2.B.32(b)
2.B.11
2.B.19
2.C.6

SRM Investment No. 2 Limited

(incorporated in Jersey with limited liability under registered number 80873)

U.S.$550,000,000 Class A1 Mortgage Backed Floating Rate Notes due 2046
€355,200,000 Class A2 Mortgage Backed Floating Rate Notes due 2058
€30,000,000 Class M Mortgage Backed Floating Rate Notes due 2058
€7,500,000 Class B Mortgage Backed Floating Rate Notes due 2058

2.B.16

2.B.1
2.B.3
2.B.18

Issue Price of the Notes: 100 per cent.

2.B.4
2.B.13

Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") to list the U.S.$550,000,000 Class A1 Mortgage Backed Floating Rate Notes due 2046 (the "**Class A1 Notes**" or, as the context may require, the "**U.S. Dollar Notes**"), the €355,200,000 Class A2 Mortgage Backed Floating Rate Notes due 2058 (the "**Class A2 Notes**" and, together with the Class A1 Notes, the "**Class A Notes**"), the €30,000,000 Class M Mortgage Backed Floating Rate Notes due 2058 (the "**Class M Notes**") and the €7,500,000 Class B Mortgage Backed Floating Rate Notes due 2058 (the "**Class B Notes**" and together with the Class A2 Notes and the Class M Notes, the "**Euro Notes**" and the Euro Notes and the U.S. Dollar Notes together, the "**Notes**") of SRM Investment No. 2 Limited (the "**Issuer**").

Interest on the Notes accrues by reference to successive interest periods (each an "**Interest Period**"). Interest on the Notes will be payable quarterly in arrear in U.S. Dollars (in the case of the U.S. Dollar Notes) or Euro (in the case of the Euro Notes) on the 15th day of March, June, September, and December (each an "**Interest Payment Date**") in each year (subject to adjustment as specified herein for non-business days) commencing on the Interest Payment Date falling in March 2002. The first Interest Period will commence on (and include) the Closing Date and (subject to adjustment as specified herein for non-business days) end on (but exclude) 15th March, 2002. Each subsequent Interest Period will (subject to adjustment as specified herein for non-business days) commence on (and include) an Interest Payment Date and end on (but exclude) the next succeeding Interest Payment Date. Interest on the Class A1 Notes for each Interest Period will accrue on their Principal Amount Outstanding (as defined in Condition 6) at an annual rate equal to the sum of U.S. Dollar LIBOR (as defined in Condition 5) for three month deposits (save in the case of the payment due on the first Interest Payment Date in respect of which it will be determined by reference to a linear interpolation of four month and five month U.S. Dollar LIBOR) plus, prior to the Interest Payment Date falling in December 2006 (the "**Step-Up Date**"), a margin of 0.22 per cent. and after the Step-Up Date, a margin of 0.44 per cent.; interest on the Class A2 Notes for each Interest Period will accrue on their Principal Amount Outstanding at an annual rate equal to the sum of EURIBOR for three month deposits (save in the case of the payment due on the first Interest Payment Date in respect of which it will be determined by reference to a linear interpolation of four month and five month EURIBOR) plus, prior to the Step-Up Date, a margin of 0.24 per cent. and, after the Step-Up Date, a margin of 0.48 per cent.; interest on the Class M Notes for each Interest Period will accrue on their Principal Amount Outstanding at an annual rate equal to the sum of EURIBOR (as defined in Condition 5) for three month deposits (save in the case of the payment due on the first Interest Payment Date in respect of which it will be determined by reference to a linear interpolation of four month and five month EURIBOR) plus, prior to the Step-Up Date, a margin of 0.60 per cent. and after the Step-Up Date, a margin of 1.20 per cent.; and interest on the Class B Notes for each Interest Period will accrue on their Principal Amount Outstanding at an annual rate equal to the sum of EURIBOR for three month deposits (save in the case of the payment due on the first Interest Payment Date in respect of which it will be determined by reference to a linear interpolation of four month and five month EURIBOR) plus, prior to the Step-Up Date, a margin of 1.30 per cent. and, after the Step-Up Date, a margin of 2.60 per cent., payable in each case on each Interest Payment Date subject as provided below.

The Class A1 Notes will mature on the Interest Payment Date falling in December 2046 and the Class A2 Notes, the Class M Notes and the Class B Notes will mature on the Interest Payment Date falling in December 2058, in each case together with accrued interest thereon, unless previously redeemed. The Notes will be subject to mandatory partial redemption and optional redemption in whole or in part before such dates in the specific circumstances, and subject to the conditions, described in the terms and conditions of the Notes (the "**Conditions**") set out herein provided always that the Issuer may not optionally redeem any of the Class A2 Notes if any Class A1 Notes are outstanding, or any of the Class M Notes if any Class A Notes are outstanding, or any of the Class B Notes if any Class A Notes or Class M Notes are outstanding. **If any withholding or deduction for or on account of tax is applicable to payments of interest on, and principal of, the Notes, such payments will be made subject to such withholding or deduction, without the Issuer or Paying Agents being obliged to pay any additional amounts as a consequence.**

2.B.8

The Notes will be obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person. It should be noted, in particular, that the Notes will not be obligations or responsibilities of, and will not be guaranteed by, The Law Debenture Trust Corporation p.l.c. (the "Trustee"), the Administrator, the Managers, the Interest Rate Hedge Provider, the Currency Hedge Provider (the Interest Rate Hedge Provider and the Currency Hedge Provider, together, the "Hedge Providers" and each, a "Hedge Provider"), the Paying Agents, the Agent Bank, the Collection Account Bank, the Transaction Account Bank, the Corporate Services Provider, the Share Trustee, Holdings, Statens Bostadsfinansieringsaktiebolag, SBAB (publ) ("SBAB") or any other company affiliated thereto (other than the Issuer itself) (all, to the extent not defined in this paragraph, defined elsewhere in this Offering Circular).

It is expected that the Class A1 Notes and the Class A2 Notes will, when issued, be assigned an 'AAA' rating by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("S&P") and an 'Aaa' rating by Moody's Investors Services Limited ("Moody's" and together with S&P, the "Rating Agencies"). It is expected that the Class M Notes will, when issued, be assigned an 'A' rating by S&P and an 'A2' rating by Moody's. It is expected that the Class B Notes will, when issued, be assigned a 'BBB' rating by S&P and a 'Baa2' rating by Moody's. A security 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 rating organisation assigning it. Particular attention is drawn to the section herein entitled "Special Factors".

U.S.$100,000,000 of the Class A1 Notes will not be offered by the Managers but will be sold directly by the Issuer to an affiliate of Merrill Lynch International.

The Notes are expected to settle in book-entry form through the facilities of The Depository Trust Company ("**DTC**"), Euroclear Bank S.A./N.V., as operator of the Euroclear system ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about 9th November, 2001 or such later date as may be agreed between Merrill Lynch International ("**Merrill Lynch**") and the Trustee (the "**Closing Date**") against payment therefor in immediately available funds.

Merrill Lynch International

Schroder Salomon Smith Barney

The date of this Offering Circular is 7th November, 2001

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS AND UNLESS SO REGISTERED MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY TO (A) "**QUALIFIED INSTITUTIONAL BUYERS**" (AS DEFINED IN AND PURSUANT TO RULE 144A OF THE SECURITIES ACT) AND (B) PERSONS (OTHER THAN U.S. PERSONS) OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "*IMPORTANT NOTICE*" BELOW.**IMPORTANT NOTICE**

2.B.25 The Class A1 Notes sold in reliance on Rule 144A under the Securities Act ("**Rule 144A**") will, on issue, be represented by a global Class A1 Note in bearer form (the "**Class A1 Rule 144A Global Note**") and the Class A2 Notes sold in reliance upon Rule 144A will be represented by a global Class A2 Note in bearer form (the "**Class A2 Rule 144A Global Note**" and together with the Class A1 Rule 144A Global Note, the "**Class A Rule 144A Global Notes**" and each a "**Class A Rule 144A Global Note**"). The Class M Notes sold in reliance on Rule 144A will be represented by a global Class M Note in bearer form (the "**Class M Rule 144A Global Note**"). The Class B Notes sold in reliance on Rule 144A will be represented by a global Class B Note in bearer form (the "**Class B Rule 144A Global Note**" and, together with the Class A Rule 144A Global Notes and the Class M Rule 144A Global Note, the "**Rule 144A Global Notes**" and each a "**Rule 144A Global Note**").

2.B.25 The Class A1 Notes sold in reliance on Regulation S under the Securities Act ("**Reg S**") will, on issue, be represented by a global Class A1 Note in bearer form (the "**Class A1 Reg S Global Note**") and the Class A2 Notes sold in reliance on Reg S will, on issue, be represented by a global Class A2 Note in bearer form (the "**Class A2 Reg S Global Note**" and together with the Class A1 Reg S Global Note, the "**Class A Reg S Global Notes**" and each a "**Class A Reg S Global Note**"). The Class M Notes sold in reliance on Reg S will, on issue, be represented by a global Class M Note in bearer form (the "**Class M Reg S Global Note**"). The Class B Notes sold in reliance on Reg S will, on issue, be represented by a global Class B Note in bearer form (the "**Class B Reg S Global Note**" and, together with the Class A Reg S Global Notes and the Class M Reg S Global Note, the "**Reg S Global Notes**", and each a "**Reg S Global Note**").

2.B.36 The Rule 144A Global Notes and the Reg S Global Notes (together the "**Global Notes**") will be deposited on or about the Closing Date with or to the order of The Chase Manhattan Bank, New York branch, as book-entry depository (the "**Depository**") pursuant to a depository agreement among the Issuer, the Depository and the Trustee (the "**Depository Agreement**"). The Depository will issue a certificateless depository interest ("**CDI**") in respect of the Class A1 Rule 144A Global Note to DTC or its nominees and a certificated depository interest (also, a "**CDI**") in respect of each Reg S Global Note and each Rule 144A Global Note (other than the Class A1 Rule 144A Global Note) to The Chase Manhattan Bank, London branch, as common depository for Euroclear and Clearstream, Luxembourg (the "**Common Depository**"). The Depository acting as agent of the Issuer will maintain a book-entry system in which it will register DTC or its nominee as owner of the CDI in respect of the Class A1 Rule 144A Global Note and the Common Depository as owner of the CDIs in respect of the Reg S Global Notes and each Rule 144A Global Note (other than the Class A1 Rule 144A Global Note). Transfers of all or any portion of the interests in the Rule 144A Global Notes or the Reg S Global Notes may be made only through the book-entry system maintained by the Depository. Euroclear or Clearstream, Luxembourg (in respect of the Reg S Global Notes and each Rule 144A Global Note (other than the Class A1 Rule 144A Global Note)) or DTC (in respect of the Class A1 Rule 144A Global Notes) will record the beneficial interests in each CDI attributable to the relevant Global Note ("**Book-Entry Interests**"). Book-Entry Interests in the CDIs will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by (as the case may be) Euroclear, Clearstream, Luxembourg or DTC, and their respective participants. No person who owns a Book-Entry Interest will be entitled to receive a Note in definitive form (a "**Definitive Note**") unless Definitive Notes are issued in

the limited circumstances described in the "*Terms and Conditions of the Notes*". Definitive Notes will be issued in registered form only. See also "*Description of the Notes and the Depository Agreement*".

None of the Managers, or the Trustee or the Currency Hedge Provider (in the case of the Currency Hedge Provider, save as set out in the section "*The Currency Hedge Provider*") has separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers, the Trustee or the Currency Hedge Provider as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Notes. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Currency Hedge Provider nor on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the Issuer and the terms of the offering including the merits and risks involved, and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. An investment in the Notes is therefore only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result therefrom for an indefinite period of time.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED ON OR ENDORSED THE MERITS OR THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE NOTES WILL BE OFFERED AND SOLD IN THE UNITED STATES ONLY TO A LIMITED NUMBER OF QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE. THE NOTES WILL ALSO BE CONTEMPORANEOUSLY OFFERED AND SOLD OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS PURSUANT TO THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. THERE IS NO UNDERTAKING TO REGISTER THE NOTES UNDER STATE OR FEDERAL SECURITIES LAW.

THE NOTES CANNOT BE RESOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES TRANSFERS, SEE "*DEPOSITORY AGREEMENT – TRANSFERS AND TRANSFER RESTRICTIONS*".

EACH INITIAL AND SUBSEQUENT PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER THEREOF AS SET FORTH THEREIN AND DESCRIBED IN THIS OFFERING CIRCULAR AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

THE ISSUER AND THE MANAGERS MAKE NO REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES, REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASE UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS. SEE "*UNITED STATES LEGAL INVESTMENT CONSIDERATIONS*".

The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly. 2.A.1

No person has been authorised to give any information or to make any representation concerning the issue of the Notes not contained in this document and, if given or made, any such information or representation must not be relied upon as having been authorised by Holdings, the Originator (as defined below) or SBAB or any company affiliated therewith, the Issuer, the Trustee, the Administrator, the Interest Rate Hedge Provider, the Currency Hedge Provider, the Paying Agents, the Agent Bank, the Collection Account Bank, the Transaction Account Bank, the Corporate Services Provider, the Share Trustee, the Depository or any of the Managers. Neither the delivery of this document nor any offer, sale, allotment or solicitation made in connection with the offering of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer, Holdings, the Originator, SBAB, the Currency Hedge Provider or the information contained herein since the date hereof or that the information contained herein is correct at any time subsequent to the date hereof.

For a description of certain further restrictions on offers and sales of Notes and distribution of this document, see Subscription and Sale below.

This document does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Managers or the Trustee (or any of them) to subscribe for or purchase any of the Notes.

