arrears of Interest. Arrears of Interest shall only become due in full in the limited circumstances set out in “Terms and Conditions of the Notes – Interest – Interest Deferral – Arrears of Interest”.

Deferral of payments of Principal

As set out in “Terms and Conditions of the Notes – Redemption and Purchase – Deferral of Redemption” if, on the Maturity Date, the Noteholder, Trustee and Principal Paying Agent have received written notice from the Issuer that a Regulatory Deficiency has occurred and is continuing on such date or that a Regulatory Deficiency would occur if the scheduled redemption repayment was made on that date then the Issuer shall not be obliged to redeem the whole or any part of the Notes in respect of which such Deferred Redemption applies and any such non-payment shall not constitute a default by the Issuer for any purpose.

The Issuer is not obliged subsequently to redeem the Notes except in the limited circumstances set out in “Terms and Conditions of the Notes – Redemption and Purchase – Redemption at Maturity”.

Notes are subject to optional redemption by the Issuer

Subject to regulatory approval, the Issuer may redeem all of the Notes at their principal amount plus accrued but unpaid interest, any Arrears of interest and any Additional Interest Amounts on any Interest Payment Date falling on or after 8 December 2021. Such optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

In addition, upon the occurrence of a Tax Event, a Withholding Tax Event or a Capital Event the Notes may, subject to the relevant Terms and Conditions, be redeemed in whole (but not in part) by the Issuer at any time prior to or on 8 December 2021 or on any Interest Payment Date thereafter prior to the Maturity Date, in each case at their Early Redemption Amount together with accrued but unpaid interest, any Arrears of Interest and any Additional Interest Amounts.

Upon the occurrence of a Rating Methodology Event the Notes may, subject to the relevant Terms and Conditions, be redeemed in whole (but not in part) by the Issuer at any time from and including the Ratings Methodology Event Commencement Date and prior to or on 8 December 2021 and on any Interest Payment Date thereafter, in each case at their Early Redemption Amount together with accrued but unpaid interest, any Arrears of Interest and any Additional Interest Amounts.

For so long as required by Applicable Regulations, the Issuer may not redeem any Notes unless it has first obtained the approval of the SFSA.

Fixed/Floating Rate Notes

The Notes will initially bear interest at a rate that will convert from a fixed rate to a floating rate on 8 December 2021. The conversion of the interest rate will affect the secondary market and the market value of the Notes since the conversion may lead to a lower overall cost of borrowing. When the Issuer converts from a fixed rate to a floating rate, the spread on the Notes may be less favourable than then prevailing spreads on comparable floating rate notes tied to the same reference rate.

Restricted remedies for non-payment

The remedies against the Issuer available to the Trustee to recover any amounts owing in respect of the principal of, premium or interest on, the Notes are limited to (a) instituting such steps as it thinks desirable with a view to having the Issuer wound-up or put into Liquidation, (b) instituting steps in order to obtain a judgment against the Issuer for any amounts due in respect of the Notes if the Issuer is put into Liquidation and (c) instituting such proceedings against the Issuer as it thinks fit to enforce the Notes, provided that the Issuer shall not 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. See “Terms and Conditions of the Notes – Events of Default”.

Modification and waivers

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

The Terms and Conditions of the Notes also provide that the Trustee may in certain instances, without the consent of Noteholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Integral multiples of less than €50,000

The Notes have a denomination consisting of the minimum Specified Denomination of €50,000 plus a higher integral multiple of €1,000, therefore it is possible that the Notes may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Risks related to Notes generally

EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted EC Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”). The Savings Directive came into effect on 1 July 2005. Each Member State is under the Savings Directive required to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg, Austria and Belgium

may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent (unless during that transitional period they elect to provide information in accordance with the directive). However, Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information regarding such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to the above mentioned payments. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to the payments.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required, save as provided in Condition 11 of the Notes, to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Swedish committee to report on changes in taxation

A committee has been appointed by the Swedish government to review Swedish company taxation. Such committees are routinely appointed to look into the need for and, if appropriate, propose new legislation. Two areas included in such review will be deductibility of interest and interest withholding tax. As part of its review, the committee will consider changes to the current law in those two areas. The committee is expected to deliver its proposals no later than 1 November 2013. These will then be considered by the relevant government bodies and be offered for public consultations, and may result in a bill being submitted for consideration to the Riksdag (the Swedish parliament). If any changes to the current law in respect of deductibility of interest and interest withholding tax are implemented as a result of the committee's review, such changes could result in the occurrence of a Tax Event or a Withholding Tax Event.

Risks related to the market generally

There is no active trading market for the Notes and one may not develop.

As stated above, upon issue, all of the Notes are expected to be placed by the Lead Manager with Sampo, the ultimate parent company of the Issuer. Sampo intends, in the future, to dispose of some or all of the Notes through different distribution channels at the market price prevailing from time to time in response to potential demand for the Notes. The Notes may have no established trading market when issued and one may never develop. If a market does develop for the Notes, it may not be liquid. If the Notes are traded after their initial issuance, they may trade at a discount to their issue price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Issuer's results of operations. Although application will be made for the Notes, when issued, to be listed on the Regulated Market of the Luxembourg Stock Exchange, there is no assurance that such application will be accepted or that an active trading market will develop. The Notes are likely to have a more limited secondary market and to exhibit more price volatility than conventional, unsubordinated debt securities. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Illiquidity may have a material adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial affairs are conducted principally in a currency or currency unit (the "Investor's Currency") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings may not reflect all risks

The Notes have been rated BBB+ by S&P. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal 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) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into the Global Notes (as defined below) and which will be endorsed on each definitive Note (if issued):

The €110,000,000 Subordinated Fixed/Floating Rate Callable Notes due 2041 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of If Skadeförsäkring AB (publ) (the “**Issuer**”) are constituted by a Trust Deed (the “**Trust Deed**”) dated 8 December 2011 and made between the Issuer and Deutsche Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as trustee). The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 24 October 2011.

An Agency Agreement (the “**Agency Agreement**”) dated 8 December 2011 and made between the Issuer, Deutsche Bank AG, London Branch as principal paying agent and agent bank (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent and agent bank), the other paying agents named therein (together with the Principal Paying Agent, unless the context otherwise requires, the “**Paying Agents**”, which expression shall include any additional or successor paying agents) and the Trustee has been entered into in relation to the Notes and the Coupons.

The Trustee acts for the benefit of the holders for the time being of the Notes and the holders for the time being of the Coupons, in accordance with the provisions of the Trust Deed. Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Couponholders**” or “**holders**” in relation to any Coupons shall mean the holders of the Coupons.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee (being at the date of issue of the Notes at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified office of each of the Principal Paying Agent and the other Paying Agents. The Noteholders and the Couponholders are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Agency Agreement that are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Words and expressions defined in the Trust Deed and the Agency Agreement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated in the Terms and Conditions and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail.

1 Form, Denomination and Title

The Notes are initially represented by a temporary global note (the “**Temporary Global Note**”) without Coupons attached which has been deposited with a common depositary for both Euroclear and Clearstream, Luxembourg on 8 December 2011. Upon deposit of the Temporary Global Note, Euroclear or Clearstream, Luxembourg, as the case may be, credited each subscriber with a principal amount of Notes equal to the principal amount thereof for which such subscriber had subscribed and paid. Payments of principal and interest on the Temporary Global Note will be made only upon certification as to non-U.S. beneficial ownership as provided therein.

The Temporary Global Note is exchangeable in whole or in part as provided therein for a further global note (the “**Permanent Global Note**” and, together with the Temporary Global Note, the “**Global Notes**” and each a “**Global Note**”) without Coupons attached on and after 17 January 2012, provided certification as to non-

U.S. beneficial ownership has been received. Each Global Note is or will be in bearer form and transferable by delivery. The Permanent Global Note will be exchangeable in whole, but not in part, for definitive Notes with Coupons attached only upon the Issuer being notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days or more (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee being available. The Issuer will promptly give notice to Noteholders in accordance with Condition 12 if such an event occurs. In the event of the occurrence of such an event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The Notes are in bearer form and, in the case of the definitive Notes, serially numbered, in the denominations of €50,000 and integral multiples of €1,000 in excess thereof. No definitive Notes will be issued with a denomination above €99,000. Definitive Notes, if issued, will have interest coupons (“**Coupons**”) attached.

Whenever there is any adjustment to the principal amount of any Note pursuant to these Terms and Conditions, upon presentation of such Note to the Principal Paying Agent at its specified office, a record of such adjustment shall be endorsed by it on such Note.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Trustee and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of the Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Paying Agents as the holder of such principal amount of the Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Trustee and the Paying Agents as the holder of such principal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Interests in a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Principal Paying Agent and the Trustee.

2 Status of the Notes and Subordination

(a) Subordination

The Notes and Coupons constitute and will constitute unsecured, subordinated obligations of the Issuer. The Issuer reserves the right to issue or incur other subordinated obligations in the future,

provided, however, that any such subordinated obligations may not in the event of Liquidation of the Issuer rank prior to the Notes.

In the event of the Liquidation of the Issuer, the rights of the holders of any Notes and/or Coupons to payments on or in respect of such Notes and/or Coupons, whether or not the whole or any part of the principal amount of the Notes (together with accrued but unpaid interest including Arrears of Interest and any Additional Interest Amount (as defined in Condition 3(c)(iii)) has been made available to avoid the Issuer being obliged to enter into Liquidation and such amount has been converted into conditional capital contributions as described below, provided that the Articles of Association of the Issuer have been amended substantially to the effect set out below, will rank:

- (i) *pari passu* without any preference among the Notes;
- (ii) at least *pari passu* with all outstanding Parity Obligations;
- (iii) in priority to payments to creditors in respect of Junior Obligations; and
- (iv) junior in right of payment to any present or future claims of (x) policyholders of the Issuer and (y) other unsubordinated creditors of the Issuer.

(b) **Utilisation and Conversion**

For so long as required or permitted by Applicable Regulations and to the extent that may be required to avoid the Issuer being obliged to initiate procedures to enter into Liquidation, the Issuer may decide that first, all or part of the Accrued Interest then outstanding on the Notes, and secondly, all or part of the principal amount of the Notes will be utilised for the purposes of the Issuer avoiding being obliged to enter into Liquidation, by writing down first, all or part of the Accrued Interest then outstanding on the Notes, and secondly, all or part of the principal amount of the Notes by the amount required to avoid Liquidation and to restore capital to a level which is equal to the registered share capital of the Issuer and converting such amount (the “**Converted Amount**”) into a conditional capital contribution (*villkorat kapitaltillskott*). The rights of the holders of the Notes in respect of the principal amount and Accrued Interest so utilised will thereupon be converted into rights of providers of conditional capital contributions as set out below.

Interest will not accrue on the Converted Amount, but holders of the Notes shall be compensated for loss of interest before payments to shareholders are made, as further described below.

Upon utilisation of the Converted Amount (as described above), the Issuer shall give notice to the Trustee and the holders of the Notes in accordance with Condition 12.

Utilisation of the Accrued Interest on, and the principal amount of, the Notes for the purpose of the Issuer avoiding being obliged to enter into Liquidation shall be made *pro rata* to accrued but unpaid interest on, and the principal amount of (respectively), other Parity Obligations, and may only be made after utilisation (in full) for the same purpose of any Junior Obligations. Utilisation of Accrued Interest on, and the principal amount of, the Notes as aforesaid may only be made to the extent required or permitted by Applicable Regulations provided that the Articles of Association of the Issuer shall, in connection with the implementation of such decision, have been amended by an Article, which has been duly adopted by the Issuer and submitted for registration, substantially to the following effect (unless the same is provided for under Swedish law or unless the Articles of Association have previously been amended in connection with a prior such utilisation of the Notes or of other subordinated debt for the purpose of avoiding being obliged to enter into Liquidation and such Article has not since been amended):

“Until an amount equal to the portion of the principal amount of the Notes (and of Accrued Interest) which has been converted to a conditional capital contribution (*villkorat kapitaltillskott*) has been reinstated as debt in full in the balance sheet of the Issuer, or such amount has been redeemed (such redemption having been approved by the SFSA) and the Issuer has paid an amount equal to the interest (calculated in accordance with the terms for calculating Arrears of Interest) that would have accrued on the Notes in the absence of the conversion of such amount as aforesaid, the Issuer may neither distribute dividends or otherwise make payments to its shareholders (except (i) in respect of claims that, in Liquidation, would have priority in right of payment over subordinated obligations, or (ii) in connection with the distribution of assets in the event of merger as provided by law) nor redeem any capital contributions that may have been made by shareholders (*aktieägartillskott*). Notwithstanding the foregoing, the Issuer may, however, make payments to its shareholders, provided that, in connection with such payment, other measures are taken (i) to ensure that neither the share capital (including restricted reserves) nor the non-restricted reserves of the Issuer will be reduced as compared with the amount of the share capital (including restricted reserves) and of the non-restricted reserves prior to the payment decision or (ii) which will otherwise ensure that the interests of the Noteholders are not adversely affected in any respect as a result of such payment to shareholders. In the event of dissolution of the Issuer, holders of Notes shall be repaid in priority to any security ranking junior to the Notes. Notwithstanding the conversion of the whole or any part of the portion of the principal amount of the Notes to a conditional capital contribution (*villkorat kapitaltillskott*) as described above, in the event of Liquidation of the Issuer, the rights of the holders of any Notes so converted to payments on or in respect of such conditional capital contribution (*villkorat kapitaltillskott*) shall rank in accordance with the subordination provisions applying to the Notes immediately prior to such conversion, as set out in the conditions of the Notes.”

