

The background features several thick, wavy lines in shades of green and grey. A prominent light green wave starts from the left and curves upwards towards the top right. Below it, a darker green wave follows a similar path. At the bottom, there are grey waves that overlap with the green ones, creating a layered effect.

Macro economic development

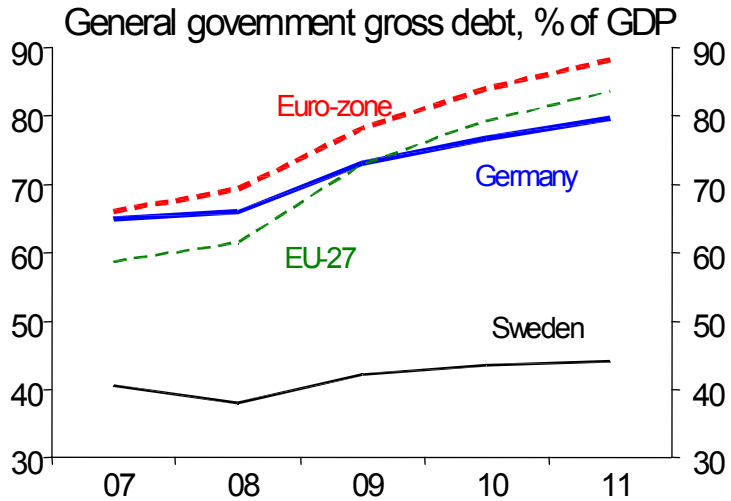
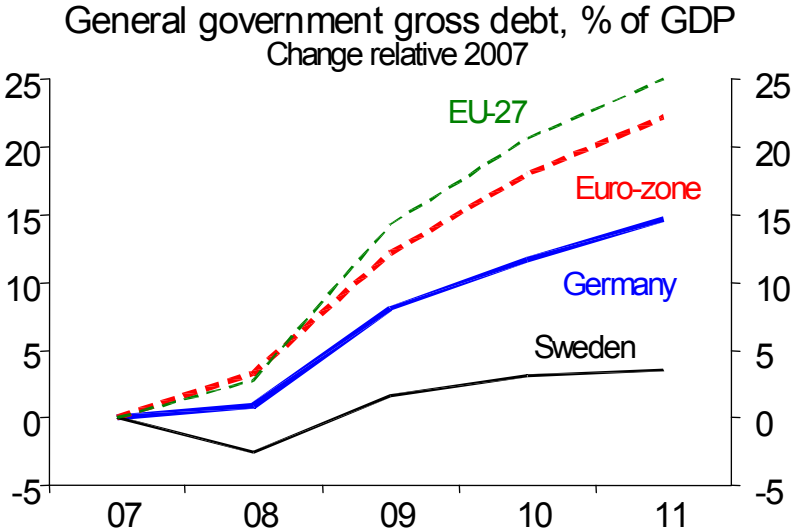
Swedish housing market
Swedish mortgage market and covered
bonds

September 2010

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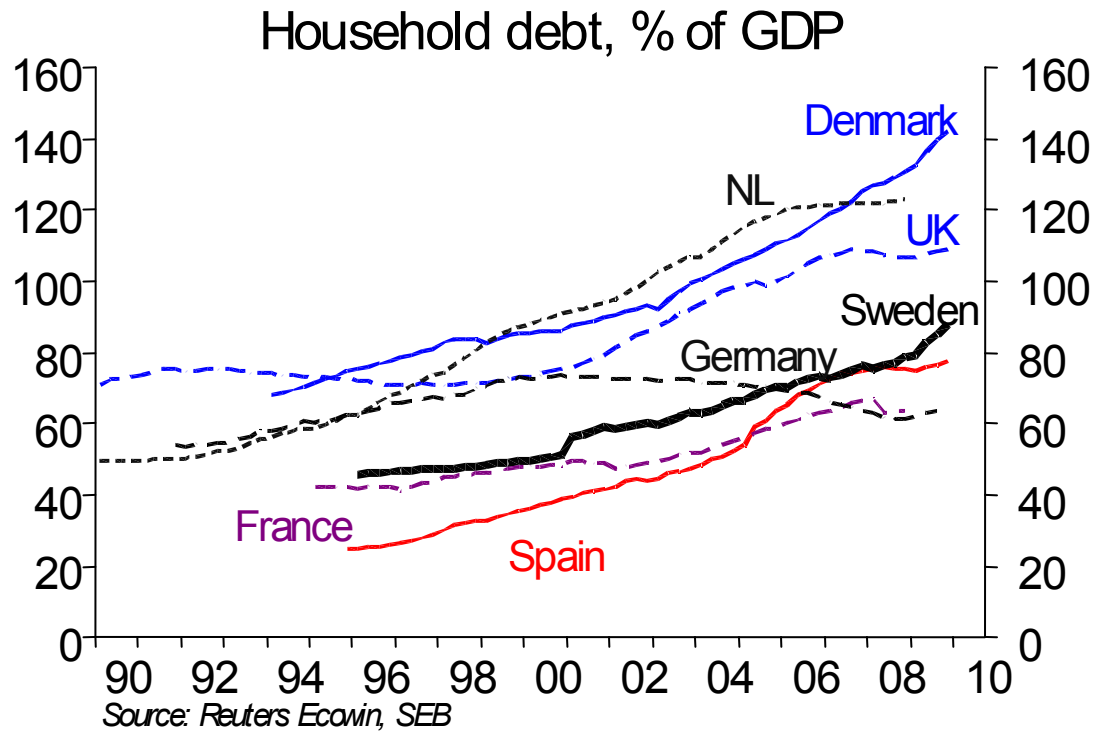
Swedish public finances are strong



