

IMPORTANT NOTICE

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

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

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

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

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

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

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

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

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



AKELIUS RESIDENTIAL PROPERTY AB (PUBL)

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

EUR500,000,000 Subordinated Fixed to Reset Rate Capital Securities due 2078

Issue price: 99.654 per cent.

Akelius Residential Property AB (publ), a public limited company with limited liability incorporated under the laws of the Kingdom of Sweden (the **Issuer**) is offering EUR 500,000,000 Subordinated Fixed to Reset Rate Capital Securities due 2078 (the **Capital Securities**).

Interest will accrue on the Capital Securities from (and including) 5 April 2018 (the **Issue Date**) to (but excluding) 5 October 2023 (the **First Reset Date**) at a rate of 3.875 per cent. per annum, and thereafter at the relevant Reset Interest Rate (as defined in the terms and conditions of the Capital Securities (the **Conditions**) under Condition 4(d)). Interest on the Capital Securities will (subject to the option of the Issuer to defer payments, as provided below) be payable annually in arrear on 5 October in each year from (and including) 5 October 2018. The first payment of interest will be made on 5 October 2018 in respect of the period from (and including) the Issue Date to (but excluding) 5 October 2018 (short first coupon).

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

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

Unless earlier redeemed or repurchased and cancelled, the Issuer shall redeem the Capital Securities on 5 October 2078. The Issuer will have the right to redeem the Capital Securities in whole, but not in part, on (a) any of the 90 days up to and including the First Reset Date or (b) any Interest Payment Date thereafter. The Issuer may also redeem the Capital Securities upon the occurrence of a Change of Control, a Tax Deductibility Event, a Substantial Repurchase Event, a Capital Event or a Withholding Tax Event, and may in certain circumstances vary the terms of, or substitute, the Capital Securities, all as set out in the Conditions.

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

This prospectus (**Prospectus**) has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (the **Prospectus Directive**) as amended (including by Directive 2010/73/EU). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc for the Capital Securities to be admitted to the Official List and trading on its regulated market (the **Main Securities Market**). Such approval relates only to the Capital Securities that are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**) and/or that are to be offered to the public in any member state of the European Economic Area (the **EEA**). References in this Prospectus to the Capital Securities being listed (and all related references) shall mean that the Capital Securities have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID II.

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

PRIIPs Regulation / PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Issuer has been rated BBB by Standard & Poor’s Credit Market Services Europe Limited (**S&P**). The Capital Securities have been rated BB+ by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as

amended) (the **CRA Regulation**). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Amounts payable on the Capital Securities in respect of each Reset Period will be calculated by reference to the mid-swap rate for euro swap transactions with a maturity of five years which appears on the Reuters screen ICESWAP2 (**ICE Swap Rate**). As at the date of this Prospectus, the administrator of ICE Swap Rate (ICE Benchmark Administration Limited (**IBA**)) is not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that IBA is not currently required to obtain authorisation/registration.

The Capital Securities will initially be represented by a temporary global capital security (the **Temporary Global Capital Security**), without interest coupons, which will be deposited on or about 5 April 2018 (the **Closing Date**) with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Capital Security will be exchangeable for interests in a permanent global capital security (the **Permanent Global Capital Security** and, together with the Temporary Global Capital Security, the **Global Capital Securities**), without interest coupons, on or after 15 May 2018 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Capital Security will be exchangeable for definitive Capital Securities only in certain limited circumstances. See "*Summary of Provisions relating to the Capital Securities while represented by the Global Capital Securities*".

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

Structuring Adviser

DEUTSCHE BANK

Joint Bookrunners

BARCLAYS

DANSKE BANK

DEUTSCHE BANK

The date of this Prospectus is 3 April 2018

IMPORTANT INFORMATION

This Prospectus comprises a prospectus for the purposes of Article 5 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having 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.

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

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

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

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

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

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

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Capital Securities or to advise any investor in the Capital Securities of any information coming to their attention. The Capital Securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Capital Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Capital Securities and on distribution of this Prospectus, see "*Subscription and Sale*" below.

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

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

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

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

STABILISATION

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

PRESENTATION OF INFORMATION

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

All references in this Prospectus to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to **U.S.\$**, **U.S. dollars** or **USD** are to the lawful currency for the time being of the United States, references to **£**, **sterling** and **GBP** are to the lawful currency for the time being of the United Kingdom, references to **CAD** and **Canadian Dollar** are to the lawful currency for the time being of Canada, references to **SEK** are to the lawful currency for the time being of the Kingdom of Sweden and references to **DKK** are to the lawful currency for the time being of the Kingdom of Denmark.

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

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

SUITABILITY OF INVESTMENT

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

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

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

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

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RISK FACTORS

Before making an investment decision, prospective investors should carefully review the specific risk factors described below, in addition to the other information contained in this Prospectus. The Issuer believes that the following factors may affect the Issuer's ability to fulfil its obligations under the Capital Securities. Most 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. Akelius business, financial condition and results of operations could be materially affected by each of these risks presented. Also other risks and uncertainties not described herein could affect the Issuer's ability to fulfil its obligations under the Capital Securities. Additional risks and uncertainties not presently known to the Issuer, or that the Issuer currently believes are immaterial, could impair the ability of the Issuer to fulfil its obligations under the Capital Securities. Certain other matters regarding the operations of the Issuer that should be considered before making an investment in the Capital Securities are set out, in the section "Information about the Issuer", amongst other places. The order of presentation of the risk factors in this Prospectus is not intended to be an indication of the probability of their occurrence or of their potential effect on the Issuer's ability to fulfil its obligations under the Capital Securities.

The capitalised words and expressions in this section shall have the meanings defined in "Terms and Conditions of the Capital Securities".

Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities

Risks factors relating to the Issuer and the Group

Slow or negative economic growth may have an adverse effect on the real estate market and the Group's rental revenue

The real estate business is to a large extent affected by macroeconomic factors such as general economic trends, regional economic development, employment rate development, the production rate of new residential units and premises, changes in infrastructure, population growth, structure of the population, inflation and interest rates. In addition, political uncertainty (including, for example, the United Kingdom's vote to leave the European Union in June 2016 and its subsequent invocation of Article 50 of the Lisbon Treaty in March 2017 to begin the withdrawal process) may have a negative impact on economic conditions and consumer confidence in the countries where the Group operates. The deterioration of economic conditions in either the countries where the Group operates or globally could result in an increase in unemployment or a decline in real income. This may, in turn, have an adverse effect on supply and demand in the real estate market, vacancy and rental rates and the financial condition of the Group's tenants and other counterparties.

Expectations regarding inflation and/or fluctuations in inflation rates may affect interest rates, including the interest rates that may be payable by the Group on a finance or credit agreement that it enters into. The cost of interest payments on debts owed to credit institutions is one of the Group's main expenses and so any changes in interest rates could have a significant effect on the Group's financial results and cash flow. Increases in the rate of inflation could also increase the operating and administrative expenses of the Group. Furthermore, changes in interest rates and the rate of inflation may also affect the yield requirements and, therefore, the market or fair value of the Group's properties.

If one or several of these factors would develop negatively, it could have a material adverse impact on the Group's operations, earnings and financial position.

A decreased demand for, or an increased supply of, or a contraction of the market for, properties in the countries in which the Group operates, could adversely affect the business and financial condition of the Group

Supply and demand for real estate, and accordingly the yield on real estate investments differ between different geographical markets and may also develop differently within a specific geographical market. The Group has a diversified property portfolio with properties in a variety of countries and cities. If there are changes in supply and demand or a general contraction of the property market in any of those countries or cities, this may negatively influence the occupancy rates of the Group's properties, the rental rates, the level of demand and ultimately the value of such properties. This could, in turn, have a material adverse impact on the Group's earnings and financial position.

The Group may not be able to execute disposals of real estate properties and residential units at acceptable prices, on acceptable terms or at all

Part of the Group's business model consists of selling fully developed real estate properties and residential units. For this to be successful, it relies on high demand for such properties and on the ability of the purchasers to successfully complete those transactions.

The desire to purchase a real estate property or residential unit is dependent, among other things, on whether the characteristics of the specific property or residential unit correspond to the current market demand, the general activity on the real estate market where the property or unit is based, the general price trend on the real estate market and demographic factors. The desire to purchase residential units is further affected by, among other things, the access to and cost for alternative properties and/or housing arrangements.

The value and price of, and the ability of purchasers to pay for, real estate properties and residential units is influenced by several factors, such as general economic conditions, interest rates, inflation expectations, investor yield requirements, the levels of taxes and charges payable on the acquisition. The ability of counterparties to pay for residential units is further affected by their ability to make interest deductions, to receive loan financing, changes in interest rates for residential loans and rules applied by law or credit institutions regarding maximum borrowings and amortisations.

A decrease in purchasers' desire or ability to pay for the real estate properties and residential units or the inability of the Group to sell at acceptable prices could have a material adverse impact on the Group's operations, earnings and financial position.

There can be no assurance that the Group will be successful in implementing its strategy or achieving its financial targets or investment objectives

No assurance can be given that the implementation of the Group's strategy and/or the achievement of its financial targets or investment objectives will be successful under current or future market conditions. The Group's approach may be modified and altered from time to time. It is therefore possible that the approach adopted to implement its strategy and achieve its financial targets and investment objectives in the future may be different from that presently expected to be used and disclosed in this Prospectus.

Moreover, the availability of potential investments that meet the Group's acquisition criteria will depend on the state of the economy and financial markets in the countries in which the Group operates or is interested in entering into. The Group can offer no assurance that it will be able to identify and make investments that are consistent with its acquisition criteria or rate of return targets.

The Group is exposed to risks regarding development projects

As part of its business, the Group carries out development projects on its real estate properties. Such projects include the upgrade of its residential units according to the Group's "Better Living" concept. The ability to successfully complete these development projects in an economically efficient manner depends on a number of factors, including the ability of the Group to retain and recruit personnel with necessary competence within the construction, project management, design, architecture and sales fields, to obtain necessary permits and decisions from local and/or regional authorities and to hire contractors that will implement projects on terms that are acceptable to the Group.

When considering development project investments and development risks, the Group needs to make an estimate of the economic and market conditions that will prevail in the market where the project is located at the time the project is completed and becomes operational, and there is uncertainty at the beginning of a development project about the economic and market conditions at the time of completion of the project. Such estimates are difficult to make since it takes a considerable time before development projects are completed and become operational. During this time, economic conditions may change unfavourably and lower the Group's expected return on the investment. For example, a given market may experience an oversupply of residential properties at the time of a project's completion, leading to lower occupancy rates. As a result, the Group may incorrectly time its development project investments and adopt an inappropriate business strategy.

There are also technical risks associated with such development projects. These include risks of constructional defects, other concealed defects or deficiencies, damage and contaminations. If technical problems do occur, it could result in delays in scheduled real estate development projects, or increased costs for upgrade and management of the Group's properties. Technical problems could also arise from the actions or omissions of third parties and may not be known to the Group. Although the Group may have rights against the building contractor and/or professional team in connection with such defects and/or recourse to insurance in place for the project in question, there can be no assurance that the Group will be able to enforce its rights and fully recover the costs arising from any claim against the Group. Furthermore, the Group may not be able to obtain the necessary decisions or permits from local and/or regional authorities that are required to implement a change in the use of acquired properties and changes in permits, plans, planning laws or regulations may result in delays in construction works or other unforeseen delays, increases in the cost of construction and construction materials, cost overruns or the failure to complete the Group's real estate development projects.

If one or several of the above factors would develop negatively or if any of the above described risks would materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

The Group's operating, maintenance and administrative costs may be higher than expected

The Group's operating expenses mainly consist of ongoing electricity, cleaning, water and heating costs associated with its properties. Depending on the geographic market where a property is based, a number of these services can only be purchased from a single operator, and this may lead to periodic increases in the prices for such services. To the extent any of such increases in costs cannot be passed onto the Group's tenants through regulation in lease agreements, or rental increases through renegotiations of lease agreements, it may have a negative impact on the Group's earnings and financial position.

Maintenance expenses result from the measures taken by the Group in order to maintain the standard of its properties in the long term. As properties age, they generally require greater maintenance, refurbishment and redevelopment costs. Numerous factors, including the age of the relevant building, the material and substances used at the time of its construction could result in substantial unbudgeted costs for refurbishment and modernisation. If the Group does not carry out maintenance,

refurbishment and redevelopment activities with respect to its properties, these properties may become less attractive to tenants and the Group's rental income may decrease, thereby adversely affecting the Group's business, financial condition, prospects and results of operations. These maintenance expenditures are accounted for as expenses to the extent they relate to repairs and replacements of minor items. In addition to pure maintenance costs, costs for refurbishments in advance of rent renewals or re-lettings normally arise. Unexpected and extensive renovation needs and expenditures may have an adverse impact on the Group's earnings and financial position.

Other factors which could increase operating, maintenance and administrative expenses include, amongst others, increases relating to the rate of inflation, payroll expenses, legal expenses, property taxes and other statutory charges, energy costs and cost of services provided by third party providers; movements in foreign exchange rates and increases in insurance premiums. Any such increases may have an adverse effect on the Group's earnings and financial position.

The Group is subject to credit and counterparty risks

The Group is subject to the counterparty risk of its tenants as the net revenue generated from the Group's properties depends on the financial stability of its tenants. The creditworthiness of a tenant can decline over the short or medium term, leading to a risk that the tenant will become insolvent or unable to pay its agreed rents in a timely manner or otherwise unable to meet its obligations under the lease. If leases are terminated, the Group may be unable to re-let the units for rent at a level previously received or at all. The Group is also exposed to the counterparty risk of purchasers to the extent that they fail to make payments for the properties in relation to which the Group has entered into an agreement for their sale. The realisation of these risks could have a negative impact on the Group's earnings and financial position.

In addition to the credit risks associated with its tenants/purchasers, the Group is exposed to credit risks relating to its financial operations. Such credit risks arise in connection with, among other things, investments of excess liquidity, entering into interest swap agreements and when obtaining long-term and short-term credit agreements. If the counterparties in these operations cannot fulfil their obligations towards the Group, it could have a material adverse impact on the Group's operations, earnings and financial position.

Interest rate risks may reduce the Group's net return

Aside from equity contributions, the Group's operations are largely financed by borrowings, including loans from credit institutions and listed bonds and, as a result, the cost of interest payments on such debts is one of the Group's main expenses. Changes in interest rates can affect the Group's profitability by affecting the spread between, among other things, the income on its assets and the expense of its interest-bearing liabilities, the value of any interest-earning assets, its ability to make acquisitions and its ability to realise gains from the sale of its assets. Market interest rates are highly sensitive to many factors, including the expected inflation rate, governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, regulatory requirements and other factors beyond the Group's control. The short-term interest rates are mainly determined by reference to the respective national bank's repo rate, which is a monetary policy rate. In times of increasing inflation expectations, the interest rate can be expected to increase and in times of decreasing inflation expectations, the interest rate can be expected to decrease.

The Group's interest costs are mainly affected by the current market interest rate, the margin imposed by credit institutions and the method for determining the rate of interest on the debts entered into by the Group. As at 31 December 2017, the loans of the Group carried an average interest rate of 2.58 per cent. and the average interest rate hedge was 5.3 years. As at 31 December 2017, 10 per cent. of the Group's borrowings carried an interest rate with a term of less than one year. With respect to fixed rate debt, a longer average fixed interest term on the Group's debts means that the Group is tied to a fixed

interest rate that may or may not be in line with the prevailing market interest rate. With respect to floating rate debt, the Group's floating rate loan expenses may increase with a rise in market interest rates. An increase in interest rates may increase the Group's interest expense and this could have a material adverse impact on the Group's operations, earnings and financial position.