The Accrued Interest and the principal amount of the Notes may be utilised and converted as described above on one or more occasions.

During any period(s) in which part of the principal amount of the Notes has been made available and converted as aforesaid, interest shall accrue on the balance of the principal amount of the Notes at the rate of interest as set out under Condition 3 below.

Utilisation (as described above) of the Accrued Interest and the principal of the Notes shall not constitute an Event of Default.

(c) Reconversion and Reinstatement

Reconversion and reinstatement (*Återställande*) as debt of the portion of the Accrued Interest and of the principal amount of the Notes which has been converted to a conditional capital contribution (*villkorat kapitaltillskott*) and payment of an amount equal to the interest that would have accrued on the Notes in the absence of such conversion may only be made out of Available Distribution Funds of the Issuer and subject to a resolution of the shareholders passed at a general meeting.

Reconversion and reinstatement (*Återställande*) as debt of the portion of the Accrued Interest and of the principal amount of the Notes which has been converted to a conditional contribution (*villkorat kapitaltillskott*) shall be made *pro rata* with any amounts converted in respect of other Parity Obligations and prior to reconversion and reinstatement (*Återställande*) in respect of Junior Obligations.

Upon reconversion and reinstatement (*Återställande*) as debt of any portion of the Converted Amount as described above, the Issuer shall give notice to the Trustee and Noteholders in accordance with Condition 12.

If and to the extent that the Converted Amount has been reconverted and reinstated as debt in the balance sheet of the Issuer, interest thereon shall start to accrue again, and become payable in accordance with the terms of the Notes, as from the date of such reinstatement.

(d) **Redemption after Conversion**

If the Issuer has utilised the Converted Amount to avoid Liquidation and to restore equity to a level that is equal to the registered share capital, on any redemption of the Notes (such redemption having been approved by the SFSA), the whole of the original principal amount (together with Accrued Interest) of the Notes (and not part only) shall, to the extent there is Available Distribution Funds, be redeemed and shall be paid in full together with an amount which would otherwise have been payable in respect of interest on the amount so converted had such amount not been so converted.

(e) **General**

No holder of Notes who shall in the event of the Liquidation of the Issuer be indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Notes.

3 **Interest**

(a) **Interest Basis**

(i) *Accrual of Interest*

From, and including, 8 December 2011 to, but excluding, 8 December 2021, the Notes bear interest at the rate of 6.00 per cent per annum (the “**Fixed Rate of Interest**”) per Calculation Amount (as defined below) payable, subject as provided below, annually in arrear on 8 December in each year, commencing on 8 December 2012 and up to and including 8 December 2021.

From and including 8 December 2021, the Notes bear interest at the applicable Floating Rate of Interest (as defined below) per Calculation Amount payable, subject as provided below, quarterly in arrear on 8 March, 8 June, 8 September and 8 December in each year, commencing on 8 March 2022.

Each date on which interest is payable in accordance with this Condition 3(a) is referred to as an “**Interest Payment Date**”. The period from, and including, 8 December 2011 to, but excluding, the first Interest Payment Date and each successive period from, and including, an Interest Payment Date to, but excluding, the next Interest Payment Date is referred to as an “**Interest Period**”.

If any Interest Payment Date falling after 8 December 2021 would otherwise fall on a day that is not a Business Day, it shall be postponed to the next day that is a Business Day unless it would thereby fall in the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(ii) *Calculation other than for an Interest Period*

Whenever it is necessary to compute an amount of interest in respect of any Note for a period other than an Interest Period:

- (A) in respect of any period ending prior to 8 December 2021 or up to but excluding 8 December 2021, such interest shall be calculated by applying the Fixed Rate of Interest to each Calculation Amount of such Note (taking into account any adjustment to such amount during such period), multiplying such sum by the Fixed Day Count Fraction and rounding the resultant figure to the nearest cent, half a cent being rounded upwards or otherwise in accordance with applicable market convention; and
- (B) in respect of any period beginning on or after 8 December 2021, on the basis of the actual number of days in such period divided by 360 and otherwise in accordance with sub-clause (iv) below.

As used below:

“**Calculation Amount**” means €1,000 in principal amount of the Notes.

“**Determination Period**” means the period from, and including, 8 December in any year to, but excluding, 8 December in the next year; and

“**Fixed Day Count Fraction**” means:

- (A) where the number of days in the relevant period from, and including, the most recent Interest Payment Date (or, if none, 8 December 2011) to, but excluding, the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the number of days in such Determination Period; or
- (B) where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the number of days in such Determination Period; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the number of days in such Determination Period.

(iii) *Calculation of the Floating Rate of Interest*

The rate of interest payable in respect of the Notes for any Interest Period commencing on 8 December 2021 or any date thereafter (the “**Floating Rate of Interest**”) shall be three month EURIBOR plus a margin of 4.30 per cent, as determined by the Principal Paying Agent.

For the purposes of these Terms and Conditions:

“**three month EURIBOR**” means, in relation to such Interest Period, either (i) the offered quotation, or (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations for deposits in euro with a designated maturity of three months as quoted on an Actual/360 basis which appears on the Relevant Screen Page as of 11.00 a.m., Brussels time (or such other time as may be customary for the daily reset of such rate) (the “**Specified Time**”), on the relevant Interest Determination

Date. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if no offered quotation appears or fewer than three offered quotations appear, in each case as at the Specified Time, then three month EURIBOR for the Interest Period will be determined on the basis of the rates at which deposits in euro are offered on an Actual/360 basis by the Reference Banks at approximately 11.00 a.m., Brussels time, on the Interest Determination Date in question to prime banks in the Euro-zone interbank market for a period of three months commencing on the first day of such Interest Period and in a Representative Amount. The Principal Paying Agent shall request each of the Reference Banks to provide a quotation of its rate. If at least two quotations are provided, three month EURIBOR for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such quotations.

If fewer than two quotations are provided as requested, three month EURIBOR for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by leading banks in the Euro-zone selected by the Principal Paying Agent, at approximately 11.00 a.m., Brussels time, on the Interest Determination Date in question for loans in euros to leading European banks for a period of three months commencing on the first day of such Interest Period and in a Representative Amount except that, if the banks so selected by the Principal Paying Agent are not quoting as mentioned above, the Floating Rate of Interest for such Interest Period shall be either (i) the Floating Rate of Interest in effect for the last preceding Interest Period to which one of the preceding paragraphs of this definition of three month EURIBOR shall have applied or (ii) if none, the Fixed Rate of Interest;

“**Actual/360**” means the actual number of days in the Interest Period divided by 360;

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single 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, in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam;

“**Interest Determination Date**” means, in relation to each Interest Period for which a Floating Rate of Interest is to be calculated, the second day on which TARGET 2 (as defined below) is open prior to the first day of such Interest Period;

“**Reference Banks**” means five major banks in the Euro-zone interbank market as selected by the Principal Paying Agent;

“**Relevant Screen Page**” means Reuters page EURIBOR01 or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to three month EURIBOR; and

“**Representative Amount**” means an amount that is representative for a single transaction in the relevant market at the relevant time.

(iv) *Determination of Floating Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent will, at or as soon as practicable after each time at which the Floating Rate of Interest is to be determined, determine the Floating Rate of Interest for the relevant Interest Period.

In respect of each such Interest Period, the Principal Paying Agent will calculate the amount of interest (each an “**Interest Amount**”) payable in respect of each Calculation Amount. Each Interest Amount shall be calculated by applying the Floating Rate of Interest to each Calculation Amount (taking into account any adjustment to such amount during such Interest Period), multiplying such sum by the actual number of days in the Interest Period concerned divided by 360, and rounding the resultant figure to the nearest cent, half a cent being rounded upwards or otherwise in accordance with applicable market convention.

(v) *Notification of Floating Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Floating Rate of Interest and each Interest Amount for each applicable Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the Notes are for the time being listed and notice thereof to be given in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Notes are for the time being listed and to the Noteholders in accordance with Condition 12.

(vi) *Determination or Calculation by Trustee*

If for any reason the Principal Paying Agent at any time after the issue date defaults in its obligation to determine the Floating Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraphs (iii) and (iv) above, the Trustee or its agent shall, if practicable in the circumstances, determine the Floating Rate of Interest and/or Interest Amount in accordance with the said sub-paragraphs. If the Trustee or its agent is not so able to determine the Floating Rate of Interest and/or Interest Amount, the Trustee or its agent shall determine the Floating Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee or its agent shall calculate the Interest Amount in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

(vii) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(a), whether by the Principal Paying Agent or, where applicable, the Trustee or its agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or, where applicable, the Trustee

or its agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(b) **Accrual of Interest**

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused or unless default is otherwise made in respect of the payment. In such event, interest will continue to accrue as provided in the Trust Deed.

(c) **Interest Deferral**

Interest on the Notes shall be payable on each Interest Payment Date in accordance with the Conditions unless such date is a Deferral Date (as defined below).

(i) *Optional Interest Payment Dates*

On any Optional Interest Payment Date, the Issuer may elect, by notice to (x) the Noteholders in accordance with Condition 12 and (y) the Trustee and the Principal Paying Agent pursuant to sub-paragraph (iv) below, to defer payment of all (but not some only) of the interest accrued but unpaid to that date, 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, unless the Interest Payment Date constitutes a Compulsory Interest Payment Date in which case interest on the Notes will be payable and may not be deferred.

Any interest not paid on an Optional Interest Payment Date and deferred in accordance with this Condition 3(c)(i) shall so long as the same remains outstanding constitute “**Arrears of Interest**” and shall be payable as outlined below. In the case of Notes varied or exchanged in accordance with Condition 5(j), Arrears of Interest (together with any Additional Interest Amount) (as defined below) accrued on the Notes originally issued will be transferred respectively to such varied or exchanged Notes.

(ii) *Mandatory Interest Deferral Dates*

On any Mandatory Interest Deferral Date, the Issuer will be obliged, by notice to (x) the Noteholders in accordance with Condition 12 and (y) the Trustee and the Principal Paying Agent pursuant to sub-paragraph (iv) below, to defer payment of all (but not some only) of the interest accrued but unpaid to that date, and the Issuer shall not have any obligation to make such payment, unless the Interest Payment Date would otherwise constitute a Compulsory Interest Payment Date and the SFSA accepts that interest accrued in respect of the Notes during such Interest Period can be paid, in which case interest on the Notes will be payable and will not be deferred.

Any interest not paid on a Mandatory Interest Deferral Date and deferred in accordance with this paragraph shall so long as the same remains outstanding constitute “**Arrears of Interest**” and shall be payable as outlined below. In the case of Notes varied or exchanged in accordance with Condition 5(j), Arrears of Interest (together with any Additional Interest Amount) accrued on the Notes originally issued will be transferred respectively to such varied or exchanged Notes.

(iii) *Arrears of Interest*

Arrears of Interest (together with the corresponding Additional Interest Amount) may, subject to (a) no Regulatory Deficiency having occurred and being continuing, (b) any payment of arrears

of interest not causing Regulatory Deficiency to occur and (c) the prior approval of the SFSA where such deferral was due to a Regulatory Deficiency, at the option of the Issuer, be paid in whole or in part at any time but all Arrears of Interest (together with the corresponding Additional Interest Amount) in respect of all Notes for the time being outstanding shall become due in full subject as aforesaid on whichever is the earliest of:

- (A) the next Interest Payment Date which is a Compulsory Interest Payment Date; or
- (B) the date of any redemption of the Notes in accordance with the provisions relating to redemption of the Notes; or
- (C) the fourteenth London Business Day after the date on which (1) a dividend is next declared or paid or set apart for payment on or with respect to any claim of share capital of the Issuer or (2) the date on which any payment is made in respect of any Junior Obligations or Parity Obligations, save where the Issuer is not able to defer, pass or eliminate such payment in accordance with the terms of such Junior or Parity Obligations (as the case may be) and, provided that if such payment is in respect of a Parity Obligation, such payment was not itself required to be made in accordance with the terms of such Parity Obligation solely as a result of a payment made in respect of another Parity Obligation; or
- (D) the Issuer announces (and has not subsequently abandoned) a public offer to redeem, purchase or acquire any Junior Obligations or Parity Obligations; or
- (E) a decree or order being made by a court or agency or supervisory authority having jurisdiction in respect of the same for the Liquidation of the Issuer or a resolution being passed for the Liquidation of the Issuer.