Source: EU-commission

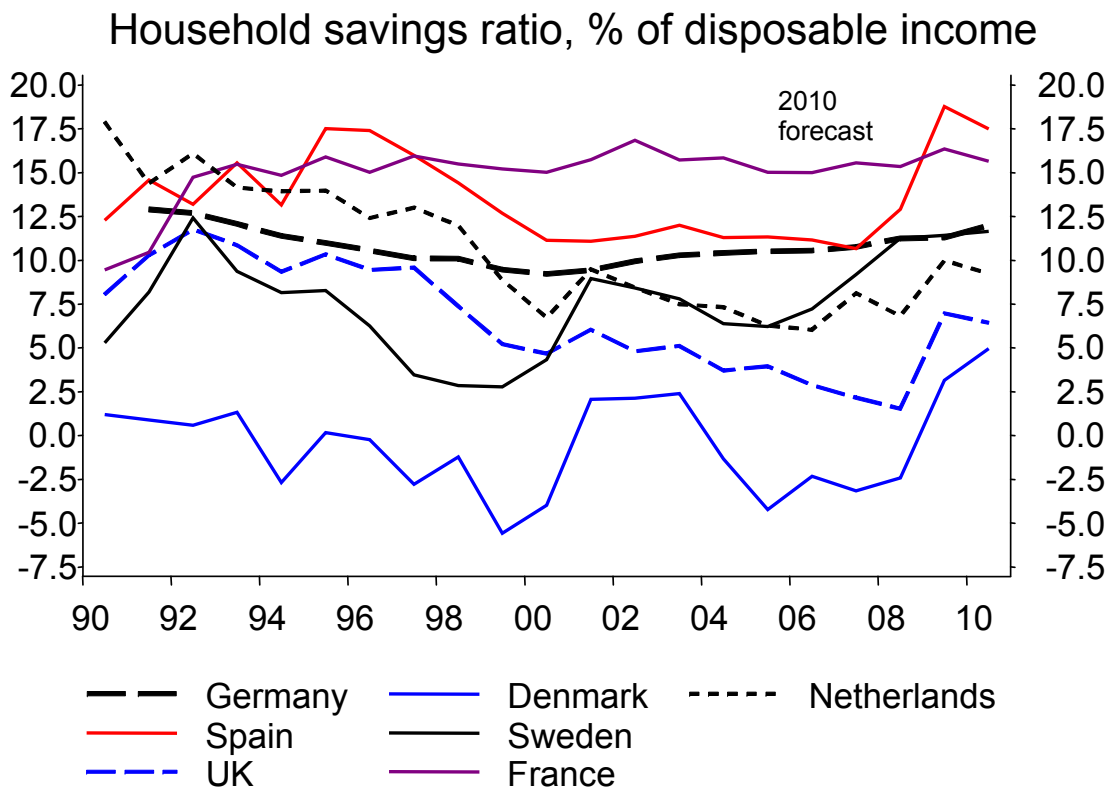
Household debt as a share of GDP

International comparison



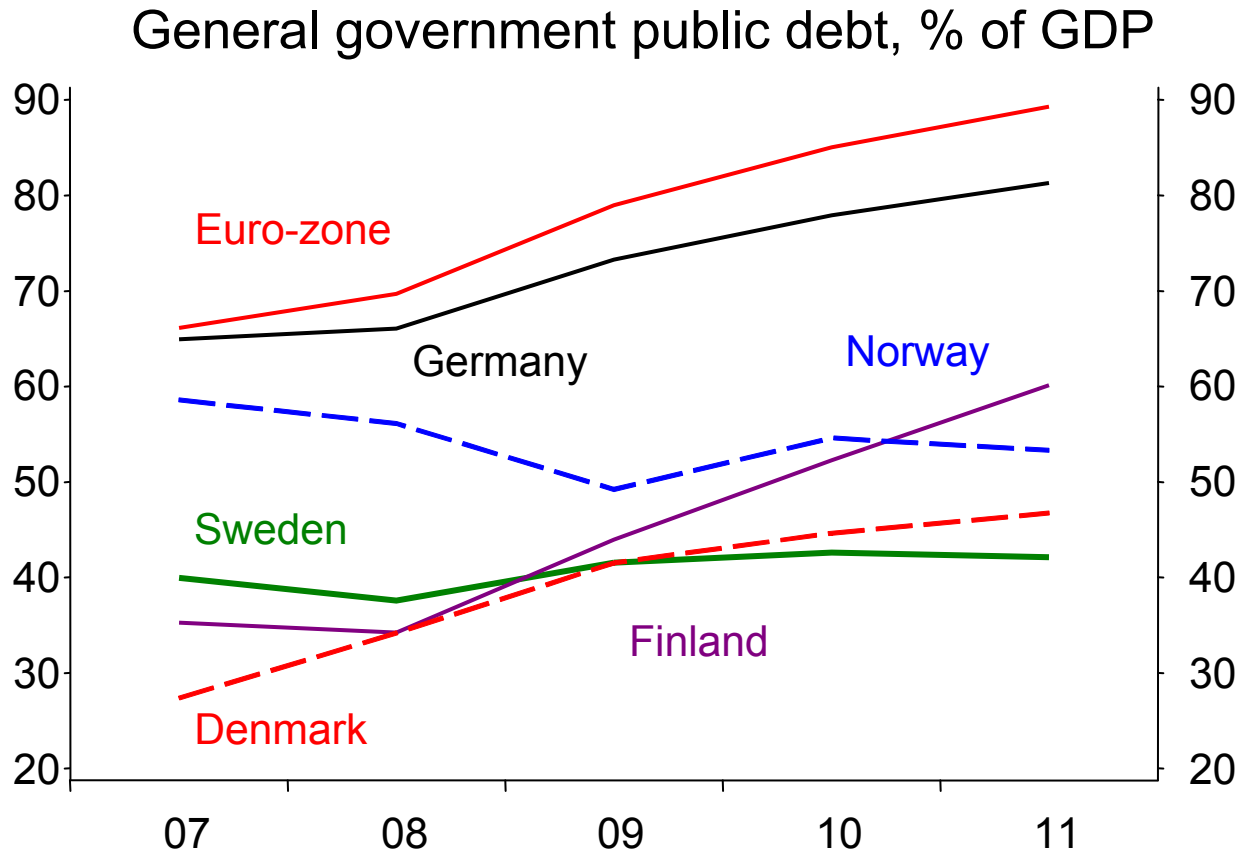
High household savings ratio

International comparison



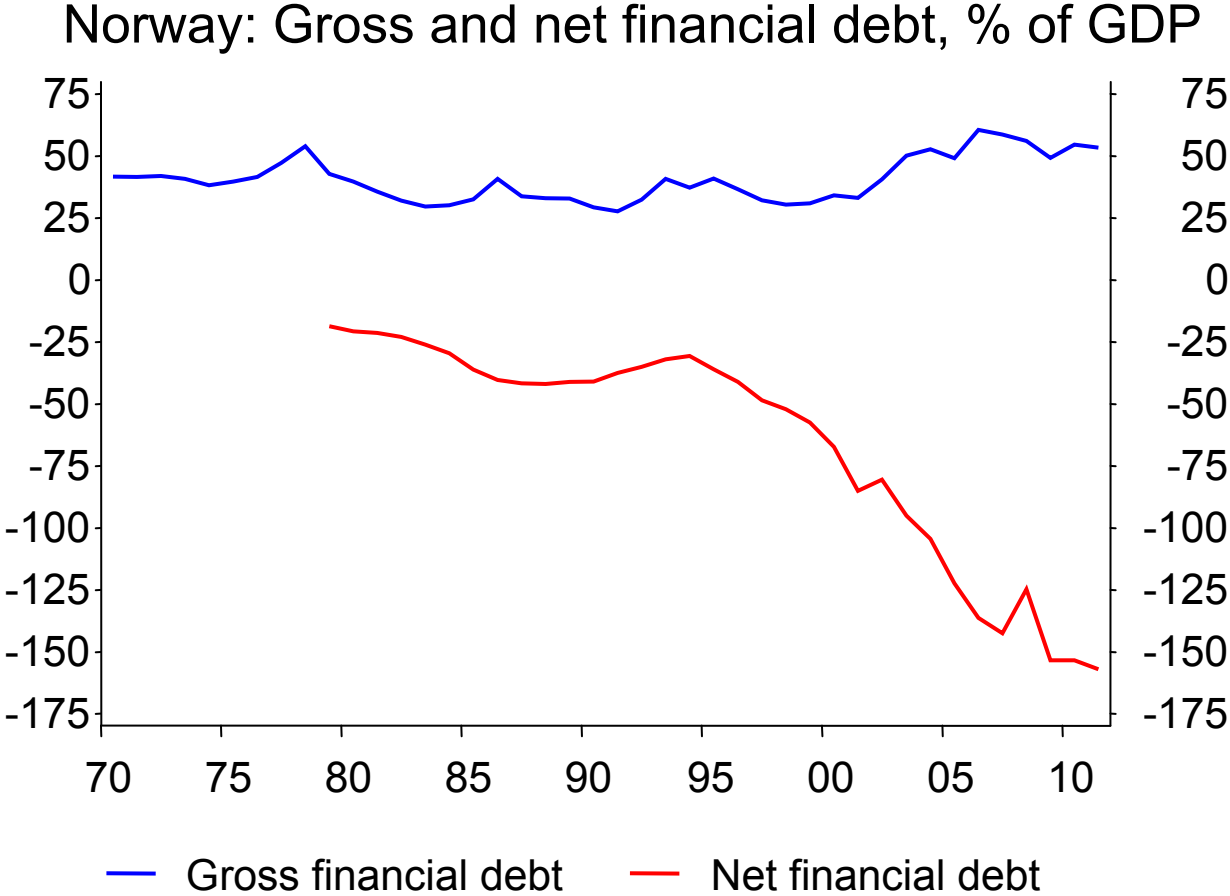
Source: OECD

Low public debt in the Nordic countries **SEB**



Source: OECD

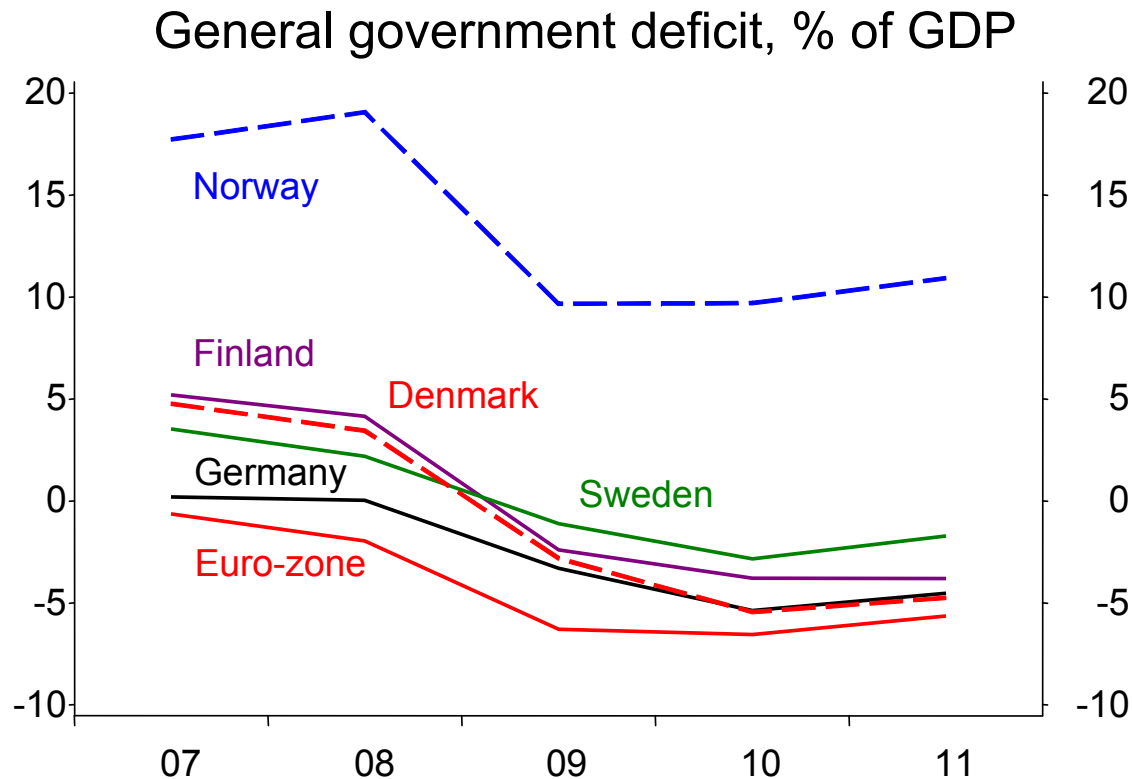
Large financial assets in Norway



Source: OECD

Low budget deficits in the Nordic countries

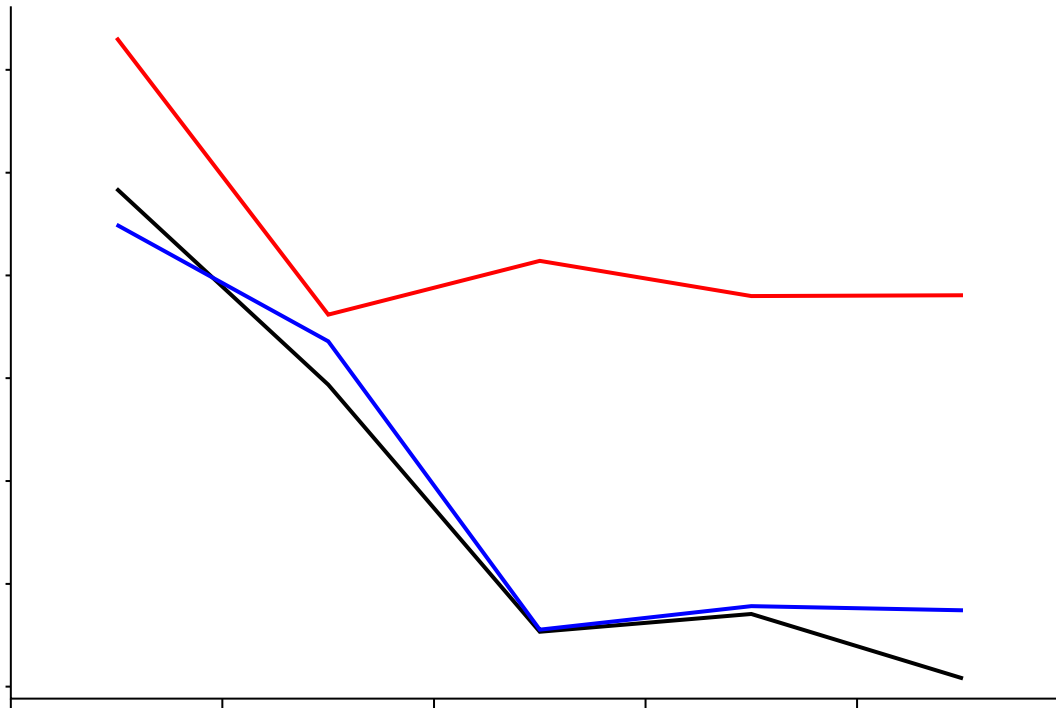
Government forecasts deficit below 1% in 2011