The Group may not be able to secure financing in the future

The Group is exposed to the risk of not being able to obtain new financing or to re-finance existing debt obligations. In addition, the terms and conditions on which future funding or re-financing may be made available may not be acceptable to the Group. As at 31 December 2017, the Issuer's interest-bearing debt amounted to a total of SEK 46,756 million. There is a risk that these lenders in the future do not want or have the possibility to continue with the current financing.

During the financial crisis in 2008-2009, there was severe volatility and disturbance in the financial and credit markets, with decreased liquidity and increased credit risk premiums for many credit institutions. Even though the Group currently believes that its refinancing risk is small, there is no guarantee that future refinancing can be obtained on commercially acceptable terms, and this could have a material adverse impact on the Group's operations, earnings and financial position.

The Group's inability to procure sufficient financing for its property acquisitions or development projects could adversely affect its ability to expand its business and may result in unexpected costs for the Group. If such circumstances occur, it could also result in development projects not being completed before the Group's loan repayments are due, or that such increased costs in the development project not being covered by the credit facilities in place. If the Group is not able to obtain new financing with respect to its property acquisitions or development projects, or an extension or increase of existing financing arrangements, or is only able to obtain such financing on terms that are disadvantageous, it could have a material adverse impact on the Group's operations, earnings and financial position.

The Group may be forced to refinance its debt or may forfeit secured assets if it fails to meet the obligations and requirements under its loan agreements and debt securities

The Group is financed from a variety of sources. In total, the Group has loans with 36 banks in different countries and it has eight listed bonds.

The Group has provided security and guarantees for a large proportion of its loans. As at 31 December 2017, the Group had total borrowings, including bonds and bank loans, with a nominal value of SEK 46,756 million, of which SEK 19,038 million was secured. Some of the loan agreements and terms of the bonds contain financial covenants which, among other things, cover (i) the ownership of the company that has raised the loan and (ii) the Group's equity ratio and certain other financial ratios. In this context, it should be noted that some of the Group's financial ratios, at least in the short term, are negatively affected when a company within the Group acquires properties which are financed through loans from external creditors. Accordingly, such acquisitions (which constitute a part of the Group's business model) could increase the Group's risk of breaching such financial covenants. Whilst the Issuer's financial policy aims to maintain buffers to avoid any breach of financial covenants set out in the loan agreements and the terms of the bonds (see "*Description of the Issuer and the Group – Financial Policy and Covenants*"), if any of the financial covenants are breached, it could result in the acceleration of the loans and/or bonds and/or the realisation of the security granted to the relevant credit institutions, which could, in turn, have a material adverse impact on the Group's operations, earnings and financial position.

Liquidity risks

Liquidity risk is the risk that the Group cannot meet its payment obligations under its financing arrangements. If the Group's liquidity sources prove not to be sufficient, it could have a material adverse impact on the Group's operations, earnings and financial position. There is also a risk that the cost for obtaining cash to service the Group's payment obligations increases significantly.

The Group is also exposed to risks arising from the illiquidity of its portfolio. The market for the types of properties the Group owns or may acquire in the future is generally illiquid. Were the Group required to liquidate parts of its portfolio on short notice for any reason, including raising funds to support its operations or repay outstanding indebtedness, the Group may not be able to sell any portion of its portfolio on favourable terms or at all. In the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which the Group could sell such property. In planned disposals in the ordinary course of business, an illiquid market may result in a sales price that is lower than anticipated or in a delay of the sale. Any such shortfall could have a material adverse effect on the business, financial condition or results of operations of the Group. In addition, the Group may be subject to restrictions on its ability to sell properties pursuant to covenants and pledges limiting asset disposals in the Group's financing agreements.

Change of control

In some of the Group's financing agreements there may be provisions which are triggered by a change of control of the Group's companies. Upon such changes, certain rights of the counterparty, or obligations for the Group, may arise which among other things could impact the Group's financing arrangements. If the Group's financing arrangements are affected, it could have a material adverse impact on the Group's operations, earnings and financial position.

Changes in value of the Group's interest rate derivatives could have an adverse impact on the Group's financial position

A number of the Group's credit agreements bear interest at a floating rate. The Group uses interest rate derivatives, mainly interest rate swaps, to hedge against the interest rate risk. The interest rate derivatives are accounted for in the balance sheet at actual value and the changes in value are accounted for in the income statement. As the market interest rate changes, this results in a theoretical over or under value on the interest rate derivatives, which does not affect the cash flow. At the term of the relevant derivative, the value of the derivatives is always zero. The majority of the derivatives provide hedging against increased interest rates. The market value of the Group's interest rate derivatives decreases if the market interest rates decrease, which has an adverse impact on the Group's financial position.

The Group is exposed to currencies not denominated in Swedish Krona ("Foreign Currency") exchange rate fluctuations, and there can be no assurance that its Foreign Currency hedging strategy will be effective

The Group is subject to fluctuations in Foreign Currency exchange rates as a consequence of the majority of the Group's income, cost, assets and all liabilities being denominated in currencies other than the Swedish Krona. The Group may enter into derivative transactions for hedging purposes to mitigate risks resulting from fluctuations in Foreign Currency exchange rates. Hedging arrangements involve risks, such as the risk that counterparties may fail to honour their obligations under these arrangements. The funds required to settle such arrangements could be significant depending on the stability and movement of foreign currency. There can be no assurance that its Foreign Currency hedging strategy will be effective or that, when such derivative transactions expire, they could be renewed on acceptable terms or at all.

As a result, the Group's financial condition, results of operations and cash flow could be adversely affected by hedged and unhedged Foreign Currency fluctuations if the Group is required to exchange a Foreign Currency to Swedish Krona (for financial reporting purposes or on a cash basis), in particular from Sterling, Canadian Dollar, U.S. Dollar or Euro to Swedish Krona, at a time when Foreign Currency exchange rates are not favourable, and it has not been able to enter into appropriate hedging arrangements in respect thereof.

Changes in value of the Group's real estate properties

The Group's real estate properties are accounted for in the balance sheet at actual value and the changes in value are accounted for in the income statement. Non-realised value changes do not affect the cash flow. The value of the properties is affected by a number of factors, partly property specific such as vacancy rate, the rental level and operating costs, and partly market specific such as yield requirements and cost of capital derived from comparable transactions on the real estate market. Both property specific deteriorations such as lower rental levels and increased vacancy rate and market specific deteriorations such as higher yield requirements may cause the Group to write-down the actual value of its properties which could have a material adverse impact on the Group's operations, earnings and financial position.

The Group is subject to acquisition, sale and other transactional risks in relation to its real estate properties

Transactions relating to real estate properties involve uncertainties and risks for the Group. Acquisitions of properties involve, for instance, uncertainties regarding the management of new tenants, unexpected costs with respect to environmental clean-up, rebuilding and the handling of technical problems, decisions from authorities and the emergence of disputes relating to the acquisition or the condition of the real estate property. Such uncertainties may result in delays in the Group's development projects for the acquired properties or increased or unexpected costs for the real estate properties or transactions.

The sale of real estate properties by the Group also involves uncertainties regarding, for instance, the ability to successfully dispose of the relevant properties at acceptable prices and the fact that the Group may be subject to contractual claims by purchasers in respect of the properties sold. Also, in the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which the Group could sell such property.

If any of the above described risks would materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

The Group intends to selectively acquire additional real estate assets in the future but it may overestimate the potential of such assets, over pay for such assets, not identify all potential liabilities or be unable to obtain relevant clearances to complete the acquisition

The acquisition of real estate requires, among other things, an analysis that is subject to a wide variety of factors, including subjective assessments and assumptions. It is possible that the Group may overestimate the potential of a real estate asset when making acquisition decisions or may base its decision on inaccurate information or assumptions that turn out to be incorrect. For example, the Group may overestimate the attractiveness of a property or its location, or the demand for such premises, in which case it may be difficult to find suitable tenants that are willing to enter into favourable leases. The Group may also underestimate the likelihood that a newly acquired real estate asset will require substantial renovation or capital repairs. Such errors may only become apparent at a later stage and force the Group to recognise fair value losses on its statement of financial position and income statement.

Furthermore, the Group cannot guarantee that its due diligence when acquiring a real estate asset will uncover all the potential liabilities and risks related to the property (such as construction defects) or that it will have recourse to the seller of the property for the non-disclosure of such risks. Official information in the land register of some of the countries in which the Group has its operations or assets may not be accurate and complete. Thus, although the Group may have to rely upon the information contained in land registers, it may not have effective redress against the government of the relevant country if the information upon which the Group relied in deciding whether or not to make an investment was inaccurate, misleading or incomplete.

Operational risks

Operational risk is the risk of incurring losses due to inadequate systems or policies relating to, among other things, internal control, administration, competence development and access to reliable valuation and risk models. If the Group's systems or policies are not adequate, there is a risk that the Group may incur losses which could have a material negative impact on the Group's operations, earnings and financial position.

The Group relies on certain key personnel, the loss of whom could have an adverse impact on its business

The Group's business is dependent, among other things, on the expertise of a number of key personnel, including senior executives and persons with specialist competence. These key persons have extensive experience and competence regarding real estate development and real estate transactions and have, through their experience, established strong relationships with participants on the real estate market and the Group's creditors. Accordingly, retaining these key persons is important to ensure a successful development in the Group's business. The unexpected loss of some or all of these individuals could have a material adverse impact on the Group's operations, earnings and financial position.

The Group has a number of employees whose knowledge, experience and commitment is of importance for the Group's future development. There can be no assurance that the Group will be able to retain all of its existing personnel or to attract additional qualified personnel when needed which, in turn, could affect adversely the Group's operations, earnings and financial position.

The Group faces competition from existing and new market participants

The Group operates in a competitive market. The Group's competitors may have significant resources and in-depth knowledge of the geographical markets in which the Group operates. The Group's ability to successfully compete with existing and new market participants is, among other things, dependent upon the Group's ability to anticipate future market changes and trends, and to rapidly react to existing and future market needs. Competition may result in increased costs or require price reductions or changes to the Group's business model. Therefore, the Group may be forced to make costly investments, reorganisations or price reductions to adapt to a new competitive environment. Increased competition from existing and new market participants could have a material adverse impact on the Group's operations, earnings and financial position.

Changes in laws and the failure to receive permits or be granted decisions by local/regional authorities could affect the Group's properties

The Group's business is regulated and affected by a large number of laws and regulations as well as various processes and decisions relating to these regulations, both on a political level and on an administrative level. Such laws and regulations include the Swedish Planning and Building Act (Sw: *Plan- och bygglagen*) (or similar legislation in any jurisdiction where the Group is carrying out its business), building standards, health and safety regulations, security regulations, construction codes, listed buildings classification and classification of buildings with cultural significance. These laws and

regulations can have a material impact on the Group's business as well as the costs of, and opportunities for the Group to develop its properties in accordance with its business model. Even if the Group's business is conducted in accordance with its interpretation of the current laws and regulations, there can be no assurance that the Group's interpretation of laws and regulations is correct, or that the interpretations may change in the future. In addition, the implementation of new laws or regulations in other countries in which the Group currently operates, or may operate in the future, or the interpretation or enforcement of, or change in, existing laws or regulations, may require the Group to incur additional costs or may prevent the Group from using or developing the Group's properties in accordance with its business model.

In order for the Group's properties to be used and developed in accordance with its business model, various permits and decisions may be required, including local plans and a variety of property registrations, which are approved and given by local/regional authorities. There is a risk that the Group may not in the future be granted the permits or obtain the decisions necessary to conduct and develop its business in a desired manner. Furthermore, there can be no assurance that positive decisions or permits for the Group will not be challenged by third parties which would lead to further delays in Group's operations, or that the established decision-making practice, political will or direction in the future will not change in an adverse manner for the Group.

If any of the above described risks would materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

The Group may incur environmental liabilities or compliance costs

The environmental laws of certain countries in which the Group has its operations or assets impose actual and potential obligations to conduct remedial action on sites contaminated with hazardous or toxic substances. In such circumstances, the owner's liability is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such substances on, or in, any of the Group's properties, or the liability for failure to remedy property contamination from such substances, could adversely affect the Group's ability to let or sell such property or to borrow funds using such property as collateral, which could have an effect on its generation of rental income or return on investment which could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Finally, the Group may be required to comply with stricter environmental laws, regulations and requirements which could result in increased costs for the Group with respect to cleaning-up or after-treatment of its current or future properties. Such changes could also result in increased costs or delays for the Group with respect to its real estate development projects. In addition, if the relevant authorities in a country where the Group operates discover violations of applicable environmental laws, the Group may be subject to fines and other penalties.

If any of the above risks materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

The Group is exposed to risks relating to changes in applicable tax laws and regulations

The Group's operations are affected by the tax rules in force from time to time in the jurisdictions where the Group conducts operations or has assets. These rules include corporate tax, real estate tax, value added tax, rules regarding tax-free disposals of shares, other governmental or municipal taxes and interest deductions and subsidies. The Group's tax situation is also affected by transactions conducted intra-Group and by transactions between the Group and residential co-operatives that are considered to be priced on market terms. Although the Group's business is conducted in accordance with its interpretation of applicable tax laws and regulations, and in accordance with advice the Group has received from its tax advisers, the possibility that the Group's interpretation is incorrect cannot be

excluded, nor that such laws and regulations may change, possibly with retroactive effect. Furthermore, future changes in applicable laws and regulations may affect the conditions of the business of the Group.

The Swedish rules on deductibility of interest expenses have recently been the subject of a review: in June 2017, the Swedish Government proposed changes to the interest deduction limitation rules. The proposal is based on the Directive 2016/1164 that was presented by the Council of the European Union in July 2016. Under the proposal, a general limitation for interest deductions in the corporate sector is suggested by way of an EBITDA-rule. The proposal is that net interest expenses, i.e. the difference between the taxpayer's interest income and deductible interest expenses, should only be deductible up to 30 per cent. of the taxpayer's EBITDA for tax purposes. A safe harbour rule is proposed under which net interest is always deductible up to a fixed amount of SEK 5 million. The rules are proposed to enter into force on 1 January 2019. The final proposal is expected to be submitted to the Swedish Parliament on 16 April 2018.

Furthermore, in June 2015 the Swedish Government appointed a committee to analyse the possibility to divest properties through tax exempt disposals of shares in companies holding properties and, if considered necessary, to propose new legislation to prevent such transactions. The committee also reviewed whether acquisitions through land parcelling procedure are being abused to avoid stamp duty. The result of the review was presented on 30 March 2017. The committee's main proposal is that upon a change of control in a company holding assets that mainly consist of properties the properties will be considered as divested and re-acquired for a price corresponding to the market value of the properties. The divested real estate company should also report a taxable notional income (instead of stamp duty) corresponding to 7.09 per cent. of the highest amount of the market value and the tax assessment value of the properties. Further, stamp duty is proposed to be introduced on acquisitions of properties by land parcelling procedures. The rules are proposed to enter into force 1 July 2018. The proposals by the committee have been circulated for formal consultation and the consultation period ended on 15 September 2017. It is currently unclear if, and to what extent, the proposals will result in new legislation.