Each amount of Arrears of Interest shall bear interest, to the extent permitted by applicable law, as if it constituted the nominal amount of the Note at a rate which corresponds to the Rate of Interest from time to time applicable to the Notes and the amount of such interest (the “**Additional Interest Amount**”) with respect to Arrears of Interest shall be due and payable pursuant to this provision and shall be calculated by the Principal Paying Agent applying the Rate of Interest to the amount of the Arrears of Interest and otherwise *mutatis mutandis* as provided in the foregoing provisions hereof. The Additional Interest Amount accrued up to any Interest Payment Date shall be added, to the extent permitted by applicable law and for the purpose only of calculating the Additional Interest Amount accruing thereafter, to the amount of Arrears of Interest remaining unpaid on such Interest Payment Date as if such amount constituted Arrears of Interest.

(iv) *Notice of Deferral and Payment of Arrears of Interest*

The Issuer shall give not less than five (5) nor more than thirty (30) Business Days’ prior notice to the Noteholders in accordance with Condition 12 and to the Trustee and the Principal Paying Agent:

- (A) of any Optional Interest Payment Date on which the Issuer elects to defer interest as provided in sub-paragraph (i) above;
- (B) of any Mandatory Interest Deferral Date and specifying that interest will not be paid due to a Regulatory Deficiency continuing on the next Interest Payment Date, provided that if the Regulatory Deficiency occurs less than five (5) Business Days before such Interest

Payment Date, the Issuer shall give notice of the interest deferral as soon as practicable under the circumstances before such Mandatory Interest Deferral Date; and

- (C) of any date upon which amounts in respect of Arrears of Interest and/or Additional Interest Amounts shall become due and payable.

So long as the Notes are listed on the Regulated Market of the Luxembourg Stock Exchange and the rules of such stock exchange so require, notice of any such deferral or suspension shall also be given as soon as reasonably practicable to such stock exchange.

- (v) *Partial Payment of Arrears of Interest and Additional Interest Amounts*

If amounts in respect of Arrears of Interest and Additional Interest Amounts are paid in part:

- (A) All unpaid amounts of Arrears of Interest shall be payable before any Additional Interest Amounts;
- (B) Arrears of Interest accrued for any period shall not be payable until full payment has been made of all Arrears of Interest that have accrued during any earlier period and the order of payment of Additional Interest Amounts shall follow that of the Arrears of Interest to which they relate; and
- (C) The amount of Arrears of Interest or Additional Interest Amounts payable in respect of any Note in respect of any period shall be *pro rata* to the total amount of all unpaid Arrears of Interest or, as the case may be, Additional Interest Amounts accrued in respect of that period to the date of payment.

4 Payments

(a) Method of Payment

Subject as provided below, payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

(b) Presentation of Definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest (if any) in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

No payments of principal, interest or other amounts due in respect of a definitive Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

Upon the date on which any Note in definitive form becomes due and repayable, unmatured Coupons shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from, and including, the preceding Interest Payment Date shall be payable only against surrender of the relevant definitive Note.

(c) **Payments in Respect of Global Notes**

Payments of principal and interest (if any) in respect of the Temporary Global Note will be made only upon certification as to non-U.S. beneficial ownership as provided therein. On and after 17 January 2012 no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused.

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified in Condition 4(a) above and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

No payments of principal, interest or other amounts due in respect of a Global Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular principal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

(d) **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 7) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation, London and Stockholm; and
- (ii) a day on which TARGET 2 is open.

Save that, for the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded for the purpose of the definition of “**Payment Day**”.

(e) **Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 6 or under any undertaking given in addition thereto or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Deferred Redemption Amount (as defined below) of the Notes;
- (iii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes; and
- (iv) any Converted Amounts which have been reconverted and reinstated as principal pursuant to Condition 2(c).

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, Arrears of Interest, any Additional Interest Amounts and any additional amounts which may be payable with respect to interest under Condition 6 or under any undertaking given in addition thereto or in substitution therefor, pursuant to the Trust Deed.

5 Redemption and Purchase

(a) Redemption at Maturity

- (i) Unless previously redeemed or purchased and cancelled as provided below, the Issuer, subject to Condition 5(f), will redeem the Notes at their then principal amount together with accrued interest, any Arrears of Interest and any Additional Interest Amounts on the Interest Payment Date falling on 8 December 2041 (the “**Maturity Date**”) unless the provisions of Condition 5(g) apply in which case the Issuer shall have no obligation on such Interest Payment Date to redeem the principal amount of the Notes or that part thereof, if applicable, in respect of which there is a Deferred Redemption (as defined in Condition 5(h)) and shall only redeem such part of the principal amount of the Notes (if any) in respect of which there is no Deferred Redemption.
- (ii) Subject to Condition 5(f) below, the Issuer shall redeem the whole or any part of the principal amount of the Notes that is subject to Deferred Redemption as provided in Condition 5(g) (the “**Deferred Redemption Amount**”) on the earlier of (A) the first date that would have been an Interest Payment Date (other than because it falls after the Maturity Date) after the Maturity Date on which there is no Deferred Redemption in respect of such Deferred Redemption Amount and (B) the date on which such Deferred Redemption Amount has been replaced by the Issuer with the consent of the SFSA by a new issue of obligations in an aggregate principal amount at least equal to such Deferred Redemption Amount and is recognised by the SFSA as at least equivalent capital.

(b) Redemption at the Option of the Issuer

Subject as provided in Condition 5(f) below, the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem the Notes, in whole but not in part, at their principal amount on any Interest Payment Date falling on or after 8 December 2021.

(c) Redemption for Taxation Reasons

Subject as provided in Condition 5(f) below, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time prior to or on 8 December 2021 and on any Interest Payment Date thereafter, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice

shall be irrevocable), at their principal amount together with any accrued interest, any Arrears of Interest and any Additional Interest Amounts on the Occurrence of a Withholding Tax Event or a Tax Event. For the purposes of these Conditions:

“**Tax Event**” means the receipt by the Issuer and the Trustee of an opinion of an independent tax adviser of repute in Sweden to the effect that, as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in the laws or treaties (or any regulations thereunder) of Sweden or any political subdivision or authority thereof or therein having power to tax, affecting taxation, (ii) any governmental action, (iii) any amendment to, clarification of, or change in the official position or the interpretation of such governmental action or any interpretation or pronouncement that provides for a position with respect to such governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective or such pronouncement or decision is announced on or after 8 December 2011, there is more than an insubstantial risk that the Issuer would not be entitled to claim a deduction in respect of calculating its taxation liabilities in Sweden, or such entitlement is materially reduced.

A “**Withholding Tax Event**” shall have occurred if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of Sweden or any political subdivision or authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 8 December 2011, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 45 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(c) in respect of a Withholding Tax Event, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept and rely upon such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, and without liability to the Noteholders or any other person, in which event it shall be conclusive and binding on the Noteholders and Couponholders.

(d) **Redemption as a Result of a Capital Event**

Subject to Condition 5(f) below, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time prior to or on 8 December 2021 and on any Interest Payment Date thereafter, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which shall be irrevocable), at their principal amount together with any accrued interest, any Arrears of Interest and any Additional Interest Amounts following the occurrence of a Capital Event.

For the purposes of these Conditions, “**Capital Event**” means the determination by the Issuer, after consultation with the SFSA, that the Notes are not fully eligible as to 100 per cent of their aggregate outstanding principal amount under Applicable Regulations (or any official application or interpretation of those regulations, including the decision of any court or tribunal having jurisdiction) and including where any reduction in the amount so eligible is due to the operation of grandfathering provisions under the Applicable Regulations, at any time while any of the Notes are outstanding, for inclusion within the Issuer’s Tier Two own funds regulatory capital, in accordance with the Solvency 2 Directive, as such directive is implemented into Swedish law (or at least, the equivalent recognition

under the Applicable Regulations from time to time) for the purposes of determining the Issuer's own funds, except as a result of the application of the limits on inclusion of such securities in Tier Two own funds regulatory capital.

(e) **Redemption as a Result of a Ratings Methodology Event**

Subject to Condition 5(f) below, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time from and including the Ratings Methodology Event Commencement Date and prior to or on 8 December 2021 and on any Interest Payment Date thereafter, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which shall be irrevocable) at their principal amount together with accrued interest, any Arrears of Interest and any Additional Interest Amounts following the occurrence of a Ratings Methodology Event.

(f) **Redemption Subject to regulatory approval**

For so long as required to do so by the Applicable Regulations, the Issuer may not redeem any Notes unless it has first obtained the approval of the SFSA.

(g) **Deferral of Redemption**

(i) If Deferred Redemption (as defined below) shall apply in respect of the Maturity Date, the Issuer shall not have any obligation to redeem the whole or any part of the principal amount of the Notes in respect of which Deferred Redemption applies and any such non-payment shall not constitute an Event of Default by the Issuer for any purpose.

“**Deferred Redemption**” shall apply to the redemption of Notes in respect of which the Noteholder, the Trustee and the Principal Paying Agent have received written notice from the Issuer pursuant to Condition 5(g)(ii) confirming that a Regulatory Deficiency has occurred and such Regulatory Deficiency is continuing on the Maturity Date or that a Regulatory Deficiency would occur if the scheduled redemption payment was otherwise made on such date and the SFSA has not waived the requirement to defer or suspend repayment or redemption of the Notes.

The Issuer undertakes that any exercise of its rights to defer redemption of the Notes pursuant to this Condition 5(g) will be made on a *pro rata* basis with any other Parity Obligations outstanding at the time of such deferral.

Where, pursuant to this Condition 5(g), Deferred Redemption applies to part only of the principal amount of the Notes, the part of the principal amount of each Note to be subject to such Deferred Redemption shall bear the same proportion to the total principal amount thereof as the aggregate principal amount of the Notes to be subject to such deferred Redemption bears to the aggregate outstanding principal amount of all the Notes.

(ii) The Issuer shall as soon as practicable and in any event not later than three days after its decision to defer redemption of the whole or part of the principal amount of the Notes give notice to the SFSA and to each stock exchange on which the relevant Notes are for the time being listed and to the Trustee and to the Noteholders in accordance with Condition 12 of a Deferred Redemption.

(h) **Purchase**

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) may at any time, but always subject to the approval of the SFSA, purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any

price. Notes purchased by the Issuer or any of its Subsidiaries shall be cancelled forthwith and will not be deemed to be outstanding for any of the purposes contained herein.

(i) **Cancellation**

All Notes which are redeemed will forthwith be cancelled, together, in the case of definitive Notes, with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold. Redemption of the Notes will be without prejudice to the rights of the holders of any Converted Amounts.

(j) **Variation or Substitution Instead of Redemption**

Subject to Condition 2(b), if a Tax Event, Capital Event or Ratings Methodology Event occurs, the Issuer may, instead of giving notice to redeem as aforesaid, and subject to the approval of the SFSA (without any requirement for the consent or approval of the holders of the Notes) and having given not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) to the Trustee and the Noteholders in accordance with Condition 12, at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier Two Securities.

6 Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Sweden or any political subdivision or any authority in, or of, Sweden having power to tax unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders or the Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (a) to, or to a third party on behalf of, a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with Sweden other than the mere holding of such Note or Coupon; or
- (b) to, or to a third party on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (c) presented for payment at the specified office of a Paying Agent in Sweden; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4(d)); or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (f) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
- (g) for any combination of the items listed in paragraphs (a) to (f).

7 Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by a Global Note will become void unless the Global Note is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined below) therefor.

Claims against the Issuer in respect of definitive Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

8 Events of Default

- (a) If any of the following events (“**Events of Default**”) shall have occurred, the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in aggregate nominal amount of the Notes then outstanding or by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), institute such steps as it thinks desirable with a view to having the Issuer wound up or put into Liquidation:
 - (i) a court or agency or supervisory authority in Sweden (having jurisdiction in respect of the same) shall have instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding-up or Liquidation of its affairs, and such proceedings, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or
 - (ii) the Issuer shall file a petition to take advantage of any insolvency statute or voluntarily suspend payment of its obligations; or
 - (iii) proceedings shall be commenced for the dissolution of the Issuer through merger with another company, except when such company assumes, on a basis subordinated to the same extent as the Notes, all obligations contracted by the Issuer in connection with the Notes.
- (b) The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in aggregate nominal amount of the Notes then outstanding or by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) institute steps in order to obtain a judgment against the Issuer for any amounts due in respect of the Notes if the Issuer is put into Liquidation by a competent court.
- (c) The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in aggregate nominal amount of the Notes then outstanding or by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes, provided

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

- (d) No remedy against the Issuer, other than as provided in Conditions 8(a), 8(b), 8(c) or 9 or proving or claiming in the Liquidation of the Issuer in Sweden or elsewhere, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Notes.
- (e) The Trustee shall not be bound to take any steps, actions or proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent in aggregate nominal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (f) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

9 Non-payment

If the Issuer shall default in the payment of principal in respect of any Note which has become due and payable in accordance with the terms hereof or the Issuer shall default for a period of 14 days in the payment of interest in respect of any Note which has become due and payable in accordance with the terms hereof, the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in aggregate nominal amount of the Notes then outstanding or by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), institute such steps, including the obtaining of a judgment against the Issuer for any amount due in respect of the Notes, as it thinks desirable with a view to obtaining payment of the amount due or having the Issuer wound up or put into Liquidation.