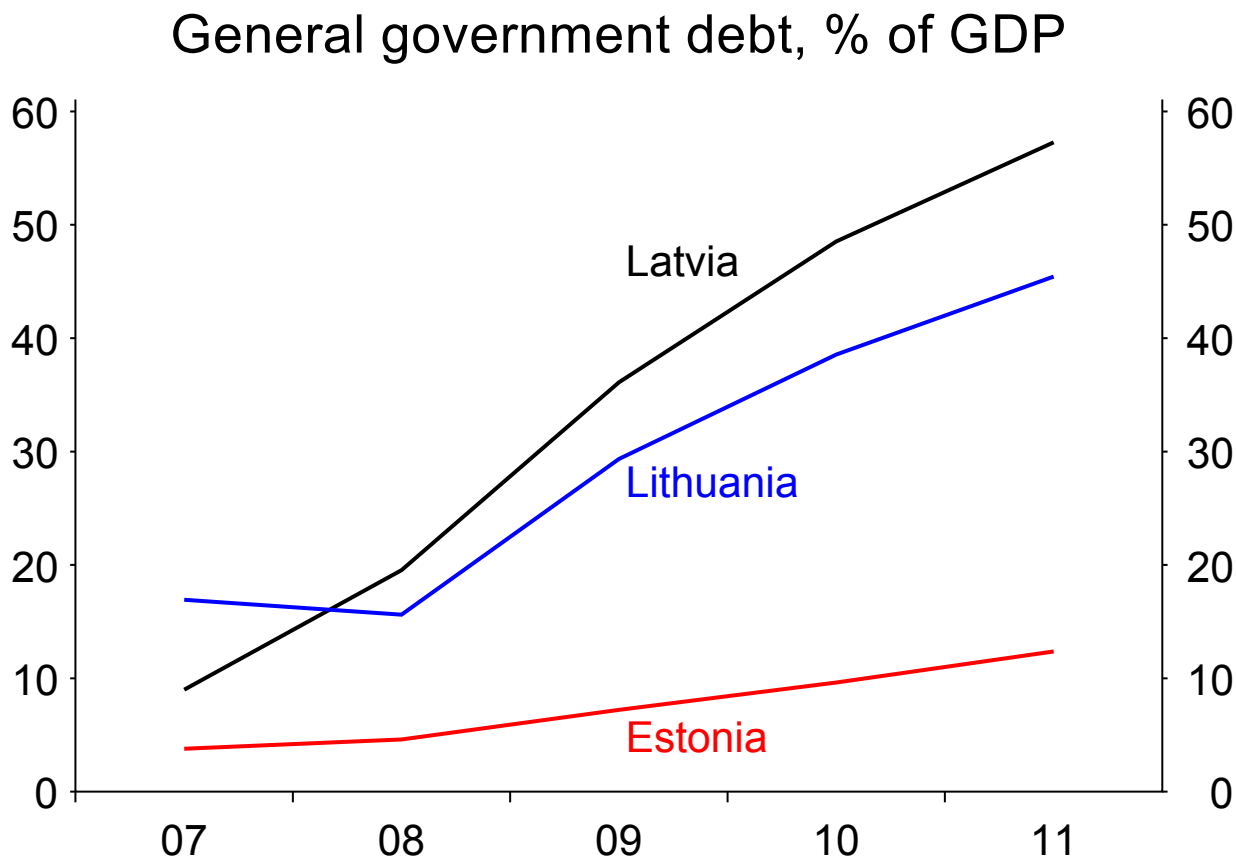
Source: OECD

Baltic countries budget deficits – mixed bags

General government deficit, % of GDP



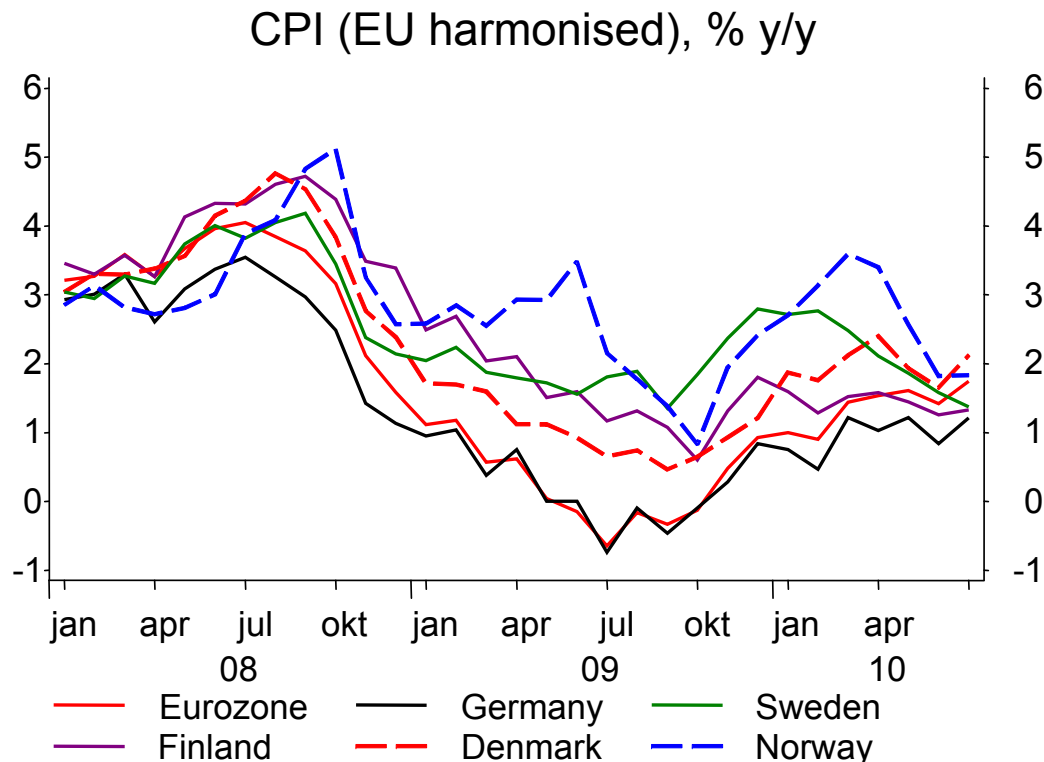
Lower public debt in the Baltic countries than in the Eurozone



Source: European commission

Inflation rate declining in line with forecast

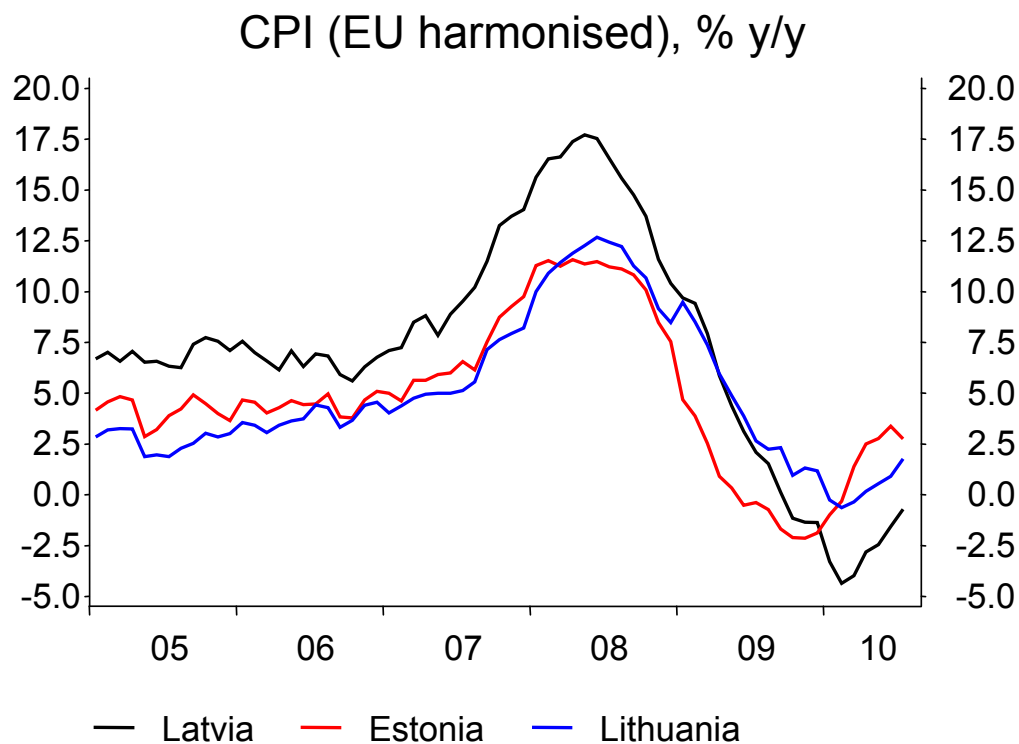
- Sweden
 - Weak exchange rate in 2009 important factor => inflation will decline going forward



Source: Eurostat

Easing deflationary pressure in the Baltic countries

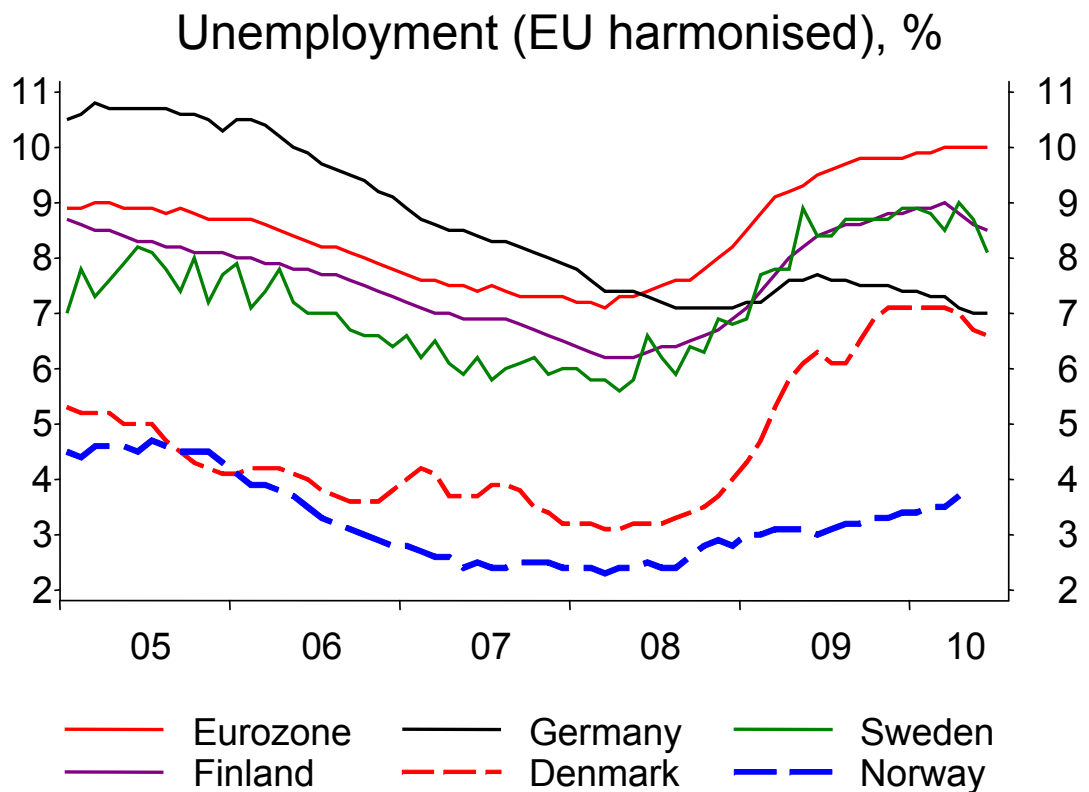
- But CPI ex food and energy continues to fall



Source: Eurostat

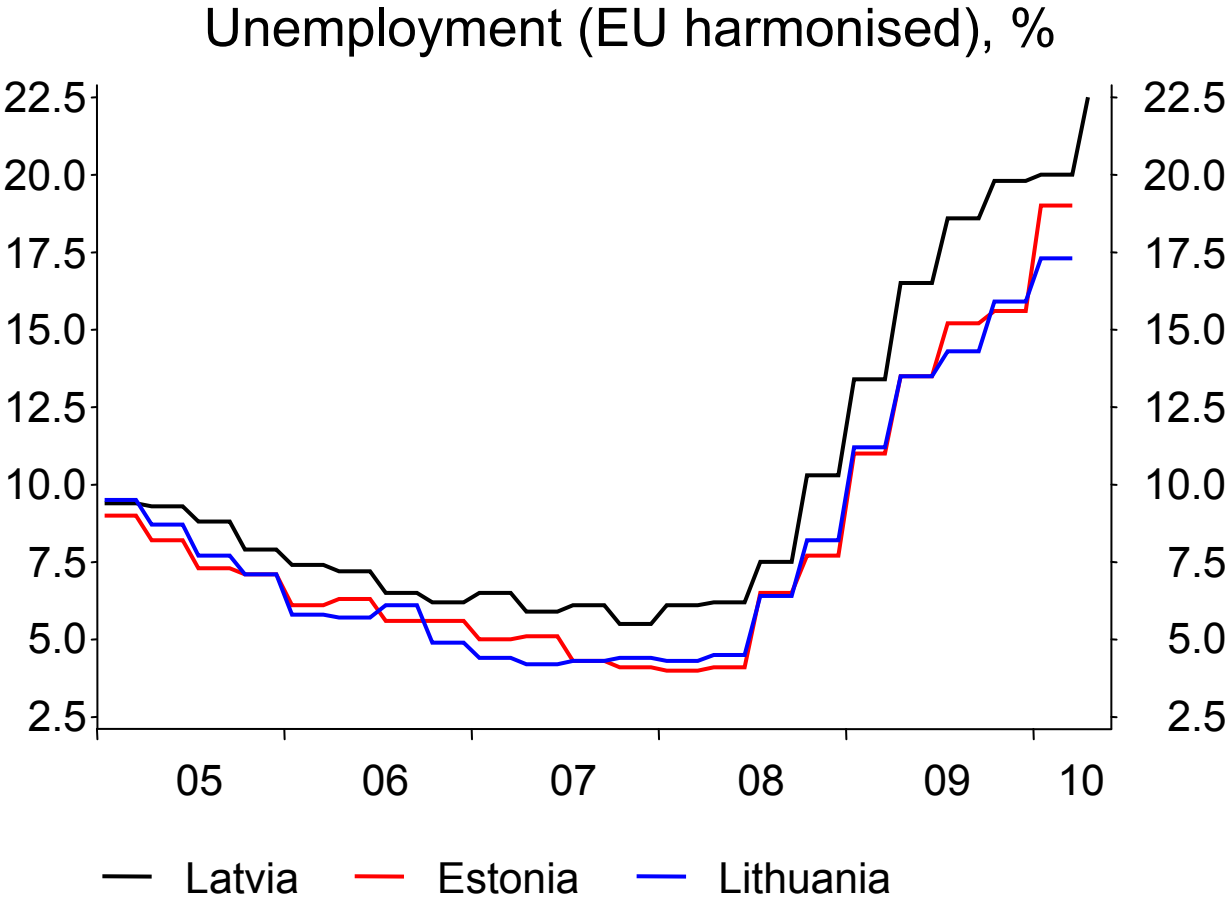
Unemployment starting to decline

- Sweden
 - Higher labour force participation behind recent trend in Sweden, employment has already started to rise



