

Swedish Export Credit Corp.

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Swedish Export Credit Corp.

Major Rating Factors

Strengths:

- Extremely high likelihood of government support.
- Very good loan asset quality.
- Robust capitalization.

Weaknesses:

- Concentration on large individual exposures.
- Low profitability.
- Entirely wholesale funded.

Counterparty Credit Rating

AA+/Stable/A-1+

Rationale

The ratings on state-owned Swedish Export Credit Corp. reflect our opinion that there is an extremely high likelihood of extraordinary support for the company from the Kingdom of Sweden (AAA/Stable/A-1+). They are also underpinned by the company's very good loan asset quality and robust capitalization. Factors constraining the ratings include the company's significant large exposure risk, low profitability, and high dependence on wholesale funding.

With total assets of Swedish krona (SEK) 371 billion (€39 billion at SEK9.58 to €1) on March 31, 2010, Swedish Export Credit Corp. is a specialized provider of long-term financial solutions. Credit is extended to any area of Swedish economic life that is directly or indirectly linked to the export industry. To widen its revenue base and leverage its expertise, Swedish Export Credit Corp. has developed advisory services and arranged debt capital market transactions for customers.

In line with our enhanced methodology for government-related entities, we assess the likelihood of timely and sufficient extraordinary government support to Swedish Export Credit Corp., in the event of financial distress, to be 'extremely high', which results in an uplift from the company's stand-alone credit profile of four notches. This is based on our assessment that Swedish Export Credit Corp. plays a 'very important' role for the government and that the link between the company and the government is 'integral'. The Swedish government holds a 100% stake in Swedish Export Credit Corp. and has demonstrated its support for the company in a number of tangible ways in the recent past.

We view Swedish Export Credit Corp.'s asset quality as very good. Nevertheless, in 2008, the company had to make substantial loan loss provisions (related to an Icelandic bank and a collateralized debt obligation) as well as take over the collateral for a loan to Sparbanksstiftelsernas Förvaltnings AB. In addition, the sizeable loan risk concentrations that arise as a result of Swedish Export Credit Corp.'s business model are material with respect to the company's capital, and could become a rating constraint. This risk is mitigated by the good management and balance of these large exposures against the use of guarantees and other credit risk derivative protection.

Even though Swedish Export Credit Corp.'s capital was significantly strengthened at year-end 2008 by an equity injection of SEK5.4 billion by the owner, we expect the company's capital ratios to gradually decline as it expands

lending to meet the specific purpose of the capital injection. As at March 31, 2010, the company's Tier 1 capital stood at 18.9%. Our risk-adjusted capital ratio, which does not give any equity credit to the company's hybrids and from which the equity holdings in Swedbank AB are deducted, was 10.5% at year-end 2009.

As a result of its business model, Swedish Export Credit Corp. is entirely dependent on wholesale funding. We consider the company's funding strategy to be prudent, and that the company benefits from very strong name recognition in the international capital markets. Swedish Export Credit Corp. has continued to have good access to both short-term and long-term funds and has not needed to use either a SEK100 billion facility or a guarantee offered by the government.

Outlook

The stable outlook reflects our view that there is an 'extremely high' likelihood of extraordinary support from the Swedish government if necessary. It also reflects the company's strong loan asset quality and very robust capitalization.

A negative rating action could follow if there are indications that government support will be less forthcoming than we currently expect, even though we consider this scenario unlikely. A negative rating action could also follow if the company's stand-alone credit profile were to deteriorate significantly from its current levels. A positive rating action is unlikely at this stage.