10 Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 12 upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11 Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;

- (c) there will at all times be a Paying Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive; and
- (d) there will at all times be a Paying Agent (which may be the Principal Paying Agent) with a specified office outside Sweden.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 12.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances set out therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders.

12 Notices

All notices regarding the Notes will be deemed to be validly given if (a) published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and (b) if and for so long as the Notes are listed on the Luxembourg Stock Exchange (so long as the rules of that stock exchange require such notice to be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*)) or if in the opinion of the Trustee such publication should not be practicable, in an English language newspaper of general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 12.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent. While any of the Notes are represented by a Global Note, such notice may be given by any Noteholder to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

13 Meetings of Noteholders, Modification, Waiver and Authorisation

(a) Meetings

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of the

provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the aggregate nominal amount of the Notes held or represented by him or them, except that at any meeting, the business of which includes the modification of certain of the provisions of these Terms and Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the aggregate nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of a Noteholder or Noteholders representing at least 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid, binding and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held.

(b) Modification, Waiver and Authorisation

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of (save as mentioned in the Trust Deed), or to the waiver or authorisation of any breach or proposed breach of any of the provisions of these Terms and Conditions, the Trust Deed or the Agency Agreement which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is in the opinion of the Trustee of a formal, minor or technical nature or to correct a manifest error.

Nothing in this Condition 13 shall affect the Issuer's ability to modify or substitute the Notes as set out in these Terms and Conditions (including but not limited to the provisions of Condition 5(j)).

Any modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

No modification referred to in Condition 13(a) or 13(b) which has the effect of amending these Terms and Conditions may be made under the Trust Deed or otherwise unless the SFSA approves the suggested modification.

(c) Exercise of Trustee Discretions

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver or authorisation), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Noteholders or Couponholders (whatever their number) 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 Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 6 and/or any undertaking given in addition to, or in substitution for, Condition 6 pursuant to the Trust Deed.

14 Indemnification of the Trustee and its Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interest of the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes.

16 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17 Definitions

As used in these Terms and Conditions:

“**Accrual Period**” has the meaning given to it in Condition 3(a)(ii).

“**Accrued Interest**” means interest including Arrears of Interest (if applicable or any) and any Additional Interest Amount (if applicable or any) accrued from and including the immediately preceding Interest Payment Date to but excluding the time of utilisation.

“**Actual/360**” has the meaning given to it in Condition 3(a)(iii).

“**Additional Interest Amount**” has the meaning given to it in Condition 3(c)(iii).

“**Agency Agreement**” means the Agency Agreement dated 8 December 2011 and made between the Issuer, the Trustee, the Principal Paying Agent and Paying Agent.

“**Applicable Regulations**” means

- (i) prior to the implementation of the Solvency 2 Directive, The Insurance Business Act of 2010 (*Försäkringsrörelselagen SFS 2010:2043*) or any successor rules or regulations in relation to the solvency and/or capital adequacy of insurance companies in Sweden generally from time to time, including any transitional rules or regulations implemented in Sweden pending the full implementation of the Solvency 2 Directive; and
- (ii) following the implementation of the Solvency 2 Directive, such rules or regulations having direct effect as introduced in Sweden from time to time for the purposes of implementing the Solvency 2 Directive into Swedish national law.

“**Arrears of Interest**” has the meaning given to it in Conditions 3(c)(i) and 3(c)(ii).

“**Available Distribution Funds**” (*disponibla vinstmedel*) of the Issuer means, at any time, that amount which, under the laws of Sweden (including both corporate and insurance regulatory laws, rules and regulations relating to minimum solvency requirements) from time to time in force, is available as of the end of the immediately preceding fiscal year according to the audited balance sheet of the Issuer for such fiscal year to be distributed by the Issuer to its shareholders (adjusted for any loss incurred thereafter according to the Issuer’s semi-annual and interim financial statements). A distribution may, however, not be effected in violation of the Insurance Business Act (2010:2043) and, in particular, the provisions set out in Chapter 11 of the Insurance Business Act (2010:2043).

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Stockholm and a day on which TARGET 2 is open.

“**Calculation Amount**” has the meaning given to it in Condition 3(a).

“**Capital Contribution Securities**” means any subordinated and undated debt instruments of the Issuer which are recognised as basic own funds (“*primärkapital*”) in accordance with the Solvency 2 Directive, as such directive is implemented into Swedish law, from time to time by the SFSA.

“**Capital Event**” has the meaning given to it in Condition 5(d).

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*.

“**Compulsory Interest Payment Date**” means each Interest Payment Date other than a Mandatory Interest Deferral Date, during the six months prior to which (a) a dividend or distribution on any class of the Issuer’s share capital was declared at the most recent general meeting of the Issuer immediately preceding such Interest Payment Date or (b) the Issuer, directly or indirectly, redeemed, repurchased or acquired any of its shares of any class (with the exception of any repurchases in connection with stock options or ownership programmes for management or employees that are made in the normal course of business).

“**Converted Amount**” has the meaning given to it in Condition 2(b).

“**Coupons**” has the meaning given to it in Condition 1.

“**Deferral Date**” means either a Mandatory Interest Deferral Date or an Optional Interest Payment Date in respect of which the Issuer has elected to defer payment of the interest due pursuant to Condition 3(c)(i) or 3(c)(ii).

“**Deferred Redemption Amount**” has the meaning given to it in Condition 5(a)(ii).

“**Deferred Redemption**” has the meaning given to it in Condition 5(g).

“**Determination Period**” has the meaning given to it in Condition 3(a)(ii).

“**Euroclear**” means Euroclear Bank S.A./N.V..

“**Euro-zone**” has the meaning given to it in Condition 3(a)(iii).

“**Event(s) of Default**” has the meaning given to it in Condition 8.

“**Fixed Day Count Fraction**” has the meaning given to it in Condition 3(a)(ii).

“**Fixed Rate of Interest**” has the meaning given to it in Condition 3(a)(i).

“**Floating Rate of Interest**” has the meaning given to it in Condition 3(a)(iii).

“**Global Notes**” has the meaning given to it in Condition 1.

“**If Group**” means each of If P&C Insurance Holding Ltd (publ) and its Subsidiaries.

“**Interest Amount**” has the meaning given to it in Condition 3(a)(iv).

“**Interest Determination Date**” has the meaning given to it in Condition 3(a)(iii).

“**Interest Payment Date**” means each date on which interest is payable in accordance with Condition 3(a)(i).

“**Interest Period**” means the period from, and including, 8 December 2011 to, but excluding, the first Interest Payment Date and each successive period from, and including, an Interest Payment Date to, but excluding, the next Interest Payment Date.

“**Issuer**” means If Skadeförsäkring AB (publ).

“**Junior Obligations**” means:

- (i) all classes of share capital, preference share capital and Capital Contribution Securities of the Issuer;
- (ii) subordinated obligations of the Issuer having a perpetual term; and
- (iii) obligations of the Issuer ranking or expressed to rank junior to the Notes.

“**Liquidation**” of any person shall mean the mandatory liquidation (*tvångslikvidation*) of such person or such person becoming eligible for bankruptcy proceedings.

“**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

“**Mandatory Interest Deferral Date**” means each Interest Payment Date in respect of which the Noteholders, the Trustee and the Principal Paying Agent have received written notice from the Issuer pursuant to Condition 3(c)(iv) confirming that a Regulatory Deficiency has occurred and such Regulatory Deficiency is continuing on such Interest Payment Date or that Regulatory Deficiency would occur if the scheduled payment of interest was otherwise made on such Interest Payment Date.

“**Maturity Date**” means the Interest Payment Date falling in 8 December 2041.

“**Noteholder**”, “**holders**” has the meaning given to it in the introduction to these Terms and Conditions.

“**Notes**” means the €110,000,000 Subordinated Fixed/Floating Rate Callable Notes due 2041.

“**Optional Interest Payment Date**” means any Interest Payment Date other than a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date.

“**Parity Obligations**” means subordinated obligations of the Issuer having a fixed maturity and expressed to rank pari passu with the Notes, whether or not converted into a conditional capital contribution (*villkorat kapitaltillskott*) in accordance with their terms and any other obligations ranking or expressed to rank pari passu with the Notes.

“**Paying Agent**” means Deutsche Bank Luxembourg S.A. (together with the Principal Paying Agent, unless the context otherwise requires, which expression shall include any additional or successor paying agents).

“**Payment Day**” has the meaning given to it in Condition 4(d).

“**Permanent Global Note**” has the meaning given to it in Condition 1.

“**Principal Paying Agent**” means Deutsche Bank AG, London Branch (which expression shall include any successor principal paying agent and agent bank).

“**Proceedings**” has the meaning given to it in Condition 18.

“**Qualifying Tier Two Securities**” means securities (whether debt, equity, interests in limited partnerships or otherwise) issued directly or indirectly by the Issuer that:

- (i) have terms that in the opinion of the Trustee are not less favourable to the Noteholders than the terms of the Notes, provided that they shall (1) have a ranking at least equal to that of the Notes,

(2) have the same interest rate and Interest Payment Dates as those applying from time to time to the Notes, (3) have the same redemption rights as the Notes, (4) comply with the then current requirements of the SFSA in relation to Tier Two own funds regulatory capital, in accordance with the Solvency 2 Directive, as such directive is implemented into Swedish law and (5) preserve any existing rights under the Notes to any accrued interest that has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation and to any Arrears of Interest and any Additional Interest Amounts; and

- (ii) are listed on the London Stock Exchange, the Luxembourg Stock Exchange or another recognised stock exchange for the listing of international debt securities.

“**Rating Agency**” means Standard & Poor’s Rating Services or its successor from time to time.

“**Ratings Methodology Event Commencement Date**” means either (i) 8 December 2011, or (ii) if the ability of the Issuer to redeem the Notes pursuant to Condition 5(e) prior to 8 December 2016 would result in a Capital Event, 8 December 2016.

“**Ratings Methodology Event**” will be deemed to occur upon a change in the methodology of a Rating Agency (or in the interpretation of such methodology employed by such Rating Agency) as a result of which the equity content previously assigned to the Notes by such Rating Agency is, in the reasonable opinion of the Issuer, materially reduced when compared with the equity content assigned to the Notes by such Rating Agency as at 8 December 2011.

“**Reference Banks**” has the meaning given to it in Condition 3(a)(iii).

“**Regulatory Deficiency**” means:

- (i) before the implementation of the Solvency 2 Directive, the consolidated solvency margin of the Issuer falls below the required minimum consolidated solvency margin or any other applicable solvency margin or capital adequacy level required pursuant to Applicable Regulations (or any official application or interpretation of those regulations, including the decision of a court or tribunal having jurisdiction); or
- (ii) following the implementation of the Solvency 2 Directive, the own funds regulatory capital of the Issuer or the group own funds regulatory capital of the If Group (as the case may be) is not sufficient to meet its solvency capital requirement (as required by the Applicable Regulations (or any official application or interpretation of those regulations, including the decision of a court or tribunal having jurisdiction)); or
- (iii) the SFSA has notified the Issuer that it has determined that, in accordance with Applicable Regulations, the Issuer must take specified action in relation to the deferral of payments (including redemption) under the Notes.

“**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12.

“**Relevant Screen Page**” has the meaning given to it in Condition 3(a)(iii).

“**SFSA**” means the Swedish Financial Supervisory Authority (*Finansinspektionen*) or any successor entity thereto with primary responsibility for regulatory supervision of the Issuer.

“**Solvency 2 Directive**” means Directive 2009/138/EC of 25 November 2009 on the taking-up and pursuit of business of Insurance and Re-insurance (Solvency II) and which must be transposed by member states of the

European Economic Area by 31 October 2012.

“**Subsidiaries**” has the meaning given to it in the Trust Deed.

“**TARGET 2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system that utilises a single shared platform and that was launched on 19 November 2007.

“**Tax Event**” has the meaning given to it in Condition 5(c).

“**Temporary Global Note**” has the meaning given to it in Condition 1.

“**three month EURIBOR**” has the meaning given to it in Condition 3(a)(iii).

“**Trust Deed**” means the Trust Deed dated 8 December 2011 and made between the Issuer and the Trustee.

“**Trustee**” means Deutsche Trustee Company Limited (which expression shall include any successor as trustee).