Source: Eurostat

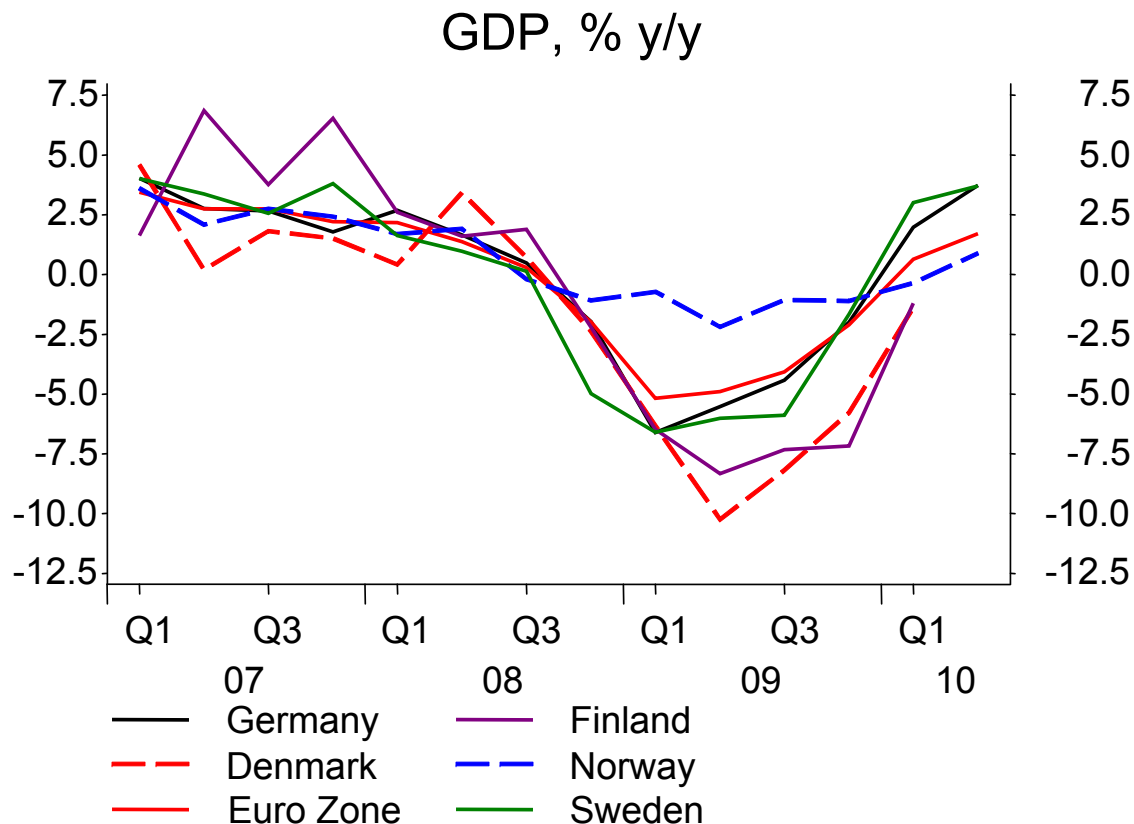
Baltic unemployment very high



Source: Eurostat

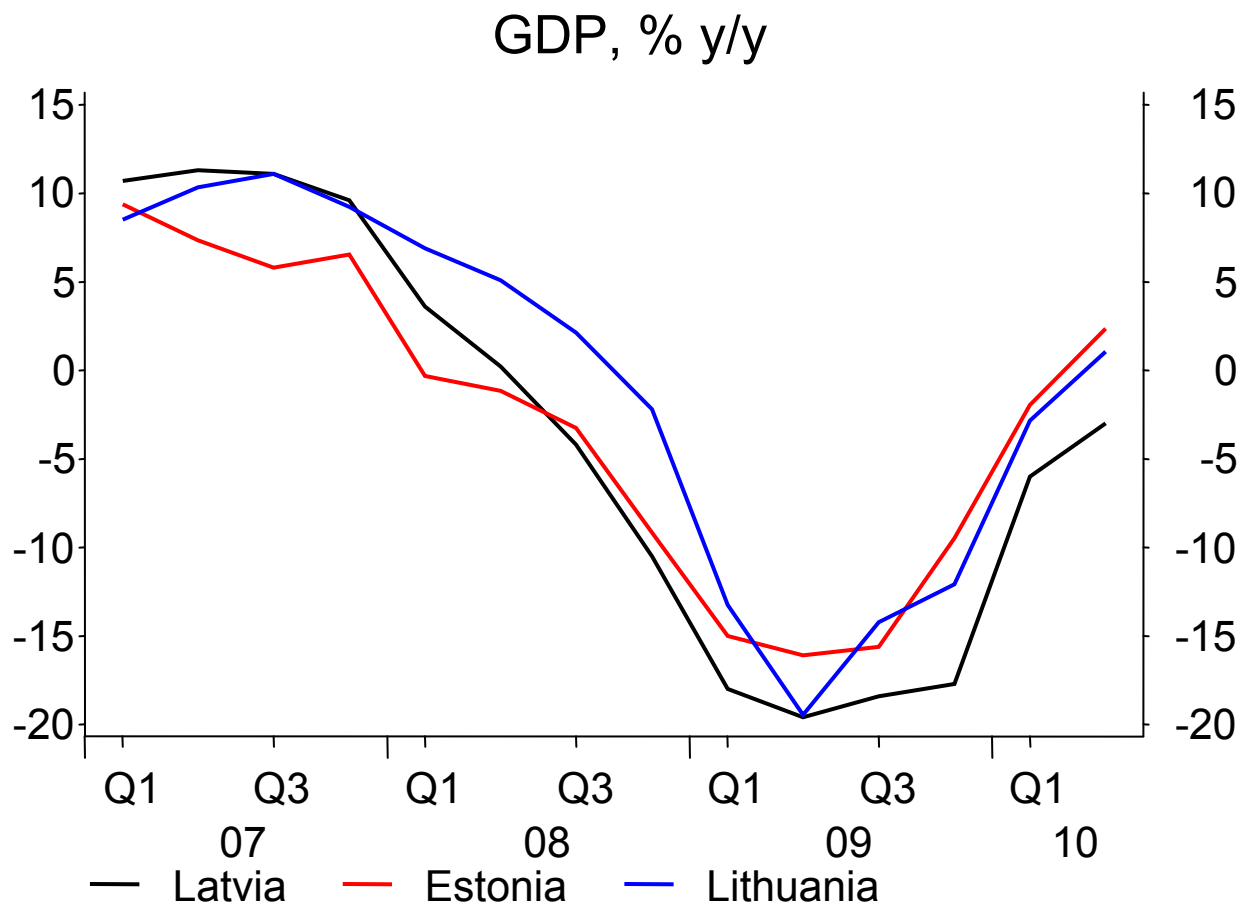
Nordics – more signs of stronger recoveries in 2010