Table 1

Swedish Export Credit Corp. Risk-Adjusted Capital Data						
(Bil. SEK)	Exposure*	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)	
Credit risk						
Government and central banks	183	1	0	8	4	
Institutions	138	34	24	27	20	
Corporate	39	22	56	36	93	
Retail	0	0	0	0	0	
Of which mortgage	0	0	0	0	0	
Securitization	34	7	21	11	32	
Other assets	0	0	0	0	0	
Total credit risk	394	63	16	82	21	
Market risk						
Equity in the banking book¶	3	0	0	12	460	
Trading book market risk	--	0	--	0	--	
Total market risk	--	0	--	12	--	
Insurance risk						
Total insurance risk	--	--	--	0	--	
Operational risk						
Total operational risk	--	3	--	6	--	
(Bil. SEK)		Basel II RWA		Standard & Poor's RWA	% of Standard & Poor's RWA	

Table 1

Swedish Export Credit Corp. Risk-Adjusted Capital Data (cont.)				
Diversification adjustments				
RWA before diversification	66		100	100
Total adjustments to RWA	--		8	8
RWA after diversification	66		108	108
(Bil. SEK)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	13	19.0	11	11.4
Capital ratio after adjustments§	13	17.9	11	10.5
*Exposure at default. ¶Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. §Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. SEK--Swedish krona. Sources: Company data as of Dec. 31, 2009, Standard & Poor's.				

Table 2

Swedish Export Credit Corp. Asset Quality, Funding, And Liquidity Ratios					
	--Year-ended Dec. 31--				
(%)	2010*	2009	2008	2007	2006
New loan loss provisions/average customer loans	0.02	0.12	0.14	N.M.	N.M.
Net charge-offs/average customer loans	(0.0)	0.2	(0.0)	N.M.	N.M.
Customer deposits/funding base	0.0	0.0	0.1	0.0	0.0
Total loans/customer deposits	15,623,976.9	N.M.	98,249.4	279,855.5	170,077.3
Total loans/customer deposits plus long-term funds	1,201.0	1,232.5	1,312.2	1,576.7	1,353.2
Customer loans (net)/assets (adjusted)	42.8	44.0	36.2	31.9	35.4

*Data as of March 31. N/A--Not applicable. N.M.--Not meaningful.

Table 3

Swedish Export Credit Corp. Profitability Ratios					
	--Year-ended Dec. 31--				
(%)	2010*	2009	2008	2007	2006
Net interest income/average earning assets	0.49	0.60	0.54	0.35	0.39
Net interest income/revenues	104.8	64.4	140.4	101.4	96.3
Fee income/revenues	0.4	(0.0)	1.2	1.5	(0.0)
Market-sensitive income/revenues	(5.2)	35.6	(41.6)	(3.0)	0.5
Personnel expense/revenues	15.9	10.1	20.8	23.9	19.1
Noninterest expenses/revenues	27.6	15.4	31.8	35.6	31.8
New loan loss provisions/revenues	2.0	7.9	50.2	0.0	0.0
Net operating income before loan loss provisions/loan loss provisions	3,583.8	1,063.7	135.7	N.M.	N.M.
Net operating income after loan loss provisions/revenues	70.4	76.6	17.9	64.4	68.2
Pretax profit/revenues	70.4	76.5	16.8	61.7	65.6
Tax/pretax profit	27.1	27.1	22.3	30.4	29.0
Core earnings/revenues	58.7	37.6	56.7	45.6	49.2
Core earnings/average adjusted assets	0.3	0.3	0.2	0.1	0.2

Table 3

Swedish Export Credit Corp. Profitability Ratios (cont.)					
Noninterest expenses/average adjusted assets	0.1	0.1	0.1	0.1	0.1
Core earnings/average risk-weighted assets	1.1	1.3	0.7	0.5	0.9
Core earnings/average adjusted common equity	7.9	10.7	8.4	8.6	10.5
Pretax profit/average common equity (%)	8.2	19.9	2.5	11.8	13.8

*Data as of March 31. N.M.--Not meaningful.

Table 4

Swedish Export Credit Corp. Capital Ratios					
	--Year-ended Dec. 31--				
(%)	2010*	2009	2008	2007	2006
Adjusted common equity/risk assets (%)	14.5	13.0	10.5	5.4	8.1
Tier 1 capital ratio	18.9	17.9	14.8	6.5	9.4
Adjusted total equity/adjusted assets	2.9	2.7	2.8	1.8	2.0
Adjusted total equity/managed assets	2.9	2.7	2.8	1.8	2.0
Adjusted total equity plus loan loss reserves (specific)/customer loans (gross)	6.7	6.1	7.7	5.5	5.6
Common dividend payout ratio	0.0	30.0	0.0	0.0	0.0

*Data as of March 31.