“**Withholding Tax Event**” has the meaning given to it in Condition 5(c).

18 Governing Law and Submission to Jurisdiction

The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection herewith, are governed by, and will be construed in accordance with, English law except that the subordination provisions in Condition 2 are governed by, and will be construed in accordance with, the laws of Sweden. The Issuer has in the Trust Deed irrevocably agreed for the benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes or the Coupons and that, accordingly, any suit, action or proceedings arising out of or in connection therewith (together referred to as “**Proceedings**”) may be brought in the courts of England.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has in the Trust Deed irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing in this Condition 18 shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any jurisdiction, whether concurrently or not.

The Issuer has in the Trust Deed appointed If Skadeförsäkring AB (publ), London branch at Alpha House, 24a Lime Street, London EC3M 7HJ as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of its ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Temporary Global Note and the Permanent Global Note contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

1 Exchange

The Temporary Global Note is exchangeable in whole or in part for interests in the Permanent Global Note on or after a date which is expected to be 17 January 2012, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. The Permanent Global Note is exchangeable in whole but not in part (free of charge to the holder) for the Definitive Notes described below if the Permanent Global Note is held on behalf of a clearing system and both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or have in fact done so and in any such case, no successor clearing system satisfactory to the Trustee being available. Thereupon, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder with an interest in the Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting an exchange of the Permanent Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

On or after the Permanent Global Exchange Date (as defined below) the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Second Schedule to the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant Definitive Notes.

“Permanent Global Exchange Date” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system in which Notes are then held is located.

2 Payments

Payments of principal and interest (if any) in respect of the Temporary Global Note will be made only upon certification as to non-U.S. beneficial ownership as provided therein. No payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 6(e) and Condition 11(c) will apply to the Definitive Notes only.

3 Meetings

The holder of the Permanent Global Note shall (unless the Permanent Global Note represents only one Note) be treated as being sufficient for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each €1,000 in principal amount of Notes.

4 Cancellation

Endorsement by or on behalf of the Principal Paying Agent upon the cancellation of any Note represented by a Global Note and required by the Terms and Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Global Note on the relevant schedule thereto.

5 Trustee's Powers

In considering the interests of Noteholders while the Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

6 Decrease/Increase of Principal Amount

Whenever there is any decrease or increase of the principal amount of the Global Note pursuant to the provisions of Condition 2 or 3, upon presentation of the Global Note to the Principal Paying Agent at its specified office a record of such decrease or increase shall be endorsed by it or on its behalf on the relevant schedule to the Global Note.

DESCRIPTION OF ISSUER

Corporate History and Group Structure

The Issuer is a limited P&C insurance company registered with the Swedish Companies Registration Office since 19 September 1989 and under the supervision of the SFSA. The Issuer is wholly owned by the Swedish holding company If Holding. The registered offices of the Issuer and If Holding are in Stockholm, Sweden (visiting address: Barks väg 15, postal address: S-106 80 Stockholm, Tel: +46 771 43 00 00).

If Holding is a wholly owned subsidiary of Sampo, a Finnish company listed on NASDAQ OMX Helsinki. Sampo is a public limited company incorporated under the laws of Finland. Its registered office and headquarters are in Helsinki, Finland.

Sampo Group

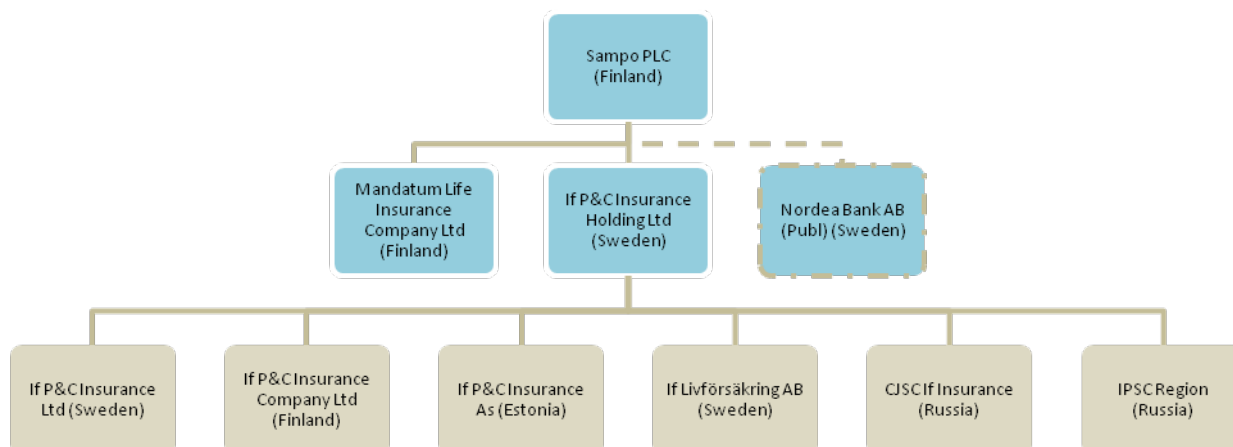
The Sampo Group's P&C insurance business began in the 18th century and its life insurance business in the 19th century. At the beginning of 2002, the P&C insurance business of Sampo Group was acquired by If Holding. Through this transaction Sampo became the largest shareholder of If Holding with a 38.05 per cent holding. During 2004, Sampo acquired the remaining shares in If Holding.

Sampo Group carried out banking activities from 31 December 2000 to February 2007 following the merger of Sampo Insurance Company plc (previously the leading Finnish insurance group) and Leonia plc (one of Finland's largest banking groups), on 31 December 2000 to form Sampo-Leonia plc. Sampo Group further extended its banking business in February 2001, when Mandatum Bank plc, a Finnish private and investment bank was merged into Sampo-Leonia plc which was subsequently renamed Sampo plc.

However, in February 2007 Sampo Group's banking operations were sold when Sampo divested the entire share capital of Sampo Bank to Danske Bank A/S.

Sampo Group's business areas are P&C insurance and life insurance under the If and Mandatum Life brands. Sampo is also the largest shareholder in Nordea Bank (Nordea), a major Nordic banking franchise with a holding of 20.5 per cent of the share capital of Nordea as at 31 December 2010 (21.3 per cent as at June 2011). Nordea is an associated company of Sampo.

The following table shows the present Sampo Group structure in a simplified format only showing the main corporate entities.



If Group

The If Group’s P&C insurance business is centred around the Nordic (specifically Finnish, Norwegian and Swedish) insurance markets. The current operations of If Holding and the Issuer were formed in March 1999, through the merger of the P&C insurance operations of Försäkringsaktiebolaget Skandia (publ) in Sweden and Storebrand ASA in Norway. In January 2002, the P&C insurance operations of the Sampo Group were acquired by If Holding. During the course of 2011, the If Group increased its holding in Topdanmark A/S, a Danish P&C insurance company, and Topdanmark A/S is now an associated company of If.

If Holding is the parent company of the If Group. The role of If Holding is to own and manage shares in P&C and life insurance companies. If Holding does not conduct any insurance operations.

The following insurance companies (also shown in the above structure chart) are wholly-owned by If Holding: the Issuer and If Livförsäkring AB in Sweden (the latter company having been acquired from Sampo in 2008), If P&C Insurance Company Ltd in Finland, If P&C Insurance AS in Estonia and the Russian companies CJSC If Insurance and IPSC Region.

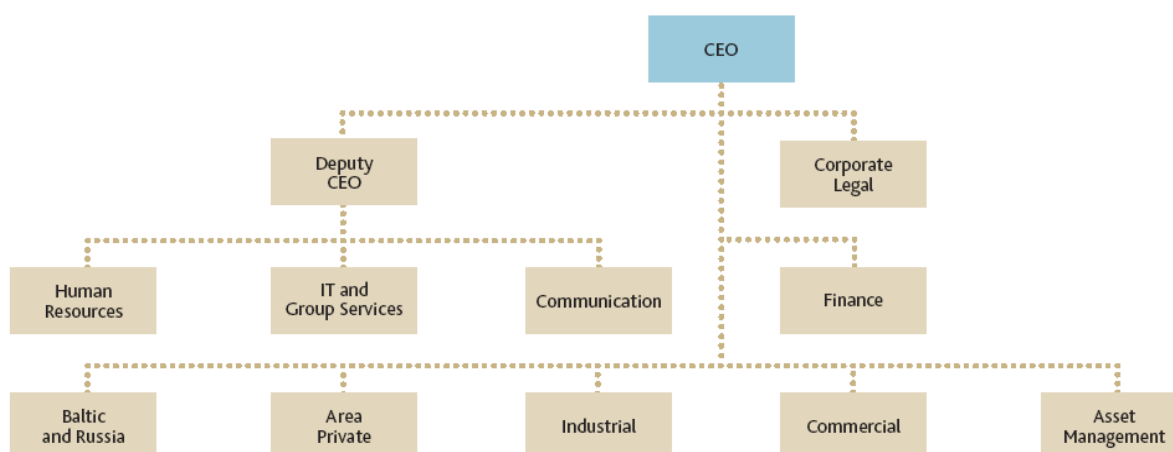
The Issuer’s Operations

The Issuer conducts P&C insurance operations in Sweden (where it is incorporated) and in Norway and Denmark via branches. In addition, the Issuer has branch offices in France, the Netherlands, the United Kingdom and Germany, for Nordic customers that conduct international business, as well as a branch in Finland. The Issuer conducts its business in accordance with the Swedish Companies Act (Sw. aktiebolagslagen) and the Swedish Insurance Business Act.

Issuer Business Overview

The Issuer is one of the leading insurers in Sweden and Norway with market shares of 18.9 and 25.7 per cent respectively as at 31 December 2010 (source: Sw. Svensk Försäkring and No. Finansnoeringens Hovedorganisasjon). In the Danish market, which is more fragmented, the Issuer is the fifth largest insurer (by market share) with a market share of 5 per cent as of 30 September 2009 (source: Dk. Forsikring & Pension).

The If Group conducts its business on a pan-Nordic basis and the operations are divided into the Private, Commercial and Industrial business areas with the operations in the Baltic countries and Russia constituting a separate business area within the If Group. The Issuer forms part of If Group's operational structure (and contributes 76 per cent of the If Group's GWP¹ for the year ended 31 December 2010). Reporting and management are conducted and organised by the business area divisions² rather than based on legal structure. The If Group's corporate functions such as IT, Human Resources, Communications, Internal Audit and Risk Management are also organised on a Nordic regional basis (rather than based on the legal structure). The chart below outlines the current operational structure of the If Group:



Recent Developments³

For the six month period ended 30 June 2011, the Issuer reported operating profit of SEK 2,874 million compared with a figure of SEK 2,087 million for the corresponding period in 2010. This increase in profit was largely attributable to a reduction in expenses for frequent claims in property and motor insurance, which were significantly higher for the corresponding period in 2010 due to long and severe winter conditions across the Issuer's main regions of operations. However, expenses in relation to major claims were higher for the six month period than for the corresponding period in 2010 and this increase was particularly evident in the Group's Norwegian operations.

Gross written premiums amounted to SEK 17,520 million which, after adjustment for exchange-rate effects, reflected an increase of just under 3 per cent. compared to the corresponding period in 2010. The increase in gross written premiums was primarily attributable to the Issuer's Swedish and Danish operations, although growth was reported across all countries in which the Issuer operates.

¹ Gross written premium

² BA Private, BA Commercial, BA Industrial and BA Baltic and Russia are the business areas of the If Group.

³ Based on the unaudited consolidated interim financial statements of the Issuer for the six months ended 30 June 2011.

Operating expenses amounted to SEK 2,365 million for the six month period ended 30 June 2011 which, after adjustment for exchange-rate effects, reflected an increase of less than 2 per cent. compared to the corresponding period in 2010. Cash flow from the Issuer's insurance operations during the same period was SEK 2,627 million while cash flow from the Issuer's other operations was negative due primarily to a SEK 1,300 million income tax payment, a SEK 2,000 million repayment of a subordinated loan and increased placements within the Group's cash pool system.

Gross technical provisions (which are described more fully on page 47 under the heading "Technical Provisions (Reserves)") amounted to SEK 65,771 million and gross claims reserves totalled SEK 48,888 million for the six month period ended 30 June 2011. After adjustment for exchange-rate effects, the amount of gross claims reserves remained almost unchanged from the amount as at 31 December 2010. However, movements were reported in the underlying reserves including in Accident and Motor Other Insurance (where reserves increased by SEK 200 million) and in Marine/Transportation and Motor TPL (where, in both instances, reserves decreased by SEK 200 million).

Return on investments during the six month period ended 30 June 2011 was SEK 970 million which was a significant decrease from SEK 2,452 million in the corresponding period in 2010. The fall in return on investments was largely attributable to the equity markets being adversely affected by concerns over the economies of several southern European countries.