- Larger GDP falls in the Nordic countries in 2009
- Mild recession in Norway



Source: Eurostat

Signs of stabilisation in the Baltic countries



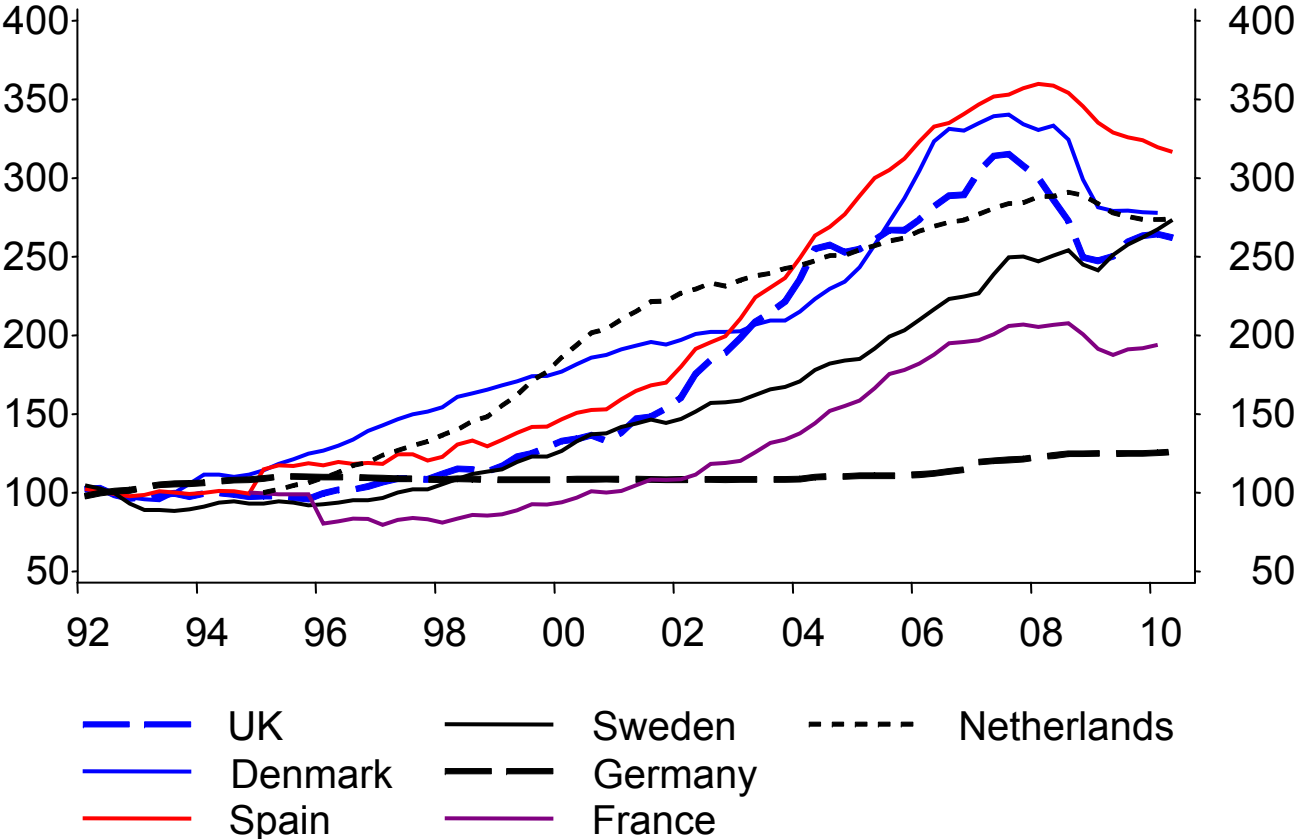
Source: Eurostat

Swedish housing market

Swedish house prices

International comparison

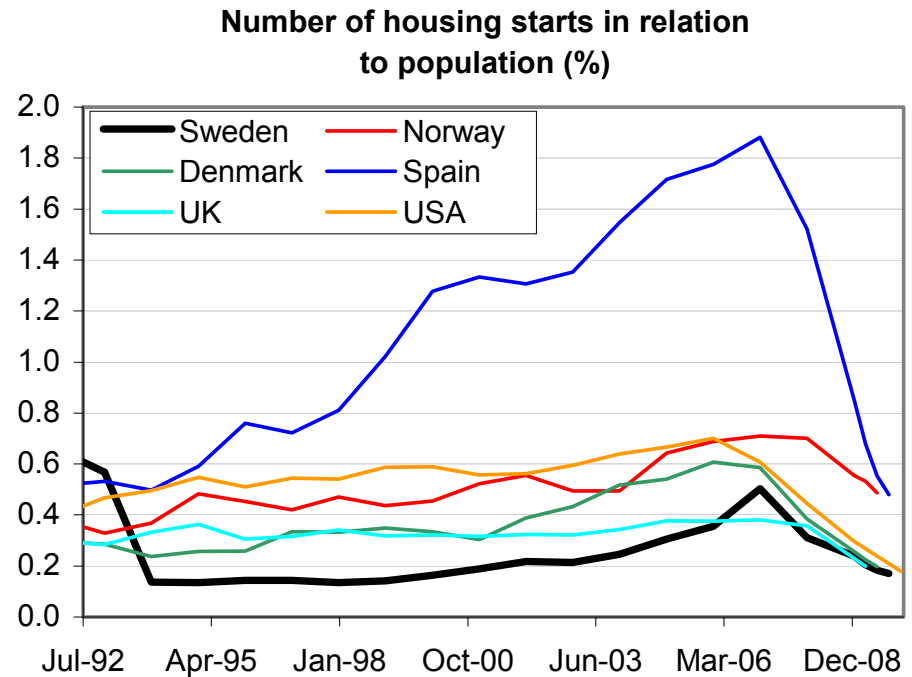
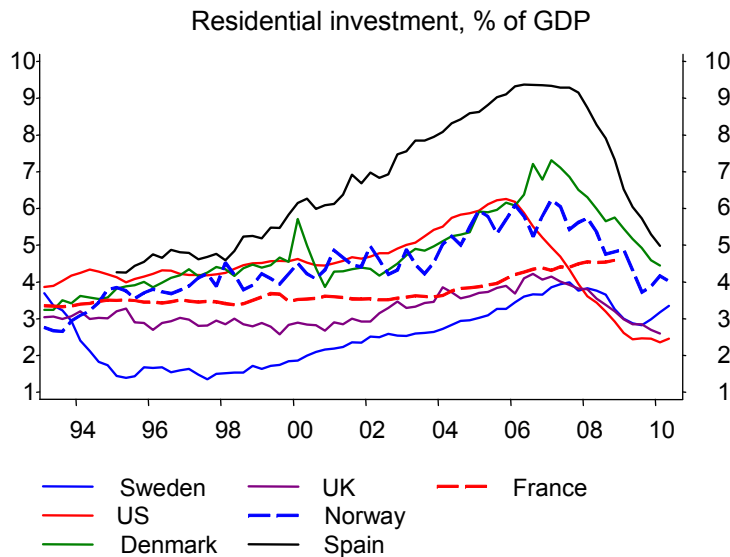
House prices, index 1992 = 100



Source: Reuters EcoWin

Low residential investments and number of housing starts

International comparison
Marked recovery in 2010

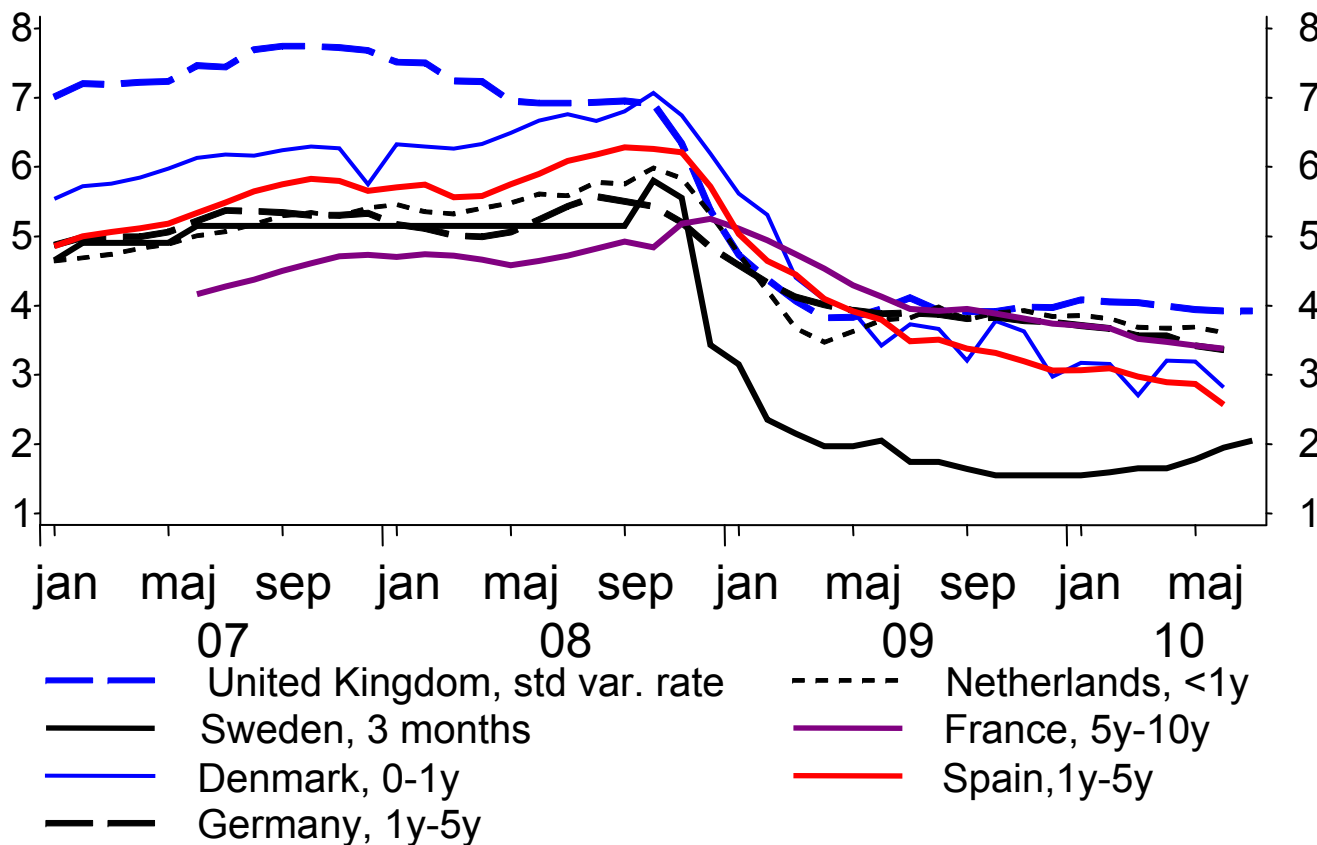


Source: Riksbank Stability Report 2009:2

Low lending rates

International comparison

Mortgage lending rates, %



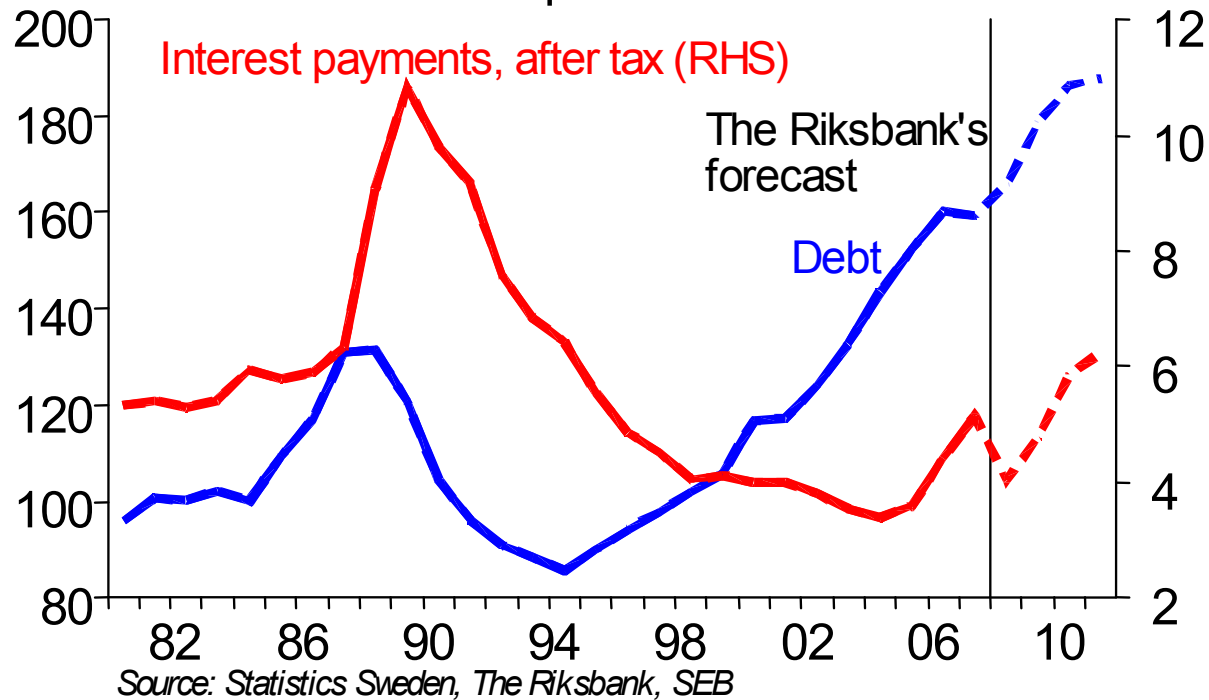
Source: Reuters EcoWin

Interest rate payments share of income

Rising from historical lows

- Majority of households have floating mortgage rates
- According to stress tests by the Swedish Riksbank, households' debt-servicing ability is affected primarily by higher mortgage rates.