There can be no assurance that tax rates will not be increased in the future or that other changes in tax laws/regulations occur which affect the ownership of real estate properties or real estate transactions. If any of the above described risks materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

Rental regulations may restrict the Group's ability to increase rents and may have a negative impact on general market rental rates which in turn may affect the valuation of the Group's properties

The ability of the Group to increase rents under its tenancy agreements may be limited by applicable rent regulations in the jurisdictions in which the Group's properties are located. For example, in Sweden, the system of "utility value" (Sw: *Bruksvärdessystemet*) implies that rent levels should be proportionate to the quality and standard of the residential unit in question and can only be increased to a level that is in line with the rent that is charged on other comparable residential units (in other words, rents can only be subject to more significant above-inflation increases when the residential units have been upgraded). For a general description of the rental regulations applicable in the jurisdictions in which the Group operates, please see "*Description of the Issuer and the Group - Rental Regulations*". In the context of the Group's development projects that relate to the upgrade of the Group's properties according to the Group's "Better Living" concept, to the extent that the Group is or becomes restricted by applicable rental regulations from increasing the rent payable on such upgraded properties, this could have a material impact on the Group's ability to recover the costs and expenses associated with the upgrade of those residential units and this could, in turn, have a material impact on the Group's operations, earnings and/or and financial condition. While rental regulations can contribute to a more stable income relating to rents, the further tightening of any applicable rental regulations in a specific market could have a negative impact on the market rental rates payable in that

market. Any general decreases in the rental levels of the Group's properties as a result of decreases in market rental rates could have a negative effect on the value of the Group's properties and this, in turn, could have a material impact on the growth and financial prospects of the Group.

The Group's insurance coverage may be inadequate

The Group's insurance policies may not cover all losses and, as a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate assets. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or that are not economically insurable. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, taxation, changes in building codes and ordinances and environmental considerations. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, it could be liable to repair damage caused by uninsured risks. The Group may also remain liable for any debt or other financial obligation related to that damaged property.

The risk of litigation is inherent in the Group's operations

Legal and regulatory actions, claims against the Group and arbitrations involving the Group may arise in the ordinary course of business. The Group may be subject to litigation from suppliers, tenants or third parties, including visitors to properties owned by the Group. Such actions or claims could be time-consuming and result in costs (the size of which cannot always be foreseen) and negative publicity. Litigation could, therefore, have a material adverse impact on the Group's operations, earnings and financial position.

Changed accounting rules

The Group's business is affected by the accounting rules that, from time to time, are applied in the jurisdictions where the Group conducts business or has assets, including for example IFRS and other international accounting rules. This means that the Group's accounting, financial reporting and internal control, may in the future be affected by and may have to be adapted to such amended accounting rules or a changed application of such accounting rules. This might entail uncertainty regarding the Group's accounting, financial reporting and internal control and might also affect the Group's accounted earnings, balance sheet and equity, which could have a material adverse effect on the Group's operations, earnings and financial position.

Factors which are material for the purpose of assessing the market risks associated with the Capital Securities

Risks related to the Capital Securities generally

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

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

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

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

The market price of the Capital Securities may be volatile

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

Laws and practices applicable to the Capital Securities may change

The Conditions are based on and governed by English law (other than the Conditions relating to subordination of the Capital Securities, which are based on and governed by Swedish law) in force on the issue date. Any new statutes, ordinances and regulations, amendments to the legislation or changes in application of the law (including any amendments to or changes in application of tax laws or regulations) after the issue date may affect the Capital Securities and/or have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects, and, thereby, on the Issuer's ability to fulfil its obligations under the Capital Securities as well as the market price and value of the Capital Securities.

Denominations involve integral multiples; definitive Capital Securities

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

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

Modification, Waivers and Substitution

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

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

Investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg

The Capital Securities will be represented by the Global Capital Security except in certain limited circumstances described in the Global Capital Securities. The Global Capital Security will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Capital Security, investors will not be entitled to receive Capital Securities in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Capital Security. While the Capital Securities are represented by the Global Capital Security Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Capital Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Capital Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Capital Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Capital Security.

Holders of beneficial interests in the Global Capital Security will not have a direct right to vote in respect of the Capital Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Capital Security will not have a direct right under the Global Capital Security to take enforcement action against the Issuer in the event of a default under the Capital Securities, but will have to rely upon their rights under the Trust Deed.

Holders of Capital Securities have no voting rights

The Capital Securities are non-voting with respect to general meetings of the Issuer. Consequently, the holders of the Capital Securities cannot influence, *inter alia*, any decisions by the Issuer to defer payments or to optionally settle outstanding payments or any other decisions by the Issuer's shareholders concerning the capital structure of the Issuer.

Risks Related to the Market Generally

An active trading market for the Capital Securities may not develop

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

investments that have a developed secondary market. A lack of liquidity may have a material adverse effect on the market value of the Capital Securities.

Exchange rate risks and exchange controls exist to the extent payments in respect of the Capital Securities are made in a currency other than the currency in which an investor's activities are denominated

The Issuer will pay principal and interest on the Capital Securities in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than in euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euros 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 euros would decrease (1) the Investor's Currency-equivalent yield on the Capital Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Capital Securities and (3) the Investor's Currency equivalent market value of the Capital Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Capital Securities. As a result, investors may receive less interest or principal than expected, or no interest or principal. Changes in market interest rates may adversely affect the value of the Capital Securities. Investment in the Capital Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Capital Securities, since the Capital Securities have a fixed rate of interest and prevailing interest rates in the future may be higher than that fixed rate of interest.

Credit ratings may not reflect all risks

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

In addition, S&P or any other rating agency may change their methodologies or their application for rating securities with features similar to the Capital Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Capital Securities, sometimes called "notching". If the rating agencies were to change their practices or their application for rating such securities in the future and the ratings of the Capital Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Capital Securities. If as a consequence of an amendment, clarification or change in the equity credit criteria of any Rating Agency (as defined in the Conditions), the Capital Securities are no longer eligible for the same or higher category of equity credit attributed to the Capital Securities at the date of their issue (or if equity credit is not assigned on the issue date, at the date when the equity credit is assigned for the first time), the Issuer may redeem the Capital Securities in whole, but not in part, as further described in the Conditions.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration

application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

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

Risks related to the structure of the Capital Securities

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

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

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

In the event of an Issuer Re-construction, unsecured debt could be subject to a mandatory write-down provided that a qualified majority of the unsecured creditors has approved such write-down. All unsecured debt will then be written down pro rata. A debt composition proposal, which yields at least 50 per cent of the amount of the unsecured debt, shall be deemed to be accepted by the creditors, where three-fifths of the creditors voting have accepted the proposal and their claims amount to three-fifths of the total amount of claims held by the creditors entitled to vote. Where the debt composition percentage is lower, the debt composition proposal shall be deemed to be accepted where three-fourths of the creditors voting have approved the proposal and their claims amount to three-fourths of the total amount of the claims held by the creditors entitled to vote. If a debt composition is approved, all subordinated debt of the Issuer, including the Capital Securities, will be completely written-off. In respect of subordinated debt it is important to notice that subordinated creditors may only take part in the creditors' meeting voting on a proposed debt composition provided the unsubordinated creditors consent to such participation. Potential investors should note that claims in respect of the share capital of the Issuer are not subject to loss absorbing measures under an Issuer Re-construction.

In the event of an Issuer Winding-up or an Issuer Re-construction, Holders (or the Trustee on their behalf) will only be eligible to recover any amounts in respect of their Capital Securities if all claims in respect of more senior-ranking obligations of the Issuer (whether secured or unsecured) have first been paid in full. If on an Issuer Winding-up or Issuer Re-construction, the assets of the Issuer are

insufficient to repay the claims of all senior-ranking creditors in full, the Holders will lose their entire investment in the Capital Securities. If there are sufficient assets to repay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of the Capital Securities and all other obligations of the Issuer ranking *pari passu* with the Capital Securities, Holders will lose some or substantially all of their investment in the Capital Securities. The Holders therefore face a higher recovery risk than holders of unsubordinated obligations and Subordinated Indebtedness (as defined in the Conditions) of the Issuer. Furthermore, the Conditions do not limit the amount of the liabilities ranking senior to or *pari passu* with the Capital Securities which may be incurred or assumed by the Issuer from time to time, whether before or after the issue date of the Capital Securities.

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

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

The Capital Securities are long-term securities and therefore an investment in Capital Securities constitutes a financial risk for a long period

Unless the same have been earlier redeemed or purchased and cancelled, the Capital Securities will be redeemed on 5 October 2078. The Issuer is under no obligation to redeem the Capital Securities at any time before this date and Holders have no right to call for redemption of the Capital Securities.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Capital Securities for a long period and may not recover their investment before the end of this period.

The Issuer may defer interest payments

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

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

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

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

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

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

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

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

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

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

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

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

Substitution or variation of the Capital Securities

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

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

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

Fixed rate securities have a market risk

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

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

Reform and Regulation of “benchmarks”

So-called benchmarks such as ICE Swap Rate referenced swap rates and other indices which are deemed “benchmarks” (each a **Benchmark** and together, the **Benchmarks**), to which the interest on the Capital Securities during any Reset Period is linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the value of and the amount payable under the Capital Securities. International proposals for reform of Benchmarks include the European Council’s Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the **Benchmark Regulation**) which was published in the official journal on 29 June 2016 and has applied from 1 January 2018.

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

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

If a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, the rights

of the Holders in respect of the Capital Securities are limited to directing the Trustee to institute proceedings for an Issuer Winding-up, and the Holders (or the Trustee on their behalf) may prove and/or claim in respect of the Capital Securities in an Issuer Winding-up.

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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

http://www.ise.ie/debt_documents/Annual_Report_2017_f6f369ce-ec60-4ad7-a11b-22106031c15b.PDF

2. the audited annual consolidated financial statements of the Issuer in respect of the year ended 31 December 2016 (the **2016 Financial Statements**) and the audit report from Öhrlings PricewaterhouseCoopers AB in respect of the 2016 Financial Statements, as set out on pages 65–119 (inclusive) of the Issuer's annual report for 2016:

<http://mb.cision.com/Main/3302/2241379/658875.pdf>

3. the Terms and Conditions of the notes contained in the Base Prospectus dated 12 May 2017 at pages 27 – 60 (inclusive) prepared by the Issuer in connection with its EUR1,500,000,000 Euro Medium Term Note (EMTN) Programme:

http://www.ise.ie/debt_documents/Base%20Prospectus_113ddf9f-3c73-4a89-80fc-9a4f27fee2fd.PDF

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

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

The 2017 Financial Statements and the 2016 Financial Statements are English translations of the Swedish financial statements prepared for and used in the Kingdom of Sweden.

FORWARD-LOOKING STATEMENTS

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

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

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

CONDITIONS OF THE CAPITAL SECURITIES

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

The EUR 500,000,000 Subordinated Fixed to Reset Rate Capital Securities due 2078 (the **Capital Securities**, which expression shall, unless the context otherwise requires, include any Further Capital Securities issued pursuant to Condition 18 (*Further Issues*) and forming a single series with the Capital Securities) of Akelius Residential Property AB (the **Issuer**) are constituted by a trust deed dated 5 April 2018 (the **Trust Deed**) between the Issuer and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include its successor(s) as trustee for the holders of the Capital Securities (the **Holder**s) and the holders of the interest coupons (the **Couponholder**s and the **Coupons**, respectively, which expression shall, unless the context otherwise requires, include the talons (**Talons**) for further Coupons and the holders of the Talons)).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 5 April 2018 (the **Agency Agreement**) made between the Issuer, Deutsche Bank AG, London Branch as initial principal paying agent and calculation agent (the **Principal Paying Agent**, which expression shall include any successor thereto, and together with any further paying agents as may be appointed under the Agency Agreement from time to time, the **Paying Agents**, and each a **Paying Agent** and the **Calculation Agent**, which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours by the Holders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Capital Securities at 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Paying Agents. The Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

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

(b) Title

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

2. STATUS

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

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

3. SUBORDINATION AND RIGHTS ON A WINDING-UP

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

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

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

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

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

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

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

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

(b) Set-Off

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

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

4. INTEREST

(a) Interest Payment Dates

The Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 5 April 2018 (the **Issue Date**) up to (but excluding) the Maturity Date in accordance with the provisions of this Condition 4 (Interest).

Subject to Condition 5 (*Optional Interest Deferral*), interest shall be payable on the Capital Securities annually in arrear on 5 October in each year (each an **Interest Payment Date**) from (and including) 5 October 2018 (the **First Interest Payment Date**).

(b) Interest Accrual

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

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

Interest in respect of any Capital Security shall be calculated per EUR1,000 in principal amount thereof (the **Calculation Amount**). The amount of interest calculated per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of a Capital Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Capital Security without any further rounding.

(c) Initial Interest Rate

The Interest Rate in respect of each Interest Period commencing prior to the First Reset Date is 3.875 per cent. per annum (the **Initial Interest Rate**).

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

Payment Date and will amount to EUR 19.43 per Calculation Amount. The Interest Payment in respect of each Interest Period commencing on or after the First Interest Payment Date and before the First Reset Date will amount to EUR 38.75 per Calculation Amount (and any such Interest Payment may be deferred in accordance with Condition 5 (*Optional Interest Deferral*)).

(d) **Reset Interest Rates**

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

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

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

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

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

(g) **Calculation Agent**

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

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

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

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

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

5. OPTIONAL INTEREST DEFERRAL

(a) **Deferral of Interest Payments**

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

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

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

(b) **Settlement of Deferred Interest**

(i) **Optional Settlement**

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 19 (*Notices*), the Trustee and the Principal Paying Agent not less than seven Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

(ii) **Mandatory Settlement**

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

- (A) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;
- (B) any Interest Payment Date in respect of which the Issuer does not elect to defer the interest accrued in respect of the relevant Interest Period; and

- (C) the date on which the Capital Securities are redeemed or repaid in accordance with Condition 6 (*Redemption*) or Condition 12 (*Default and Enforcement*).

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

6. REDEMPTION

(a) Final Redemption Date

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

(b) Issuer's Call Option

The Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Capital Securities on (a) any of the 90 days up to and including the First Reset Date or (b) on any Interest Payment Date thereafter at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

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

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

If a Tax Deductibility Event or a Capital Event has occurred and is continuing, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8 (*Preconditions to Special Event Redemption, Change of Control Redemption, Substitution and Variation*), redeem all, but not some only, of the Capital Securities at any time at an amount equal to:

- (i) 101 per cent. of their principal amount, where such redemption occurs before the date falling 90 days prior to the First Reset Date; or
- (ii) 100 per cent. of their principal amount, where such redemption occurs on or after the date falling 90 days prior to the First Reset Date,

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

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

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

If a Withholding Tax Event has occurred and is continuing, or if a Substantial Repurchase Event has occurred, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and

subject to Condition 8 (*Preconditions to Special Event Redemption, Change of Control Redemption, Substitution and Variation*), redeem all, but not some only, of the Capital Securities at any time at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

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

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

If a Change of Control occurs on or after the Issue Date the Issuer may, at the earliest on the date following the expiry of the Exercise Period, and upon giving not less than 30 nor more than 60 days' notice (a **Change of Control Notice**) to the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

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

7. SUBSTITUTION OR VARIATION

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

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

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

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

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

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

8. PRECONDITIONS TO SPECIAL EVENT REDEMPTION, CHANGE OF CONTROL REDEMPTION, SUBSTITUTION AND VARIATION

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

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

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

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

The Trustee is under no obligation to ascertain whether any Special Event, Change of Control or any event which could lead to the occurrence of, or could constitute, any such Special

Event or Change of Control has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or Change of Control or such other event has occurred.