No action has been taken under any regulatory or other requirements of any jurisdiction or will be so taken to permit a public offering of the Notes or the distribution of this document in any jurisdiction where action for that purpose is required. The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document (or any part of it) comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sales of Notes and the distribution of this document see "*Subscription and Sale*" and "*Transfer Restrictions and Investor Representations*" below. Neither this document nor any part of it constitutes an offer to sell for or in connection with an offer to, or a solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. A more detailed description of the restrictions on offers, sales and deliveries of the Notes and the distribution of this Offering Circular is set out in "*Subscription and Sale*" and "*Transfer Restrictions and Investor Representations*".

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this document nor any part thereof or any other offering circular, prospectus, form of application, advertisement, other offering materials nor other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations. See "*Transfer Restrictions and Investor Representations*".

PAYMENTS OF INTEREST AND PRINCIPAL IN RESPECT OF THE NOTES WILL BE SUBJECT TO ANY APPLICABLE WITHHOLDING TAXES WITHOUT THE ISSUER BEING OBLIGED TO PAY ADDITIONAL AMOUNTS THEREFOR.

References in this Offering Circular to "**SEK**" or "**Swedish Kronor**" or "**Kronor**" are to the lawful currency of the Kingdom of Sweden, references to "**U.S.$**", "**U.S. Dollar**" or "**USD**" are to the lawful currency of the United States of America and references to "**€**" or "**Euro**" or "**EUR**" mean the single currency of the participating European member states in the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community (as amended from time to time). 2.B.8

A copy of this offering circular has been delivered to the registrar of companies in Ireland and the registrar of companies in Jersey in accordance with Article 6 of the Companies (General Provisions) Jersey Order 1992 and he has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958, as amended, to the issue of the Notes. It must be distinctly understood that, in giving these consents neither the registrar of companies in Jersey nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made or opinions expressed with regard to it. The Jersey Financial Services Commission is protected by the Borrowing (Control) Jersey Law 1947, as amended, against any liability arising from the discharge of its functions under that law. 2.B.2

IN CONNECTION WITH THE DISTRIBUTION OF EACH CLASS OF NOTES, MERRILL LYNCH MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. THERE IS NO OBLIGATION ON MERRILL LYNCH TO DO SO. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME

NOTICE TO U.S. INVESTORS

This Offering Circular has been prepared by the Issuer solely for use in connection with the issue of the Notes. In the United States, this Offering Circular is personal to each person or entity to whom the Issuer, the Managers or an affiliate thereof has delivered it. Distribution in the United States of this Offering Circular to any person other than such persons or entities and those persons or entities, if any, retained to advise such person or entities with respect thereto is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective purchaser in the United States, by accepting delivery of this Offering Circular, agrees to the foregoing and not to reproduce all or any part of this Offering Circular.

Additionally, each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Circular under "*Transfer Restrictions and Investor Representations*".

The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Description of the Notes and the Depository Agreement*" and "*Transfer Restrictions and Investor Representations*".

Offers and sales of the Notes in the United States will be made by the Managers through Merrill Lynch, Pierce Fenner & Smith Inc. and Salomon Brothers Inc., which are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is not subject to and in compliance with the reporting requirements of section 13 or 15(d) of the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser designated by such holder or beneficial owner of such restricted securities, in each case at the request of such holder, beneficial owner or prospective purchaser to the Issuer, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act. For so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, such information will be available during normal business hours on any business day at the specified office of each of the Principal Paying Agent and the Irish Paying Agent, only at the request of, any such holder, beneficial owner or prospective purchaser.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a company incorporated under the laws of Jersey with limited liability. All of the officers and directors of the Issuer currently reside in Jersey or Sweden. As a result, it may not be possible to effect service of process within the United States upon such persons to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of the federal or state securities laws of the United States. There is doubt as to the enforceability in Jersey, the United Kingdom and Sweden, in original actions or in actions for enforcement of judgments of U.S. courts, predicated solely upon the civil liability provisions of such securities laws.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES ("**RSA**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD-LOOKING STATEMENTS

Certain matters contained herein are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Offering Circular, including "*The Issuer*", "*The Originator*", "*Description of the Portfolio and Qualifying Additional Loans*", "*The Mortgage Market in Sweden*" and "*Weighted Average Lives of the Notes*", and reflect significant assumptions and subjective judgments by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in Sweden. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Managers have attempted to verify any such statements, nor do they make any representation, express or implied, with respect thereto.

U.S./JERSEY GAAP DIFFERENCES

Financial information relating to the Issuer has been prepared in accordance with accounting principles generally accepted in Jersey ("**Jersey GAAP**"). The Issuer maintains its accounting records and publishes its statutory accounts in accordance with United Kingdom and Jersey corporate regulations. Significant differences exist between Jersey GAAP as compared with accounting principles generally accepted in the United States ("**U.S. GAAP**"), which might be material to the financial information included herein. The directors of the Issuer have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the Issuer, the terms of the offering of the Notes and the financial information included in this Offering Circular. Potential investors should consult their own professional advisors for an understanding of the differences between Jersey GAAP and U.S. GAAP and how those differences might affect the financial information included herein.

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SUMMARY

2.H.1
2.H.1(b)

The information in this section is a summary of the principal features of the issue of the Notes. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this document.

Defined terms used in this section may be found in other sections of this document, unless otherwise stated.

THE PARTIES

The Issuer:	The issuer of the Notes is SRM Investment No. 2 Limited, of 47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands, a public company incorporated in Jersey, Channel Islands (registered number 80873) with limited liability, which has been established for the limited purposes of the issue of the Notes and the purchase of the Loans and their Related Security. SRM Investment No. 2 Limited is a wholly owned subsidiary of SRM Holdings Limited, the issued share capital of which is held by the Share Trustee on trust for charitable purposes.	2.C.1 2.C.2 2.C.10
The Administrator:	The Administrator will be SBAB, Sveriges Bostadsfinansieringsaktiebolag of Löjtnantsgatan 21, SE-10254 Stockholm, Sweden as agent for the Issuer and the Trustee to, *inter alia*, manage the Portfolio (as defined below).	2.H.1.(e)
The Originator:	The Originator is SBAB, Sveriges Bostadsfinansieringsaktiebolag of Löjtnantsgatan 21, SE-10254 Stockholm, Sweden, a wholly owned subsidiary of Statens Bostadsfinansieringsaktiebolag, SBAB (publ). Statens Bostadsfinansieringsaktiebolag, SBAB (publ) is a wholly state-owned public limited company. The business of the SBAB group is making secured loans for housing purposes.	2.H.1(d)
Holdings:	Holdings is SRM Holdings Limited of 47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands (registered number 77967) a private company incorporated in Jersey, Channel Islands with limited liability. Holdings holds all of the shares in the Issuer. All of the shares in Holdings are held by the Share Trustee.	2.C.10
The Share Trustee:	The Share Trustee is SFM Offshore Limited of 47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands (registered number 76015). The entire issued share capital of Holdings is held by or on behalf of the Share Trustee on trust for charitable purposes.	
The Trustee:	The Trustee will be The Law Debenture Trust Corporation p.l.c. of Fifth Floor, 100 Wood Street, London EC2V 7EX. The Trustee will be appointed pursuant to the Trust Deed to represent the interest of the holders of the Notes, to hold the security granted under the Deed of Charge, the Swedish Security Agreement and the Jersey Security Agreement on behalf of the Secured Parties and will be entitled to enforce the security granted in its favour under the Deed of Charge, the Swedish Security Agreement and the Jersey Security Agreement.	2.B.22(a)
The Principal Paying Agent:	The Principal Paying Agent will be The Chase Manhattan Bank at its office at Trinity Tower, 9 Thomas More Street, London E1W 1YT.	2.B.10
The Irish Paying Agent:	The Irish Paying Agent will be The Chase Manhattan Bank at its office at Chase Manhattan Bank (Ireland) plc, Chase Manhattan House, International Financial Services Centre, Dublin 1, Ireland	2.B.10
The U.S. Paying Agent:	The U.S. Paying Agent will be The Chase Manhattan Bank at its office at 270 Park Avenue, New York, New York 10017, USA.	2.B10

The Interest Rate Hedge Provider:	The Interest Rate Hedge Provider will be Statens Bostadsfinansieringsaktiebolag, SBAB (publ) of Löjtnantsgatan 21, SE-10254 Stockholm, Sweden.	2.B.10
The Currency Hedge Provider:	The Currency Hedge Provider will be CDC IXIS Capital Markets, London branch of Cannon Bridge, 25 Dowgate Hill, London EC4R 2GN.	2.H.1(f)(i)
The Corporate Services Provider:	The Corporate Services Provider is SFM Offshore Limited of 47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands.	
The Account Banks:	The Collection Account Bank will be Skandinaviska Enskilda Banken AB (publ) acting through its head office located in Stockholm. The Transaction Account Bank will be The Chase Manhattan Bank, London branch.	
	APPLICATION OF PROCEEDS OF THE NOTES	2.H.1(f)(ii)
Use of Issue Proceeds:	The net proceeds of the Issue of the Notes will be applied towards: (i) payment to the Currency Hedge Provider of an amount of U.S. Dollar and Euro in return for an amount in Swedish Kronor calculated (in each case) by reference to the relevant Currency Exchange Rate (as defined below); (ii) the creation of the Reserve Fund (as defined below) in an amount equal to the Initial Reserve Fund Amount (as defined below); (iii) payment of the Start-Up Expenses (as defined below); and (iv) to pay the remaining balance to the Originator as the first instalment of the purchase price for the Portfolio (as defined below).	
The Loans:	The Portfolio (as defined below) will consist of loans to individuals (the "**Borrowers**" and each, a "**Borrower**") acquired from the Originator (each a "**Loan**") secured by: (a) mortgages ("**Pantbrev**") over single family properties in Sweden (the "**Pantbrev Loans**"); or (b) pledges over the Borrower's shares in housing co-operatives subject to the Swedish Co-Operatives Act (Bostadsrättslagen 1991:614), as amended, together with the associated permanent right of the Borrowers as tenants to reside in the relevant apartments subject to such co-operative arrangements (each such share and associated permanent right, together, being a "**Bostadsrätt**") (the "**Tenant Loans**"). Pantbrev (for Pantbrev Loans) and the pledge over the Bostadsrätt (for Tenant Loans) form, together with any other security (if any) for the obligations of the Borrowers, the "**Related Security**" for each Loan. Unless the context requires otherwise, any reference herein to a Loan includes the relevant Related Security. Each Loan in the Portfolio is presently owned by the Originator and will be owned by the Originator until the Closing Date. All of the Loans have been advanced to individual borrowers and are secured on single family houses or on Bostadsrätt, in each case located in Sweden. For a more detailed description of the Loans comprising the Portfolio see under "*Description of the Portfolio and Qualifying Additional Loans*" below.	
The Portfolio:	The portfolio purchased from the Originator and owned by the Issuer from time to time (the "**Portfolio**") will comprise: (a) the Completion Portfolio (as defined below); and (b) Qualifying Additional Loans (as defined below) acquired by the Issuer after the Closing Date,	

other than Loans which have been repaid in full or Loans in respect of which enforcement procedures have been completed or Loans which have been re-transferred to the Originator.

The Issuer, together with the Trustee, will have the benefit of certain warranties from the Originator relating to the Loans and their Related Security. In the event of a breach of certain of the warranties in respect of a Loan or its Related Security, the Issuer or the Trustee will be entitled to require that the relevant Loan and its Related Security is repurchased by the Originator. This is more fully described in the section headed "*Summary of Principal Documents – Sale Agreement*".

The "**Completion Portfolio**" will comprise of Loans (including accrued interest) purchased by the Issuer from the Originator on the Closing Date.

The Completion Portfolio will be drawn (in accordance with the criteria summarised below) only from, and will substantially comprise the Loans contained in a provisional portfolio of mortgages owned and selected by the Originator as at 19th September, 2001 (the "**Cut-Off Date**") (the "**Provisional Portfolio**"). On the Cut-Off Date, the Provisional Portfolio had the characteristics shown below:

Total Number of Loans:	39,852
Total Number of Property Liens:	23,413
Aggregate Principal Balance[1]	€1,159,981,792
Pantbrev Loans as % of Aggregate Principal Balance:	49.93%
Tenant Loans as % of Aggregate Principal Balance:	50.07%
% of First Ranking Loans:	
– Total Provisional Portfolio	88.48%
– Pantbrev Loans	76.93%
– Tenant Loans	100.00%
Average Loan Size:	
– Pantbrev Loans[1]	€27,387
– Tenant Loans[1]	€31,051
Weighted Average Age:	
– Total Provisional Portfolio	15 months
– Pantbrev Loans	16 months
– Tenant Loans	14 months
Weighted Average LTV:	
– Total Provisional Portfolio	51.92%
– Pantbrev Loans	46.12%
– Tenant Loans	57.71%

Prior to the Closing Date, in forming the Completion Portfolio, the Originator will remove from the Provisional Portfolio all Loans which (a) are fully redeemed, (b) do not comply with the representations and warranties set out in the Sale Agreement, or (c) loans in respect of which the Borrower has requested a Further Advance (as defined below) or (d) such Loans as need to be removed to ensure that the aggregate principal balance of Loans comprised in the Completion Portfolio are as close as possible to, but will not exceed, €1,000,000,000 equivalent converted at the Currency