Swe: Household debt and interest ratio
% of disposable income



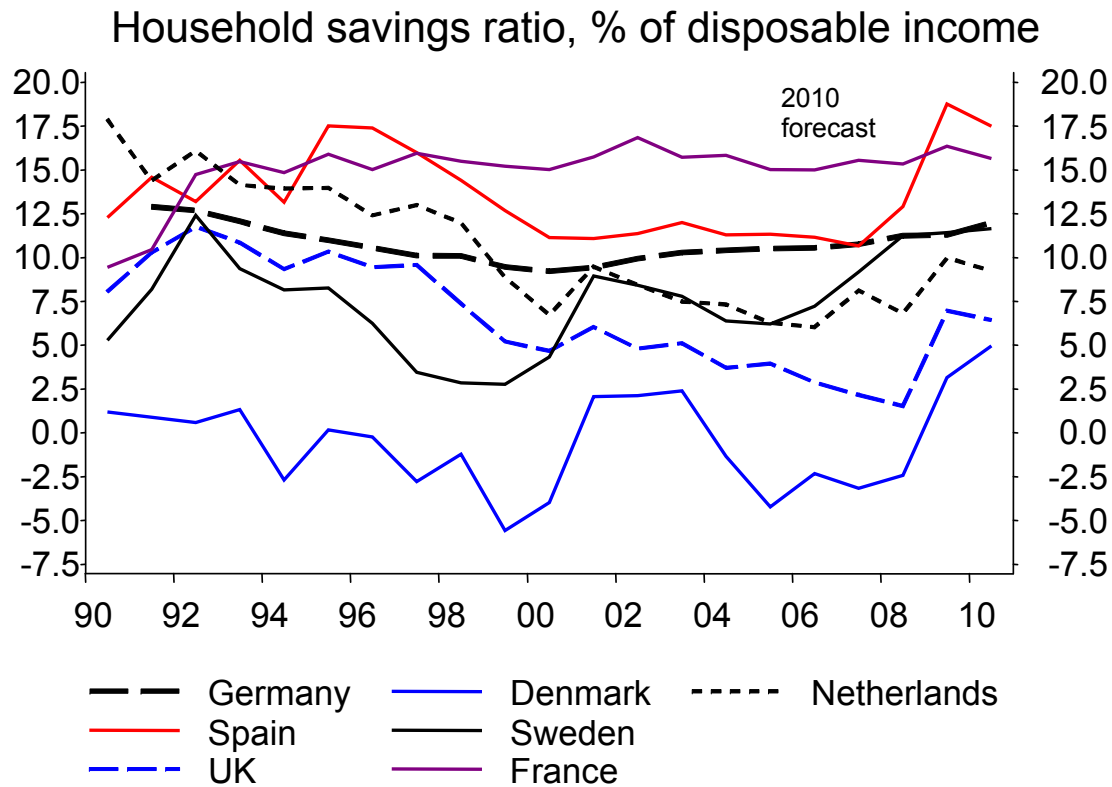
Improved Labour market situation

- Stress tests show that:
 - Increased unemployment only affects the banks' loan losses to a small extent.
 - Although the proportion of vulnerable households increases if unemployment rises by 6%-points, the potential loan losses only increase marginally.



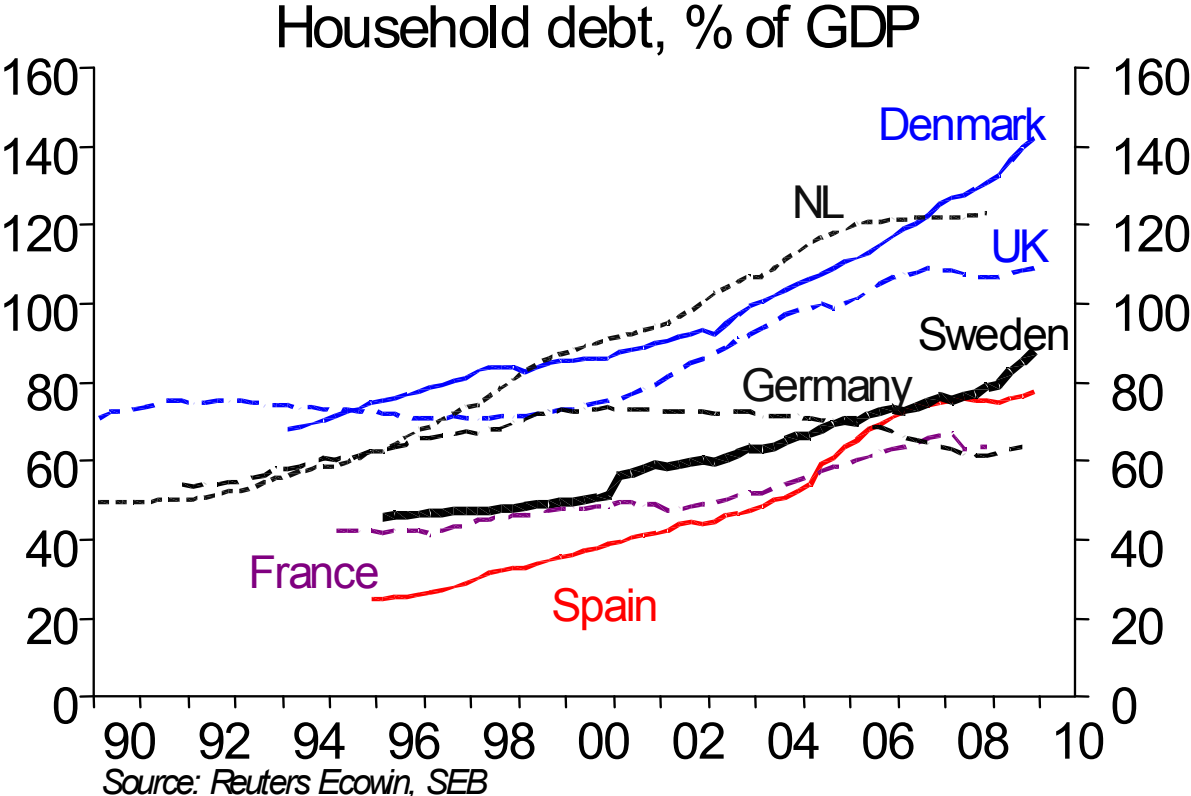
High household savings ratio

International comparison

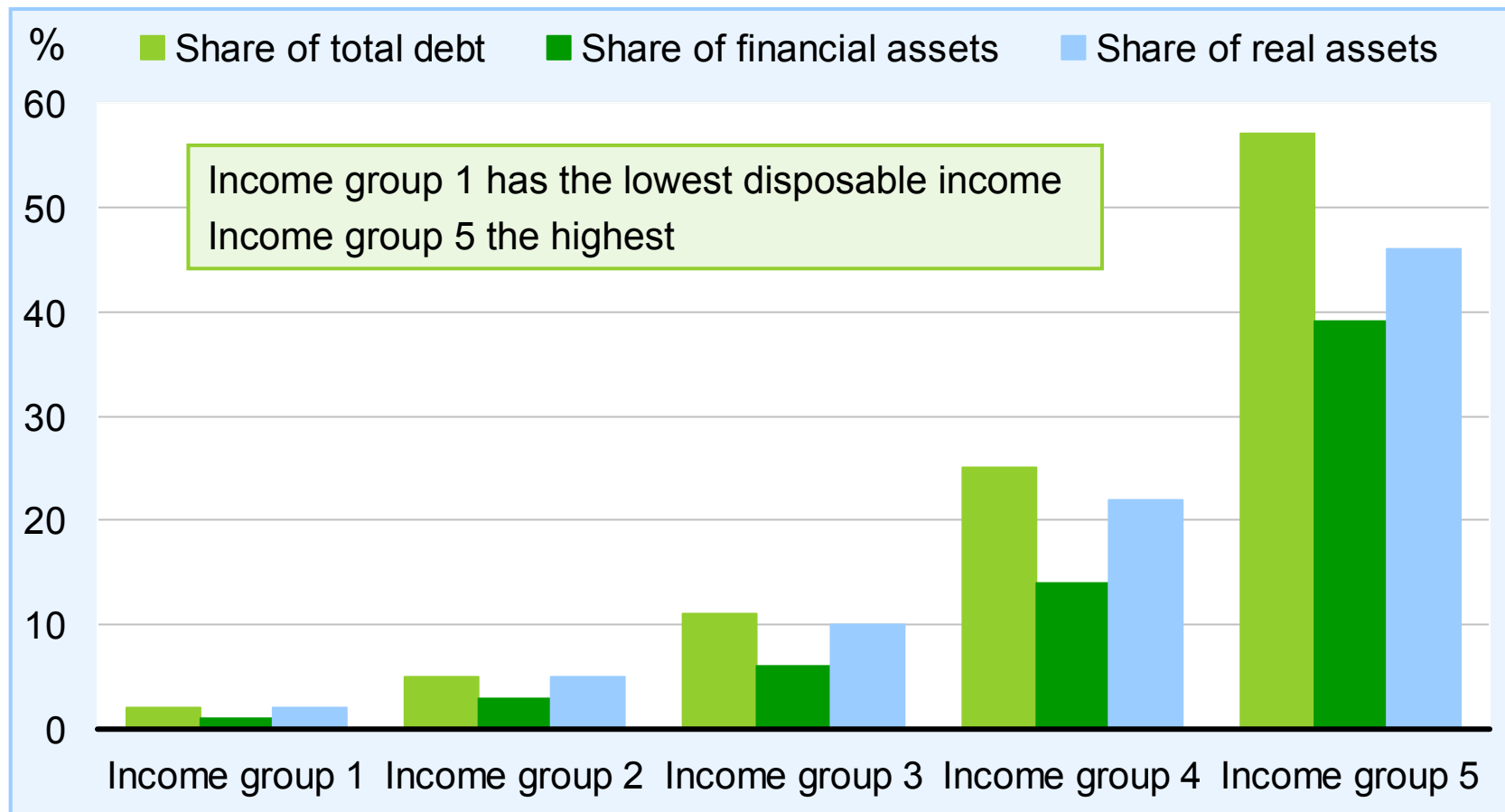


Source: OECD

Swedish household debt as share of GDP



Majority of Assets and Debt held by households with higher income



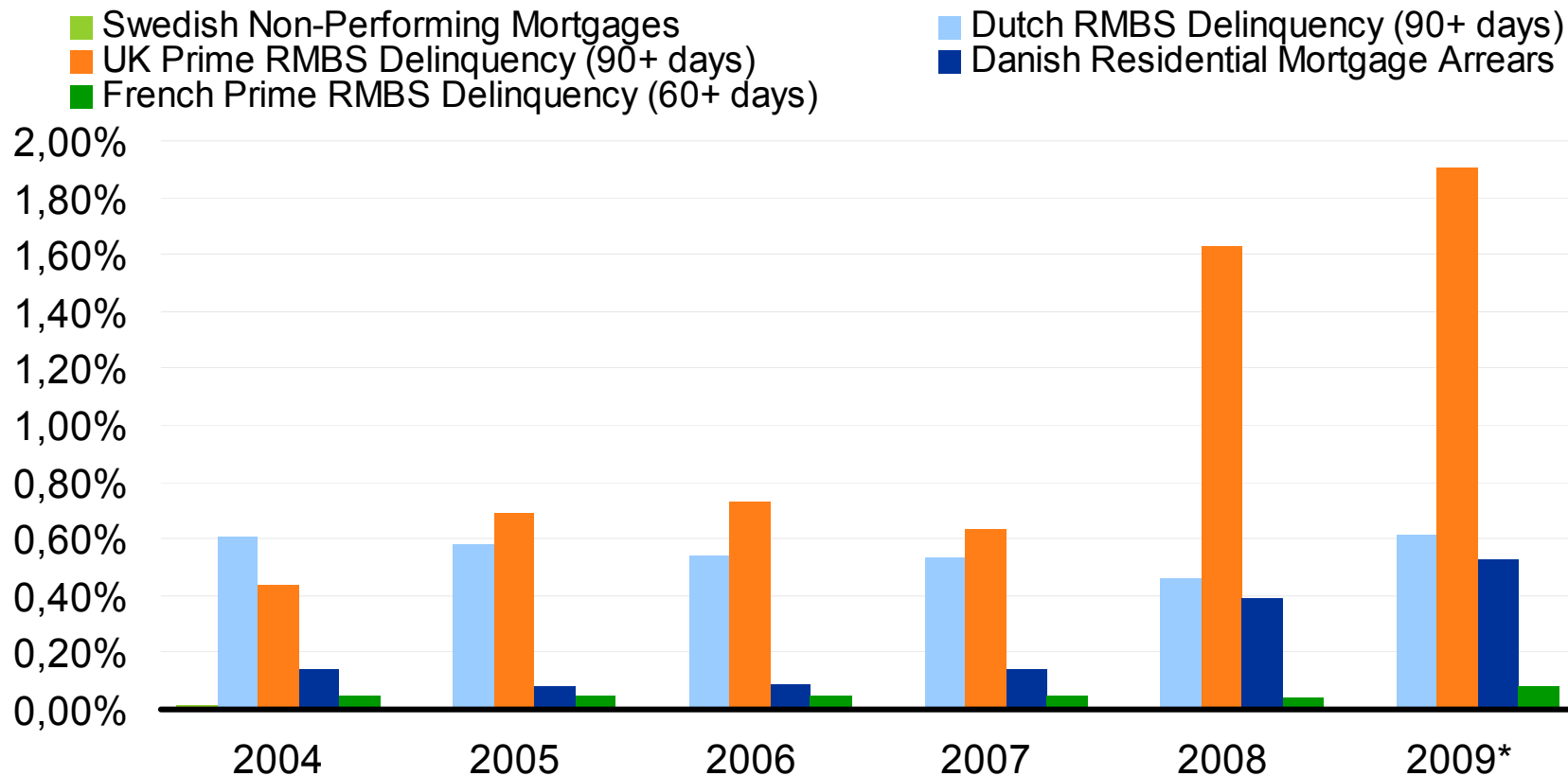
Source: Sveriges Riksbank Nov 2009

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The Swedish Mortgage Market and Covered Bonds