9. PURCHASES AND CANCELLATION

(a) Purchase

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

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

(b) Cancellation

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

10. PAYMENTS

(a) Method of Payment

- (i) Payments of principal, premium and interest will be made against presentation and surrender of Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Capital Securities. Such payments will be made by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System.
- (ii) Upon the due date for redemption of any Capital Security, unmatured Coupons relating to such Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Capital Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of any of the Paying Agents in exchange for a further Coupon sheet (to include another Talon for a further Coupon sheet, if appropriate) (but excluding any Coupons that may have become void pursuant to Condition 13 (*Prescription*)).

(b) **Payments on Business Days**

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

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

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

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

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

11. TAXATION

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

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

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

12. DEFAULT AND ENFORCEMENT

(a) Proceedings

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

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

(b) Enforcement

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

(c) Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) (*Proceedings*) or Condition 12(b) (*Enforcement*) above to enforce the terms of the Trust Deed, the Capital Securities or the Coupons or any other action, step or proceeding under or pursuant to the Trust Deed or the Capital Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) Right of Holders

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for an Issuer Winding-up and/or prove and/or claim in an Issuer Winding-up unless the Trustee, having become so bound to proceed or prove and/or claim in such Issuer Winding-up, fails to do so within a reasonable period and such failure shall be continuing. In that case, each Holder and Couponholder shall have only such rights against the Issuer in respect of such Holder's or Couponholder's Capital Securities or Coupons (as the

case may be) as those which the Trustee is entitled to exercise on behalf of such Holder or Couponholder, as set out in this Condition 12 (*Default and Enforcement*)

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

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

13. PRESCRIPTION

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

14. REPLACEMENT OF CAPITAL SECURITIES, COUPONS AND TALONS

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

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

15. AGENTS

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

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

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

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

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

(a) Meetings of Holders

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

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing systems by or on behalf of the Holders representing 75 per cent. or more in nominal amount of the Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders.

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

(b) **Modification and Waiver**

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

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

17. ISSUER SUBSTITUTION

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

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

subject to:

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

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

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

18. FURTHER ISSUES

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

19. NOTICES

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

20. INDEMNIFICATION OF THE TRUSTEE

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

21. GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

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

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

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

(c) **Appointment of Process Agent**

The Issuer has in the Trust Deed appointed Akelius Residential Ltd at Coin House, 2 Gees Court, London W1U 1JA at its registered office for the time being, as its agent for service of process in England and has agreed that, in the event of the same being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Proceeding. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

22. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

23. DEFINITIONS

In these Conditions:

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

- (a) the mid swap rate for euro swap transactions with a maturity of five years (**5 Year EUR Mid-Swap**), as published on Reuters screen ICESWAP2 under FIXED VS. 6M EURIBOR (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in Euro) (the **Mid-Swap Page**), as at approximately 1.00 p.m. (Central European time) on the Reset Interest Determination Date applicable to such Reset Period; or
- (b) if, on the Reset Interest Determination Date applicable to such Reset Period, no rate is calculated and published on the Mid-Swap Page, the arithmetic mean (rounded if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the quotations offered by the Reset Reference Banks at approximately 1.00 p.m. (Central European time) on such Reset Interest Determination Date, to prime banks in the European market for the applicable 5 Year EUR Mid-Swap in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market (as determined in accordance with the customary market practice at such time, whether or not the floating leg of such swap is determined by reference to EURIBOR), such quotations to be obtained by the Issuer (or an independent investment bank, commercial bank or stockbroker appointed by the Issuer) and notified to the Calculation Agent; provided that if fewer than two rates are so quoted, the 5 Year EUR Mid-Swap Rate shall be the 5 Year EUR Mid-Swap Rate determined by the Calculation Agent for the previous Reset Period or, in the case of the first Reset Interest Determination Date, 3.875 per cent.

2028 Step-up Date means 5 October 2028;

2043 Step-up Date means 5 October 2043;

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

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

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

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

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

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

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

a **Capital Event** shall be deemed to occur if the Issuer has received confirmation from any Rating Agency, providing a solicited rating at the invitation or with the consent of the Issuer, either directly or via a publication by such Rating Agency, that an amendment, clarification or change has occurred in the equity credit criteria of such Rating Agency effective after the Issue Date (or effective after the date when the equity credit is assigned for the first time, as applicable) and this has resulted in lower equity credit (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Capital Securities than the equity credit assigned on the Issue Date (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time);

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

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

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

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

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

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

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

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

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

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

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

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

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities;
- (b) declaration or payment of any distribution or dividend or any other payment made by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Securities;
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities; and/or
- (d) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of the Capital Securities or any Parity Securities,

save for:

- (i) a declaration or payment of any distribution or dividend on the Outstanding Preference Shares
- (ii) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;
- (iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition that is executed in connection with, or for the purpose of (1) any reduction of the quota value of the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (2) any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan, in all cases, reserved for directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction; and
- (iv) in the case of (d) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Capital Security or per Parity Security below its par value;

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

EURIBOR means the month Euro Interbank Offered Rate;

Excluded Change means changes to the Swedish rules on tax deductibility of interest expenses that will be introduced following the proposed changes announced by the Swedish government on 21 March 2018 (*Lagrådsremiss, Nya skatteregler för företagssektorn*) expected to be submitted to the Swedish Parliament on 16 April 2018;

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

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

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

First Reset Date means 5 October 2023;

Fitch means Fitch Ratings Ltd;

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

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

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

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

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

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

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

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

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

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

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

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

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

Margin means:

- (a) in respect of the period from (and including) the First Reset Date to (but excluding) the 2028 Step-up Date, 3.488 per cent.;
- (b) in respect of the period from (and including) the 2028 Step-up Date to (but excluding) the 2043 Step-up Date, 3.738 per cent.; and
- (c) in respect of the period from (and including) the 2043 Step-up Date to (but excluding) the Maturity Date, 4.488 per cent.;

Maturity Date means 5 October 2078;

Moody's means Moody's Investors Services Ltd;

Outstanding Preference Shares means the outstanding preference shares in the capital of the Issuer (ISIN SE0005936713);

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

- (a) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Capital Securities; and
- (b) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Capital Securities;

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

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

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

- (a) they shall be issued by the Issuer or by any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on an Issuer Winding-up with the ranking of the Capital Securities; and

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

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

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

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

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

provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not

publicly announce or publicly confirm that the withdrawal or reduction of the rating was the result of the applicable Change of Control;

Relevant Date means:

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

Reset Date means the First Reset Date and each fifth anniversary thereof up to and including 5 October 2073;

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

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

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

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

S&P means Standard and Poor's Credit Market Services Europe Limited;

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

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

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

a **Substantial Repurchase Event** shall be deemed to occur if the Issuer and/or any of its Subsidiaries repurchases and cancels or has at any time repurchased and cancelled, a principal amount of Capital Securities equal to or greater than 80 per cent. of the aggregate principal amount of the Capital Securities initially issued (which shall include, for these purposes, any Further Capital Securities);

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

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

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

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

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

a **Withholding Tax Event** shall be deemed to occur if, as a result of any Tax Law Change, in making any payments on the Capital Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts on the Capital Securities pursuant to Condition 11 (*Taxation*) and the Issuer cannot avoid the foregoing by taking measures reasonably available to it.

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

The Issuer intends (without thereby assuming any legal or contractual obligation whatsoever) that it will only redeem or repurchase Capital Base Securities to the extent that the equity credit of the Capital Base Securities to be redeemed or repurchased does not exceed the equity credit resulting from the sale or issuance during the 360-day period ending on the date of such redemption or repurchase by the Issuer or any subsidiary of the Issuer of replacement hybrid securities to third party purchasers (other than subsidiaries of the Issuer).

The foregoing shall not apply if:

- (a) the issuer rating assigned by S&P to the Issuer is 'BBB' (or such similar nomenclature then used by S&P) or higher at the time of such redemption or repurchase and the Issuer is of the view that such Issuer credit rating would not fall as a result of such redemption or repurchase; or*
- (b) the Capital Base Securities are redeemed following a Change of Control or pursuant to a Special Event; or*
- (c) less than (x) 10 per cent. of the aggregate principal amount of the Capital Base Securities originally issued is repurchased pursuant to Condition 9(a) in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Capital Base Securities originally issued is repurchased in any period of 10 consecutive years; or*
- (d) the relevant repurchase has followed an issuance of any class of ordinary shares or other instruments which are granted on issuance high equity content where the amount of equity credit resulting from such issuance is equal to or more than the amount of equity credit assigned by S&P to the Capital Base Securities being repurchased at the time of their issuance; or*
- (e) such replacement would cause the Issuer's outstanding hybrid capital which is assigned equity credit by S&P to exceed the maximum aggregate principal amount of hybrid capital which S&P, under its then prevailing methodology, would assign equity credit to, based on the Issuer's adjusted total capitalisation; or*
- (f) if such redemption or repurchase occurs on or after the 2043 Step-up Date.*

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

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

- (i) the part of the nominal amount of the Capital Base Securities that was assigned equity credit by S&P at the time of their issuance, or when the Capital Base Securities were first assigned more than minimal equity credit; and*
- (ii) the part of the net proceeds received from issuance of replacement hybrid securities or any class of ordinary shares that was assigned equity credit by S&P at the time of their sale or issuance (or the equity credit S&P has confirmed will be assigned by it upon expiry or waiver of issuer call rights which prevent the assignment of equity credit by S&P on the issue date of such replacement hybrid securities).*

Capital Base Securities mean the Outstanding Preference Shares and the Capital Securities.

SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES IN GLOBAL FORM

Global Capital Securities and Definitive Capital Securities

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

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

The Permanent Global Capital Security will become exchangeable in whole, but not in part, for Capital Securities in definitive form (the **Definitive Capital Securities**) in the denominations of EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including 199,000, at the request of the bearer of the Permanent Global Capital Security against presentation and surrender of the Permanent Global Capital Security to the Principal Paying Agent if either of the following events (each, an **Exchange Event**) occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 12(a) occurs.

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

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

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

Payments

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

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

Calculation of interest

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

Transfers

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

Redemption and cancellation

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

Notices

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

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

Clearing Systems

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

USE OF PROCEEDS

The net proceeds of the issue of the Capital Securities will be used by the Issuer for general corporate purposes (including investments, acquisitions and development projects) and for the repayment of some of the Group's existing indebtedness.

ALTERNATIVE PERFORMANCE MEASURES

Description of alternative performance measures

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

Definitions

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

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

Illustrative tables

Realised value growth

	January - December				
	2017	2016	2015	2014	2013
	(SEK million)				
Proceed from the sale of investment properties	7,096	9,061	5,755	1,084	1,801
Cost of property sale	-83	-109	-121	-20	-36
Acquisition cost	-2,778	-4,775	-3,126	-666	-1,248
Accumulated property investments	-1,110	-1,301	-696	-207	-182
Realised value growth.....	3,125	2,876	1,812	191	335

Interest coverage ratio

	January – December				
	2017	2016	2015	2014	2013
	(SEK million)				
Net operating income	2,413	2,311	2,175	1,882	1,579
Central administration	-215	-134	-112	-54	-54
Other income and expenses	8	16	-1	5	-49
Less depreciation and impairment.....	21	15	10	8	32
EBITDA	2,227	2,208	2,072	1,841	1,507
Net interest expense	-1,126	-1,135	-1,273	-1,184	-1,195
Other financial income and expenses	-45	-33	-31	-39	-54
Profit before tax and revaluation.....	1,056	1,040	768	618	258
Realised value growth	3,125	2,876	1,812	191	335
Interest coverage ratio including realised value growth	4.7	4.5	3.03	1.68	1.49
Interest coverage ratio excluding realised value growth	1.9	1.9	1.60	1.52	1.21

Total assets minus cash, pledged cash and liquid assets

	31 December				
	2017	2016	2015	2014	2013
	(SEK million)				
Total assets	105,871	88,438	74,024	58,789	45,692
Cash and liquid assets	-155	-137	-238	-278	-59
Pledged cash assets	-12	-16	-358	-108	-116
Total assets minus cash, pledged cash and liquid assets	105,704	88,285	73,428	58,403	45,517

Loan to value

	31 December				
	2017	2016	2015	2014	2013
	(SEK million)				
Total interest bearing liabilities	46,756	38,095	35,955	30,336	25,520
Cash and liquid assets	-155	-137	-238	-278	-59
Pledged cash assets	-12	-16	-358	-108	-116
Net Debt	46,589	37,942	35,359	29,950	25,345
Loan to value					
Net Debt	46,589	37,942	35,359	29,950	25,345
Total assets minus cash, pledged cash and liquid assets.....	105,704	88,285	73,428	58,403	45,517
Loan to value, total loans.....	44%	43%	48%	51%	56%

	31 December				
	2017	2016	2015	2014	2013
	<i>(SEK million)</i>				
Net Debt	46,589	37,942	35,359	29,950	25,345
Less unsecured debt	-27,718	-16,613	-8,829	-2,670	-3,049
Secured debt excl cash and pledged cash and liquid assets	18,871	21,329	26,530	27,280	22,296
Total assets minus cash, pledged cash and liquid assets.....	105,704	88,285	73,428	58,403	45,517
Loan to value, secured loans.....	18%	24%	36%	47%	49%

Adjusted Profit Before Taxes

	Jan-Dec 2017	Jan-Dec 2016
		<i>(SEK million)</i>
Profit/loss before tax	9,480	13,320
Depreciations	21	14
Impairments	0	0
Expenses for property sales	83	109
Total interest expenses	1,128	1,138
Change in value of investment properties	-8,539	-12,715
Exchange rate differences that are included in the profit before taxes	7	-9
Change in value of derivative instruments	4	322
Change in value of available-for-sale investments	0	0
Adjusted Profit Before Taxes	2,184	2,180
Total interest expenses	1,128	1,138
Ratio of Adjusted Profit Before taxes to total interest expenses.....	1,94	1,92

Consolidated Net Financial Indebtedness to Total assets

	31 December				
	2017	2016	2015	2014	2013
	<i>(SEK million)</i>				
Total assets	105,871	88,438	74,024	58,789	45,692
Cash and cash equivalents	-155	-137	-238	-278	-59
Total assets minus cash and cash equivalents	105,716	88,301	73,786	58,511	45,633
	2017	2016	2015	2014	2013
Financial indebtedness	46,756	38,095	35,955	30,335	25,521
Cash and cash equivalents	-155	-137	-238	-278	-59
Financial indebtedness minus cash and cash equivalents	46,601	37,958	35,717	30,057	25,462
Consolidated Net Financial Indebtedness to total assets	44%	43%	48%	51%	56%

DESCRIPTION OF THE ISSUER AND THE GROUP

Introduction

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

Share capital, shares and ownership structure of the Issuer

According to its articles of association, the Issuer's share capital shall be no less than SEK 1,080,000,000 and not more than SEK 4,320,000,000 divided into not less than 1,800,000,000 shares and not more than 7,200,000,000 shares. The Issuer's share capital, as at the date of this Prospectus, amounts to SEK 1,850,649,003.6 divided among 3,084,415,006 shares (3,065,579,400 ordinary shares and 18,835,606 preference shares). Each ordinary share entitles the holder to one vote and each preference share entitles the holder to one-tenth of a vote at general meetings. The Issuer's preference shares are listed on the multilateral trading facility Nasdaq First North and are, thus, publicly traded. Nasdaq First North (operated by Nasdaq Stockholm) is a multilateral trading facility and not a regulated market for the purposes of the Directive 2014/65/EU (as amended).