[1]At an assumed exchange rate of €1 = SEK 9.77

	Exchange Rate of €1 = SEK9.60. In addition, such selection of the Completion Portfolio will also be conducted in such a way as to ensure that (i) the aggregate principal balance of the Tenant Loans does not exceed 50 per cent. of the aggregate principal balance of the Completion Portfolio and (ii) the principal amount outstanding under any Tenant Loans which relate to the same co-operative does not exceed 0.55 per cent. of the principal amount outstanding under all Loans in the Completion Portfolio, in each case, as at the Closing Date.	
Non-Verified Loans:	Approximately 0.2 per cent. of the Loans in the Completion Portfolio by value will be Loans in respect of which the first instalment has not yet fallen due (the "**Non-Verified Loans**"). The first payment on the Non-Verified Loans will be due on or prior to 15th February, 2002 (the "**Payment Verification Date**"). Non-Verified Loans in respect of which the Issuer receives the first payment in full before the Payment Verification Date (the "**Verified Loans**") will remain in the Portfolio. It will constitute a breach of warranty under the Sale Agreement if no payment is received by the Payment Verification Date in respect of a Non-Verified Loan and the Originator will be required to repurchase or substitute the relevant Loan (see "*Summary of Principal Transaction Documents – Sale Agreement*").	
	TERMS AND CONDITIONS OF THE NOTES	2.B.4
The Notes:	The U.S.$550,000,000 Class A1 Mortgage Backed Floating Rate Notes due 2046, the €355,200,000 Class A2 Mortgage Backed Floating Rate Notes due 2058, the €30,000,000 Class M Mortgage Backed Floating Rate Notes due 2058 and the €7,500,000 Class B Mortgage Backed Floating Rate Notes due 2058 to be issued on the Closing Date by the Issuer.	
Status, Form and Denomination:	The Notes will constitute secured, direct and (in the case of the Class A Notes only) unconditional obligations of the Issuer. The Notes will be constituted by a trust deed governed by English law to be dated the Closing Date (the "**Trust Deed**") and each class of Notes will be secured by the same security. The Notes of each class will rank *pari passu* with the other Notes of the same class. The Class A1 Notes and the Class A2 Notes will rank *pari passu* in point of security and as to the payment of interest. Prior to the enforcement of the security, the Class A1 Notes will rank prior to the Class A2 Notes for the payment of principal. After the enforcement of the security, the Class A1 Notes and the Class A2 Notes will rank *pari passu* as to the payment of principal and interest. The Class M Notes will rank subordinate to the Class A Notes in point of security and as to the payment of interest and principal. The Class B Notes will rank subordinate to the Class A Notes and the Class M Notes in point of security and as to the payment of interest and principal. It should be noted that, subject to certain exceptions described below, if amounts are outstanding to the Trustee under the Trust Deed, the Deed of Charge, the Jersey Security Agreement, the Swedish Security Agreement, to the Administrator under the Administration Agreement, to the Paying Agents under the Agency Agreement or to the Hedge Providers under the Hedge Agreements, the Issuer's obligations in respect thereof will rank ahead of its obligations in respect of the Notes. The Trust Deed contains provisions requiring the Trustee to have regard to the interests of all the Noteholders as if they formed a single class, but where there is, in the Trustee's opinion, a conflict between such interests, the Trust Deed will require the Trustee to have regard only to the interests of the most senior class of Notes then outstanding.	2.B.4 2.H.1 (c)(ix)

The Trust Deed contains provisions limiting the powers of the holders of the Class M Notes (the "**Class M Noteholders**") and the holders of the Class B Notes (the "**Class B Noteholders**"), *inter alia*, to pass any Extraordinary Resolution (as defined in the Trust Deed) or to request or direct the Trustee to take any action which may affect the interests of the holders of the Class A Notes (the "**Class A Noteholders**") and the Trust Deed will also contain provisions limiting the powers of the Class B Noteholders, *inter alia*, to pass any Extraordinary Resolution or to request or direct the Trustee to take any action which may affect the interests of the Class M Noteholders.

The Notes will be obligations of the Issuer only. The Notes will not be obligations or responsibilities of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, the Trustee, the Administrator, the Managers, the Interest Rate Hedge Provider, the Currency Hedge Provider, the Paying Agents, the Agent Bank, the Collection Account Bank, the Transaction Account Bank, the Corporate Services Provider, the Depository, the Share Trustee, Holdings, the Originator, SBAB or any other company affiliated thereto (other than the Issuer itself). On and from the Closing Date the obligations of the Issuer will be secured over the assets and undertaking of the Issuer.

Each class of Notes (which will be in the denomination of U.S.$100,000 each for the U.S. Dollar Notes and €10,000 each for the Euro Notes, subject to *pro rata* redemption of Notes of the same class), will be represented by Global Notes. 2.B.4

Each Global Note will be issued in bearer form without coupons or talons attached. The Global Notes will be deposited with The Chase Manhattan Bank, New York branch, as depository (the "**Depository**"). The Depository will issue certificateless depository interests in respect of the Class A1 Rule 144A Global Note to DTC and certificated depository interests in respect of each Reg S Global Note and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Notes) to The Chase Manhattan Bank, London branch, as Common Depository for Euroclear and Clearstream, Luxembourg. The certificated or, as the case may be, certificateless depository interests ("**CDIs**") will each represent a 100 per cent. interest in the underlying Global Note relating thereto. The Depository, acting as agent of the Issuer, will maintain a book entry system in which it will register the Common Depository or a nominee of the Common Depository as owner of the CDIs.

Upon confirmation by the Common Depository that the Depository has custody of the Global Notes, DTC or its nominee (in respect of the Class A1 Rule 144A Global Note) or Euroclear or Clearstream, Luxembourg (in respect of the Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Note)) will record book entry interests representing beneficial interests in the relevant CDIs attributable to the Global Notes relating thereto ("**Book Entry Interests**"). So long as the Depository or its nominee is holder of the Global Notes underlying the Book Entry Interests, the Depository or such nominee, as the case may be, will be considered the sole Noteholder (as defined below) for all purposes under the Trust Deed. The Global Note in respect of each class will not be exchangeable for definitive Notes for that class save in certain limited circumstances.

Interest:

Interest on the Notes is payable by reference to successive Interest Periods. Interest on the Notes will be payable quarterly in arrear in U.S. Dollars (in the case of the U.S. Dollar Notes) and Euro (in the case of the Euro Notes) on the 15th day of March, June, September and December in each year 2.B.5 2.B.12

(subject to adjustment for non-business days), commencing on the Interest Payment Date falling in March 2002. The first Interest Period will commence on (and include) the Closing Date and (subject to adjustment for non-business days) end on (but exclude) 15th March, 2002. Each subsequent Interest Period will commence on (and include) an Interest Payment Date and end on (but exclude) the next succeeding Interest Payment Date. Interest on the Class A1 Notes for each Interest Period will accrue on their Principal Amount Outstanding at an annual rate equal to the sum of U.S. Dollar LIBOR for three month deposits (save in the case of the payment due on the first Interest Payment Date in respect of which it will be determined by reference to a linear interpolation of four month and five month U.S. Dollar LIBOR) plus, prior to the Interest Payment Date falling in December 2006 (the "**Step-Up Date**"), a margin of 0.22 per cent. and, from and after the Step-Up Date, a margin of 0.44 per cent.; interest on the Class A2 Notes for each Interest Period will accrue on their Principal Amount Outstanding at an annual rate equal to the sum of EURIBOR for three month deposits (save in the case of the payment due on the first Interest Payment Date in respect of which it will be determined by reference to a linear interpolation of four month and five month EURIBOR) plus, prior to the Step-Up Date, a margin of 0.24 per cent. and, from and after the Step-Up Date, a margin of 0.48 per cent.; interest on the Class M Notes for each Interest Period will accrue on their Principal Amount Outstanding at an annual rate equal to the sum of EURIBOR for three month deposits (save in the case of the payment due on the first Interest Payment Date in respect of which it will be determined by reference to a linear interpolation of four month and five month EURIBOR) plus, prior to the Step-Up Date, a margin of 0.60 per cent. and, from and after the Step-Up Date, a margin of 1.20 per cent.; and interest on the Class B Notes for each Interest Period will accrue on their Principal Amount Outstanding at an annual rate equal to the sum of EURIBOR for three month deposits (save in the case of the payment due on the first Interest Payment Date in respect of which it will be determined by reference to a linear interpolation of four month and five month EURIBOR) plus, prior to the Step-Up Date, a margin of 1.30 per cent. and, from and after the Step-Up Date, a margin of 2.60 per cent., payable in each case on each Interest Payment Date subject as provided below.

2.H.1 (c)(ix)

The Class M Noteholders will only be entitled to receive payments of interest on the Class M Notes on any Interest Payment Date to the extent that the Issuer has funds available for such purpose (and any other items ranking *pari passu* therewith) after making payment on such Interest Payment Date of any liabilities due for payment and ranking in priority to the Class M Notes as described below in "*Summary – Application of Funds*". Any interest due on any Class M Notes not paid on an Interest Payment Date will itself accrue interest and, together with such accrued interest, will be paid to the holder of such Class M Note on subsequent Interest Payment Dates to the extent that the Issuer has funds available for such purpose (and any other items ranking *pari passu* therewith), after paying in full on such Interest Payment Date all payments ranking in priority thereto.

2.H.1 (c)(ix)

The Class B Noteholders will only be entitled to receive payments of interest on the Class B Notes on any Interest Payment Date to the extent that the Issuer has funds available for such purpose (and any other items ranking *pari passu* therewith), after making payment on such Interest Payment Date of any liabilities due for payment and ranking in priority to the Class B Notes as described below in "*Summary – Application of Funds*". Any interest due on any Class B Notes not paid on an Interest Payment Date will itself accrue interest and, together with such accrued interest, will be paid to the holder of

	such Class B Note on subsequent Interest Payment Dates to the extent that the Issuer has funds available for such purpose (and any other items ranking *pari passu* therewith), after paying in full on such Interest Payment Date all payments ranking in priority thereto.	
Withholding Tax:	Payments of interest and principal will be made subject to any applicable withholding or deduction for or on account of any tax and neither the Issuer nor the Paying Agents will be obliged to pay any additional amounts as a consequence.	2.B.8
Final Redemption:	Unless previously redeemed in full, the Class A1 Notes will mature at their Principal Amount Outstanding on the Interest Payment Date falling in 2046 and all other Notes will mature at their Principal Amount Outstanding on the Interest Payment Date falling in December 2058, in each case, together with accrued interest thereon.	2.B.12 2.B.12
Optional Redemption:	The Notes will be subject to redemption in full (but not in part) on an Interest Payment Date at the option of the Issuer, in an amount equal to their Principal Amount Outstanding plus accrued but unpaid interest relating to that class in each of the following circumstances: (a) if the Issuer or any Paying Agent on its behalf, is obliged to make any withholding or deduction on account of tax from payments in respect of the Notes or, if either of the Interest Rate Hedge Provider or the Currency Hedge Provider is obliged to make any withholding or deduction on account of tax from payments to the Issuer and either the Issuer has been unable (having used reasonable endeavours to arrange such substitution) to arrange the substitution of a company as principal debtor under the Notes incorporated in another jurisdiction approved by the Trustee or the Currency Hedge Provider has been unable to arrange the substitution of another provider of the Currency Hedge Agreements on terms acceptable to the Rating Agencies and based in a jurisdiction where such withholding or deduction on payments to the Issuer is not applicable; or (b) on the Step-Up Date or on any Interest Payment Date thereafter; or (c) if at any time the aggregate Principal Amount Outstanding of the Notes is 10 per cent. or less of the aggregate initial Principal Amount Outstanding of the Notes as at the Closing Date, following the giving of notice by the Administrator, provided that, in each case, the Issuer will only redeem the Notes on such Interest Payment Date if it is in a position to discharge its liabilities in respect of the Notes and any amounts to be paid in priority to the Notes.	
Portfolio Replenishment/ Mandatory Redemption in Part:	Prior to enforcement of the security for the Notes and if, at the end of any Interest Period, there are Available Principal Funds, the Notes will be subject to mandatory redemption in part by the Issuer on the Interest Payment Date relating to such Interest Period in an amount equal to the aggregate amount of Available Principal Funds less any amounts applied to the purchase of Qualifying Additional Loans or for retention in the Kronor Transaction Account in the manner described below, with such Available Principal Funds to be applied in the *pro rata* redemption of the Class A1 Notes then outstanding, until all the Notes of such class have been redeemed in full. Thereafter, all Available Principal Funds received by the Issuer shall be applied in accordance with the Principal Priority of Payments, first in the *pro rata* redemption of the Class A2 Notes until they have been redeemed in full, then in *pro rata* redemption of the Class M Notes then outstanding until all the Notes of such class have been redeemed in full and thereafter in the	2.B.9 2.H.1 (c)(i) 2.H.1 (c)(vii)

pro rata redemption of the Class B Notes then outstanding until all the Notes of such class have been redeemed in full.

2.B.9 2.H.1 (c)(i) 2.H.1 (c)(vii)

If, on any Determination Date which falls in the period between (but excluding in each case) the Closing Date and the Step-Up Date (the "**Additional Purchase Period**"), the Issuer has Available Principal Funds which, if applied towards the redemption of Notes, would cause the actual Principal Amount Outstanding on the Notes on the immediately succeeding Interest Payment Date to be less than the Targeted Principal Amount Outstanding on the Notes (as set out in Condition 6) (such difference being the "**Excess CPR Amount**"), the Issuer will seek on each such Interest Payment Date during the Additional Purchase Period (as defined below) to purchase loans from the Originator which comply with certain criteria (as more fully described under "*Description of the Portfolio and Qualifying Additional Loans – Description of Qualifying Additional Loans*") (the "**Qualifying Additional Loans**") using such amount of Available Principal Funds up to an amount equal to the Excess CPR Amount (subject to the Principal Priority of Payments). As such, the purchase of such Qualifying Additional Loans will replace the making of redemptions of principal under the Notes.