Excellent Asset Quality of Swedish mortgages

International comparison



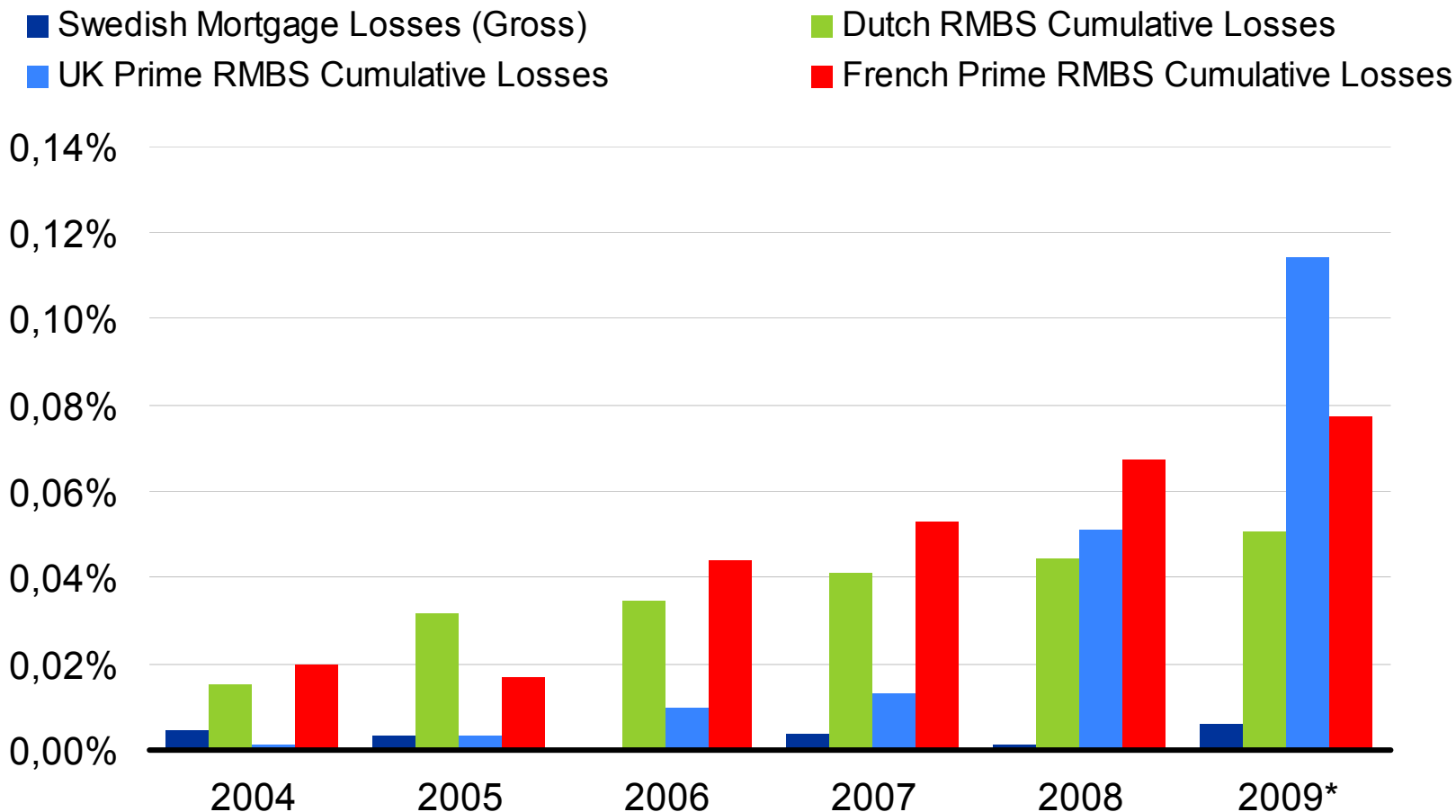
Source: Moody's for UK and Dutch RMBS data, Association of Danish Mortgage Banks for Danish mortgage data

*Sep-2009 for Swedish data, Oct-2009 for UK and Dutch data, Jun-2009 for Danish data

- Danish Residential Mortgage Arrears, payments due (interest and amortisation) on a due at year end, which has not been repaid 3.5 months after this date, as a percentage of the total amount due at year end
- Danish mortgage loss data not available

Excellent Asset Quality of Swedish mortgages

International comparison



Source: Moody's for UK and Dutch RMBS data

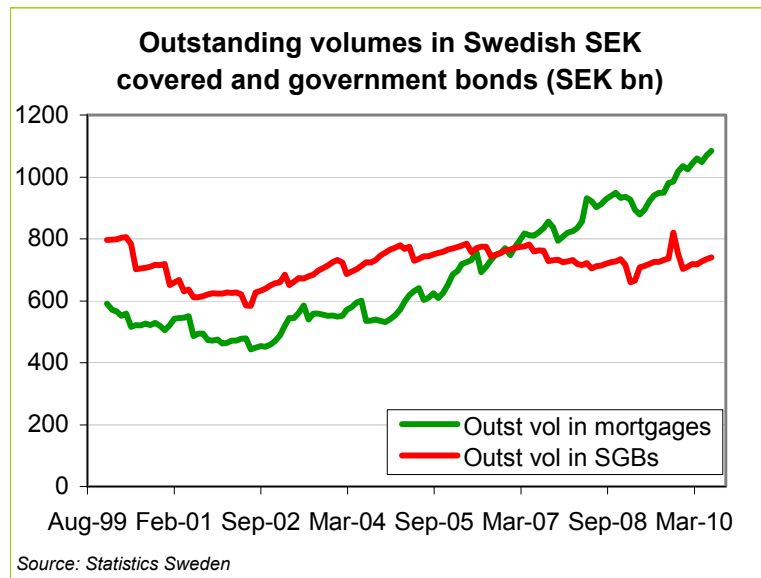
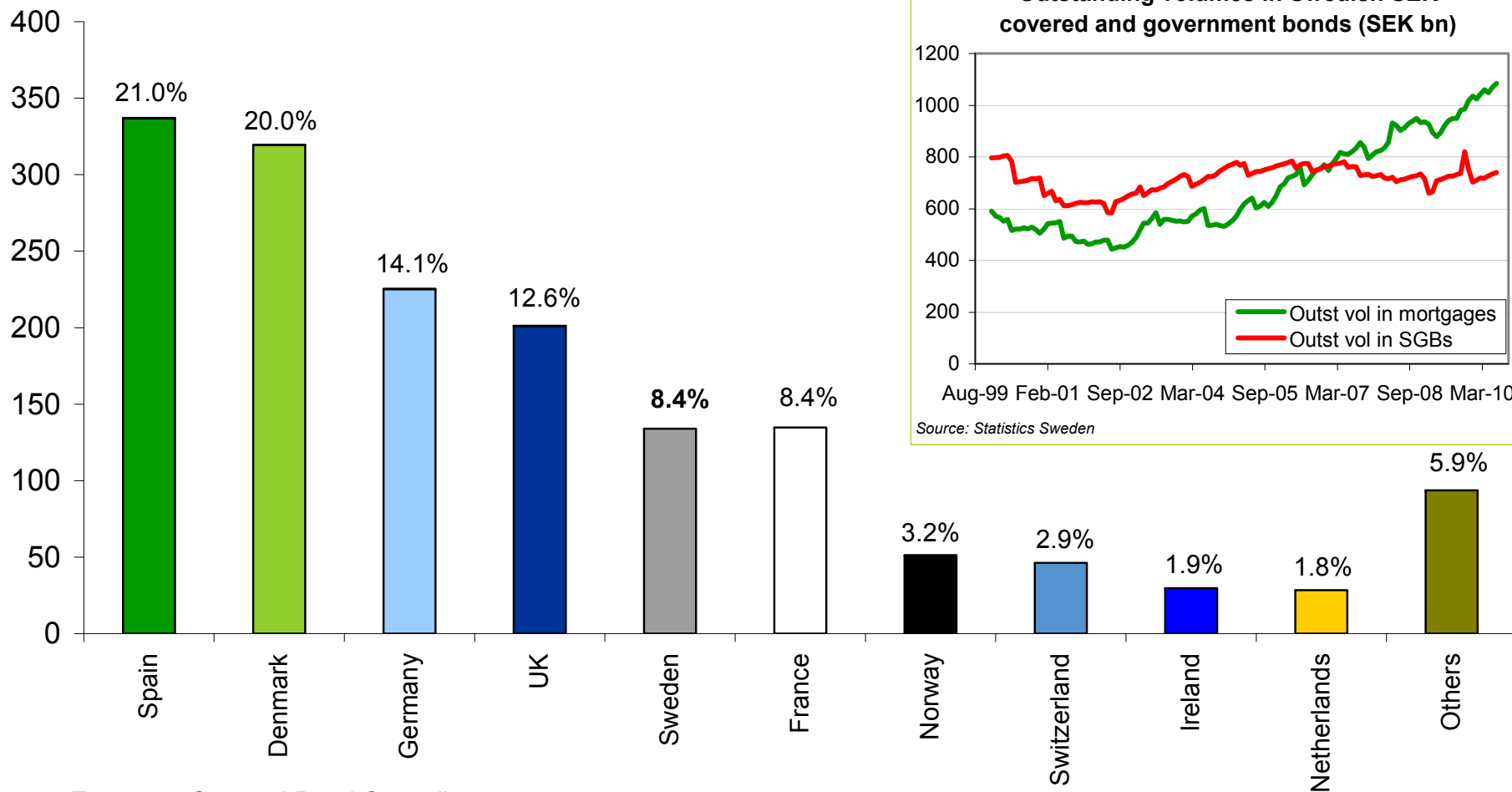
*Sep-2009 for Swedish data, Oct-2009 for UK, Dutch and French data

Sweden fourth * largest mortgage covered bond market in Europe

* If excluding structured bonds in the UK figures

Outstanding volumes in mortgage covered bonds within the EU

End 2009, EUR bn



Source: European Covered Bond Council

The Swedish Covered Bond Act, 2004

- **Functional legislation (non-specialist principle)**
- **Eligible collateral**
 - Residential property (75% LTV)
 - Agricultural property (70% LTV)
 - Commercial property (60% LTV, <10% of collateral pool)
 - Substitute collateral (0% riskweighting, < 20% of cover pool)
- **Detailed regulations governing cover pool management**
 - Restrictive ALM rules including daily NPV matching and stress tests, providing robust protection against market risks
 - Regular valuation of mortgage values required by law, forcing issuer to replenish pool in case of housing market downturn
 - Loans in arrears for more than 60 days will not be counted towards the value of the cover pool