The Issuer's solvency ratio amounted to 53.6 per cent as at 30 June 2011 and the solvency capital as at the same date was SEK 15,229 million. The solvency capital was positively impacted by periodic earnings and negatively impacted by dividends paid (equal to SEK 5,500 million) and the repayment of a subordinated loan equal to € 200 million.

Premium Volume and Results

For the year ended 31 December 2010, the Issuer reported gross written premiums of SEK 30,339 million.

The Issuer's portfolio covers a large number of customers and the Issuer's business is underwritten in different geographical areas and across several classes of insurance focusing on different customer types:

- *Business Area Private*

Approximately 56 per cent of the Issuer's gross written premiums in the year ended 31 December 2010 were attributed to the business area Private (BA Private). BA Private provides insurance to individuals, including property and casualty cover, motor and personal insurance segments.

- *Business Area Industrial*

Approximately 15 per cent of the Issuer's gross written premiums in the year ended 31 December 2010 were attributed to the business area Industrial (BA Industrial). BA Industrial's customer base consists of large companies with individual turnover exceeding SEK 500 million, with more than 500 employees and complex insurance requirements. The products offered to BA Industrials' customers are the same as those provided by BA Commercial.

- *Business Area Commercial*

Approximately 29 per cent of the Issuer's gross written premiums in the year ended 31 December 2010 were attributed to the business area Commercial (BA Commercial). BA Commercial provides insurance to small and medium sized companies (with up to 500 employees), through a combination of standardised insurance products and solutions together with more specialised insurance products, solutions and counselling. Areas in which the Issuer provides products and solutions include property, liability, motor, transportation, accident and workers' compensation.

A breakdown of the Issuer's operations into geographical areas is set out in the table below (Gross written premium per country as at 31 December 2010).

Gross written premium per country as at 31 December 2010

	<u>2010</u> <u>(million of</u> <u>SEK)</u>	<u>Percentage</u> <u>of total</u>
Norway	14,179	47%
Sweden	12,502	41%
Denmark	3,569	12%
Other	89	0%
Total	30,339	100

The Issuer's operating profit for the year ended 31 December 2010 amounted to SEK 5,194 million. The combined ratio and expense ratio⁴ for the same period were 93.7 per cent and 16.7 per cent respectively.

The risk of severe insurance outcomes is mitigated through reinsurance and since 2003, a Nordic-wide reinsurance program has been in place within the If Group. In 2010, the retention levels were between SEK 100 million and SEK 200 million per risk and SEK 200 million per event⁵.

Asset Management

Investment decisions in relation to the Issuer's centralised investment management are, within the framework of the Issuer's investment policy, outsourced to Sampo in accordance with an Asset Management Agreement between the Issuer and Sampo with effect from 1 January 2009. Allocation of investment assets is based foremost on regulatory requirements regarding asset coverage. The Issuer's investment portfolio should at all times comply with the Issuer's investment policy and the Issuer's asset coverage policy. In addition the allocation of the assets in the portfolio is based on a market view from an If Group perspective.

The value of the Issuer's investment assets as at 31 December 2010 was SEK 73,013 million. The mark-to-market return on such amounts for 2010 amounting to SEK 6,447 million and unrealised gains amounting to SEK 2,312 million were recognised directly in shareholders' equity. The investment return for fiscal year 2010 was 8.5 per cent.

All of the Issuer's equity portfolios increased in value during 2010 and the return for the asset class as a whole was 25 per cent. The return on the Issuer's portfolio of fixed-income assets was 5.2 per cent.

The average duration of the fixed-income assets was 1.7 years at year-end 2010.

The equity weight (including derivative instruments) increased from 13.2 per cent to 14.6 per cent as at 31 December 2010 compared with 31 December 2009. The proportion of fixed income investments as a proportion of the Issuer's total investment portfolio decreased correspondingly from 86.9 per cent as at 31 December 2009 to 84.7 per cent as at 31 December 2010. Mandates for investments are set out in and carried out pursuant to the Issuer's investment policy.

⁴ Combined ratio: Claims incurred and operating expenses in insurance operations in relation to premiums earned (expressed as a percentage).
Expense ratio: Operating expenses in insurance operations in relation to premiums earned (expressed as a percentage).

⁵ A reinsurance limit which applies on an aggregated level, to all claims caused by one separate event.

Capital Adequacy and Solvency Requirement

The Issuer is obliged to meet regulatory requirements with respect to capital adequacy and solvency. The Issuer must at all times maintain a sufficient capital base consisting mainly of equity and untaxed reserves.

The Issuer's solvency ratio amounted to 75.2 per cent as at 31 December 2010 and the solvency capital as at the same date was SEK 21,551 million (the minimum solvency requirement stated by the SFSA was SEK 4,999 million for the same date). Cash flow from insurance operations was SEK 2,468 million and cash flow from investment management was SEK 2,789 million. During 2010 the total amount of dividends paid by the Issuer to If Holding for the period ending 31 December 2010 was SEK 3,600 million.

Technical Provisions (Reserves)

Claims are generally incurred after premiums are paid, so it is necessary to set provisions for premiums not yet earned. In addition, claims are paid after they have occurred, so it is also necessary to set provisions for claims not yet paid. The technical provisions are the sum of provisions for premiums not yet earned and provisions for claims not yet paid.

Technical provisions include an inherent degree of uncertainty as such provisions represent an estimate of the size and the frequency of future claims payments. The uncertainty of technical provisions is normally greater for new portfolios for which complete run-off statistics are not yet available, and for portfolios that include claims which take a long time to settle which include (but are not limited to) products relating to Workers' Compensation, Motor Third Part Liability and Personal Accident and Liability insurance.

The Issuer's gross technical provisions at 31 December 2010 were SEK 62,093 million. Adjusted for exchange-rate effects in the conversion of provisions made in foreign currencies, the level of gross provisions increased by SEK 1,430 million in 2010.

Reinsurance is bought to minimise the Issuer's risk and is the portion of the risk underwritten by another insurer. The proportion of technical provisions held by the Issuer's reinsurers increased in fiscal year 2010 and was SEK 4,250 million as at 31 December 2010. Exchange-rate effects decreased the reinsurers' technical proportion of the provisions by SEK 213 million.

The net technical provision per product and country is set out below.

Table 2 – Technical provisions (net) per product and country, Dec 31

MSEK	Sweden		Norway		Denmark	
	2009	2008	2009	2008	2009	2008
Motor	21,118	20,992	8,357	7,513	1,241	1,245
Workers' Compensation	-	-	3,802	3,197	2,645	2,745
Liability	2,992	2,455	1,583	1,380	807	835
Accident	2,170	1,924	2,823	2,492	505	504
Property	3,729	3,685	5,512	5,174	995	890
Cargo	387	356	276	226	106	251
Total	30,396	29,412	22,353	19,982	6,299	6,470

The duration of the provisions, and thus the sensitivity to changes in interest rates, varies with each product portfolio. The weighted average duration for 2010 across all product portfolios was five years.

Anticipated movements in inflation are taken into account when calculating all such provisions and are of particular importance for claims settled over a long period of time. The anticipated trend is calculated based on external assessments of the movements in inflation in various areas, such as the consumer price index and payroll index, combined with the Issuer's own evaluation of cost increases for various types of claims cost.

Risk Management Approach

The Issuer's risk management is centralised within the If Group. The If Group's risk management approach is to ensure that sufficient returns are obtained for the risks taken in all business transactions. All risks are taken into account in risk-return considerations and pricing decisions.

The key objectives of risk management are to ensure that the If Group has sufficient capital in relation to the entirety of the risks involved in its business activities and to limit fluctuations in the financial results of the Issuer and the If Group as a whole. This requires all risks to be properly identified and monitored.

The acceptable level of risk is determined by the availability of capital and the selected risk tolerance. Risk management activities are performed in each business unit as part of the normal course of day-to-day business within parameters which are set by the Board of Directors of the Issuer (the "Board").

Risk Governance and Reporting Structure

The Board has overall responsibility for the risk management process and is the ultimate decision-making body. The Board ensures that the management and follow-up of risks are satisfactory, monitors risk reports and approves risk management plans.

Risk management governance framework

The Board is responsible for ensuring the proper functioning and organisation of the Issuer's business. The Board is also the corporate body which has overall responsibility for areas such as internal control and risk control and for ensuring the Issuer has appropriate risk management systems and processes in place. The Board monitors risk reports and ensures that the management of risks and follow-up of any risks are satisfactory.

The Chief Executive Officer (the "CEO") is responsible for organising and overseeing the daily business activities of the Issuer (including risk management) in accordance with the instructions and guidelines of the Board.

The Board has established a Risk Management Framework (the "Framework"), which consists of the strategies, governance, processes, requirements, activities and reporting procedures which are implemented at all levels of the Issuer in order to identify, measure, monitor, manage and report risks in line with the Board's strategic objectives.

The objective of the Framework is to create value for the Issuer's stakeholders by securing its long-term solvency, minimising the risk of unexpected financial loss and providing input to business decisions by taking into account the effect on risk and capital. The Framework seeks to ensure that all defined risk types are thoroughly assessed, followed-up and properly reported to the Board and the CEO.

As part of the Framework, policies have been implemented for each identified risk area which specify the applicable risk reporting requirements and the restrictions and limits chosen to reflect that risk area. These restrictions and limits have been set to ensure that the risk level at all times complies with the overall risk appetite and capital adequacy constraints of the Issuer.

The Board actively engages in risk management and follow up of risks by (i) requesting from the If Risk Control Committee (the "IRCC") and applicable business divisions any additional information it requires in order to make decisions in relation to risk management (ii) engaging in regular follow up reporting in accordance with the Issuer's internal policies and instructions and (iii) conducting reviews to effect any required changes to the Framework and/or risk management policies of the Issuer.

The Framework includes processes and activities performed by persons engaged in the daily business operations of the Issuer as well as specialist functions, who report through sub-committees to the IRCC, which in turn reports to the Chief Risk Officer (the “CRO”), who in turn, reports to the Board and the CEO.

The CRO is responsible for coordinating risk management on behalf of the Board, the CEO and the IRCC within the Framework.

IRCC

The IRCC is a forum for assessing the risks in the Issuer on a holistic basis. The IRCC was constituted to review risk systems and processes within the business, coordinate efforts and actions relating to *inter alia* risk management, supervise the Issuer’s overall risk position, provide input on the risk management processes of the Issuer and follow up on actions and organisational issues related to risk management. The risk reporting from the IRCC provides a view of the Issuer’s risk position (taking into account the restrictions and limits set under the Framework) relative to the capital position of the Issuer.

Committees reporting to the IRCC

There are various risk committees in place for specific defined risk areas of the business which consist of the Underwriting Committee, the Investment Control Committee, the Actuarial Committee, the Operational Risk Committee, the Reinsurance Committee and the Reinsurance Security Committee. These risk committees have the responsibility of ensuring that risks are handled and controlled as decided by the Board as well as forwarding risk reporting to the IRCC. The risk committees monitor the effectiveness of policies and give input to changes and updates if needed.

The committee structure of the Issuer (together with the coordinator structure) ensures that all material risks are monitored and reported in a clear and consistent way. It also ensures that the information is sourced from the business area exposed to the risk and is forwarded to control units as well as to the relevant committee.

Capital Management

Risk management focuses on both capital efficiency and maintaining the capital resources of the If Group at an appropriate level in relation to the risks taken. At a minimum, this means ensuring that the available capital exceeds capital requirements which are set according to requirements of third parties such as regulators and rating agencies.

Capital Management Approach

One purpose of capital is to act as a buffer against future losses. It is, therefore, appropriate to define risk in terms of capital. The starting point for capital management is the risk tolerance implemented through a framework of risk limits, policies and authorisations, approved by the Board. Risks are continuously monitored and the implications of such risks on the If Group’s and the Issuer’s available capital are assessed. The risk exposures, required capital and available capital are reported to the IRCC and the Board on a quarterly basis by the CRO, or more often if the situation so requires. The policy of the If Group, in addition to maintaining capital resources at a sufficient level, is to:

- support growth in profitable businesses by allocating capital efficiently;
- manage the debt-to-equity ratio in order to enhance returns to shareholders while maintaining sufficient financial flexibility;
- retain at least a single A rating (from each of S&P and Moody’s Investors Service Ltd (“**Moody’s**”)); and
- assure a sustainable dividend capacity.

Capital Position and Solvency

The If Group monitors its capital position by reference to the relationship between available capital and required capital. To fulfil the differing requirements of various third parties (including but not limited to, regulators and rating agencies), the If Group uses different measures to describe its capital position, namely regulatory measures, internal economic capital measures and rating agency measures.

Regulatory Measures

Insurance is a regulated business with formal rules for companies' capital requirements and capital bases. The Issuer's capital base is the amount of capital that is available to cover unexpected losses in the insurance and investment operations of the Issuer. The solvency position is a measure used to assess an insurance company's ability to fulfil its liabilities to its policyholders.