On each Interest Payment Date, the Administrator will retain any amount by which the Excess CPR Amount exceeds the amount spent on acquiring Qualifying Additional Loans in the Kronor Transaction Account and recredit it to the Principal Collections Ledger, subject to the amount of funds so to be retained not exceeding an amount equal to 5 per cent. of the aggregate principal balance of the Completion Portfolio as at the Closing Date. However, no principal amounts will be so retained if the conditions to which the acquisition of Qualifying Additional Loans is subject (see "*Description of the Portfolio and Qualifying Additional Loans – Description of Qualifying Additional Loans*") are not satisfied on such Interest Payment Date and the Administrator determines (acting reasonably and having regard to the Issuer's obligation to use reasonable endeavours to purchase Qualifying Additional Loans from the Originator when funds are available for such purpose and the relevant conditions are satisfied) that the conditions are not likely to be met on the following two Interest Payment Dates, either. On the following Interest Payment Date, any retained amounts will form part of the Available Principal Funds.

Such replenishment of the Portfolio as described above may only be made during the Additional Purchase Period.

The Class M Noteholders will only be entitled to receive payments of principal on the Class M Notes on any Interest Payment Date to the extent that the Issuer has funds available for the purpose (and any other items ranking *pari passu* therewith) after making payment on such Interest Payment Date of any liabilities due for payment and ranking in priority to the Class M Notes as described below in "*Summary – Application of Funds*".

2.H.1 (c)(ix)

The Class B Noteholders will only be entitled to receive payments of principal on the Class B Notes on any Interest Payment Date to the extent that the Issuer has funds available for the purpose (and any other items ranking *pari passu* therewith) after making payment on such Interest Payment Date of any liabilities due for payment and ranking in priority to the Class B Notes as provided in the Conditions, the Trust Deed, the Administration Agreement and in the Deed of Charge and as described below in "*Summary – Application of Funds*".

Rating:	It is expected that the Class A Notes, when issued, will be assigned an 'AAA' rating by S&P and an 'Aaa' rating by Moody's. It is expected that the Class M Notes, when issued, will be assigned an 'A' rating by S&P and an 'A2' rating by Moody's. It is expected that the Class B Notes, when issued, will be assigned a 'BBB' rating by S&P and a 'Baa2' rating by Moody's.
Listing:	Application has been made to have the Notes approved for listing on the Irish Stock Exchange.
Purchases:	The Issuer is not permitted to purchase Notes.
Governing Law of the Notes:	English
Weighted Average Life:	The weighted average lives of the Notes are projected to be 3.89 years in the case of the Class A1 Notes and 5.17 years for the other classes of Notes. The Issuer makes no representation as to the likelihood of the actual weighted average lives of the Notes being 3.89 and 5.17 years, respectively. See under "*Weighted Average Lives of the Notes*" below.
Start-Up Expenses:	Prior to and on the Closing Date, the Issuer will incur certain expenses in connection with the issue of the Notes and the purchase of the Completion Portfolio (the "**Start-Up Expenses**"). The only funds available to the Issuer are the proceeds of the Notes. The Issuer will receive the proceeds of the Notes net of certain of the Start-Up Expenses and will pay the balance of the Start-Up Expenses out of the Note proceeds on or about the Closing Date.
Security for the Notes:	The Notes will be secured by: 1. a Swedish Security Agreement between the Issuer and the Trustee which will create the following Swedish law security: (a) a first ranking security over all the Issuer's interest in the Loans and the Related Security; (b) a first ranking security over the Issuer's interest in the Collection Account Agreement and the Sale Agreement (to the extent that the Sale Agreement is governed by Swedish law); 2. a Jersey Security Agreement between the Issuer and the Trustee which will create a first priority Jersey law security interest over the Issuer's right, title and interest in the Corporate Services Agreement; 3. a Deed of Charge between the Issuer and the Trustee for the benefit of, *inter alios*, the Trustee, Noteholders and the Other Secured Creditors (as defined in Condition 3(a)), which will create the following English law security: (a) a first priority security interest over the Issuer's right, title and interest in the Transaction Accounts; (b) a first fixed security over the Issuer's interest in any investments made on its behalf pursuant to the Administration Agreement (which may in certain circumstances take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); (c) a first fixed security by way of assignment over the Issuer's right, title and interest in the: (i) agency agreement dated on or about the date of this Offering Circular between the Issuer, the Trustee, the

Principal Paying Agent, the U.S. Paying Agent and the Irish Paying Agent (the "**Agency Agreement**");

(ii) schedule of definitions of terms used in this Offering Circular and the documentation connected therewith (the "**Master Definitions Schedule**");

(iii) Sale Agreement (to the extent that it is governed by English law);

(iv) Interest Rate Hedge Agreement;

(v) Currency Hedge Agreements (as defined below);

(vi) Subscription Agreement;

(vii) the Placement Agency Agreement;

(viii) Transaction Account Agreement;

(ix) Administration Agreement;

(x) the Depository Agreement; and

(d) a floating charge over any rights or assets of the Issuer not secured by the above.

OTHER AGREEMENTS

2.H.1 (c)(iv)

Administration Agreement:

The Issuer, the Trustee, SBAB and the Administrator will enter into an administration agreement (the "**Administration Agreement**") on the Closing Date. Under the Administration Agreement, the Administrator will agree to provide to the Issuer and the Trustee (in relation to their respective interests therein) certain mortgage administration and cash management services. Such services will include administering and enforcing the Loans, the storing and safe-keeping of all documents relating to the Loans and the Related Security, maintaining all such licences, approvals, authorisations and consents as may be necessary in connection with the performance of the administration services, setting the interest rates on the Loans, arranging for the Originator to repurchase Loans in respect of which a Borrower has requested to be advanced further amounts ("**Further Advances**"), arranging or accepting the substitution of the Borrower where a Borrower wishes to assign its rights and obligations under a Loan to a replacement borrower, determining which amounts received by the Issuer represent interest receipts and principal receipts, determining the amounts of any losses suffered in respect of the Portfolio, determining whether there are any Excess CPR Amounts which the Issuer should be using to acquire Qualifying Additional Loans, determining if there are any Qualifying Additional Loans for acquisition by the Issuer and the amounts of any principal deficiencies or revenue deficiencies relating to the Notes, and arranging for the making of payments to the Noteholders and the Other Secured Creditors.

2.H.1 (c)(ii)

Interest Rate Hedge Agreement:

The Issuer will enter into an interest rate hedge agreement (the "**Interest Rate Hedge Agreement**") to hedge itself against interest rate exposure arising as a result of interest on the Loans not being charged at a uniform rate and/or due to the rates of interest under the Loans having been set at different times. Under the Interest Rate Hedge Agreement, the Issuer will agree to pay to the Interest Rate Hedge Provider a Kronor amount equal to the aggregate of interest payments it receives on the Loans in the period which commences on (and includes) a Determination Date (as defined in Condition 6) and ends on (but excludes) the immediately succeeding Determination Date (each such period, a "**Determination Period**"). The

Interest Rate Hedge Provider will agree to pay the Issuer a Kronor amount calculated by reference to STIBOR for three month (or, in respect of the period between the Closing Date and the first Determination Date, a linear interpolation of three and six months) Kronor deposits (as determined two Interest Rate Hedge Business Days (as defined in Condition 6) prior to the first day of the Interest Period in respect of which such payments are to be made) plus, a margin of 1.00 per cent. per annum, on the weighted average principal amount outstanding of the Loans in the Portfolio during the relevant Determination Period, multiplied by a factor calculated by dividing the amount of interest actually received by the Issuer by the amount of interest due on the Loans during the relevant Determination Date in each case.

The Interest Rate Hedge Provider will agree, under the Interest Rate Hedge Agreement, that if its short-term, unsecured, unsubordinated and unguaranteed debt obligations are downgraded below A-1 by S&P or if its long-term, unsecured, unsubordinated and unguaranteed debt obligations are downgraded below A3 by Moody's, the Interest Rate Hedge Provider will within 30 days of such downgrade transfer all of its rights and obligations under the Interest Rate Hedge Agreement to a third party, procure another person to become co-obligor in respect of its obligations under the Interest Rate Hedge Agreement and post collateral, in each case such that the ratings of the Notes will be no lower than the ratings which such Notes had prior to the downgrade of the Interest Rate Hedge Provider's obligations by S&P and/or Moody's.

Currency Hedge Agreements:

The Issuer will enter into four currency and interest rate hedge agreements (the "**Currency Hedge Agreements**") to hedge itself against, respectively, (i) exchange rate risk arising due to changes in the exchange rate between Swedish Kronor and Euro, (ii) exchange rate arising due to changes in the exchange rate between Swedish Kronor and U.S. Dollar, (iii) interest rate exposure arising as a result of differences between the STIBOR rate by reference to which amounts are paid by the Interest Rate Hedge Provider to the Issuer and the rate by reference to which the Issuer's obligation to pay interest under the Euro Notes is determined in accordance with Condition 5(C)(b)(i) ("**Note EURIBOR**"), and (iv) interest rate exposure arising as a result of differences between the STIBOR rate by reference to which amounts are paid by the Interest Rate Hedge Provider to the Issuer and the rate by reference to which the Issuer's obligation to pay interest under the U.S. Dollar Notes is determined in accordance with Condition 5(C)(b)(ii) ("**Note U.S. Dollar LIBOR**"). 2.H.1 (c)(ii)

There will be a separate Currency Hedge Agreement in relation to each of the Class A1 Notes (the "**Class A1 Currency Hedge Agreement**"), the Class A2 Notes (the "**Class A2 Currency Hedge Agreement**"), the Class M Notes (the "**Class M Currency Hedge Agreement**") and the Class B Notes (the "**Class B Currency Hedge Agreement**"). The rate at which Swedish Kronor are exchanged into U.S. Dollar (or vice versa) (the "**SEK/U.S.$ Currency Exchange Rate**") for the purposes of the Currency Hedge Agreement relating to the U.S. Dollar Notes will be set on or prior to the Closing Date. The rate at which Swedish Kronor are exchanged into Euro (or vice versa) (the "**SEK/€ Currency Exchange Rate**" and each of the SEK/U.S.$ Currency Exchange Rate and the SEK/€ Currency Exchange Rate, a "**Currency Exchange Rate**") will be the same under each Currency Hedge Agreement relating to the Euro Notes and will be set on or prior to the Closing Date. However, the rate of interest by reference to which the Currency Hedge Provider makes payment to the Issuer will, in the case of each Currency

	Hedge Agreement, be calculated by reference to Note U.S. Dollar LIBOR (in the case of the U.S. Dollar Notes) and Note EURIBOR (in the case of the Euro Notes). On the Closing Date, the Issuer will receive the proceeds of the subscription for the Notes in U.S. Dollar and Euro. The purchase price for the Portfolio will be in Swedish Kronor. The Issuer will pay to the Currency Hedge Provider the net proceeds for each class of the Notes under the relevant Currency Hedge Agreements and will receive from the Currency Hedge Provider amounts in Swedish Kronor equivalent to such amounts of U.S. Dollar and Euro at the relevant Currency Exchange Rates. The Currency Hedge Provider will agree, under each of the Currency Hedge Agreements, that if its short-term, unsecured and unsubordinated debt obligations are downgraded below A-1+ by S&P or its long-term, unsecured and unsubordinated debt obligations are downgraded below Aa3 by Moody's, the Currency Hedge Provider will, at its own cost, post collateral, transfer its obligations under the Currency Hedge Agreements to a third party or procure another person to become co-obligor in respect of its obligations under the Currency Hedge Agreements, in each case such that the ratings of the Notes will be no lower than the ratings which such Notes had prior to the downgrade of its debt obligations by S&P and/or Moody's. Investors should note that the Currency Hedge Provider will make all payments under Currency Hedge Agreements subject to any applicable witholding or deduction for or on account of any tax and will not be obliged to pay any additional amounts as a consequence. The Issuer may only terminate the Currency Hedge Agreements as a result of such withholding or deduction if a substitute currency hedge provider can be found on terms acceptable to the Rating Agencies.	
Bank Accounts:	The Issuer will hold three bank accounts to deal with cash flows throughout the period while the Notes are outstanding; an account denominated in Kronor (the "**Kronor Transaction Account**") held with the Transaction Account Bank in London, into which all amounts received by the Issuer in Kronor (including all amounts received in respect of the Loans) will be paid and from which the Issuer will make all payments required to be made by it in Kronor; an account denominated in U.S. Dollars (the "**U.S.$ Transaction Account**") held with the Transaction Account Bank in London, into which all amounts received by the Issuer in U.S. Dollars (including all amounts received under the Currency Hedge Agreements under which Swedish Kronor is converted into U.S. Dollars) will be paid and from which the Issuer will make all payments required to be made by it in U.S. Dollars (including payments under the Notes); an account denominated in Euro (the "**Euro Transaction Account**" and together with the Kronor Transaction Account and the U.S.$ Transaction Account, the "**Transaction Accounts**") held with the Transaction Account Bank in London, into which all amounts received by the Issuer in Euro (including all amounts received under the Currency Hedge Agreements under which Swedish Kronor is converted into Euro) will be paid and from which the Issuer will make all payments required to be made by it in Euro (including payments under the Notes). Pursuant to the Transaction Account Agreement, funds standing to the credit of the Kronor Transaction Account will accrue interest at a minimum rate of STIBOR minus 0.30 per cent. per annum. To enable the Issuer to meet its obligations under items (i) to (iv) of the Revenue Priority of Payments to the extent they are denominated in a currency other than Swedish Kronor, the Transaction Account Bank will	2.H.1 (c)(iv)

agree to exchange Swedish Kronor amounts into the relevant currencies at the then prevailing spot rate.

The Originator will hold an account for the benefit of the Issuer denominated in Kronor and held by the Collection Account Bank in Stockholm, Sweden (the "**Collection Account**") into which all amounts paid by the Borrowers in respect of the Loans will be received. Such payments will, in the majority of cases, be made by direct debit. Payments by Borrowers are due on the 30th of a month, either on a monthly or quarterly basis with interest being payable in arrears. Payments in respect of amounts due under the Loans which are credited to the Collection Account will be transferred to the Kronor Transaction Account either on (or, in any event, no later than the business day following) the business day on which they are credited to the Collection Account. The Collection Account will be segregated from all other accounts held by the Originator and only amounts that relate to the Portfolio will be paid into the Collection Account. If the rating of SBAB's long-term unsecured and unsubordinated debt obligations falls below BBB (in the case of S&P) or Baa2 (in the case of Moody's), the Collection Account will be transferred into the name of the Issuer.