As at the date of this Prospectus, it has been proposed to the annual general meeting in the Issuer, to be held on 10 April 2018, to (i) pay out a dividend of SEK 8,583,622,320 on the ordinary shares, (ii) to issue no more than 126,229,740 ordinary shares at a subscription price of SEK 68 per share with preference rights for the holders of ordinary shares and (iii) to give the Board of Directors of the Issuer the authorisation to issue, on one or more occasions prior to the annual general meeting in 2019 and with or without preference rights for existing holders of ordinary shares, a maximum amount of 500,000,000 ordinary shares. The decisions on dividend and issue of ordinary shares described in (i) and (ii) above are conditional upon each other. All owners of ordinary shares have committed to subscribe to their maximum allotment in the aforementioned share issue.

As at the date of this Prospectus, all ordinary shares in the Issuer, accounting for approximately 99.39 per cent. of the total share capital, are held by Akelius Apartments Ltd, Cyprus, reg. no. 84077, Xange Holding Ltd, Cyprus, reg. no. 313781 and Giannis Beta Ltd, Cyprus, reg. no. 342009. Furthermore, Akelius Apartments Ltd holds 654,796 preference shares in the Issuer. Akelius Apartments Ltd therefore holds approximately 84.50 per cent. of which 84.48 per cent. comprises ordinary shares, Xange Holding Ltd holds approximately 9.94 per cent. and Giannis Beta Ltd holds approximately 4.97 per cent. of the total share capital of the Issuer. The Issuer, therefore, is controlled by its Cypriot parent company Akelius Apartments Ltd, which is, in turn, controlled by the Akelius Foundation, a humanitarian foundation, registered in the Bahamas, with five council members and the purpose of which is to act under its charter and articles. The foundation is set up to achieve charitable purposes, including assistance of people in need, advancement of education and research, and other philanthropic purposes and its main beneficiary is SOS Children's Villages. As at the date of this Prospectus, the council members of the Akelius Foundation (which holds all the shares in Akelius Apartments Ltd) are: Roger Akelius, Igor Rogulj, Fredrik Lindgren, Tove Andersson and Johan Warodell. None of the council members are beneficiaries of the Akelius Foundation.

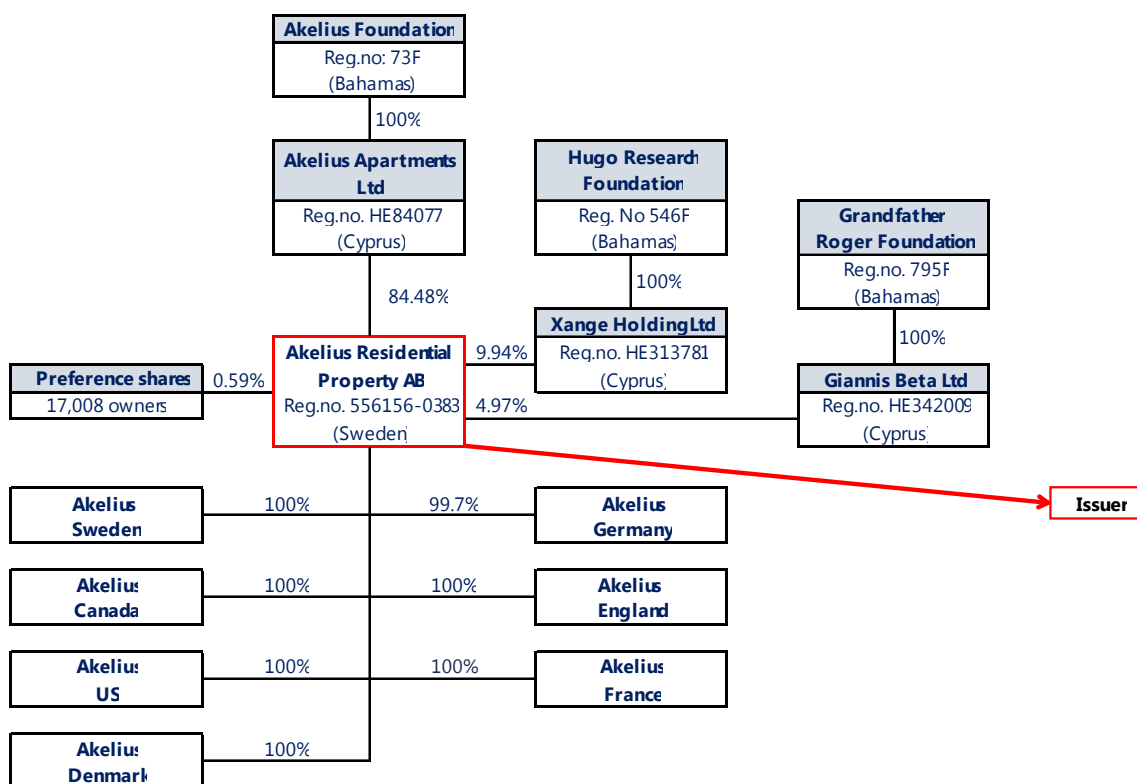
To ensure that the control over the Issuer is not abused, the Issuer complies with the Swedish Companies Act (Sw: *aktiebolagslagen (2005:551)*). In addition, the Issuer acts in accordance with the rules of procedure of its Board of Directors and the instructions for the committees and the chief executive officer adopted by the Issuer's Board of Directors. As far as the Issuer is aware, there are no shareholder agreements' or other agreements which could result in a change of control of the Issuer.

Group structure

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

As at 31 December 2017, the Issuer had a total of 466 subsidiaries. The subsidiaries comprise real estate holding companies and management companies in all of the countries in which the Group has its operations or assets. The Issuer does not directly hold properties. Generally, the purpose of each real estate holding company within the Group is to hold one or more properties of the Group in the relevant country.

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



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

Branch	Holding Company	Registration number	Date of registration	Date of acquisition	Effective ownership (%)
Sweden	Akelius Lägenheter AB (Stockholm, Sweden).....	556549-6360	19 November 1997	01 September 2003	100

Branch	Holding Company	Registration number	Date of registration	Date of acquisition	Effective ownership (%)
Germany	Akelius GmbH (Berlin, Germany)	HRB 101392B	07 April 2006	N/A	99.7
				31 December 2013 (originally owned by Akelius Canada AB, (subsidiary to Akelius Apartments Ltd))	
Canada	Akelius Real Estate Management Ltd (Toronto, Canada)	659852	03 October 2011	31 March 2014 (originally owned by Akelius Apartments Ltd)	100
England	Akelius Residential Ltd (United Kingdom, London)	7954505	17 February 2012		100
France	Akelius France Holding SAS (France, Paris)	804 104 537	18 August 2014	N/A	100
US	Akelius US LLC (US, Delaware)	364803632	09 February 2015	N/A	100
Denmark	Akelius Bolig Holding ApS (Copenhagen, Denmark)	37222119	06 November 2015	N/A	100

Business strategy and operations

The Group operates in the real estate sector and its operations comprise of investing in, developing and managing residential properties across a number of cities in Europe and North America. The Group acquired its first residential properties in Gothenburg, Helsingborg and Trollhättan in Sweden in 1994. In subsequent years, the Group expanded through reinvestments of profits in real estate properties in Sweden. In 2003, by acquiring Mandamus Fastigheter AB, a Swedish listed real estate company, which is now the unlisted Swedish holding company Akelius Lägenheter AB, the Issuer increased its property portfolio to SEK 15,000 million. In 2006, the Group entered the German market acquiring 402 residential units in Berlin followed by properties in Hamburg and other German cities. An affiliated company of the Group first acquired properties in Toronto in 2011. This affiliated company was acquired by the Group in December 2013. In 2015 the Group entered the residential market in Montreal. An affiliated company of the Group first acquired residential properties in London in 2011 and these properties were acquired by a subsidiary of the Issuer in 2014. The Group acquired its first properties in Paris in 2014. In 2015, the Group entered into the US market through its acquisitions of property in New York, Boston and Washington. In 2016, the Group entered the Danish market through its acquisitions of property in Copenhagen.

The Group's business strategy is based on the long-term ownership and management of residential properties that generate a steadily growing cash flow. In this respect, the Group particularly focuses on the total return from the properties over ten years rather than the initial short-term yield. The Group's business strategy is centred around properties located in cities that evidence a growing economy and population and stable rent growth, and within those cities, the Group targets properties that are in districts and suburbs that are either well established residential areas or that are undergoing regeneration or development. For example, with respect to well established residential areas, WalkScore provides a metric that assesses how easy it is to run daily errands by foot from a certain location. As at 31 December 2017, the WalkScore assessment of Akelius property portfolio was 87¹ out of 100. With respect to cities evidencing a growing population, the average population growth over the previous ten years in the metropolitan areas where a large proportion of the Group's portfolio is located (namely, Stockholm, Malmö, Berlin, Hamburg, Munich, London, Paris, Toronto, Montreal and New York) was approximately 12 per cent. By comparison, the average population growth over the previous 10 years in the countries where those cities are based (namely Sweden, Germany, United Kingdom, France, Canada, the US and Denmark) was approximately 7 per cent.² The Group also seeks to invest in properties that can benefit from, and generate greater returns as a result of, an upgrade of such properties by the Group to a "first class" standard (as discussed below in "Development

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

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

projects"). The Group believes that the combination of residential properties in established locations in metropolitan areas with growing populations minimises the property vacancy risk and provides strong growth in rent and net operating income. The Group regularly reinvests its profits and applies its profits to the upgrading of the Group's current properties to a "first class" standard and to the acquisition of new properties (as discussed below in "Acquisition process").

As at 31 December 2017, the Group had 876 employees and a property portfolio of 47,177 residential units with an aggregate fair value of SEK 104,644 million. Germany is the Group's largest market and, as at 31 December 2017, accounted for approximately 37 per cent. of the Group's property portfolio, while Sweden accounted for approximately 30 per cent., the United States accounted for 11 per cent., Canada accounted for 9 per cent., the United Kingdom accounted for 7 per cent., France accounted for 2 per cent. and Denmark accounted for 3 per cent.

Financial highlights

The following table sets out certain of the Group's financial highlights for the years 2017 and 2016:

	2017 ¹	2016 ²	2016 restated ³
	Jan-Dec	Jan-Dec	Jan-Dec
Rental income, SEK millions.....	4,122	4,473	4,109
Net operating income, SEK millions.....	2,413	2,311	2,311
Operating profit, SEK millions.....	10,655	14,809	14,809
Profit before tax, SEK millions.....	9,480	13,320	13,320
Earnings per share before and after dilution, SEK.....	2.43	3.37	3.37

¹ The financial highlights for the year 2017 are contained in the 2017 Financial Statements.

⁴ The financial highlights for the year 2016 are contained in the 2016 Financial Statements

⁵ From 1 January 2017, revenue from utility expenses and other property taxes invoiced to the tenants is netted from expenses that are reported as operating expenses. Rental income for prior years has been restated accordingly and, unless otherwise stated, the restated figures are used within the descriptive part of this section "Description of the Issuer and the Group".

In general terms, the Group's profit is largely generated from rental income and from the increase in value of its property portfolio. The Group's consolidated rental income for the year 2017 was SEK 4,122 million, which represents an increase of SEK 13 million³ as compared to the year 2016. The rental income for comparable properties for the year 2017, adjusted for changes in exchange rates, increased by 5.1 per cent. as compared to the year 2016. The Group's net profit before tax for the year 2017 was SEK 9,480 million, which was a decrease of SEK 3,840 million compared with the figure from 2016. The increase in the fair value of the Group's properties, due to a lower required yield resulting from the low interest rate environment, which was lower in 2017 compared to 2016, contributed to the decrease in net profit.

Acquisition process

The Group selectively acquires residential properties through numerous smaller transactions (so called "cherry-picking") rather than making fewer purchases of large portfolios of properties. Acquisitions of properties follow a strict procedure based on established criteria and appropriate commercial, financial, tax, legal and technical diligence. In the acquisition process, the Group aims to exploit its market knowledge and years of experience in the real estate sector and, as a result, acquisitions are predominantly made in city districts or blocks where the Group already owns or has previously owned properties. This assists the Group in making assessments as to the rent, vacancy, price and return levels of the properties. Acquisitions are completed locally by the regional office in the city or area where the property is located. Following an acquisition, each regional office must follow up on the assumptions made during the purchase and it is responsible for any deviations between the initial

³ Amounts of rental income for the year 2016 are restated.

assumptions and the actual performance. Any necessary financing is also secured prior to the acquisitions being made.

In 2017, the Group acquired properties for a total price of SEK 12,490 million compared to SEK 6,094 million in 2016. In 2017, properties for SEK 2,900 million were acquired in London, SEK 1,964 million in Copenhagen, SEK 1,910 million in New York, SEK 1,407 million in Stockholm, SEK 1,286 million in Toronto, SEK 897 million in Berlin and SEK 2,126 million in the other large cities such as Montreal, Paris, Boston, Hamburg, Malmö and Washington.

Description of the Group's property portfolio

In 2009, the Group's property portfolio was spread across 46 cities. Since then, the Group has “Cleaned the map” and disposed of all of its property holdings in 39 cities and has acquired properties in eight new metropolitan cities (London, Toronto, Montreal, Paris, New York, Boston, Washington and Copenhagen), leaving the Group with a property portfolio spread across 15 cities. This shift in focus is a reflection of the Group's strategy to target established metropolitan cities that evidence growing income and population.

The following table provides a breakdown of the Group's property portfolio (including a breakdown for the countries in which the Group operates) as at 31 December 2017.

		Sweden	Germany	Canada	UK	France	US	Denmark	Total
Residential units.....		13,808	20,463	5,500	2,148	1,100	3,127	1,031	47,177
	Residential	961	1,242	331	84	32	207	83	2,940
Lettable space, thousand sqm.....	Commercial	175	92	4	6	4	1	6	288
	Total	1,136	1,334	335	90	36	208	89	3,228
Fair value.....	SEK millions	31,568	38,653	9,787	7,685	2,410	11,814	2,727	104,644
	SEK/sqm	27,784	28,966	29,229	85,580	67,792	56,713	30,815	32,421
Required yield, %.....		3.00	3.54	4.29	4.16	4.16	4.36	3.09	3.60
Vacancy rate, residential, %	Total vacancy	1.1	6.5	3.9	14.7	46.4	17.3	6.1	6.6
	Real vacancy	0.0	1.3	0.6	2.0	1.3	2.2	0.6	0.9
Average residential rent	SEK 1,287	EUR 8.98	CAD 1.92	GBP 2.75	EUR 23.40	USD 2.77	DKK 936	SEK 1,413	
		sqm/year	sqm/month	sqft/month	sqft/month	sqm/month	sqft/month	sqm/year	sqm/year
Rent potential ¹ , %.....		17.9	61.9	19.4	-5.0	87.4	23.1	77.8	50.1

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

The following table provides a breakdown of the Group's property portfolio in the countries in which the Group operated as at 31 December 2016.