The Swedish Covered Bond Act, 2004

Bankruptcy of the issuing entity

- **A recent amendment to the Swedish Covered Bond Act**
 - An explicit and broad mandate for the issuer's bankruptcy administrator to enter into loan, derivative, repo and other transactions with a view to achieving matching (liquidity, currencies, interest rates and interest periods) between the cover pool, covered bonds and derivative contracts.
 - The amendments entered into force on June 1, 2010.
- **One or more administrator(s) will be appointed in bankruptcy.**
 - Ordinary bankruptcy proceedings and management of the cover pool
- **Holder(s) of covered bonds have a preferential claim on the asset pool, which is monitored by an independent inspector**
 - Asset pool, covered bonds and derivatives are separated from the bankruptcy estate to allow for uninterrupted payments

A comparison to the Pfandbrief Act

Similarities

- No special banking principle
- Only mortgage and public loans as collateral (no MBS)
- A regular determination of the underlying value of the property and revaluation if certain triggers kick in
- Nominal and NPV collateralization
- Cover pool register – once recorded the loans form part of the cover pool
- No issuance limit

Differences

- **Cover pool**
 - Germany: Two cover pools; Public and Mortgage. Sweden: One cover pool
- **LTV limit for residential mortgage loans**
 - Germany: 60% Sweden: 75%
- **Commercial mortgages loans**
 - Germany: unrestricted utilization Sweden: 10% cap
- **Substitute collateral**
 - Germany: 20% of liabilities (excl.OC) Sweden: 20% of cover pool
- **Geographical scope for eligible mortgage loans**
 - Germany: EEA, Switzerland, USA, Canada, Japan. Sweden: EEA
- **Geographical scope for eligible public assets (substitute collateral)**
 - Germany: EEA, Switzerland, USA, Canada, Japan. Sweden: EEA and OECD
- **Mandatory OC (NPV)**
 - Germany: 2% in Germany. Sweden: no clearly stipulated minimum

Swedish Covered Bonds – One Voice

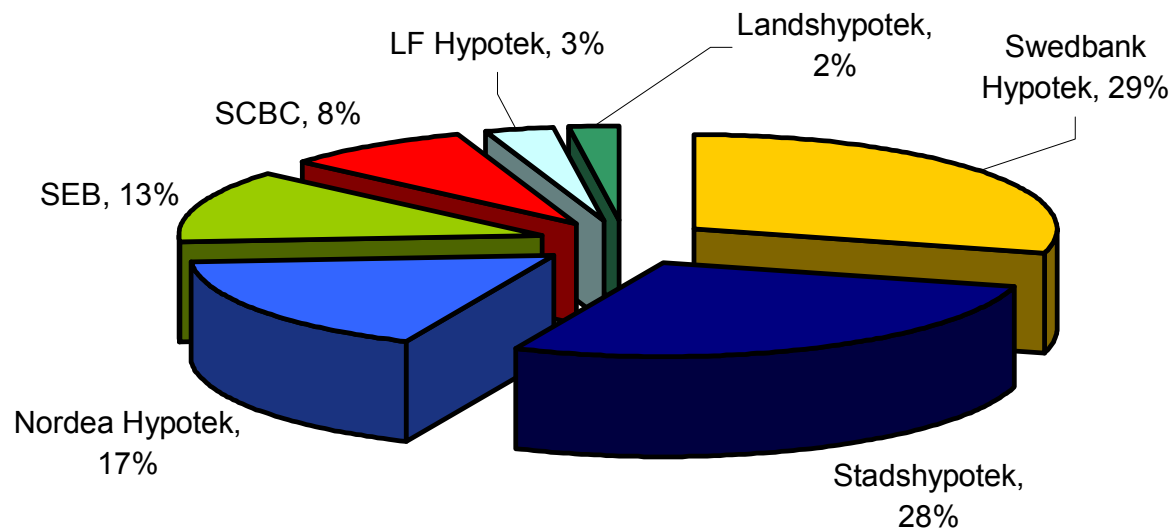
ASCB - Association of Swedish Covered Bond Issuers

● Purpose

- Represent and promote the interests of the Swedish covered bond market
- Represent the interests of Swedish covered bond issuers by participation in international covered bond associations
- *Support and advise the legislative and governmental bodies in all matters related to Swedish covered bonds*
- Promote the long term development of Swedish covered bonds as being a highly secure product for financing of mortgage and public lending
- *Act as a network and platform for the exchange of information and co-operation between its 7 members*
- Act as a network and platform for the exchange of information with external market players

Five players dominate the Swedish covered bond market

Market share in terms of cover pool notional
As of Q1 2010

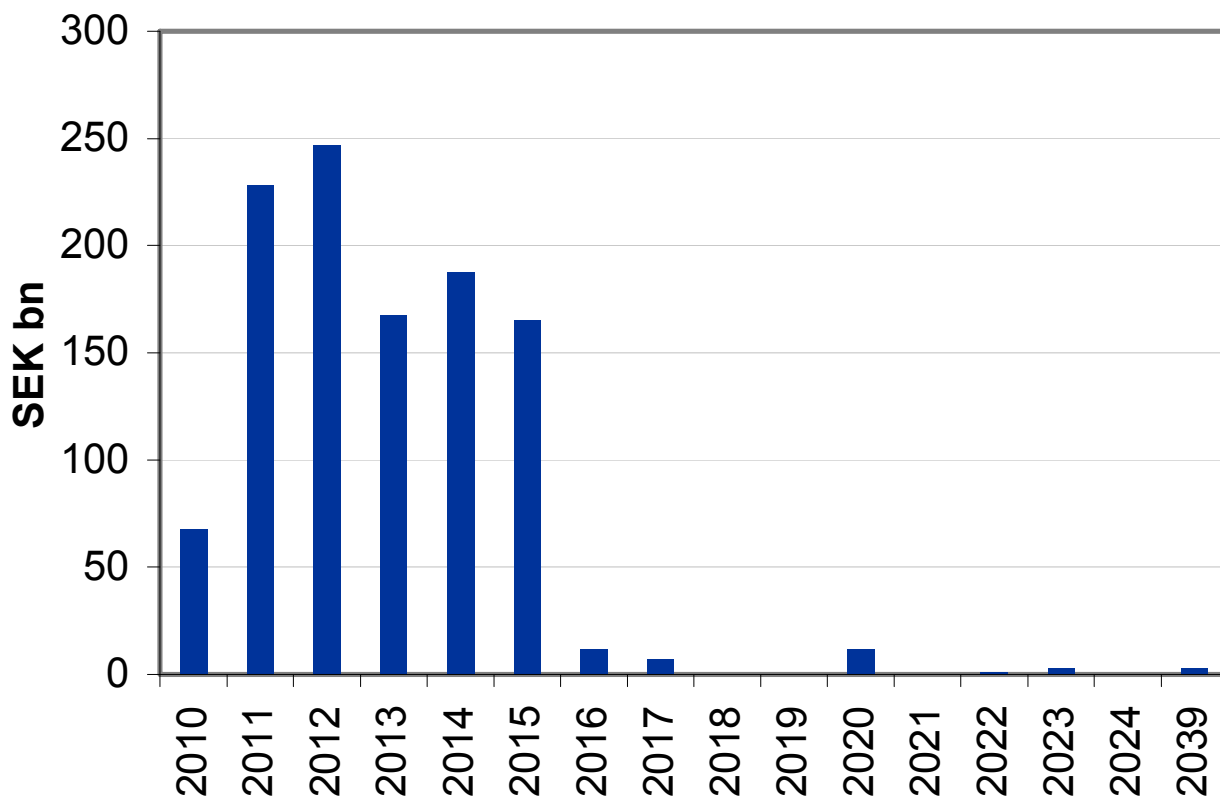


Source: Company information

Outstanding volume concentrated in 2-5y segment

Maturity profile of fixed SEK bonds

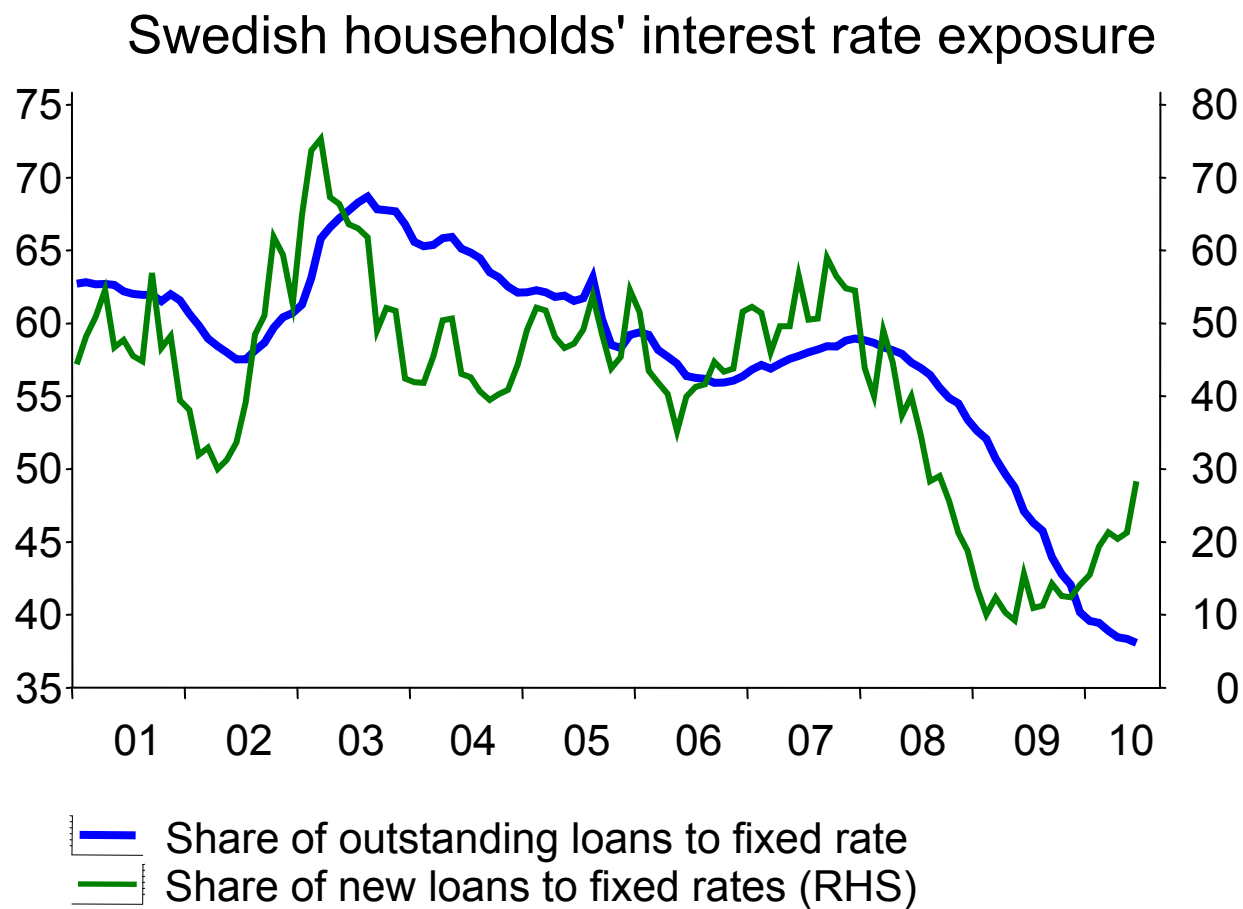
August 2010



Source: Company information, Reuters

- However, relatively low refinancing risk at redemptions by international standards thanks to:
 - *Swedish covered bond issuers' market practice regarding redeeming bonds is to smooth refinancing risks over time.*
 - *Well ahead of redemptions issuers mostly offer investors the opportunity to switch into a bond of longer maturity.*

► Reflects households' choice of interest rate exposure



Source: Statistics Sweden