If the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the Collection Account Bank are downgraded below A- by S&P, the Administrator must transfer the Collection Account to another suitably rated bank.

Authorised Investments: Monies from time to time standing to the credit of the Kronor Transaction Account may be invested by the Issuer (or by the Administrator on the Issuer's behalf) in certain authorised investments (the "**Authorised Investments**"). These are deposit accounts and eligible securities approved by the Rating Agencies which are repayable or mature on or before the Interest Payment Date next following the date on which such Authorised Investment is acquired or such deposit made, pending distribution in accordance with the Deed of Charge and the Administration Agreement. 2.H.I (c)(iii)

The Reserve Ledger: The Issuer will, on the Closing Date, create and maintain a ledger within the Kronor Transaction Account called the Reserve Ledger (the "**Reserve Ledger**") pursuant to the terms of the Transaction Account Agreement. The Kronor Transaction Account will be subject to an arrangement under which interest will be payable on the balance from time to time standing to the credit thereof at a rate calculated by reference to three month STIBOR. The opening balance of the Reserve Ledger will be the SEK equivalent of €5,000,000 (converted at the SEK/€ Currency Exchange Rate) (the "**Initial Reserve Fund Amount**"). The Kronor Transaction Account will be the subject of a first priority security interest in favour of the Trustee and withdrawals from the Kronor Transaction Account (including withdrawals from the Reserve Ledger) may only be made in accordance with the provisions of the Administration Agreement. 2.H.1 (c)(ii) 2.H.1 (c)(iii)

The amount standing to the credit of the Reserve Ledger (the "**Reserve Fund**") shall be increased on each Interest Payment Date out of Available Revenue Funds (but subject to payment of amounts ranking in priority to replenishment or increase of the Reserve Fund in the Revenue Priority of Payments) until the balance thereof reaches the SEK equivalent of €10,000,000 (converted at the SEK/€ Currency Exchange Rate) (the "**Required Reserve Fund Amount**") and thereafter replenished on each Interest Payment Date to the extent the amount standing to the credit of the Reserve Ledger has fallen below the Required Reserve Fund Amount.

The Liquidity Reserve Ledger:	If the long-term unsecured, unsubordinated and unguaranteed debt obligations of SBAB cease to have a rating by Moody's of at least Baa1 (the "**Liquidity Reserve Event**"), then the Issuer shall create a separate ledger within the Kronor Transaction Account (the "**Liquidity Reserve Ledger**"). The amount required to be held in the Liquidity Reserve Ledger shall be an amount equal to three per cent. of the Principal Amount Outstanding of the Notes from time to time (the "**Required Liquidity Reserve Amount**") (unless Moody's confirms that the then current ratings of the Notes would not be withdrawn or downgraded if the Liquidity Reserve Ledger was not so created or funded or the long-term unsecured, unsubordinated and unguaranteed debt obligations of SBAB regain a rating of at least Baa1 by Moody's). The amounts from time to time recorded as being held to the credit of the Liquidity Reserve Ledger shall be known as the "**Liquidity Reserve Fund**".	
Sources of Funds:	The Issuer's interest and income receipts (the "**Income Receipts**") will comprise:	2.H.1 (e)(i)
	(i) payments of interest and other fees due from time to time under the Loans (other than monies representing a prepayment or other fee paid in connection with the prepayment of a Loan which shall be paid on receipt in cleared funds to the Administrator but including any amounts under any Payment Protection Policy representing interest);	
	(ii) interest on the balances from time to time in the Transaction Accounts, the Collection Account and Authorised Investments;	
	(iii) recoveries of interest and outstanding fees from defaulting Borrowers under Loans being enforced;	
	(iv) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed; and	
	(v) the accrued interest component of the purchase price paid by the Originator in respect of any Loan repurchased by the Originator pursuant to the terms of the Sale Agreement.	
	"**Available Revenue Funds**" means, as at a Determination Date, an amount equal to:	
	(a) the aggregate of:	
	(i) the Income Receipts standing to the credit of the Kronor Transaction Account at the close of business on the last day of the Determination Period ending immediately prior to such Determination Date;	
	(ii) the aggregate of the amounts due to be paid to the Issuer under the Interest Rate Hedge Agreement prior to the immediately succeeding Interest Payment Date in respect of the Interest Period to which that Determination Date relates;	
	(iii) interest expected to be received on Authorised Investments prior to the immediately succeeding Interest Payment Date; and	
	(iv) any amounts (if any) withdrawn or to be withdrawn from the Reserve Ledger of the Kronor Transaction Account in respect of the Interest Payment Date which immediately succeeds such Determination Date in order to fund any difference between the aggregate of (a)(i), (ii) and (iii) above minus (b) below and	

the aggregate of items (i) to (x) of the Revenue Priority of Payments;

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(b) the aggregate of the amounts paid or due to be paid to the Interest Rate Hedge Provider under the Interest Rate Hedge Agreement prior to the immediately succeeding Interest Payment Date in respect of the Interest Period to which that Determination Date relates (provided that following the occurrence of an event of default under the Interest Rate Hedge Agreement relating to the Interest Rate Hedge Provider, no payment will be made to the Interest Rate Hedge Provider except in accordance with item (xiv)(b)).

Revenue Deficiencies: On each Determination Date the Administrator shall determine on behalf of the Issuer whether the amount of the Available Revenue Funds is sufficient to pay or provide for payment of the "**designated items**" (as defined below) under the Revenue Priority of Payments. To the extent that such amount is insufficient to pay the designated items (the amount of any such insufficiency being a "**Revenue Deficiency**") the Issuer shall pay or provide for such Revenue Deficiency by applying, first, any amounts standing to the credit of the Liquidity Reserve Ledger and, secondly, any amounts standing to the credit of the Principal Collections Ledger (the amounts so applied, the "**Revenue Deficiency Payment**").

The "**designated items**" means items (i) to (x) inclusive of the Revenue Priority of Payments unless the B Test (as described below) has been breached, in which case it means items (i) to (x) inclusive (but excluding item (ix)) of the Revenue Priority of Payments unless the M Test (as described below) has been breached, in which case it means items (i) to (x) inclusive (but excluding items (vii) and (ix)) of the Revenue Priority of Payments.

The B Test as calculated on each Determination Date will be breached if the sum of the amounts standing to the debit of the Class B Principal Deficiency Ledger (converted at the appropriate Currency Exchange Rate) on the previous Interest Payment Date is greater than 50 per cent. of the Principal Amount Outstanding of the Class B Notes on such Interest Payment Date (the "B Test").

The M Test as calculated on each Determination Date will be breached if the sum of the amounts standing to the debit of the Class M Principal Deficiency Ledger (converted at the appropriate Currency Exchange Rate) on the previous Interest Payment Date is greater than 50 per cent. of the aggregate Principal Amount Outstanding of the Class M Notes on such Interest Payment Date (the "M Test").

The Issuer's principal receipts (the "**Principal Receipts**") will comprise: 2.H.1 (c)(i)

(i) principal repayments under the Loans (including any payments made under any Payment Protection Policy representing principal);

(ii) recoveries of principal from defaulting Borrowers under Loans being enforced;

(iii) any proceeds of a fire insurance policy relating to a Loan;

(iv) the proceeds of the repurchase of any Loan by the Originator from the Issuer in an amount equal to the then outstanding principal amount of any such Loan repurchased by the Originator pursuant to the Sale Agreement and any other sale of the Loans; and

(v) the aggregate of any remaining Available Principal Funds retained by the Issuer on previous Interest Payment Dates pursuant to item (ii) of the Principal Priority of Payments.

"**Available Principal Funds**" means, as at a Determination Date, an amount equal to:

(a) the aggregate of:

(i) the Principal Receipts standing to the credit of the Principal Collections Ledger (as defined below) of the Kronor Transaction Account at the close of business on the last day of the Determination Period ending immediately prior to such Determination Date; and

(ii) any Available Revenue Funds to be allocated to cure principal deficiencies on the immediately succeeding Interest Payment Date; and

(iii) any Liquidity Reserve Release Amount or, on any Interest Payment Date on which or in respect of which (A) the Notes are to be redeemed in full or (B) the long-term unsecured, unsubordinated and unguaranteed debt obligations of SBAB have a rating by Moody's of Baa1 or higher or (C) Moody's confirms that the current rating of the Notes would not be lowered or withdrawn if the Liquidity Reserve Ledger ceased to be funded despite a Liquidity Event having occurred, the Liquidity Reserve Fund;

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(b) the Revenue Deficiency Payment (if any) to be made on the Interest Payment Date immediately succeeding such Determination Date; and

(c) any Principal Receipts to be credited to the Liquidity Reserve Ledger.

The "**Liquidity Reserve Release Amount**" means as at any Determination Date, the positive difference between the Liquidity Reserve Fund and three per cent. of the Principal Amount Outstanding under the Notes as at the preceding Interest Payment Date after the application of Available Principal Funds in accordance with the Principal Priority of Payments.

The Administrator will maintain on behalf of the Issuer a ledger in respect of each of the Class A1 Notes (the "**Class A1 Principal Deficiency Ledger**"), the Class A2 Notes (the "**Class A2 Principal Deficiency Ledger**" and together with the Class A1 Principal Deficiency Ledger, the "**Class A Principal Deficiency Ledger**"), the Class M Notes (the "**Class M Principal Deficiency Ledger**") and the Class B Notes (the "**Class B Principal Deficiency Ledger**") (together, the "**Principal Deficiency Ledger**").

The Administrator will debit (i) principal losses on the Loans and (ii) an amount equal to the amount of any Revenue Deficiency Payment to the Principal Deficiency Ledger in the following order: first, to the Class B Principal Deficiency Ledger until the maximum debit balance of the Class B Principal Deficiency Ledger is equal to the Principal Amount Outstanding of the Class B Notes from time to time; secondly, to the Class M Principal Deficiency Ledger until the maximum debit balance of the Class M Principal Deficiency Ledger is equal to the Principal Amount Outstanding of the Class M Notes from time to time; and, thirdly, *pro rata,* to the Class A1 Principal Deficiency Ledger and the Class A2 Principal Deficiency Ledger until the maximum debit balance of the Class A1 Principal Deficiency Ledger and the Class A2 Principal Deficiency Ledger is equal to the Principal Amount Outstanding from time to time of the Class A1 Notes and the Class A2 Notes, respectively.

Application of Funds:

Revenue Priority of Payments: Prior to the enforcement of the Security, on each Interest Payment Date (or, in the case of payments to the Currency Hedge Provider, on the Currency Hedge Payment Date (as defined in Condition 6), having duly provided for payments on the immediately succeeding Interest Payment Date which rank in priority to those payments as set out below) the Issuer will apply the aggregate of the Available Revenue Funds and the Revenue Deficiency Payment, each as determined on the immediately preceding Determination Date in the following manner and order of priority (the "**Revenue Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full, provided that the Revenue Deficiency Payment shall only be applied in or towards satisfaction of the designated items):

(i) *first*, in or towards satisfaction of the fees or other remuneration and indemnity payments (if any) payable to the Trustee and any costs, charges, liabilities and expenses incurred by the Trustee under the provisions of the Deed of Charge, the Swedish Security Agreement, the Jersey Security Agreement and/or the Trust Deed, together with interest thereon as provided in the Trust Deed;

(ii) *secondly*, in or towards satisfaction of the fees and expenses of the Paying Agents incurred under the provisions of the Agency Agreement and the Depository under the terms of the Depository Agreement, in each case together with value added tax (if applicable);

(iii) *thirdly*, in or towards satisfaction of, *pari passu* and *pro rata* according to the respective amounts thereof, (a) all amounts due to the Corporate Services Provider under the Corporate Services Agreement (including any value added tax thereon), (b) all amounts due to the Administrator under the Administration Agreement (including any value added tax thereon) (and while the Originator is the Administrator, such amount will not exceed 0.15 per cent. per annum of the aggregate principal balance of all the Loans from time to time), (c) all amounts due to the Transaction Account Bank, the Rating Agencies and the Issuer's auditors (including any value added tax thereon) and (d) all amounts due by the Issuer in respect of Jersey exempt company fees and annual corporate filing fees;

(iv) *fourthly*, in or towards satisfaction of amounts due or overdue to third parties under obligations incurred by the Issuer without breach of the Trust Deed, the Deed of Charge, the Swedish Security Agreement or the Jersey Security Agreement;

(v) *fifthly*, in or towards satisfying *pari passu* and *pro rata*, according to the respective amounts thereof, the amounts due and payable by the Issuer to the Currency Hedge Provider under the Class A1 Currency Hedge Agreement in relation to interest payable under the Class A1 Notes and under the Class A2 Currency Hedge Agreement in relation to interest payable under the Class A2 Notes (other than the aggregate of (A) any amount by way of refund of any tax credits which the Issuer has received in respect of any withholding or deduction on account of tax made by the Currency Hedge Provider, (B) any termination payment due from the Issuer to a Currency Hedge Provider which arises or is payable at any time when the Currency Hedge Provider to whom such termination payment is due is insolvent, whether or not the Currency Hedge Provider is the party whose actions or status brought about the termination of such Currency Hedge Agreement and (C) any termination payment due from the Issuer to a Currency Hedge