		Sweden	Germany	Canada	UK	France	US	Denmark	Total
Residential units.....		17,381	19,932	4,513	1,224	941	2,309	216	46,516
Lettable space, thousand sqm.....	Residential	1,205	1,211	268	54	27	165	15	2,945
	Commercial	192	92	1	3	3	0	0	291
	Total	1,397	1,303	269	57	30	165	15	3,236
Fair value	SEK millions	32,357	32,176	7,055	4,524	1,848	9,362	417	87,739
	SEK/sqm	23,163	24,708	26,242	79,157	61,332	56,725	27,135	27,116
Required yield, %.....		3.43	3.84	4.36	4.11	4.2	4.42	3.42	3.82
Vacancy rate, residential, %	Total vacancy	1.2	4.8	7.1	12.4	46.2	10.6	1.9	5.0
	Real vacancy	0.1	1.1	3.4	3.7	3.7	1.7	0.0	1.1

	Sweden	Germany	Canada	UK	France	US	Denmark	Total
Average residential rent.....	SEK 1,246 sqm/year	EUR 8.56 sqm/month	CAD 1.89 sqft/month	GBP 2.55 sqft/month	EUR 20.99 sqm/month	USD 2.51 sqft/month	DKK 916 sqm/year	SEK 1,309 sqm/year

The following two tables provide the current state and development of some key performance indicators for the Group's property portfolio in the primary metropolitan areas in which the Group operated as at 31 December 2017.

	Fair value		Capitalisation Rate ⁽¹⁾	Discount Rate ⁽²⁾	Walk score ⁴	
	(%)	(SEK billion)				(SEK per sqm)
Berlin.....	22	23.5	27,109	3.41	5.40	91
Stockholm.....	20	21.2	29,648	2.85	4.84	59
Malmö.....	9	9.1	26,136	3.16	5.16	89
Hamburg.....	8	8.2	32,988	3.78	5.78	87
London.....	7	7.7	85,580	4.16	6.14	85
Toronto.....	6	6.8	33,173	4.22	6.22	83
New York.....	6	6.5	64,672	4.26	6.26	97
Boston.....	4	3.9	65,189	4.34	6.34	87
Montreal.....	3	3.0	23,060	4.46	6.46	89
Cologne area.....	3	2.8	26,841	3.77	5.77	95
Copenhagen.....	3	2.7	30,815	3.09	5.08	95
Paris.....	2	2.4	67,792	4.16	6.16	97
Frankfurt area.....	2	2.3	32,787	3.84	5.84	90
Munich.....	2	1.8	42,018	3.61	5.61	87
Washington.....	1	1.4	29,818	4.83	6.82	86
Other.....	1	1.3	17,417	4.28	6.25	75
Total.....	100	104.6	32,421	3.60	5.59	87

⁽¹⁾ "Capitalisation Rate" is the expected eternal yield from the property portfolio minus the growth rate of net operating income.

⁽²⁾ "Discount Rate" is the expected eternal yield from the property portfolio including the growth rate of net operating income.

	Units	Proportion upgraded	Real vacancy	Rent/sqm growth ¹	In-place	New lettings ²	Rent potential ²	Market rent vs in-place, %	Downside buffer, %
	(units)	(%)	(%)	(%)	SEK/sqm/year	SEK/sqm/year	(%)	(%)	(%)
Berlin.....	12,781	35	1.5	6.7	952	1,752	84	84	46
Stockholm.....	9,245	45	0.0	2.1	1,268	1,489	17	81	45
Malmö.....	4,063	48	0.0	3.5	1,329	1,555	17	50	33
Hamburg.....	4,205	51	1.2	4.4	1,265	1,716	36	36	26
London.....	2,148	45	2.0	3.3	3,949	3,750	-5	-5	-5
Toronto.....	3,645	45	0.5	4.5	1,754	2,340	33	33	25
New York.....	1,534	23	2.3	5.0	2,945	4,785	63	63	38
Boston.....	920	50	2.7	4.4	3,638	3,906	7	7	7
Montreal.....	1,855	44	0.8	6.1	1,425	1,593	12	12	11
Cologne area.....	1,668	42	0.4	4.1	1,106	1,495	35	35	26
Copenhagen.....	1,031	24	0.6	5.3	1,238	2,201	78	78	44
Paris.....	1,100	17	1.3	14.9	2,766	5,183	87	87	47
Frankfurt area.....	1,074	67	1.3	2.5	1,311	1,647	26	26	20
Munich.....	735	42	0.7	4.8	1,501	2,021	35	35	26
Washington.....	673	26	1.3	5.4	2,003	2,106	5	5	5
Other.....	500	63	0.0	1.1	1,335	1,534	15	15	13
Total.....	47,177	42	0.9	4.7	1,413	2,121	50	54	35

¹ Like for like 1 January 2017 to 1 January 2018.

² From 2 January 2017 to 1 January 2018, excluding sold properties.

⁴ Source: The Walkscore assessment figure has been calculated by the Issuer internally and has been derived from the Walkscore result for each residential property owned by the Group (such result being available at www.walkscore.com).

The new lettings during 2017 had an average rent of SEK 2,121 per sqm which can be compared to the average in-place rent of SEK 1,413 per sqm for the same period. The Issuer estimates that the new lettings rent would have been on average SEK 2,177 per sqm for 2017 if the Issuer was allowed to rent at market rent in all countries. The new lettings rent level for the like-for-like portfolio has increased by 6.6 per cent. for the year 2017 compared to 2016.

The rent potential for the Group's properties was 50 per cent. as at 31 December 2017. The Issuer estimates that 25 percentage points, equivalent to an annual rent of approximately SEK 1,100 million, can be achieved without investments when there is a turnover of tenants. The remaining 25 percentage points, equivalent to an annual rent of approximately SEK 1,100 million, can be reached if the Issuer invests SEK 15 billion and upgrades the properties to a "first class" standard.

Given the rental regulations in Sweden, Akelius estimates that the rent potential in Stockholm and Malmö, had there been no rental regulations, would have been 81 and 50 per cent., respectively.

As at 31 December 2017, the Group owned 47,177 residential units situated in Sweden, Germany, Canada, the United Kingdom, France, the US and Denmark. As at 31 December 2017, 86 per cent. of the property portfolio's market value, as assessed internally, was located in the Greater Stockholm area, Malmö, Berlin, Hamburg, London, Paris, New York, Boston, Washington, Toronto, Montreal and Copenhagen. The remaining part of the Group's property portfolio is located in Swedish regional cities and larger German cities. As at 31 December 2017, the Group's property portfolio offers 2,940,318 square metres of residential lettable space and 287,500 square metres of commercial lettable space. The commercial lettable space predominantly forms part of the ground floor of primarily residential properties.

Internally, Akelius categorises its property portfolio across the following five types: "Luxury", "Prime", "Mid", "Entry" and "Discount" and the respective distribution of these property types across the Akelius property portfolio as at 31 December 2017 was 0 per cent., 43 per cent., 36 per cent., 21 per cent. and 0 per cent. Luxury properties, as defined by Akelius, are located in A+ locations and the buildings and service are considered extraordinary. Prime properties are located in A+ to B+ locations and the buildings are attractive, while Mid are ordinary properties in B+ to B locations. Entry properties are located in B to B- locations and the buildings are considered to be regular, an example is the German "Plattenbau" buildings. Discount properties are those in C+ to C- locations and are properties located in socially challenging areas.

The fair value of the Group's property portfolio as at 31 December 2017 was SEK 104,644 million, which represented an increase of SEK 16,905 million as compared to 31 December 2016. During 2017, the property portfolio had an increase in fair value of SEK 8,554 million, mainly due to increased rental income. In 2017, the value of the Group's property investments was SEK 2,777 million, the value of net purchases was SEK 5,394 million and the effect due to changes in currency levels amounted to SEK 180 million. In the event of a crisis (in other words, a situation where the Group's ability to raise new funding is limited), the Group's total property investments could be reduced to SEK 150 million, on an annual basis, as most of the investments carried out are optional and undertaken for profit.

The fair value of the properties is determined by internal valuations by the Group. The properties are valued using the yield method, which means that each property is valued by discounting its estimated future cash flows. The estimated future cash flows are based on actual rent adjusted for potential growth and actual operating and maintenance expenses adjusted for inflation. Vacancies are considered for each individual property on the basis of the current situation adjusted to a market vacancy level. The property's fair value comprises the sum of the discounted cash flows during the calculation period and the residual value. The valuation is made under IFRS 13, level 3 – see Note 19 - *Financial Instruments - Fair value hierarchy of the 2017 Annual Report* for further information. In order to verify the internal valuation, the Group engages external valuers, primarily local branches of

CBRE Group, Inc., (“CBRE”) to estimate at least one third of the portfolio each year. In 2017, external valuers reviewed 320 properties out of 981 properties owned by the Group, which corresponded to 32.62 per cent. of the number of properties and 34.64 per cent. of the fair value. External valuers’ estimate was SEK 33 million, or 0.1 per cent. lower than the Group's internal valuation.

In the ordinary course of its business, the Group regularly reviews and analyses the existing property portfolio with the aim of identifying assets which require upgrading, refurbishment or extension, or to dispose of the properties which do not continue to meet the Group's business objectives. The Group often reinvests the proceeds of such property disposals by acquiring new properties that it has identified.

In 2017, the Group sold properties for a total price of SEK 7.1 billion and the sales price was 15 per cent. above the fair value of the properties as measured at the beginning of the year. In 2016, the Group sold properties for a total price of SEK 9.1 billion and the sales price was 13 per cent. above the fair value of the properties as measured at the beginning of the year.

As at 31 December 2017, the total vacancy rate for residential properties of the Group was 6.6 per cent. (as compared to 5.0 per cent. as at 31 December 2016), of which 86 percentage units was the result of upgrades and intended sales of residential units. As at 31 December 2017, the real vacancy rate decreased to 0.9 per cent. as compared to 1.1 per cent. as at 31 December 2016, principally as a result of upgrades/refurbishments to properties, strategic sales of properties and due to local rent regulations. The difference between the real vacancy rate and the vacancy rate is that the real vacancy rate does not include residential units that are left vacant as a result of upgrades or sales.

The table below provides the average annual rental income and net operating income growth for comparable portfolio, adjusted for changes in exchange rates, of the Group and each country for the years 2013 to 2017. A "comparable portfolio" refers to the properties owned during the periods being compared. This means that the properties acquired or sold during any of the periods being compared are excluded. These measures are used to (i) (in the case of rental income growth for a comparable portfolio) illustrate the growth of the Group's ongoing turnover capacity from property management and (ii) (in the case of net operating income for a comparable portfolio) illustrate the growth of the ongoing earnings capacity from property management.

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

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

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

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

¹ Including adjustment for revenue from utility expenses and other property expenses in Germany.

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

	Sweden			Germany			Canada			England		
	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.
	(SEK million)			(SEK million)			(SEK million)			(SEK million)		
Rental income.....	1,569	1,956	19.8	1,275	1,226	4.0	453	376	20.5	226	175	29.1
Exchange differences.....	0	0			40			26			-16	
Purchase/Sale ¹	-219	-656		-67	-88		-86	-67		-40	1	
Rental income for comparable property portfolio.....	1,350	1,300	3.8	1,208	1,178	2.5	367	335	9.6	186	160	16.3
Net operating income.....	847	1,016	-16.6	953	912	4.5	237	172	37.8	150	118	27.1
Exchange differences.....		0			25			6			-7	
Purchase/Sale.....	-120	-360		-43	-52		-47	-30		-26	-3	
Net operating income for comparable property portfolio.....	727	656	10.8	910	885	2.8	190	148	28.4	124	108	14.8

	France			United States			Denmark			Total		
	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.	Jan-Dec 2017	Jan-Dec 2016	Growth in per cent.
	(SEK million)			(SEK million)			(SEK million)			(SEK million)		
Rental income.....	51	37	37.8	471	334	41.0	77	4	1,825.0	4,122	4,109	0.3
Exchange differences.....		1			3						54	
Purchase/Sale.....	-22	-		-180	-74		-77	-4		-691	-898	
Rental income for comparable property portfolio.....	29	29	0.0	291	263	10.6	0	0	0.0	3,431	3,265	5.1
Net operating income.....	-6	-7	-14.3	195	102	91.2	37	2	-1,950.0	2,413	2,311	4.4
Exchange differences.....					2						26	
Purchase/Sale.....	9	10		-74	-29		-37	-2		-338	-462	
Net operating income for comparable property portfolio.....	3	3	0.0	121	75	61.3	0	0	0.0	2,075	1,875	10.7

The average annual rental growth for comparable properties of the Group for the period 2011 to 2017 was 4.4 per cent. The average net operating income growth for comparable properties of the Group for the period 2011 to 2017 was 7.0 per cent.

The annual growth in the average rent level for comparable properties of the Group in the years 2013, 2014, 2015, 2016 and 2017 was 5.8 per cent., 4.3 per cent., 3.8 per cent., 4.5 per cent. and 4.7 per cent., respectively. In the same years, the inflation (using data from the World Bank and each country's official statistics agency for 2017 data), as weighted by the exposure of the Group in fair value terms in each of the countries where it operates as at 31 December 2017, was 1.02 per cent., 0.78 per cent., 0.21 per cent., 0.81 per cent and 1.83 per cent, respectively. With respect to the period 1 January 2017 to 1 January 2018, the growth in the "in-place rent" (the average rent per square metre paid by the tenants currently occupying the property) for comparable properties was 4.7 per cent., of that 3.2 per cent. was attributable to new lettings and 1.5 per cent. attributable to renegotiations.

An important part of the Group's strategy is to optimise the new lease level while keeping the number of days in which apartments are vacant to a minimum. The table below demonstrates the level of rent increase across different apartment types over the period 2 January 2017 to 1 January 2018 (those that were not upgraded at the time tenants moved out and were not upgraded for the new lease, those that were already upgraded at the time tenants moved out and finally those that were upgraded between the time tenants moved out and the new lease).

	Residential units <i>(Units)</i>	Proportion <i>(%)</i>	Average size <i>(Sqm)</i>	Move out rent <i>(SEK/sqm/year)</i>	Move in rent <i>(SEK/sqm/year)</i>	Change <i>(%)</i>
Not upgraded.....	185	3	69	1,616	1,683	4.2
Already upgraded.....	3,292	55	57	1,984	2,054	3.6
Upgraded between move out and move in.....	2,483	42	61	1,418	2,015	42.2
Total.....	5,960	100	59	1,726	2,024	17.3

As at 31 December 2017, 86 per cent. of the apartments owned by the Group had a current rent level that was below the market rent level. Of that 86 per cent., the relative distance of the current rent level of such apartments from the market rent level was distributed as follows: 13 percentage units of the apartments were 0 to 10 per cent. below the market rent level; (ii) 11 percentage units of the apartments were 10 to 20 per cent. below the market rent level; (iii) 20 percentage units of the apartments were 20 to 30 per cent. below the market rent level; and (iv) 52 percentage units of the apartments were more than 30 per cent. below the market rent level.

The distance from the market rent level for each occupied apartment within the Group has been based on the average new lease level per square metre for each respective property during the period 2 January 2017 to 1 January 2018, in relation to the rent per square metre for each occupied apartment, as at 31 December 2017. Given the rental regulation laws in Sweden, the distance has been estimated to be larger than 30 per cent. below the market rent level in both the Stockholm region and Malmö region.

In properties that the Group held as at 31 December 2017, the annual rental value for new leases during 2 January 2017 to 1 January 2018 amounted to SEK 752 million and the rental value for leases that ended during 2 January 2017 to 1 January 2018 amounted to SEK 673 million.