The solvency position is reported quarterly to the supervisory authorities monitoring the Issuer on the basis of the prevailing regulatory requirements.

Each of the regulatory capital requirement and the regulatory solvency capital position are presented in Table 1 (Regulatory measurements of the Issuer, 31 December 2010). All If Group companies met their regulatory minimum capital requirements during 2010.

Internal Economic Measures

The Issuer uses Economic Capital in internal management. Economic capital is an internal measure describing the amount of capital required in order to bear different kinds of risk. Economic Capital is described as the amount of capital required to remain solvent over a one year time horizon with a confidence level of 99.5 per cent. Economic Capital accounts for market, credit, insurance and operational risks, as well as the diversification effect between these risks.

Adjusted solvency capital is the If Group's internal measure of available capital. Adjusted solvency capital is calculated by adding an adjustment to the regulatory solvency capital. The adjustment is the difference between the carrying amount and fair value of technical provisions, where the market value of technical provisions is the discounted value of future cash flows plus a risk margin.

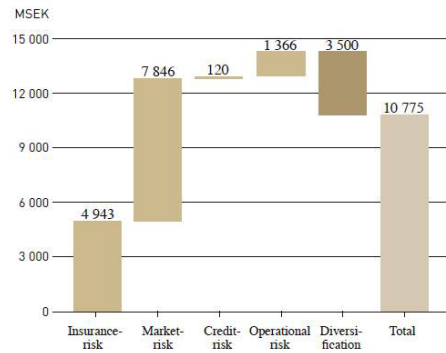
Table 1. Regulatory measures and internal economic measures of the Issuer, 31 December 2010 (millions of SEK)

<i>MSEK</i>	<i><u>2010</u></i>	<i><u>2009</u></i>
<i>Solvency requirement</i>	<i>4,999</i>	<i>4,856</i>
<i>Capital base</i>	<i>12,518</i>	<i>12,150</i>
<i>Regulatory Solvency Ratio</i>	<i>250.4%</i>	<i>250.2%</i>
<i>Economic Capital</i>	<i>10,775</i>	<i>9,932</i>

Distribution of Economic Capital

Economic Capital employed in the Issuer as of 31 December 2010 was SEK 10,775 million. Economic Capital not only reflects the capital need for different kinds of risks, but also their mutual diversification effect. This gives a more accurate view of the overall capital need of the Issuer, since it is very unlikely that all risks will materialise simultaneously. Figure 2 (Economic Capital 31 December 2010) shows the distribution of Economic Capital between various risk areas in the Issuer.

Figure 2 – Economic Capital, Dec 31



Rating Agency Measures

The rating agencies have their own models to assess the capital position of the If Group and the Issuer as part of their rating criteria. Due to the If Group's rating objective (to maintain an "A" rating), meeting the capital standards set by the rating agencies is also a key capital requirement.

The Issuer has had a financial strength rating from S&P and Moody's since 2002, with a stable rating in the "A" range since 2006. The Issuer's current rating from S&P is A (stable outlook) and from Moody's A2 (stable outlook).

Risk and Capital Modelling

The Economic Capital for market risk, insurance risk and credit risk relating to reinsurance is calculated using the If Group's internal model.

In order to assess the overall risk profile, it is necessary to consider the interrelationships between the various types of risk the If Group faces, as some of the risks may develop in opposite directions creating natural hedges. For this purpose, the If Group has used an internal model for several years. Through simulations of both investment and insurance operations, the effect of, for example, reinsurance structure and investment allocations can be analysed simultaneously.

In addition to the calculation of Economic Capital, the internal model is also used as a basis for decisions regarding:

- overall capital requirements of the If Group;
- allocation of capital to the various business areas in order to achieve consistent profit targets throughout the If Group;
- minimum and maximum weightings for each investment class, to be used as reference in the investment policy; and
- retention level which affects purchase of the If Group's reinsurance.

Personnel

As at 31 December 2010 the number of employees of the Issuer was 3,881. The average number of employees of the Issuer in 2010 was 3,888.

Applied Accounting Principles

With effect from the year ending 31 December 2005, the Issuer has applied to the extent legally possible accounting principles that comply with International Financial Reporting Standards as adopted by the EU

(IFRS). For the fiscal year 2010, the Issuer's accounting presentation was not subject to any significant amendments or new regulations as compared with the fiscal year 2009.

Management

In accordance with the Issuer's Articles of Association, the Board consists of a maximum of nine directors elected by the general meeting of shareholders for a term up to and including the following annual general meeting. In accordance with Swedish legislation regarding employees' right to board representation, two directors are appointed to the Board by the labour unions representing the Issuer's employees. In addition, the labour unions appoint two alternate directors for their appointed directors.

Under the Swedish Insurance Business Act, the managing director and at least half the number of directors of the Issuer must be resident within the EEA, unless the SFSA or, in matters of extraordinary importance, the Swedish Government, grants an exemption.

The table below sets out the names of the four current ordinary members of the Board elected by the general meeting of shareholders, the two employee representatives, two alternate employee representatives and the Managing Director (not a member of the Board), their positions and their year of birth. The Issuer's board members were elected on 15 March 2011, with the exception of the employee representatives and their alternates, who were appointed by the labour unions representing the Issuer's employees on 27 May 2000 (in the case of Ulla-Britt Lundqvist) and 11 February 2008 (in the case of Ingar Brotnov) respectively.

Chairman of the Board:

Torbjörn Magnusson, born 1963
Chief Executive Officer of If Holding

Members of the Board:

Ingar Brotnov, born 1955
Employee/Union representative

Patrick Lapveteläinen, born 1966
Chief Investment Officer of Sampo

Ulla-Britt Lundqvist, born 1949
Employee/Union representative

Jouko Oksanen, born 1951
Senior Vice-President and Chief Financial Officer of Varma Mutual Pension Insurance Company

Dag Rehme, born 1970
Chief Legal Counsel of the Issuer and the If Group

Deputy Members of the Board

Johan Sjöstedt, born 1973
Employee/Union representative

Gunnar Ulander, born 1949
Employee/Union representative

Managing Director

Ricard Wennerklint, born 1969
Deputy Chief Executive Officer of If Holding and Managing Director of the Issuer

Deputy Managing Director

Måns Edsman, born 1974

Head of Corporate Control & Strategy

To the best of the Issuer's knowledge, there are no conflicts of interest between any of the Board Members' or Directors' duties to the Issuer and their private interests or duties.

The office address of the board members and management is:

If Skadeförsäkring AB (publ)

Barks väg 15

S-106 80 Stockholm

REGULATION

Set forth below is a summary of certain material provisions concerning the regulatory and supervisory environment of the P&C insurance business conducted by the Issuer. This description is a summary of certain legal issues and does not purport to be complete.

General

Swedish insurance companies are licensed and supervised by the SFSA. Such companies are primarily governed by the Swedish Insurance Business Act, which incorporates relevant EU directives. The regulation of Swedish insurance companies' international operations within the EEA is described below.

A Swedish insurance company is not permitted to carry out any business other than insurance business and any business connected thereto. A licence to conduct insurance business is valid until further notice or, under certain circumstances, for a definite term not exceeding ten years. The Issuer's license is valid until further notice.

International Operations

The EU has adopted legislation with a view to harmonising the member states' regulation of the insurance industry, thus creating a single European market in this respect. This was to a large extent achieved through the adoption of the third generation of insurance directives in 1992. These EU directives have been implemented in Sweden. Through the adoption of the 1992 EU directives, the single passport principle was established in the insurance business. Accordingly, a licence from a competent authority in a member state (the "home supervisory authority") is valid throughout the EEA. A licensed company may carry out its business within the EEA directly or through branches, without any further requirements for authorisations in the countries concerned. The insurance company would however be required to notify its home supervisory authority of its intention to carry on business in another EEA state (either on a cross-border basis or by establishing a branch). The home supervisory authority is solely responsible for the financial supervision of the insurance company's activities within the EEA while the competent authority of the host member state (the "host supervisory authority") is responsible for any other supervision. Where an insurance company licensed in another member state carries on business through a branch, the home supervisory authority may, after informing the host supervisory authority directly or through intermediaries, carry out on-site or off-site inspections in order to ensure the financial supervision of the company. The relevant host supervisory authority may participate in such inspection.

The Issuer operates its cross-border activities through branches in Denmark, Finland, France, Germany, Norway, the Netherlands and the United Kingdom. Accordingly, the SFSA is responsible for the financial supervision of such branch activities, save with respect to Finland and Norway (see "Nordic supervisors' cooperation" below). The operations must, however, still be in compliance with the laws of the countries where the branches operate in respect of activities such as marketing, consumer protection, insurance contract requirements and personal data protection. In October 1998, the EU adopted a directive (98/78/EC) on the supplementary supervision of insurance undertakings within insurance groups. The directive has been implemented in Sweden through changes in the Swedish Insurance Business Act that came into force on 1 January 2001. The changes imposed, among other things, a general requirement for a Swedish insurance company within an insurance group to maintain appropriate control over how the company is affected by intra-group transactions and agreements, such as loans, guarantees and off-balance sheet transactions, elements eligible for the solvency margin, investments, reinsurance operations and agreements to share costs. Further, a Swedish insurance company must make a calculation of its solvency margin on a group level, consolidating (proportionally to its holdings) its subsidiaries and associated insurance companies in which it owns at least 20 per cent of the share capital or the votes. The insurance company must also make a

calculation of its solvency margin on a group level consolidating its parent undertaking, which is an insurance holding undertaking or a foreign insurer established outside the EEA and any subsidiaries to such parent undertaking, which are insurance undertakings. The solvency margin and the intra-group transactions must be specially reported to the SFSA on a group level. In October 2005, the EU adopted a directive (2005/56/EC) on cross-border mergers of limited liability companies. The Directive has been implemented in Sweden through changes in the Swedish Insurance Business Act that came into force on 15 July 2009.

In 2002 the EU adopted Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (the “Conglomerate Directive”). The Conglomerate Directive introduced specific legislation for the supplementary supervision of financial groups that provide cross-sectoral services, typically banking and insurance services. The Conglomerate Directive has been implemented in Sweden by the Supplementary Supervision of Financial Conglomerates Act (2006:531). A supervisory authority shall be the coordinator in respect of each conglomerate and shall be responsible for the supplementary supervision of the conglomerate. In case there are several competent supervisory authorities, one of the home supervisory authorities shall act as coordinator of the conglomerate. The supervision would include regular meetings with the representatives of conglomerates, receipt of solvency reports, risk concentrations and internal transactions and other requested reports regarding the conglomerate, which would include an assessment as to whether the capital of the conglomerate is adequate having regard to risk concentrations and internal transactions etc. The assessment would also include the structure of the conglomerate, its organisation and internal control systems.

Nordic Supervisors’ Cooperation

In March 2011, the supervisory authorities in Sweden, Finland, Estonia and Norway entered into a memorandum of understanding, regarding cooperation in the supplementary supervision of the If Group. The provisions of the memorandum of understanding are, to the extent possible, supplementary to those contained in the general memorandum of understanding signed on 6 April 2000, by all the Nordic supervisory authorities regarding cooperation in the supervision of credit institutions, insurance undertakings and investment firms.

Pursuant to the memorandum of understanding, the authorities have jointly stated that the SFSA shall be appointed lead supervisor and as such, is responsible for the coordination and exercise of the supplementary supervision in respect of the If Group.

The SFSA is responsible for the supervision of the Issuer, its foreign branches and its subsidiaries and for the cooperation with the Russian supervisory authorities. As lead supervisor of the college of supervisors of the If insurance group, the SFSA shall undertake the supervision of the If Group on a group-wide basis.

The Financial Supervisory Authority in Finland (*Fi. Finanssivalvonta*) is responsible for the supervision of If P&C Insurance Company Ltd (Finland) and its subsidiaries. In addition the Financial Supervisory Authority of Finland supervises the Issuer’s branch in Finland in cooperation with the SFSA. The Financial Supervision Authority in Estonia (*Es. Finantsinspektsioon*) is responsible for the supervision of If P&C Insurance AS, its branches in Latvia and Lithuania and its subsidiaries. The Financial Supervisory Authority of Norway (*No. Finanstilsynet*) supervises the Issuer’s branches in Norway in cooperation with the SFSA.

A college of supervisors comprising representatives of the supervisory authorities is responsible for the overall coordination of the supervision of the If Group.

With Nordea Bank AB as its associated company, the Sampo Group is, as of 31 December 2009, a financial conglomerate under the Finnish Act on the Supervision of Financial and Insurance Conglomerates (2004/699).