Provider (save to the extent that a premium has been received by the Issuer (and in an amount not exceeding the amount of such premium) from a replacement currency hedge provider who agrees to enter into a currency hedge agreement with the Issuer on substantially equivalent terms to the relevant Currency Hedge Agreement) where the Currency Hedge Provider is the sole Defaulting Party or Affected Party (each as defined in relevant Currency Hedge Agreement) in respect of such termination under the relevant Currency Hedge Agreement (the aggregate of (A), (B) and (C) being the "**Subordinated Hedge Amounts**") relating to each of the Class A1 Currency Hedge Agreement and the Class A2 Currency Hedge Agreement) and to use the proceeds of which to pay interest due on the Class A Notes;

(vi) *sixthly*, to the extent that there is a debit balance on the Class A Principal Deficiency Ledger, in reduction of the Swedish Kronor equivalent (at the relevant Currency Exchange Rate) of such debit balance (until the same has been reduced to zero) to be applied as Available Principal Funds to the extent of such reduction;

(vii) *seventhly*, in or towards satisfaction of (where either the M Test is met or no Class A Notes remain outstanding) the amounts due and payable by the Issuer to the Currency Hedge Provider under the Class M Currency Hedge Agreement in relation to interest payable under the Class M Notes (other than Subordinated Hedge Amounts relating to the Class M Currency Hedge Agreement) and to use the proceeds of which to pay interest due or overdue on the Class M Notes;

(viii) *eighthly*, to the extent that there is a debit balance on the Class M Principal Deficiency Ledger, in reduction of the Swedish Kronor equivalent (at the relevant Currency Exchange Rate) of such debit balance (until the same has been reduced to zero) to be applied as Available Principal Funds to the extent of such reduction;

(ix) *ninthly*, in or towards satisfaction of (where either the B Test is met or no Class A Notes or Class M Notes remain outstanding) the amounts due and payable by the Issuer to the Currency Hedge Provider under the Class B Currency Hedge Agreement (other than Subordinated Hedge Amounts relating to the Class B Currency Hedge Agreement) and to use the proceeds of which to pay interest due or overdue on the Class B Notes;

(x) *tenthly*, to the extent that there is a debit balance on the Class B Principal Deficiency Ledger, in reduction of the Swedish Kronor equivalent (at the relevant Currency Exchange Rate) of such debit balance (until the same has been reduced to zero) to be applied as Available Principal Funds to the extent of such reduction;

(xi) *eleventhly*, in crediting the Reserve Ledger until the amount of the Reserve Fund equals the Required Reserve Fund Amount;

(xii) *twelfthly*, in or towards satisfaction of (where the M Test is not satisfied and there are Class A Notes outstanding) the amounts due and payable by the Issuer to the Currency Hedge Provider under the Class M Currency Hedge Agreement in relation to interest payable under the Class M Notes (other than Subordinated Hedge Amounts relating to the Class M Currency Hedge Agreement) and to use the proceeds of which to pay interest due or overdue on the Class M Notes;

(xiii) *thirteenthly*, in or towards satisfaction of (where the B Test is not satisfied and there are Class A Notes and/or Class M Notes outstanding) the amounts due and payable by the Issuer to the Currency Hedge Provider under the Class B Currency Hedge Agreement in relation to interest payable under the Class B Notes (other than Subordinated Hedge Amounts relating to the Class B Currency Hedge Agreement) and to use the proceeds of which to pay interest due or overdue on the Class B Notes;

(xiv) *fourteenthly*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, to pay (a) the Subordinated Hedge Amounts relating to the Currency Hedge Agreements and (b) any amounts due to the Interest Rate Hedge Provider following the occurrence of an event of default relating to the Interest Rate Hedge Provider under the Interest Rate Hedge Agreement;

(xv) *fifteenthly*, to pay deferred purchase price under the Sale Agreement less an amount equal to SEK 10,000 per annum which will be retained in the Kronor Transaction Account (the "**Issuer's Profit**"); and

(xvi) *sixteenthly*, the surplus, if any, to the Issuer.

2.H.1 (c)(v)

Principal Priority of Payments: Prior to the enforcement of the Security, the Issuer will, on each Interest Payment Date, apply Available Principal Funds standing to the credit of the Kronor Transaction Account on the immediately preceding Determination Date in the following manner and order of priority (the "**Principal Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(i) *first*, during the Additional Purchase Period, in acquiring Qualifying Additional Loans (as defined below) until an amount equal to the Excess CPR Amount has been so applied;

(ii) *secondly*, during the Additional Purchase Period, in retaining until the immediately succeeding Interest Payment Date in the Kronor Transaction Account and recrediting to the Principal Collections Ledger the amount by which the Excess CPR Amount exceeds the amounts applied pursuant to item (i) above, the amount so retained not to exceed 5 per cent. of the aggregate principal balance of the Completion Portfolio as at the Closing Date provided that no amounts shall be retained in accordance with this term (ii) if any of the conditions to which the purchase of Qualifying Additional Loans is subject are not met on such Interest Payment Date and the Administrator determines (acting reasonably and having regard to the Issuer's obligation to use reasonable endeavours to purchase Qualifying Additional Loans from the Originator when funds are available for such purpose and the relevant conditions are satisfied) that the conditions are not likely to be met on the following two Interest Payment Dates;

(iii) *thirdly*, in or towards satisfaction of any amounts due under the Class A1 Currency Hedge Agreement in respect of principal of the Class A1 Notes and using the proceeds received under the Class A1 Currency Hedge Agreement to redeem Class A1 Notes in an amount equal to the Class A1 Note Actual Redemption Amount until the Class A1 Notes have been fully redeemed;

(iv) *fourthly*, in or towards satisfaction of any amounts due under the Class A2 Currency Hedge Agreement in respect of principal of the Class A2

Notes and using the proceeds received under the Class A2 Currency Hedge Agreement to redeem Class A2 Notes in an amount equal to the Class A2 Note Actual Redemption Amount until the Class A2 Notes have been fully redeemed;

(v) *fifthly*, in or towards satisfaction of any amounts due under the Class M Currency Hedge Agreement in respect of principal of the Class M Notes and using the proceeds received under the Class M Currency Hedge Agreement to redeem Class M Notes in an amount equal to the Class M Note Actual Redemption Amount until the Class M Notes have been fully redeemed; and

(vi) *sixthly*, in or towards satisfaction of any amounts due under the Class B Currency Hedge Agreement in respect of principal of the Class B Notes and using the proceeds received under the Class B Currency Hedge Agreement to redeem Class B Notes in an amount equal to the Class B Note Actual Redemption Amount until the Class B Notes have been fully redeemed.

Post-Enforcement Priority of Payments: Following the enforcement of the Security, the Trustee will apply receipts (whether of principal or interest or otherwise) in the following manner and order of priority (the "**Post-Enforcement Priority of Payments**") (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first*, in or towards satisfaction of the fees or other remuneration and indemnity payments (if any) payable to the Trustee and any receiver appointed by the Trustee and any costs, charges, liabilities and expenses incurred by the Trustee or such receiver under the provisions of the Deed of Charge, the Swedish Security Agreement, the Jersey Security Agreement or the Trust Deed together with interest thereon as provided in the Trust Deed;

(ii) *secondly*, in or towards satisfaction of the fees and expenses of the Paying Agents incurred under the provisions of the Agency Agreement and the Depository under the Depository Agreement;

(iii) *thirdly*, in or towards satisfaction of, *pari passu* and *pro rata* according to the respective amounts thereof, (a) all amounts due to the Corporate Services Provider under the Corporate Services Agreement, (b) all amounts due to the Administrator under the Administration Agreement, (c) all amounts due to the Transaction Account Bank, the rating agencies and the Issuer's auditors and (d) all amounts due by the Issuer in respect of Jersey exempt company fees and annual corporate filing fees;

(iv) *fourthly*, in or towards satisfaction of, *pari passu* and *pro rata* according to the respective amounts thereof, all amounts due or overdue under the Interest Rate Hedge Agreement, the Class A1 Currency Hedge Agreement and the Class A2 Currency Hedge Agreement (other than Subordinated Hedge Amounts relating thereto) and all interest and principal due or overdue on the Class A1 Notes and the Class A2 Notes PROVIDED THAT if the enforcement has occurred as a result of the Issuer defaulting on its obligation to make a payment under the Notes, the amounts that would otherwise be applied in or towards making payment of amounts of interest and principal on the Class A Notes shall be applied in the following order, in or towards satisfaction of the following amounts:

(A) *pro rata* and *pari passu* any amounts due under the Interest Rate Hedge Agreement, the Class A1 Currency Hedge Agreement and the Class A2 Currency Hedge Agreement (other than Subordinated Hedge Amounts relating thereto); and thereafter,

(B) *pro rata* and *pari passu*, any amount due to the holders of the Class A1 Notes and the Class A2 Notes;

(v) *fifthly*, in or towards satisfaction of, *pari passu* and *pro rata* according to the respective amounts thereof, all amounts due or overdue under the Class M Currency Hedge Agreement (other than Subordinated Hedge Amounts relating thereto) and all interest and principal due or overdue on the Class M Notes;

(vi) *sixthly*, in or towards satisfaction of, *pari passu* and *pro rata* according to the respective amounts thereof, all amounts due or overdue under the Class B Currency Hedge Agreement (other than Subordinated Hedge Amounts relating thereto) and all interest and principal due or overdue on the Class B Notes;

(vii) *seventhly*, in or towards satisfaction of, *pari passi* and *pro rata* according to the respective amounts thereof, all Subordinated Hedge Amounts relating to any of the Hedge Agreements;

(viii) *eighthly*, to pay deferred purchase price under the Sale Agreement; and

(ix) *ninthly*, the surplus, if any, to the Issuer or other persons entitled thereto.

SPECIAL FACTORS

2.G.1

The following is a summary of certain aspects of the issue of the Notes and related transactions about which prospective Noteholders should be aware. This summary is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this Offering Circular. If you are in any doubt about the contents of this Offering Circular you should consult an appropriate professional adviser.

Liabilities under the Notes

The Notes will be obligations of the Issuer only. The Notes will not be obligations of the Trustee, the Originator, the Administrator, Merrill Lynch, the Managers (as defined under "*Subscription and Sale*" below), the Interest Rate Hedge Provider, the Currency Hedge Provider, the Paying Agents, the Agent Bank, the Collection Account Bank, the Transaction Account Bank, the Depository, the Share Trustee, Holdings, the Corporate Services Provider, SBAB or any other company affiliated thereto and will not be guaranteed by any person. No one other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

Subordination of the Class M Notes and Class B Notes

The Class M Notes and the Class B Notes will be affected by considerations which do not affect the Class A Notes. In particular, the Class A Notes will rank in point of security prior to the Class M Notes and to the Class B Notes. Accordingly, following an enforcement of the security for the Notes, any losses after application of the Issuer's assets (including any proceeds of sale of the Portfolio and the balances on the Transaction Accounts) will be attributable first to the Class B Notes, then to the Class M Notes and finally to the Class A Notes. Prior to such enforcement, the Class M Notes and the Class B Notes will support the timely payment of interest on the Class A Notes because of the higher ranking of payments under the Class A1 Currency Hedge Agreement and the Class A2 Currency Hedge Agreement than those due under the Class M Currency Hedge Agreement and the Class B Currency Hedge Agreement. In turn, prior to enforcement, the Class B Notes will support the timely payment of interest on the Class M Notes because of the higher ranking of payments under the Class M Currency Hedge Agreement than those due under the Class B Currency Hedge Agreement. Reduced payments of Swedish Kronor amounts to the Hedge Provider in respect of a Currency Hedge Agreement will lead to a corresponding reduction in the U.S. Dollar or Euro payments (as the case may be) due from the Currency Hedge Provider which in turn will lead to the triggering of the provisions for the deferral of interest on the Notes (set out in Condition 5(I)) which may affect first the Class B Notes and then the Class M Notes.

Conflict between Classes of Noteholders

The Trust Deed will contain provisions requiring the Trustee to have regard to the interests of the Noteholders as a single class, as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and those of the Class M Noteholders and/or the Class B Noteholders and subject thereto to have regard only to the interests of the Class M Noteholders if, in the Trustee's opinion, there is or may be a conflict between the interests of the Class M Noteholders and the interests of the Class B Noteholders.

Yield and Prepayment Considerations

The yield to maturity of the Notes of each class will depend on, among other things, the amount and timing of payment of principal (including full and partial prepayments, sale proceeds arising on enforcement of a Loan, and repurchases by the Originator due to breaches of warranties under the Sale Agreement and requests by Borrowers for Further Advances leading to repurchases by the Originator) on the Loans, the extent of purchases of Qualifying Additional Loans, and the price paid by the Noteholders for the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans.

Principal prepayments in full may result in connection with refinancings, sales of properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Loan, as well as the

receipt of proceeds from building insurance policies. In addition, repurchases or purchases of Loans will have the same effect as a prepayment in full of such Mortgage Loans. The extent of purchases of Qualifying Additional Loans may also have an impact.

The rate of prepayment of the Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. No assurance can be given as to the level of prepayment that the Portfolio will experience. See "*Weighted Average Lives of the Notes*".

Revenue and Principal Deficiencies

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes (and its operating and administrative expenses) will, ultimately, be subject to the risk of default by Borrowers (such that, after completion of enforcement procedures in respect of the relevant Loan and Pantbrev (in the case of Pantbrev Loans) or pledge over a Bostadsrätt (in the case of Tenant Loans) securing the Loan and after all available claims under any relevant insurance policy have been made and settled, the Issuer does not receive the full principal and interest due on each Loan). In the event of such a default, if the cash flows derived from the Loans, the Interest Rate Hedge Agreement, the Reserve Fund, the Liquidity Reserve Fund and any other assets of the Issuer are insufficient to meet any shortfall, then Noteholders may not receive all sums expected to be received by them.