In the countries where the Group operates, the fair value of residential properties has generally been more resilient towards value losses in economic downturns as compared to office buildings, in the past 25 years. The spread of the Group's portfolio across a number of countries further mitigates any potential property value losses. In the periods 1991-1992 and 2008-2009, the estimated loss in value of the properties for the Group, as weighted by the exposure of the Group in fair value terms in each of the countries where it operates as at 31 December 2017, would have been 4 per cent. and 6 per cent., respectively.

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

Sweden

In Sweden, as at 31 December 2017, the Group had a portfolio of 13,808 residential units with residential lettable space of 961,499 square metres (as compared to 17,381 residential units and 1,204,977 square metres of residential space as at 31 December 2016). Most of the Group's properties are located in fast-growing cities in Greater Stockholm and the Öresund Region.

Over the past 30 years, the major cities in Sweden have experienced a 38 per cent. growth in population, the suburbs of two major cities have experienced a growth of 41 per cent., while the population of mid-sized cities has grown by 23 per cent., small cities by 4 per cent. and rural areas have seen their population decrease by 19 per cent.⁵

As at 31 December 2017, the average residential rent for the properties was SEK 1,287 per square metre per year, which represented an increase as compared to 31 December 2016 (SEK 1,246 per square metre per year).

In Sweden, the rental levels of residential properties have generally increased steadily over the last 31 years, evidencing a growth of approximately 273 per cent. during the period 1985-2016.⁶ During the same period, the rental levels of offices in Stockholm generally increased by approximately 130 per cent.⁷

Germany

In Germany, as at 31 December 2017, the Group had a portfolio of 20,463 residential units with residential lettable space of 1,242,499 square metres (as compared to 19,932 residential units and 1,210,500 square metres of residential lettable space as at 31 December 2016). At 31 December 2017, most of the Group's properties were located near city centres and 98 per cent. of the residential units were located in some of the largest cities in Germany: Berlin, Hamburg, Munich, Cologne, Düsseldorf and Frankfurt. The majority of the German apartments are located in Berlin.

Over the past 20 years, the metropolitan areas in Germany have experienced a 10 per cent. growth in population, while other big cities have seen their population increase by 1 per cent., mid-sized cities have had an increase of 2 per cent. and rural areas have had a decrease of 1 per cent.⁸

As at 31 December 2017, the average residential rent for the Group's properties in Germany was EUR 8.98 per square metre per month, which represented an increase as compared to 31 December 2016 (EUR 8.56 per square metre per month).

In Germany, the rental levels of residential properties have generally increased steadily over the last 26 years, evidencing a growth of approximately 89 per cent. during the period 1990-2016. During the same period, the rental levels of commercial property have generally decreased by approximately 3 per cent.⁹

Canada

In 2015, the Group increased its portfolio to 3,999 residential units in Canada by the purchase of 811 residential units in Toronto and entered the residential property market in Montreal by purchasing 425 residential units. In Canada, as at 31 December 2017, the Group had a portfolio of 5,500 residential units with residential lettable space of 330,816 square metres (as compared to 4,513 residential units and 267,876 square metres of residential lettable space as at 31 December 2016).

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

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

⁷ Source: Cushman & Wakefield.

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

⁹ Source: Bulwiengesa AG.

Over the past 25 years, the major cities in Canada have experienced a strong growth in population, 50 per cent., while large cities have seen their population increase by 39 per cent., mid-sized cities have had an increase of 19 per cent. and small cities have had an increase of 8 per cent.¹⁰

As at 31 December 2017, the average residential rent for the Group's properties in Canada was CAD 1.92 per square foot per month, which represented an increase as compared to 31 December 2016 (CAD 1.89 per square foot per month).

In Canada, the residential rent level has generally increased steadily over the last 26 years, evidencing a growth of approximately 81 per cent. during the period 1990-2016.¹¹ During the same period, the rental levels of offices in Canada generally increased by approximately 22 per cent.¹²

United Kingdom

In March 2014, a subsidiary of the Issuer purchased 900 residential units in the United Kingdom from an affiliated company of the Group and an additional 300 residential units, all of which are located in the central parts of London. In the United Kingdom, as at 31 December 2017, the Group had a portfolio of 2,148 residential units with residential lettable space of 83,771 square metres (as compared to 1,224 residential units and 54,477 square metres of residential lettable space as at 31 December 2016).

As at 31 December 2017, the average residential rent for the Group's properties in the United Kingdom was GBP 2.75 per square foot per month, which represented an increase as compared to 31 December 2016 (GBP 2.55 per square foot per month).

France

The Group first acquired a selection of 40 residential units in September 2014 located in the 18th district in Paris. In December 2014, the Group bought its second Parisian property comprising 50 residential units and in 2015, it purchased an additional 374 residential units in Paris. In France, as at 31 December 2017, the Group had a portfolio of 1,100 residential units with residential lettable space of 31,710 square metres (as compared to 941 residential units and 27,084 square metres of residential lettable space as at 31 December 2016).

As at 31 December 2017, the average residential rent was EUR 23.40 per square metre per month, which represented an increase as compared to 31 December 2016 (EUR 20.99 per square metre per month).

In Paris, the residential rent level has generally increased over the last 26 years, evidencing a growth of approximately 96 per cent. during the period between 1990-2016.¹³ During the same period, the rental levels of offices in Paris' central business district generally increased by approximately 15 per cent.¹⁴

United States

In the US, as at 31 December 2017, the Group had a portfolio of 3,127 residential units with residential lettable space of 207,052 square metres (as compared to 2,309 residential units and 164,500 square metres of residential lettable space as at 31 December 2016). As at 31 December 2017, the

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

¹¹ Source: Canada Mortgage and Housing Corporation.

¹² Source: CBRE Ltd.

¹³ Source: OLAP (Observatoire des loyers de l'Agglomération Paris).

¹⁴ Source: CBRE., INSEE.

average residential rent was USD 2.77 per square foot per month, which represented an increase as compared to 31 December 2016 (USD 2.51 per square foot per month).

In the US, the residential rent level has generally increased over the last 26 years, evidencing a growth of approximately 131 per cent. during the period between 1991-2016.¹⁵ During the same period, the rental levels of offices in the US generally increased by approximately 55 per cent.¹⁶

Denmark

Late in 2016, Akelius purchased its first properties in Copenhagen, Denmark. As at 31 December 2017, the Group owned 1,031 apartments in Copenhagen with an average rent per square metre and year of DKK 936 which represented an increase as compared to 31 December 2016 (DKK 916 per square metre and year).

In Denmark, the residential rent level has generally increased over the last 26 years, evidencing a growth of approximately 86 per cent. during the period between 1990-2016.¹⁷ During the same period, the rental levels of offices in Copenhagen's central business district has not changed in nominal terms¹⁸

Rent Regulations

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

Sweden

Rents in Sweden are negotiated between the landlord and the Swedish Union of Tenants in accordance with the system of "utility value" (Sw. *Bruksvärde*ssystemet). If an agreement between the landlord and the Swedish Union of Tenants is not met, the landlord can enter an agreement directly with the tenant. The rent level may then be challenged and the rent tribunal will decide in accordance with the system of "utility value". This system implies that rent levels should be proportionate to the standard and location of the property in question and can only be increased to a level that is in line with the rent that is charged on other comparable residential units (in other words, rents can normally only be subject to more significant above-inflation increases when the residential units have been upgraded). This rental regulation has resulted in low rent levels in Sweden, which in turn leads to fewer new rental residential units and a housing shortage in growing cities such as Stockholm and Malmö. In Sweden, rental regulation has also resulted in lower risks for property owners in relation to vacancy rates and rental income.

Germany

In Germany, the parties to a new rental agreement are in general freely able to agree on the rent. However, in cities with a tense housing market situation, the rent may be restricted to the locally prevailing comparable market rents plus 10 per cent. This restriction does not apply to extensively upgraded residential units. Increases in the rent of current tenants can be conducted by different methods. Since 2012, the Group has used indexation according to the consumer price index as the method for setting levels of rent in new lease contracts. If the lease contract does not include such

¹⁵ Source: US Census Bureau.

¹⁶ Source: Jones Lang LaSalle.

¹⁷ Source: Statistics Denmark.

¹⁸ Source: Saddin & Albaek.

indexation, the rent is set by a comparison to the locally prevailing rents set forth in rent indices (Ge: *Mietspiegel*). The index rent is calculated by local authorities to reflect the standard and location of the properties. Increases in rent by comparison to the rent mirror are capped at 15 per cent. for every three-year period. Following any upgrades to the residential units, landlords are allowed to increase the rent of an existing tenant by a total of 11 per cent. of the modernisation cost incurred.

Canada

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

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

United Kingdom

In the United Kingdom, rental regulations are in place only for tenancies that were granted prior to 1988. Such tenancies comprise 2.1 per cent. of the Group's portfolio as at 31 December 2017. The most common residential lease contract in England is an assured shorthold tenancy with an average duration of 12 months. Parties to such contract are freely able to renew the contract at market rent after expiry. Because of the high fluctuation and short duration of the lease contracts, the rent levels are usually close to market rents. By upgrading the residential units and the common areas, landlords are able to increase rents above the market rent.

France

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

United States

In the US, the rental regulations vary significantly from city to city. In New York, rent systems comprise three types. Controlled rent exists when the landlord is generally not entitled to any significant increase of the rent level for existing tenants but can increase the rent when there is a change of tenant and the new tenant is not a lawful successor. The landlord can apply to a current tenant for an increased rent, but the tenant has the opportunity to challenge this request. Stabilised rent exists when the landlord can increase the rent annually according to a guideline which is approximately in line with the consumer price index. When there is a change in the tenant, the rent can be increased by at least 18.25 per cent. and the rent can further be increased by an additional sum not

exceeding 20 per cent. of any improvement costs incurred. Free market rent exists when the rent is fixed according to the contract and upon renewal, the lease can be set freely at market rent.

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

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

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

Denmark

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

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

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

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

Property management

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

Development projects

The Group also seeks to enhance the value of its properties by carrying out projects that are designed to develop and upgrade its residential units and real estate properties. The Group's overarching project in this respect is the upgrading of its properties of all types (in particular the apartments, stairwells, entrances and gardens within those properties) to a "first class" standard. The concept is orientated towards upgrading vacant rental residential units to the standard of newly-built condominiums. The costs associated with these upgrades are, to a certain extent, recovered through increases to the rent payable for such properties. By upgrading only its vacant residential units, the Group ensures that its current tenants are not obliged to accept a higher standard and, respectively, higher rents. In 2017, the Group upgraded 2,719 residential units for a total investment of SEK 1.2 billion and upgraded the communal areas of some of its properties for a total investment of SEK 0.8 billion. The share of upgraded apartments represented 42 per cent. of the Group's total portfolio as at 31 December 2017 (compared to 41 per cent. as at 31 December 2016). Of the total apartments, only around three per cent. are deemed necessary to upgrade before re-let, in order to attract a new tenant. 55 per cent. of the apartments will be upgraded if the yield is greater than seven per cent., but it is not necessary to upgrade in order to re-let the apartments at the same or higher rent level than before. The Group also invests significantly in development projects that seek to maximise the energy efficiency of its properties and in projects that convert commercial premises into residential units.

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

Finance

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

	31 December	
	2017	2016
Equity		
Equity, SEK million.....	48,270	40,937
Equity to assets ratio, per cent	46	46
Interest-bearing liabilities		
Loan-to-value, secured loans, per cent	18	24
Loan-to-value, total loans, per cent	44	43
.....		
Interest coverage ratio, excluding realised value growth.....	1.9	1.9
Interest coverage ratio, including realised value growth.....	4.7	4.5
Interest rate hedge total loans, year ¹	5.3	4.5
Capital tied up total loans, year ²	5.6	5.0

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

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

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

The Group's investments, operations and development projects are financed by a variety of sources. During 2017, the Group's profit for the year was SEK 7,768 million and the Group increased its

consolidated equity by SEK 7,333 million, which amounted to SEK 48,270 million as at 31 December 2017 (as compared to SEK 40,397 million as at 31 December 2016). The Group's equity to assets ratio was 46 per cent. as at 31 December 2017, as compared to 46 per cent. as at 31 December 2016.

The Issuer raised a total of SEK 6,020 million (gross proceeds) through the issue of 19 million preference shares in 2014 and 2015. The total voting power in the Issuer for the owners of preference shares is 0.06 per cent. of the total votes as a result. In April 2017, in accordance with the resolution of the Issuer's Annual General Meeting, the Issuer issued 134,810,000 ordinary shares in an amount of SEK 74.6 per share totalling SEK 10,057 million and the ordinary shares were subscribed for by the Issuer's existing ordinary shareholders (or a pro rata basis according to their current shareholding percentage). At the same time, the Issuer also paid a dividend on ordinary shares amounting to SEK 8,060 million. The net effect of the ordinary share issue and dividend payment (combined with the redemption of two outstanding hybrid bonds issued by two subsidiaries of the Issuer) was a reduction in the Group's consolidated equity of approximately SEK 12 million.

The Group believes in diversification and has developed relationships with a number of credit institutions in the respective markets in which it operates. As at 31 December 2017, the Group had entered into financing arrangements with 36 banks across Sweden, Germany, the United Kingdom, Canada, France, Denmark and the US. The Group uses its long-term debt to reduce refinancing and interest rate risk. The Issuer does not usually distribute net dividends to its ordinary shareholders and regularly reinvests the Group's profits, thus effectively increasing the size of the Group's property portfolio without increasing the loan-to-value ratio. Net dividends means any dividends where the proceeds are not immediately used by the shareholders to subscribe for new shares. There are no mandatory rules on the Issuer distributing dividends to its preference shareholders and, while the Issuer does not maintain a prescriptive strategy in this respect, it does intend to defer the distribution of dividends when required in accordance with the Group's business strategy. During 2017, the Issuer distributed dividends on its preference shares in an aggregate amount of SEK 376 million. The Group's secured loans amounted to SEK 19,038 million as at 31 December 2017, a decrease of SEK 2,444 million as compared to SEK 21,482 million as at 31 December 2016. During 2017, the Group's total borrowings increased by SEK 8,661 million to a total of SEK 46,756 million as compared to SEK 38,095 million as at 31 December 2016. During 2017, the Group's total loan-to-value ratio increased from 43 per cent. to 44 per cent.

The Group's secured loan-to-value ratio was 18 per cent. as at 31 December 2017, which represented a decrease as compared to 31 December 2016. (24 per cent.) This is in line with the Group's ambition to maintain a low overall share of its secured lending. The Group's total loans were on average tied up for 5.6 years as at 31 December 2017, as compared to 5.0 years as at 31 December 2016. As at 31 December 2017, the total loans of the Group carried an average interest rate of 2.58 per cent. which represented a decrease as compared to 31 December 2016 (2.62 per cent.). The average interest rate hedge for total loans was 5.3 years as at 31 December 2017, as compared to 4.5 years as at 31 December 2016.

The Group's interest coverage ratio excluding realised value growth was 1.9 as at 31 December 2017, as compared to 1.9 as at 31 December 2016. The Group's interest coverage ratio including realised value growth was 4.7 as at 31 December 2017, as compared to 4.5 as at 31 December 2016. This increase was principally a result of successful divestments of properties in Sweden and Germany during the year ended 31 December 2017 as compared to the full year 2016. As at 31 December 2017, available funds in the form of cash and unutilised and available credit facilities totalled SEK 7,434 million, as compared to SEK 6,996 million as at 31 December 2016.