Substantial Shareholdings

Pursuant to the Swedish Insurance Business Act, an acquisition resulting in a qualifying holding of shares in an insurance company must not take place until consent has been obtained from the SFSA. For these purposes, a qualifying holding means direct or indirect ownership of at least 10 per cent of voting rights or the share capital of such company, or a holding providing a substantial influence on the management of the insurance company. Such consent is also needed for acquisitions resulting in an aggregate holding equal to or in excess of 20, 30 or 50 per cent of the voting rights or the share capital of such company, or if the insurance company will become a subsidiary. Similarly, disposals resulting in a holding falling below any of these thresholds must be notified to the SFSA before such transactions are completed. A shareholder failing to obtain the necessary consent for an acquisition from the SFSA may be restricted from voting at a general meeting. A shareholder with a shareholding in breach of a decision by the SFSA is prevented from voting at a general meeting, to the extent his shareholding conflicts with the decision, and may also be required to dispose of such shares. When a Swedish insurance company becomes aware of an acquisition or disposal of a qualifying holding of its shares, it is required promptly to notify the transaction to the SFSA. Further, it is obliged to report the names of persons with qualifying holdings and the size of such holdings to the SFSA annually. Legal entities with a qualifying holding directly or indirectly in an insurance company must promptly notify the SFSA of any changes in its management.

In the event that a qualifying shareholder acts, or is expected to act, in a manner contrary to the requirements of the authorisation, the SFSA can limit the shareholder's right so that he may only act in respect of those shares not constituting a qualifying holding. Similarly, where a shareholder has grossly neglected obligations in business activities or other economic matters or has a record of serious criminal activities, rights that attach to this shareholding may be restricted. In exceptional circumstances, the SFSA may request that the district court appoints an administrator for the shares which, pursuant to the above, may not be represented by the shareholder.

Technical Provisions and Investments

An insurance company's technical provisions should at all time cover liabilities that may reasonably be expected to arise under its outstanding insurance policies. Accordingly, the investment of insurance company funds is regulated to ensure that the investments cover the liabilities and that the funds are invested with adequate risk management and sufficient liquidity.

Generally, assets covering the technical provisions must be located within the EEA, in case the risk is situated within the EEA. The assets shall be located in Sweden in case the risks are situated outside the EEA. However, the assets may be located outside the EEA (or within the EEA, as the case may be), provided it does not jeopardise the rights of priority of the policyholders and it is otherwise deemed safe. The insurance company is required to issue investment guidelines and maintain a register of the assets used to cover technical provisions. The policyholders have rights of priority to the assets listed in that register.

Borrowing Restrictions

Pursuant to the Swedish Insurance Business Act, an insurance company may only borrow money in order to make its investment management more efficient or if it is otherwise required by the insurance business conducted, provided that the total borrowings are minor in relation to the scope of the business and the size of the capital base. The SFSA may, in certain circumstances, grant an exemption from this limitation.

Reserve Coverage Ratio

Pursuant to the Swedish Insurance Business Act (which, in this respect, is based upon EU directives), a Swedish insurance company must at all times have approved investment assets the value of which at least shall cover the company's technical provisions, net of reinsurance. The relation between approved investment

assets and net technical provisions is called the reserve coverage ratio. The company's reserve coverage must at all times be at least 100 per cent.

The valuation of the investment assets for these purposes is regulated. Furthermore, the Swedish Insurance Business Act defines which assets and at which amounts various assets qualify for debt coverage. The Swedish Insurance Business Act's limits are defined by the following two matrices, one for various classes of assets and one for so-called single-exposure investments.

Matrix/Asset Classes

	Limit values (Max. % of net technical provisions)
Government and municipal bonds and bonds issued by certain international organisations.....	100%
Premium receivables from government and municipalities and premiums from certain international organisations.....	100%
Reserve deposits with reinsurance policyholders.....	100%
Premium receivables, regarding a certain premium period and which have not become due	100%
Corporate bonds and bank balances.....	75% ⁶
Listed equities, excluding real estate stocks and stock in operating subsidiaries	25%
Real estate, real estate stocks, real estate loans	25%
Loans secured by other adequate collateral	10%
Unlisted securities.....	10%
Cash	3%

Matrix/Single-party investments

	Limit values (Max. % of net technical provisions)
Real estate or real estate complexes.....	5%
Shares and corporate bonds issued by same issuer.....	5%
Bonds or shares issued by a financial institution	10% ⁷
Covered bonds.....	25%

The Swedish Insurance Business Act's matrices aim to ensure an elementary diversification of the assets that are intended to cover the company's legal insurance commitments. Assets in excess of those dedicated to

⁶ Of which corporate bonds can be a maximum of 50 per cent.

⁷ However, of the total limit, a maximum of 5 per cent may be represented by shares in financial institutions. Exposures exceeding 5 per cent may in aggregate not exceed 40 per cent of technical provisions, net of reinsurance.

cover the company's legal insurance commitments may be invested more freely, but should be well diversified as well. Non-Swedish group companies should comply with applicable laws and regulations in the implementation of the investment policy. With respect to regulating foreign investments and foreign exchange risks, the SFSA has issued regulations on the handling of foreign exchange risks. The regulations require that at least 80 per cent of the net technical provision in a single currency must be covered by investments in that currency. In certain situations, however, an insurance company does not need to have assets in a currency that does not account for more than 7 per cent of the total assets in other currencies, including Swedish kronor.

Internal Control

The SFSA has issued general advice concerning internal governance and control of certain companies under its supervision, which applies to insurance companies. The general rule is that the board of directors has the ultimate responsibility for a company's operations and should establish objectives and strategies for the business, and should follow up that these objectives are met. Furthermore, the board of directors of a parent company of a group should procure that internal instructions for governance and control are established for the licensed business conducted by companies in the group. Among other things, internal instructions on risk handling and control should be established.

In relation to internal governance and control, the SFSA advises companies to adapt their organisations to changes in internal and external risks occurring over time. Certain additional criteria of importance to internal control are:

- (i) proper procedures to highlight any diversion from established internal guidelines and objectives;
- (ii) delegation of responsibilities and duties so that conflicts of interest are avoided, and safeguards that prevent a single person handling the entire process of a transaction; and
- (iii) that information and reporting systems provide updated and relevant information on the company's operations and risk exposure.

Moreover, an insurance company should have an internal audit function, independent from the operations, reporting directly to the board of directors.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes.

TAXATION

Swedish Taxation

The following summary outlines certain Swedish tax consequences relating to holders of Notes who are not resident in Sweden for tax purposes, unless otherwise stated. The summary is based on prevailing legislation on the date of this Prospectus and is intended as general information only, i.e. the summary is not intended to be legal or tax advice. The summary does not purport to be a complete analysis of all tax considerations relating to the Notes. In particular, the summary does not consider any specific facts or circumstances that may apply to a particular holder. Hence, each holder is urged to consult his own tax adviser for information on specific tax consequences that may arise as a result of subscribing, purchasing, holding and disposing of Notes.

Investors not resident in Sweden for tax purposes

Under Swedish tax law payments of any principal or interest in respect of the Notes are normally not subject to Swedish income tax, provided that the holder of Notes is neither resident in Sweden for tax purposes nor engaged in a trade or business in Sweden through a permanent establishment to which the holding is effectively connected. The same applies to capital gains on disposal of Notes. A private individual should be deemed resident in Sweden for tax purposes if he a) is domiciled in Sweden or b) has his habitual abode in Sweden or c) earlier has been domiciled in Sweden and after having moved abroad continues to have an essential connection with Sweden (for example is engaged in trade or business in Sweden). Holders of Notes are not deemed to be resident, domiciled or carrying on business in Sweden merely by reason of holding such Notes.

There is no Swedish withholding tax on interest payments to a private individual not resident in Sweden for tax purposes, nor is there any stamp duty.

Investors resident in Sweden for tax purposes

Private individuals (and estates of deceased individuals) resident in Sweden for tax purposes may be subject to preliminary Swedish withholding tax on payments made by the Issuer in respect of the Notes.

Generally, for corporations and private individuals (and estates of deceased individuals) with residence in Sweden for tax purposes, all capital income (e.g. interest received in respect of any Notes and capital gains on Notes) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations, e.g. life insurance companies. Further, specific tax consequences may be applicable if, and to the extent, a holder of Notes realises a capital loss on the Notes and to any currency exchange gains or losses.

European Union Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economics and Finance Ministers adopted the EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"). The Savings Directive came into effect on 1 July 2005. Each Member State is under the directive required to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg, Austria and Belgium may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent (unless during that transitional period they elect to provide information in accordance with the directive). However, Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information regarding such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to the above

mentioned payments. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to the payments.

On 13 November 2008 the European Commission published an amending proposal to the Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

In Sweden the Savings Directive has been implemented as from 1 July 2005.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch (the “Lead Manager”) has, pursuant to a Subscription Agreement dated 5 December 2011 (the “Subscription Agreement”), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes on the Closing Date (as defined in the Subscription Agreement). The Issuer has also agreed to reimburse the Lead Manager for certain of its expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Lead Manager to terminate it in certain circumstances prior to payment being made to the Issuer. The yield of the Notes for the period ending on 8 December 2021 is 6.068 per cent on an annual basis. The yield is calculated as at 8 December 2011 on the basis of the issue price. It is not an indication of future yield.

Upon issue, all of the Notes are expected to be placed by the Lead Manager with Sampo, the ultimate parent company of the Issuer. Sampo intends, in the future, to dispose of some or all of the Notes through different distribution channels at the market price prevailing from time to time in response to potential demand for the Notes.

General

Neither the Issuer nor the Lead Manager has made any representation that any action will be taken in any jurisdiction by the Lead Manager or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions.

United States

The Notes 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes 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 and regulations thereunder.

The Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes 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 Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Lead Manager 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 (the “FSMA”)) received by it in connection with the issue or sale of the Notes 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 the Notes in, from or otherwise involving the United Kingdom.

Sweden

The Lead Manager has agreed that: (i) no Notes have been, or will be, offered to the public in Sweden in a way which require the preparation or registration of a prospectus pursuant to the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*); and (ii) all actions taken by it in relation to the Notes have been and will be in compliance with the laws of Sweden.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2009 and 31 December 2010, respectively, together in each case with the audit report thereon and (ii) the unaudited consolidated financial statements for the six months ended 30 June 2011. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document that 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. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer, the Paying Agent and the website of the Luxembourg Stock Exchange (www.bourse.lu).

The table below sets out the relevant page references for (i) the audited consolidated statements for the financial years ended 31 December 2009 and 31 December 2010, respectively, as set out in the Issuer's Annual Report and (ii) the unaudited consolidated financial statements for the six months ended 30 June 2011. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Prospectus.

Audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2009

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Audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2010

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Unaudited consolidated interim financial statements of the Issuer for the six months ended 30 June 2011

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Statement of Comprehensive Income	Page 4
Balance Sheet.....	Pages 5-6
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DEFINITIONS

If	Issuer, If Holding or If Group depending on the context
If Group or Group	If Holding and all its subsidiaries
If Holding	If Skadeförsäkring Holding AB (publ) (in Swedish) corp. reg. no:556241-7559 If P&C Insurance Holding Ltd (publ) (in English)
Issuer	If Skadeförsäkring AB (publ) (in Swedish) corp. reg. no: 516401-8102 If P&C Insurance Ltd (publ) (in English)
P&C Insurance	Property and casualty insurance
Sampo	Sampo plc, corp. reg no: 0142213-3
Sampo Group	Sampo plc and all its subsidiaries
SFSA	The Swedish Financial Supervisory Authority (<i>Finansinspektionen</i>)
Swedish Insurance Business Act	The Swedish Insurance Business Act (Försäkringsrörelselagen (2010:2043))

GENERAL INFORMATION

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market.

1. The Issuer has obtained all necessary consents, approvals and authorisations in Sweden in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 24 October 2011.
2. There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2011 and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2010.
3. Neither the Issuer nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
4. Each Note and Coupon will bear 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*".
5. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 071668738. The International Securities Identification Number (ISIN) for the Notes is XS0716687388. The WKN for the Notes is A1GX0M.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

6. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Issuer's group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.
7. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.
8. For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Principal Paying Agent:
 - (a) the Agency Agreement, the Trust Deed (which includes the form of the Global Notes, the definitive Notes, the Coupons and the Talons);
 - (b) the Constitutional documents of the Issuer;
 - (c) the published annual report and audited consolidated accounts of the Issuer for the 2009 and 2010 financial years;

- (d) the unaudited consolidated interim financial statements of the Issuer for the six months ended 30 June 2011;
- (e) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus; and
- (f) all reports, letters and other documents, historical financial information, balance sheets, valuations and statements prepared by any expert at the Issuer's request, any part of which is extracted or referred to in this Prospectus.

This Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

9. Ernst & Young AB, with Peter Strandh as auditor-in-charge, of Box 7850, S-103 99 Stockholm, Sweden is the auditor of the Issuer. The auditor is authorised by, and a member of, FAR SRS and has audited, and rendered unqualified audit reports on, the accounts of the Issuer for the year ended 31 December 2009 and the year ended 31 December 2010.
10. Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.
11. The estimated total expenses related to admission to trading are €10,500.00.

REGISTERED/HEAD OFFICE OF THE ISSUER

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