Deficiencies in revenue receipts from Borrowers may result in reductions to the amounts payable and receivable by the Issuer under the Interest Rate Hedge Agreement which in turn will result in reductions in Available Revenue Funds to be applied to meet the payments in the Pre-Enforcement Revenue Priority of Payments. If a deficiency arises in the Issuer's Available Revenue Funds, the Issuer may, in certain circumstances, use its Principal Receipts (if any) to cure such deficiency. If such use is made of the Issuer's Principal Receipts, then the amount so used will be recorded as a principal deficiency and may subsequently be cured from Available Revenue Funds as set out below. However, the use of Principal Receipts to cure revenue deficiencies is restricted and, in certain circumstances, Principal Receipts will not be available to cure revenue deficiencies in relation to the Class B Notes or the Class M Notes. In any event, there can be no assurance that if a revenue deficiency arises, sufficient Principal Receipts will be received by the Issuer to cure such revenue deficiency.

Deficiencies in principal receipts from Borrowers in relation to Loans in respect of which Enforcement Procedures have been completed, the application of Principal Receipts (including amounts drawn from to the Liquidity Reserve Ledger) as Revenue Deficiency Payments will be recorded in the Principal Deficiency Ledger.

Entries in the Principal Deficiency Ledger will be made in U.S. Dollar or Euro notionally converted from Swedish Kronor at the relevant Currency Exchange Rate and will be made in the following order:

(i) first, in the Class B Principal Deficiency Ledger; and

(ii) when the debit balance of the Class B Principal Deficiency Ledger is equal to the Principal Amount Outstanding of the Class B Notes, then the Class M Principal Deficiency Ledger; and

(iii) finally, when the debit balance of the Class M Principal Deficiency Ledger is equal to the Principal Amount Outstanding of the Class M Notes, then *pro rata* and *pari passu* to the Class A1 Principal Deficiency Ledger and the Class A2 Principal Deficiency Ledger.

The principal deficiencies so arising may be made good from Available Revenue Funds applied pursuant to items (vi), (viii) and (x) of the Revenue Priority of Payments.

If there are insufficient funds available as a result of such revenue or principal deficiencies, then one or more of the following consequences may ensue:

(a) the Issuer's interest and other net income may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, amounts under the relevant Currency Hedge Agreement to fund payments of interest due to holders of, first, the Class B Notes, secondly, the Class M Notes and thirdly, the Class A Notes;

(b) there may be insufficient funds to redeem the Class B Notes at their face value unless prior to their final maturity date the Issuer's interest and other net income is sufficient, after making other payments to be made in priority thereto, to reduce to nil the debit balance in the corresponding Principal Deficiency Ledger; and/or

(c) if the aggregate debit balance on the Principal Deficiency Ledger, notwithstanding any reduction as aforesaid, exceeds the aggregate Principal Amount Outstanding of the Class B Notes, the Class M Noteholders may not receive by way of principal repayment the Principal Amount Outstanding of their Class M Notes, and if this balance exceeds the aggregate Principal Amount Outstanding of the Class M Notes and the Class B Notes, the Class A Noteholders may not receive by way of principal repayment the Principal Amount Outstanding of their Class A Notes.

Risk of Losses Associated with Declining Property Values and Geographic Concentration of Properties

The Security for the Notes consists of, among other things, the Pantbrev and the pledges over Bostadsrätt relating to the Loans. This Security may be affected by, among other things, a decline in the value of the properties to which the Related Security of each Loan relates. No assurance can be given that values of the properties have remained or will remain at the level at which they were on the date of origination of the related Loans. If the residential property market in Sweden should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security created for the Loans being significantly reduced and, ultimately, may result in losses to the Noteholders if such security is required to be enforced.

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions, and, consequently, will experience higher rates of loss and delinquency on residential loans generally. The Stockholm region represents approximately 72 per cent. of the total balance of Loans in the Provisional Portfolio. See "*Description of the Portfolio and Qualifying Additional Loans*".

Searches and Investigations

The Issuer has not made or caused to be made on its behalf all of the enquiries, searches or investigations which a prudent purchaser of assets such as the Portfolio would make (and will not do so) and the Trustee has made no such enquiries, searches or investigations. Each of the Issuer and the Trustee will rely on the representations and warranties by the Originator to be contained in the Sale Agreement the remedy for the breach of which shall be limited to a repurchase by the Originator of the affected Loans.

Subordinate Pantbrev

Approximately 12 per cent. of the total balance of the Loans in the Provisional Portfolio are Pantbrev Loans secured on Pantbrev which rank (in point of security) behind Pantbrev relating to the same property but issued to third parties. If enforcement procedures are brought against the property to which the Pantbrev relate, the proceeds will first be applied, among other things, towards repayment of the relevant Borrower's debt secured on the Pantbrev ranking in priority to the Pantbrev held by the Issuer. See "*The Mortgage Market in Sweden – Single Family Dwellings – Loans for Securities Secured on Pantbrev*".

Tenant Loans: Insolvency of the Relevant Housing Co-Operative

In the event of insolvency of the housing co-operative, the property containing the apartments to which the Bostadsrätt relates may be sold by the Enforcement Authority and the housing co-operative will be dissolved. The holder of a pledge over a Bostadsrätt will not have any right to refuse such sale. In accordance with Chapter 7 Section 33 of the Swedish Co-operatives Act, the apartments will be transformed into apartments with right of tenancy only and the holder of a pledge over a Bostadsrätt loses his priority interest when the property has been sold.

The housing co-operative, owning the property to which the Bostadsrätt relate might have mortgages on such property (Sw. *Pantbrev*). The priority of the Pantbrev relating to a single property is ranked according to the date of application to the Land Registry (Sw. *Inskrivningsmyndigheten*) for their

issue. The proceeds received in the sale of the property in accordance with the Debt Enforcement Act are applied first to satisfy the Enforcement Authority's costs and then in satisfaction of the claims of the Pantbrev holders in order of their priority. The member of the housing co-operative receives payment after the Pantbrev holders and other creditors of the housing co-operative have been paid in full. It is generally thought that where the Bostadsrätt is subject to a pledge, the holder of that pledge will be able to request that any amounts remaining due to the co-operative member should be paid out to the holder of the pledge directly, provided that the pledge was notified to the housing co-operative.

Tenant Loans: Fire Insurance

Tenant-owner properties are insured against fire risk by the co-operative of which they are a part. In respect of all Tenant Loans, the Originator has warranted that the relevant co-operative has confirmed in its acknowledgement of the notice of pledge over the relevant Bostadsrätt that the co-operative property is insured against fire. However, only the co-operative is a beneficiary under any such policy, not the Borrower or the Issuer as pledgee of the Bostadsrätt. After destruction of co-operative property (or part thereof, such as an apartment within it), there can therefore be no assurance that the insurance proceeds will be applied in a manner likely to enable the Borrower to meet its obligation under the relevant Loan.

Interest Rates under the Loans

Pursuant to the Swedish Consumer Credit Act (Sw: *Konsumentkreditlagen* (1992:830), lenders are restricted from changing the interest rate as against consumers. The general terms and conditions pertaining to the Loans are in compliance with the Act and they state that the loan is divided into different condition periods and that a condition period can be divided into different interest periods. Condition periods and interest periods are specified in the condition supplement. On each change of condition date the conditions for the Loan for the succeeding condition period will correspond to the conditions that the Originator generally applies for loans of the same kind on the change of condition date. In case the interest rate is fixed the same interest rate will apply for the whole condition period, or if the condition period is divided into different interest periods, for the interest period. The interest rate for the Loan will for the succeeding condition period correspond to the interest rate that the Originator generally applies for loans of the same kind on the change of condition date (the reference rate). When the Loans are assigned to the Issuer, it will use the same reference rate as the Originator under the terms of the Administration Agreement. Upon any replacement of the Originator as Administrator by a company which is not part of the SBAB Group of Companies the Issuer will use its own reference rate. Where an entity (like the Issuer) does not write new loan business which could provide a reference rate, the reference rate should reflect a reasonable market rate determined, for example, by reference to the current lending rates of leading housing lenders in Sweden.

While the Interest Rate Hedge Agreement continues to be in place and the Interest Rate Hedge Provider duly performs its obligations thereunder, the Noteholders will not be exposed to changes in the interest rates applicable to the Loans.

Non-Verified Loans

Approximately 0.2 per cent. by value of the total balance of the Loans in the Completion Portfolio will be Non-Verified Loans. There can be no assurance that the Non-Verified Loans will make their first payment by the Payment Verification Date. If such Loans do not make their first payment by the Payment Verification Date, the Originator will be obliged to repurchase or substitute those Loans from the Issuer or substitute them with Qualifying Additional Loans.

Optional Redemption

Although the Issuer is entitled (as to which see Condition 6) to redeem the Notes at its option in certain circumstances, including on any Interest Payment Date falling on or after the Step-Up Date, it is not obliged to do so. The ability of the Issuer to redeem the Notes on the Step-Up Date will be dependent primarily upon its ability to sell or refinance the Portfolio for an amount sufficient to enable the Issuer to make payments of all sums due to Noteholders upon any such redemption. Accordingly, if the Issuer is

unable to raise sufficient redemption funds, whether by sale or refinance of the Portfolio or otherwise, the Issuer will not be able to exercise its right of optional early redemption of the Notes.

The Originator is only obliged to repurchase a Loan in respect of which a warranty given by the Originator pursuant to the Sale Agreement was breached.

Limited Liquidity

There is currently no secondary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or that a market will develop for all classes or, if it does develop, that it will continue.

Interest Rate and Currency Exchange

Interest amounts in respect of each class of Notes are payable in U.S. Dollars and Euro (as applicable) and are calculable by reference to rates of interest based upon (respectively) Note U.S. Dollar LIBOR, plus the relevant margin (for the U.S. Dollar Notes) and Note EURIBOR, plus the relevant margin (for the Euro Notes). However, interest on the Loans is payable in Swedish Kronor and variable according to criteria which do not track any of the basis interest rates applicable to the Notes. Accordingly, fluctuations in interest rates and/or the U.S. Dollar-Swedish Kronor or Euro-Swedish Kronor exchange rate could result in the Issuer having insufficient funds to meet its obligations under the Notes.

In order to mitigate these risks, the Issuer will enter into the Hedge Agreements. Pursuant to the Interest Rate Hedge Agreement, the Issuer will pay to the Interest Rate Hedge Provider amounts of Swedish Kronor equal to the amount of interest it has received during the relevant Determination Period and will receive from the Interest Rate Hedge Provider amounts of Swedish Kronor calculable by reference to STIBOR plus a margin of 1 per cent. multiplied by (a) the weighted average outstanding principal amount of the Portfolio during the relevant Determination Period and (b) a factor equal to the amount of interest received on the Loans by the Issuer divided by the amount of interest due on the Loans during the same Determination Period. Pursuant to the Currency Hedge Agreements, the Issuer will pay to the Currency Hedge Provider amounts of Swedish Kronor calculable by reference to STIBOR (in respect of interest amounts) and (in relation to redemptions of principal under the Notes) amounts of Swedish Kronor calculable by reference to the principal amount of the Notes to be redeemed and will receive from the Currency Hedge Provider in respect of the U.S. Dollar Notes amounts of U.S. Dollars calculable by reference to Note U.S. Dollar LIBOR (in respect of interest amounts) and amounts of U.S. Dollars calculable by reference to the principal amount of the Notes to be redeemed; in respect of the Euro Notes amounts of Euro calculable by reference to Note EURIBOR (in respect of interest amounts) and amounts of Euro calculable by reference to the principal amount of the Notes to be redeemed. All amounts of U.S. Dollars (in respect of the U.S. Dollar Notes) and Euro (in respect of the Euro Notes) so receivable by the Issuer will be applied by it in making payments due under the Notes.

However, no assurance can be given that the Issuer will receive all amounts to which it may be entitled pursuant to the Interest Rate Hedge Agreement or the Currency Hedge Agreements (together the "**Hedge Agreements**"). In particular, if either of the Interest Rate Hedge Provider or the Currency Hedge Provider (together the "**Hedge Providers**") were to default in their obligations thereunder then the Issuer could have insufficient U.S. Dollar and Euro funds to enable it to make payments under the Notes. In addition, although upon termination of any Hedge Agreement the Issuer is obliged to obtain a replacement counterparty in respect thereof, there can be no assurance that a suitable counterparty could be so obtained.

Investors should note that the Currency Hedge Provider will make all payments under Currency Hedge Agreements subject to any applicable witholding or deduction for or on account of any tax and will not be obliged to pay any additional amounts as a consequence. The Issuer may only terminate the Currency Hedge Agreements as a result of such withholding or deduction if a substitute currency hedge provider can be found on terms acceptable to the Rating Agencies.

Subordination of Payments to Noteholders

Investors should be aware that payments to Noteholders will be subject to the orders of priority as set out under "*Summary – Application of Funds*".

European Monetary Union

It is possible that, prior to the maturity of the Notes, Sweden may become a participating Member State in Economic and Monetary Union and the Euro may become the lawful currency of Sweden. In that event all amounts payable in respect of the Loans may become payable in Euro. The introduction of the Euro as the lawful currency of Sweden may also result in the disappearance of published or displayed rates for deposits in Kronor used to determine amounts payable by the Interest Rate Hedge Provider under the Interest Rate Hedge Agreement or to changes in the way those rates are calculated, quoted and published or displayed. There can be no assurance that the official rate of conversion for Swedish Kronor to Euro following Sweden adopting the Euro as its lawful currency would be the same as the current rate of exchange between the Swedish Kronor and the Euro or the SEK/€ Currency Exchange Rate or that the amounts payable in Euro by the Borrowers under the Loans following the adoption by Sweden of the Euro as its lawful currency would be sufficient to enable the Issuer to meet its obligations under the Notes. The introduction of the Euro as the lawful currency of Sweden could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay a Loan. It cannot be said with certainty what effect, if any, the adoption of the Euro by Sweden will have on investors in the Notes.