Table 5

Swedish Export Credit Corp. Summary Balance Sheet					
	--Year-ended Dec. 31--				
(Mil. SEK)	2010*	2009	2008	2007	2006
Assets					
Cash and money market instruments	0.0	0.0	0.0	0.0	0.0
Securities	131,534.3	135,096.0	138,046.5	136,223.1	119,279.8
Trading securities (marked to market)	6,412.9	7,399.3	7,757.8	0.0	118,972.9
Nontrading securities	125,121.4	127,696.7	130,288.7	136,223.1	306.9
Loans to banks (net)	44,071.9	41,179.7	48,399.6	24,812.6	14,159.0
Customer loans (gross)	159,039.8	163,389.2	134,049.5	94,685.7	81,084.3
Customer loans (net)	159,039.8	163,389.2	134,049.5	94,685.7	81,084.3
Earning assets	334,646.0	339,664.9	320,495.6	255,721.4	214,523.1
Investments in unconsolidated subsidiaries (financial companies)	2,803.0	2,710.0	N/A	N/A	N/A
Intangibles (nonservicing)	10.7	10.7	10.9	17.3	37.7
Fixed assets	130.4	120.0	125.5	126.7	130.9
Derivatives credit amount	25,856.7	22,654.1	38,929.0	33,812.1	6,802.1
Accrued receivables	3,611.5	4,465.3	6,111.5	5,292.0	4,207.8
All other assets	4,183.0	1,962.9	4,341.7	2,289.7	3,499.5
Total assets	371,230.2	371,588.0	370,014.2	297,259.2	229,200.9
Intangibles (nonservicing)	10.7	10.7	10.9	17.3	37.7
Adjusted assets	371,230.2	371,577.3	370,003.3	297,241.9	229,163.2
Liabilities					
Total deposits	7,113.3	4,049.9	3,495.7	2,106.8	3,301.6
Noncore deposits	7,112.0	4,049.9	3,310.0	2,064.1	3,245.6

Table 5

Swedish Export Credit Corp. Summary Balance Sheet (cont.)					
Core/customer deposits	1.3	0.0	185.7	42.7	56.0
Other borrowings	322,293.8	323,888.1	309,295.6	267,819.3	203,828.1
Other other borrowings	319,155.0	320,745.3	305,971.8	267,345.6	203,375.6
Other liabilities	28,051.9	30,194.8	46,828.3	20,270.4	15,541.2
Total liabilities	357,459.0	358,132.8	359,619.6	290,196.5	222,670.9
Total equity	13,771.4	13,455.2	10,394.8	7,062.7	6,529.7
Limited life preferred and quasi equity	0.0	0.0	0.0	2,566.2	2,405.4
Common shareholders' equity (reported)	13,771.4	13,455.2	10,394.8	4,496.5	4,124.3
Share capital and surplus	3,990.0	3,990.0	3,990.0	990.0	990.0
Revaluation reserve	1,477.3	1,364.8	31.7	(168.5)	N/A
Retained profits	8,304.1	8,100.4	6,373.1	3,675.0	2,007.7
Total liabilities and equity	371,230.4	371,588.0	370,014.4	297,259.2	229,200.6

*Data as of March 31. SEK--Swedish krona. N/A--Not applicable.

