

FITCH UPGRADES SWEDEN'S LANDSHYPOTEK TO 'A+'

Fitch Ratings-London/Frankfurt-30 November 2006: Fitch Ratings has today upgraded the ratings of Sweden's Landshypotek ("LH") to Issuer Default 'A+' from 'A' and Individual 'B' from 'B/C'. The Short-term and Support ratings are affirmed at 'F1' and '3' respectively. The Outlook remains Stable.

The Issuer Default rating ("IDR") of General Mortgage Bank of Sweden is also upgraded to 'A+' from 'A' reflecting its integration with LH. The Support rating is upgraded to '1' from '3', reflecting the potential support available to it from LH, and the Short-term rating is affirmed at 'F1'. The Individual rating is affirmed at 'B/C' and simultaneously withdrawn, due to the limited activities of the bank. The Outlook remains Stable.

The upgrade of LH's Issuer Default and Individual ratings reflect the renewed focus of the bank on its core areas of activity and expertise, mortgage loans to the agricultural and forestry sectors in Sweden. The bank is the largest lender to this sector with a market share of near 45%.

"Fitch views positively the fact that LH will concentrate on its core areas of expertise," says Tim Beck, Director of Fitch's Financial Institutions Group. "Loan quality in this area is extremely strong, and LH has experienced minimal losses here, even during the recession of the early 1990s."

In the early 2000s, LH widened its activities to lend mainly to the energy sector. One group of exposures, to Energisystem i Sverige, has been the main source of provisioning requirements since 2003, and this has now been sold, removing any uncertainty over the ultimate cost.

Capitalisation is robust; the bank reported a Tier 1 ratio of 8.4% at end-September 2006, which includes 100% risk-weighting for the majority of its assets, which Fitch considers very conservative.

Funding is predominantly wholesale. LH has permission from the Swedish FSA to issue mortgage-backed covered bonds, and is considering converting current debt to covered bonds. The bank estimates that around 95% of its lending would qualify for the covered pool.

"If such a large scale conversion to covered bonds were to occur, it is likely that senior unsecured creditors would effectively be subordinated to the covered bonds," adds Mr. Beck.

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