As at the date of this Prospectus, the Issuer has issued eight unsecured bonds that remain outstanding, one of SEK 1,400 million (maturing in March 2019), one of EUR 300 million (maturing in September 2020), one of EUR 600 million (maturing in January 2022), one of EUR 600 million (maturing in February 2025), one of EUR 500 million (maturing in March 2024), one of GBP 300 million

(maturing in August 2025), one of SEK 1,000 million (maturing in October 2021) and one of SEK 500 million (maturing in October 2021).¹⁹ The first mentioned bond is listed on the regulated market of the NASDAQ Stockholm AB and the seven others are listed on the Main Securities Market of the Irish Stock Exchange.

Financial Policy and Senior Covenants

The current published financial policy of the Group is aimed at minimising the impact of a financial crisis on the Group and it sets a background objective that the Group should be able to withstand (i) a 25 per cent. drop in property values, (ii) an interest rate increase of 5 percentage points and (iii) fluctuations in foreign exchange rates. Pursuant to this policy, the Group aims to achieve the following targets: (a) maintain a minimum Issuer credit rating of BBB by S&P (or such equivalent rating from any other rating agency) with a target to achieve a rating of BBB+ or higher; (b) a loan-to-value ratio of less than 50 per cent. (44 per cent. as at 31 December 2017); (c) a secured loan-to-value ratio of less than 25 per cent. (18 per cent. as at 31 December 2017); (d) an interest coverage ratio excluding realised value growth that exceeds 1.8 (1.9 as at 31 December 2017) and (e) a liquidity reserve that amounts to at least SEK 3,000 million (SEK 7,434 million as at 31 December 2017).

The Issuer's financial policy is also aimed at maintaining a buffer between the financial covenants which are contained in the terms of certain of its outstanding senior debt securities and the Group's financial position at any given time. Based on the financial position at 31 December 2017, the Issuer estimates that none of the following individual events would trigger a breach of any relevant covenant during 2018: a sudden increase in interest rates by five per cent.; a decrease in the fair value of its properties as of 1 January 2018 by 25 per cent.; or a change in the value of the Swedish Krona by 10 per cent. towards all currencies.

The Issuer has financial covenants in certain of its existing outstanding senior debt securities that restrict payments on ordinary shares, outstanding preference shares and the Capital Securities. For example, the terms and conditions (the **Programme Conditions**) of Notes issued under the Issuer's EUR1,500,000,000 EMTN Programme restrict such payments if (i) Consolidated Net Financial Indebtedness to Total Assets is 60 per cent. or higher (44 per cent as at 31 December 2017 and 43 per cent as at 31 December 2016); or (ii) if Adjusted Profit Before Taxes to total interest expenses is 1.5 or less (1.94 as at 31 December 2017 and 1.92 as at 31 December 2016). (See "*Risk Factors - The Issuer may be restricted from making payments under the Capital Securities*" and "*Alternative Performance Measures*"). Other existing outstanding senior debt securities of the Issuer which have not been issued under the Issuer's EUR1,500,000,000 EMTN Programme contain similar (but less restrictive) financial covenants. Each of the defined terms in this paragraph shall have the meanings set out in the Programme Conditions which are incorporated by reference in this Prospectus (see "*Documents Incorporated by Reference*").

The Group also aims to maintain more cash sources than cash uses. The Group defines "cash sources" as liquidity (available funds in the form of cash and unutilised and available credit facilities) plus profit before tax and revaluation plus signed property sales. As at 31 December 2017 cash sources totalled SEK 11,468 million. The Group defines "cash uses" as up-started investments on its properties plus short-term loans plus signed property purchases. The Group estimates that the remaining payments due on its up-started investments as at 31 December 2017 are approximately SEK 500 million, short term loans as at 31 December 2017 amounted to SEK 3,115 million and signed property purchases as at 31 December 2017 amounted to SEK 1,136 million: therefore, cash uses totalled approximately SEK 4,751 million.

¹⁹ On 9 March 2018 the Issuer repaid a SEK 1,350 million bond that was listed on the regulated market of the NASDAQ Stockholm AB.

The Issuer does not usually distribute net dividends to its ordinary shareholders and almost exclusively reinvests the Group's profits to support organic growth. There are no mandatory rules on the Issuer distributing dividends to its preference shareholders and the Issuer does not maintain a prescriptive strategy in this respect, however, in line with its financial policy of maintaining a loan-to-value ratio of less than 50 per cent., the Issuer generally has a policy of not paying net dividend on ordinary equity if the loan-to-value ratio is above 50 per cent.

Recent developments

Since 31 December 2017, the Issuer has purchased 264 apartments in Montreal for CAD 80 million. From 1 January 2018, the Group will report in EUR instead of SEK.

Credit rating

The long-term senior obligations of the Issuer are rated BBB by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

Board of Directors, management and auditors

The business address for all members of the Board and the management of the Issuer is: Akelius Residential Property AB, Svärdvägen 3A, P.O. Box 104, SE-182 12 Danderyd, Kingdom of Sweden. The Board currently consists of five members. The Board has also established, among others, a business committee, a finance committee and an audit committee. The role of the business committee is to approve property transactions not exceeding SEK 1,000 million and the role of the finance committee is to approve financial decisions not exceeding SEK 1,000 million. The obligations of the audit committee to monitor the Issuer's financial reporting are required by law. The Issuer's internal auditor, appointed by the Board, has a broad role in overseeing and auditing the Group's work streams, its development projects, IT, GDPR compliance, information security, accounting procedures and accounting systems. Information on the members of the Board and the management, including significant assignments outside the Issuer which are relevant for the Issuer, is set out below.

Board of Directors

Leif Norburg, chairman of the Board

Leif Norburg is currently chairman of the Board of Directors of Akelius Apartments Ltd, Arbetshälsa Gruppen Sverige AB, Kungssporten Utveckling AB, Kungssporten Trygghetsboende AB, Påverka Nu Sverige AB and Stiftelsen Nyström & Norburg i Gnosjö. Leif Norburg is a member of the Board of Directors, owner and managing director of Lunor Konsult AB and deputy member of the Board of Directors of Arbetshälsa i Sverige AB and Peter Norburg Förvaltning AB.

Pål Ahlsén, member of the Board

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

Igor Rogulj, member of the Board

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

Anders Lindskog, member of the Board

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

Lars Åhrman, member of the Board

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

John and Britt Wennerströms foundation and deputy member of the Board of Directors of Foundation for Stroke Research.

Management

Pål Ahlsén, Chief Executive Officer of the Group

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

Leiv Synnes, Chief Financial Officer

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

Lars Lindfors, Deputy Chief Executive Officer of the Group

Lars Lindfors is the Group manager for the following departments: Architecture and Design, Construction, Customer, Procurement, Property, Logistics, Staff and University. Lars Lindfors is a member of the Board of Directors in all Swedish and Danish Akelius-companies and in Akelius Språkkurs AB.

Andreas Wallén, Head of the Group's IT and Administration

Andreas Wallén does not hold any significant assignments outside of the Issuer which are relevant for the Issuer.

Peter Ullmark, Head of Scandinavia

Peter Ullmark is currently the managing director of Akelius Lägenheter AB, Akelius Holding Bolig Aps and all its Danish subsidiaries.

Ralf Spann, Head of Europe

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

Shelly Lee, Head of North America

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

Conflicts of interests

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

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

Auditors

The Issuer's auditor, Öhrlings PricewaterhouseCoopers AB, was reappointed at the annual general meeting held on 11 April 2017. The current auditor-in-charge is Helena Ehrenborg who was appointed on 11 April 2017 and replaced the previous auditor-in-charge Stina Carlson. Helena Ehrenborg and Stina Carlson are members of the institute for the accountancy profession in Sweden - FAR (Sw: *Föreningen Auktoriserade Revisorer*). The business address for Helena Ehrenborg is Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, SE-113 97 Stockholm, Kingdom of Sweden.

The Board has proposed to the annual general meeting in the Issuer to be held on 10 April 2018 to replace Öhrlings PricewaterhouseCoopers AB with EY AB as the Issuer's auditor. In the event that EY AB is elected as the Issuer's auditor it has informed the Issuer that the auditor in charge will be Ingemar Rindstig. Ingemar Rindstig is a member of the institute for the accountancy profession in Sweden - FAR (Sw: *Föreningen Auktoriserade Revisorer*).

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by the Issuer's auditors.

Financial interests

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

TAXATION

Certain Swedish tax considerations

The following summary of certain Swedish tax considerations that may arise as a result of holding listed²⁰ Capital Securities is based on current Swedish tax legislation and is intended only as general information for Holders who are resident in the Kingdom of Sweden for tax purposes, unless otherwise indicated. This description does not deal comprehensively with all tax consequences that may occur for Holders and is neither intended nor should be construed as legal or tax advice. For instance, it does not cover the specific rules where Capital Securities are held by a partnership, as current assets in a business operation, via a capital insurance (*kapitalförsäkring*) or investment deposit account (*investeringssparkonto*) or held as hedge for foreign currency exposure. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, investment funds and insurance companies. Prospective purchasers of the Capital Securities should consult their own tax advisers for information with respect to the special tax consequences that may arise as a result of holding Capital Securities, including the applicability and effect of foreign income tax rules, provisions in double taxation treaties and other rules which may be applicable.

Taxation of Individuals Resident in the Kingdom of Sweden

Capital Gains and Losses

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

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

Capital losses on listed Swedish receivables are fully deductible in the income category capital. According to Swedish case law, full deductibility also applies for capital losses on listed foreign receivables.

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

²⁰ For the Capital Securities to be considered as listed it is, according to the Swedish Tax Agency, not sufficient that the Capital Securities are admitted to trading on a regulated market, the Capital Securities also have to be traded.

Interest

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

Preliminary Withheld Tax on Interest

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

Taxation of Swedish Legal Entities

Limited liability companies and other legal entities (except for estates of deceased Swedish individuals) are normally taxed on their worldwide income as income from business operations (including income from the sale or redemption of the Capital Securities) at a flat rate of 22 per cent.

Capital Gains and Losses

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

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

Interest

Interest income is normally taxed on an accrual basis subject to corporate income tax at a flat rate of 22 per cent.

Taxation of Tax Residents Outside of the Kingdom of Sweden

Capital Gains and Losses

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

Withholding Tax and Preliminary Withheld Tax on Interest

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

The proposed financial transactions tax (FTT)

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

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

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

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

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

SUBSCRIPTION AND SALE

Barclays Bank PLC, Danske Bank A/S and Deutsche Bank AG, London Branch (together, the **Joint Bookrunners**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 3 April 2018, jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 99.654 per cent. of the principal amount of Capital Securities. The Issuer has agreed to pay the Joint Bookrunners a combined management and underwriting commission, will reimburse the Joint Bookrunners in respect of certain of their expenses, and has also agreed to indemnify the Joint Bookrunners against certain liabilities, incurred in connection with the issue of the Capital Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

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

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

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

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

Prohibition of sales to EEA Retail

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

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Bookrunner has represented and agreed that:

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

The Kingdom of Sweden

This document has not been approved by or registered with the Swedish Financial Supervisory Authority (*Finansiinspektionen*) pursuant to the Swedish Financial Instruments Trading Act (*Lag (1991:980) om handel med finansiella instrument*). Each Joint Bookrunner agrees that it will not market or offer the Capital Securities in Sweden other than in circumstances that are deemed not to be an offer to the public in Sweden which would result in a requirement to prepare a prospectus in Sweden under the Financial Instruments Trading Act (1991:980) (*Lag (1991:980) om handel med finansiella instrument*).

General

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

GENERAL INFORMATION

Authorisation

The issue of the Capital Securities was authorised by a resolution of the Board of the Issuer passed on 7 March 2018.

Listing

Application has been made to the Irish Stock Exchange plc for the Capital Securities to be admitted to the Official List and to trading on the Main Securities Market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Capital Securities to the Official List and to trading on the Main Securities Market will be granted on or about 5 April 2018, subject only to the issue of the Capital Securities.

The total expenses related to the admission to trading of the Capital Securities are expected to be approximately EUR 4,790.

Listing Agent

Maples and Calder is acting solely in its capacity as listing agent for the Issuer in connection with the Capital Securities and is not itself seeking admission of the Capital Securities to the Official List of the Irish Stock Exchange plc or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Clearing Systems

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for this issue is XS1788973573 and the Common Code is 178897357. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change

There has been no significant change in the financial or trading position of the Issuer or the Group since 31 December 2017 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2017.

Litigation

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

Auditors

Öhrlings PricewaterhouseCoopers AB of Torsgatan 21, SE-113 97 Stockholm, Kingdom of Sweden, regulated by the Supervisory Board of Accountants in the Kingdom of Sweden (*Revisorsnämnden*) and a member of FAR (the institute for the accountancy profession in the Kingdom of Sweden (*Föreningen Auktoriserade Revisorer*)) have audited without qualification and in accordance with generally accepted auditing standards in the Kingdom of Sweden, the consolidated financial

statements of the Issuer, prepared in accordance with IFRS, for each of the financial years ended on 31 December 2017 and 2016 and have given, and have not withdrawn, their consent to the inclusion of their unqualified audit report in this Prospectus in the form and context in which it is included. The auditors of the Issuer have no material interest in the Issuer.

U.S. tax

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

Documents Available

For so long as the Capital Securities are outstanding, copies of the following documents will be available for inspection in electronic form from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London:

- (a) the constitutional documents the Issuer (with an English translation thereof);
- (b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2017 and 31 December 2016, in each case, together with the auditors’ reports in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the most recently published financial statements of the Issuer, together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated interim accounts on a quarterly basis; and
- (d) the Trust Deed and the Agency Agreement.

This Prospectus will be published on the website of the Irish Stock Exchange at www.ise.ie.

Websites

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

Joint Bookrunners transacting with the Issuer

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

Yield

On the basis of the issue price of the Capital Securities of 99.654 per cent. of their principal amount, the yield on the Capital Securities for the period until the First Reset Date is 3.950 per cent. on an annual basis. Such yield is calculated in accordance with the ICMA (International Capital Markets Association) Method.

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

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

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

THE ISSUER

Akelius Residential Property AB (publ)

Svärdvägen 3A
P.O. Box 104
SE-182 12 Danderyd
Kingdom of Sweden

THE TRUSTEE

Deutsche Trustee Company Limited

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

PRINCIPAL PAYING AGENT and CALCULATION AGENT

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

JOINT BOOKRUNNERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 5BB
United Kingdom

Danske Bank A/S
2 – 12 Holmens Kanal
DK – 1092 Copenhagen K
Denmark

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LISTING AGENT

Maples and Calder

75 St Stephen's Green
Dublin 2
Ireland

LEGAL ADVISERS

To the Issuer as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Issuer as to Swedish tax law

Svalner Skatt & Transaktion KB
Smålandsgatan 16
111 46 Stockholm
Kingdom of Sweden

To the Issuer as to Swedish law

Gernandt & Danielsson Advokatbyrå
P.O. Box 5747
SE-114 87 Stockholm
Kingdom of Sweden

To the Joint Bookrunners and the Trustee as to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

AUDITORS TO THE ISSUER

Öhrlings PricewaterhouseCoopers AB

Torsgatan 21
SE-113 97 Stockholm
Kingdom of Sweden