Table 6

Swedish Export Credit Corp. Equity Reconciliation Table					
	--Year-ended Dec. 31--				
(Mil. SEK)	2010*	2009	2008	2007	2006
Common shareholders' equity (reported)	13,771.4	13,455.2	10,394.8	4,496.5	4,124.3
Minus dividends (not yet distributed)	0.0	(518.0)	0.0	0.0	0.0
Minus revaluation reserves	(1,477.3)	(1,364.8)	(31.7)	168.5	0.0
Minus nonservicing intangibles	(10.7)	(10.7)	(10.9)	(17.3)	(37.7)
Adjusted common equity	12,162.2	11,406.4	10,267.7	4,647.7	4,086.6
Plus admissible preferred and hybrids	0.0	0.0	0.0	557.7	490.4
Plus unrealized gains	1,330.3	1,262.0	0.0	0.0	0.0
Minus equity in unconsolidated subsidiaries	(2,803.0)	(2,710.0)	0.0	0.0	0.0
Minus other adjustments	121.2	155.3	84.5	0.0	0.0
Adjusted total equity	10,689.5	9,958.4	10,267.7	5,205.4	4,577.0

*Data as of March 31. SEK--Swedish krona. N/A--Not applicable.

Table 7

Swedish Export Credit Corp. Profit And Loss					
	--Year-ended Dec. 31--				
(Mil. SEK)	2010*	2009	2008	2007	2006
Net interest income	414.8	1,994.3	1,543.3	833.1	797.8
Interest income	2,980.1	13,306.4	12,964.1	11,046.8	7,188.1
Interest expense	2,565.3	11,312.1	11,420.8	10,213.7	6,390.3
Operating noninterest income	(19.0)	1,102.9	(443.8)	(11.5)	30.4
Fees and commissions	1.4	(0.2)	13.0	12.5	(0.3)
Trading gains	0.0	0.0	0.0	(38.4)	3.8
Other market-sensitive income	(20.4)	1,103.1	(456.9)	14.1	N/A
Other noninterest income	0.0	0.0	0.1	0.3	26.9
Operating revenues	395.8	3,097.2	1,099.5	821.6	828.2

Table 7

Swedish Export Credit Corp. Profit And Loss (cont.)					
Noninterest expenses	109.1	478.4	350.0	292.8	263.3
Personnel expenses	63.1	312.2	228.5	196.3	158.0
Other general and administrative expense	42.9	159.0	112.5	88.2	96.6
Net operating income before loss provisions	286.7	2,618.8	749.5	528.8	564.9
Credit loss provisions (net new)	8.0	246.2	552.3	0.0	0.0
Net operating income after loss provisions	278.7	2,372.6	197.2	528.8	564.9
Amortization of intangibles	N/A	3.9	12.2	21.9	21.7
Pretax profit	278.7	2,368.7	185.0	506.9	543.2
Tax expense/credit	75.5	641.3	41.3	153.9	157.6
Net income (before minority interest)	203.2	1,727.4	143.7	353.0	385.6
Net income before extraordinary	203.7	1,727.3	143.9	353.0	385.6
Net income after extraordinary	203.7	1,727.3	143.9	353.0	385.6

*Data as of March 31. SEK--Swedish krona. N/A--Not applicable.

Table 8

(Mil. SEK)	--Year-ended Dec. 31--				
	2010*	2009	2008	2007	2006
Net income (before minority interest)	203.2	1,727.4	143.7	353.0	385.6
Plus amortization/impairment of goodwill/intangibles	0.0	3.9	12.2	21.9	21.7
Plus or minus other earnings adjustments	29.1	(567.1)	467.0	0.0	0.0
Core earnings	232.3	1,164.2	622.9	374.9	407.3

*Data as of March 31.

Ratings Detail (As Of June 22, 2010)*

Swedish Export Credit Corp.

Counterparty Credit Rating	AA+/Stable/A-1+
Commercial Paper	
<i>Foreign Currency</i>	A-1+
Junior Subordinated (3 Issues)	A+
Senior Unsecured (134 Issues)	AA+
Senior Unsecured (1 Issue)	AA+/A-1+
Senior Unsecured (1 Issue)	BB-
Short-Term Debt (3 Issues)	A-1+
Subordinated (2 Issues)	AA

Counterparty Credit Ratings History

04-Sep-2009	AA+/Stable/A-1+
06-Jul-2009	AA+/Watch Neg/A-1+
06-Jun-2003	AA+/Stable/A-1+

Sovereign Rating

Sweden (Kingdom of)	AAA/Stable/A-1+
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*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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