Proposed EU Directive on the taxation of savings

On 18th July, 2001, the European Union published proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within its jurisdiction to an individual resident in that other Member State, subject to the right of certain individual Member States (including Luxembourg but not the United Kingdom) to opt instead for a withholding system for a transitional period in relation to such payments.

The proposed directive is not yet final and may be subject to further amendment. Consequently, it is not possible to predict what effect, if any, the adoption of the proposed directive would have on the Notes or on the payments of principal or interest on the Notes.

USE OF PROCEEDS

2.B.32(g)

The proceeds of the issue of the Notes will amount to U.S. Dollar 550,000,000 and Euro 392,700,000 and will be applied towards: (i) payment to the Currency Hedge Provider in return for an amount in Swedish Kronor calculated (in each case) by reference to the relevant Currency Exchange Rate; (ii) the creation of the Reserve Fund in an amount equal to the Initial Reserve Fund Amount; (iii) payment of the Start-Up Expenses; and (iv) to pay the remaining balance (after the deduction of the amounts referred to in (ii) and (iii)) to the Originator as the first instalment of the purchase price for the Completion Portfolio.

THE ISSUER

Introduction

The Issuer was incorporated in Jersey on 12th September, 2001 (registered number 80873) as a company with limited liability under the name of SRM Investment No.2 Limited. The registered office of the Issuer is at 47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands. The authorised share capital of the Issuer is SEK 100,000 divided into 100,000 ordinary shares of SEK 1.00 each. The issued and paid up share capital of the Issuer is SEK 2.00 divided into 2 ordinary shares of SEK 1.00 each, both of which are owned beneficially by Holdings and are fully paid up. The Issuer has no subsidiaries. 2.C.1 2.C.2 2.C.3 2.C.6 2.C.10

Principal Activities

2.D.1 2.C.5

The principal activities of the Issuer will be to acquire the Portfolio, to issue securities, financial instruments and derivative contracts, and to raise or borrow money and to grant security over its assets for such purposes and to lend money with or without security subject to and in accordance with the terms of the Relevant Documents. Copies of the Memorandum and Articles of Association of the Issuer may be inspected at the specified offices of the Issuer, Allen & Overy and the Irish Paying Agent. 2.C.4 2.D.3

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a public limited company under the Company (Jersey) Law 1991, the authorisation and issue of the Notes and of the other documents and matters referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing. 2.H.1(c)(viii)

There is no intention to accumulate surpluses in the Issuer.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in Condition 3. 2.E.1

Directors and Secretary

The directors of the Issuer and their respective business addresses and other principal activities are:

Name	*Business Address*	*Other Principal Activities*
Michael George Best	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands	Company Director
Peter John Richardson	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands	Company Director
Samuel Hermelin	Löjtnantsgatan 21 Box 27308 SE-10254 Stockholm Sweden and Nybrogatan 16 SE-11439 Stockholm Sweden	None

The secretary of the Issuer is SFM Offshore Limited whose business address is at 47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands.

The Issuer has no employees.

Two directors of the Issuer are also directors of the Corporate Services Provider.

Principal Bank

The principal banker of the Issuer is The Chase Manhattan Bank, London branch of Trinity Tower, 9 Thomas More Street, London E1W 9YT.

Capitalisation and Indebtedness Statement 2.D.4

The capitalisation of the Issuer as at the date of this document, adjusted for the Notes being issued on the Closing Date, is as follows:

Share Capital

Authorised:	
SEK 100,000 divided into 100,000 ordinary shares of SEK 1.00 each	SEK 100,000
Issued:	
2 ordinary shares of SEK 1.00 each, both of which shares have been issued fully paid	SEK 2

Loan Capital

U.S.$550,000,000 Class A1 Mortgage Backed Floating Rate Notes due 2046 (now being issued)	5,830,000,000
€355,200,000 Class A2 Mortgage Backed Floating Rate Notes due 2058 (now being issued)	3,409,920,000
€30,000,000 Class M Mortgage Backed Floating Rate Notes due 2058 (now being issued)	288,000,000
€7,500,000 Class B Mortgage Backed Floating Rate Notes due 2058 (now being issued)	72,000,000
Total capitalisation and indebtedness	9,599,920,000

Save for the foregoing, at the date of this document, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities and there has been (1) no material adverse change in the financial position or prospects of the Issuer and (2) no significant change in the trading or financial position of the Issuer. 2.D.4(c) 2.D.4(a)

Accountants' Report

The following is the text of a report received by the directors of the Issuer from KPMG Jersey, the Auditors and Reporting Accountants to the Issuer. No audited accounts of the Issuer have been made up in respect of any period subsequent to 7th November, 2001. The Issuer's accounting reference date is 31st December, with the first statutory accounts being drawn up to 31st December, 2002, and thereafter annually on 31st December each year. 2.D.3

"The Directors
SRM Investment No. 2 Limited
47 Esplanade
St. Helier
Jersey
JE1 0BD
Channel Islands

The Directors
Merrill Lynch International
Ropemaker Place
London
EC2Y 9LY

The Directors
SBAB, Sveriges Bostadsfinansieringsaktiebolag
Lötjnantsgatan 21
SE-10254 Stockholm
Sweden

7th November, 2001

Dear Sirs

SRM Investment No. 2 Limited

We report on the financial information set out below.

Basis of Preparation

The financial information set out below is based on the financial statements of SRM Investment No. 2 Limited (the "Company") from incorporation to 7th November, 2001 prepared on the basis described in note 1 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the Directors of the Company.

The Directors of the Company are responsible for the contents of the Offering Circular dated on or around 7th November, 2001 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company as at 7th November, 2001.

Balance Sheet as at 7th November, 2001

	Note	*SEK*
Current assets		
Cash		2
Capital and reserves		
Share capital	*3*	2

Notes to the Balance Sheet

1. Basis of Preparation

The financial information set out in this report has been prepared in accordance with the applicable accounting standards generally accepted in the United Kingdom of Great Britain and Northern Ireland.

The balance sheet has been prepared under the historical cost method of accounting.

2. Trading Activity

The Company did not trade during the period from incorporation on 12th September, 2001 to 7th November, 2001 nor did it receive any income nor did it incur any expenses or pay any dividends.

Consequently, no profit and loss account has been prepared. Subsequent to the balance sheet date, it will enter into a number of contracts in connection with the issue of the Notes.

3. Share Capital

	Authorised No.	*Allotted No.*	*Called up and paid SEK*
Ordinary shares of SEK 1.00 each	100,000	2	2.00

The above called up and paid share capital includes 2 fully paid up ordinary shares.

4. Ultimate controlling party

The company is a wholly owned subsidiary of SRM Holdings Limited ('Holdings'), a company incorporated in Jersey. All of the shares in Holdings are held by SFM Offshore Limited, a company incorporated in Jersey, on trust for charitable purposes.

In the opinion of the directors, there is no ultimate controlling party since the criteria contained with the definition of 'control' in Financial Reporting Standard 8 are not considered to be satisfied by any one party.

Yours faithfully

KPMG

Chartered Accountants"

CURRENCY HEDGE PROVIDER

Introduction

CDC IXIS Capital Markets is a limited liability company (*société anonyme à Directoire et Conseil de Surveillance*), which was incorporated on 31st March, 1987 and is regulated by Articles L.210-1 *et seq* of the French Commercial Code. Initially named CDC International, its name was most recently changed to CDC IXIS Capital Markets with effect from 12th January, 2001. The Currency Hedge Agreement will be entered into by CDC IXIS Capital Markets, London branch. The Currency Hedge Provider is under the exclusive control (as defined under Article L. 233-16 of the French Commercial Code) of *Caisse des dépôts et consignations*, a French public financial institution.

The Currency Hedge Provider was licensed as a finance company (*société financière*), a type of credit institution on 31st May, 1996, by the *Comité des établissments de crédit et des entreprises d'investissment*. Consequently, the Currency Hedge Provider is subject to French and European laws and regulations applicable to credit institutions (such as capital adequacy, insolvency and prudential ratios) and is regulated by Volume Five of the French Monetary and Financial Code (*Livre V du Code monétaire et financier*). As a provider of investment services, the Currency Hedge Provider is also subject to the supervision and regulation of the *Conseil des marchés financiers* which grants licences to providers of investment services and regulates and controls their financial activities.

Credit Rating

The long term, unsecured, unsubordinated and unguaranteed debt obligations of the Currency Hedge Provider are currently rated AAA by S&P, Aaa by Moody's and AAA by Fitch Ratings Limited. The short term, unsecured, unsubordinated and unguaranteed debt obligations of the Currency Hedge Provider are currently rated P-1 by Moody's, A-1+ by S&P and F-1+ by Fitch Ratings Limited.

The information contained in the preceding three paragraphs has been provided by the Currency Hedge Provider for use in this Offering Circular. The Currency Hedge Provider and its respective affiliates accept responsibility for the accuracy of the information provided in this section, but not for any other section of the Offering Circular.

THE ORIGINATOR

Organisation and Legal Structure

The Originator is SBAB, Sveriges Bostadsfinansieringsaktiebolag which is a wholly owned subsidiary of SBAB. SBAB is a public limited company wholly owned by the Swedish state. The SBAB group, consisting of the Originator, SBAB, SBAB, Statens Bostadslåneaktiebolag and FriSpar Bolån AB (jointly owned with Sparbanken Finn and Sparbanken Gripen), operates as an independent profit making concern regulated by the Financing Business Act (1992:1610) and is subject to the supervision of the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*). 2.H.1(d) 2.H.1(j)(l)

The Originator was registered in Sweden on 18th September, 1991. Since its registration it has had its registered office in Stockholm.

The mission of SBAB is to promote competition in the Swedish housing mortgage market by conducting an efficient and profitable lending operation. Since 1st January, 1996, the Originator has originated all new SBAB private market lending originated on commercial terms while SBAB, Statens Bostadslåneaktiebolag handles loans provided under government housing finance regulations.

The Originator's total loan book as at 30th June, 2001 amounted to SEK 102,328 million. The total number of loans on the Originator's books was approximately 113,000.

The SBAB group's operating profit before allocations and tax was SEK 255 million for the period from 1st January, 2001 to 30th June, 2001.

Corporate Market Division

In addition to the private market lending the Originator also conducts lending to the property company market, mostly in connection with multi-family housing. The corporate market division is located in Stockholm and at regional offices in Göteborg, Malmö, Linköping and Umeå. The SBAB group's business concept in this segment of the market is to finance housing in a simple manner and at competitive rates. The portfolio of corporate market loans of the Originator was SEK 77.4 billion as at 31st August, 2001.

Private Market Division

The private market division of the Originator (the "**Private Market Division**") was established in 1992 and is located in Karlstad approximately 300 km west of Stockholm. The Private Market Division has approximately 200 full time staff working on marketing, sales, administration and servicing.

The private market portfolio of the Originator contains mainly loans originated from 1st January, 1996 on commercial terms. The total stock as at 30th June, 2001 was SEK 25 billion. In addition, the Originator administrates and services loans originated by the group companies SBAB, Statens Bostadslåneaktiebolag and FriSpar Bolån AB and loans sold by the Originator to SRM Investment No. 1 Limited. The total portfolio of private market loans being administered and serviced by the Originator was SEK 44.9 billion as at 30th June, 2001.

The Origination Process for Private Market Lending 2.F.1(h)

The Originator does not have a branch network but relies solely on telephone, paper and internet origination. As at May 2001, approximately 60 per cent. of the Originator's new lending was originated via the internet, while the rest was originated by telephone and paper applications. The Originator has offered incentives to borrowers to encourage internet use among its customers. Last year, the Originator offered a 1.4 per cent. discount on standard interest rates for a three month period regardless of loan maturity or amortisation profile for any customer applying for a mortgage over the internet. This discount period has expired for any Loans in the Provisional Portfolio to which it originally applied.

The KreBo System

The Originator implemented a new origination system called KreBo in April 1999. KreBo is a computer system that collects and processes all necessary information about the property, the Pantbrev and the customer. The KreBo system has automated the lending process and allows the Originator to keep information on each borrower in an electronic format. Before the implementation of KreBo, the

Originator collected and kept origination information on the customer in a paper format and the credit checks were carried out manually.

KreBo automatically assimilates information about the property to be mortgaged using systems known as the FDS system and the Taxif system. Both the FDS and Taxif databases contain tax and value information about all properties registered in Sweden. The KreBo system also incorporates information about any existing Pantbrevs using the system known as the PBS database, Sweden's electronic record of all Pantbrev information. As all debts, liens, and encumberances are attached to the Pantbrevs themselves, this database allows the Originator to collect information regarding the debt secured by a particular property and to check it against the lending criteria. Additionally, KreBo checks the credit of the individual applying for the mortgage using the Upplysnings Centralen, or "**UC**". This national, centralised database contains all credit information about a potential borrower's past and current debts and loans (including any history of delinquent payments), their income, and any adverse judgments against them. Through the UC, lenders in Sweden have ready access to on-line credit information on individuals in Sweden, regardless whether or not the individuals have impaired credit histories. The database is highly detailed, and files for every individual in the country are available to any lender seeking to obtain credit information for a loan application. For loans originated prior to April 1999, the FDS, Taxif, PBS and UC databases were checked manually by the Originator.

KreBo contains several components. Customers applying for loans over the internet register their application directly through KreNet, KreBo's internet interface, which asks for relevant information and automatically transmits confirmation to the customer within 24 hours that his/her application has been received by the Originator. This information goes into KreDirekt, the KreBo component which performs the actual credit check and compilation of information about the property. For written and telephone applications, data is entered directly into KreDirekt by an administrator, an employee of the Originator responsible for servicing and originating loans. All data is stored in the mainframe database Hypotek 2000. There is a daily backup of the Hypotek system in two different locations, and should the main system fail, the secondary system can be brought into service within 24 hours.

The KreBo system is subject to constant review and quality control procedures. Administrators review all documents before sending them to customers, and a special Control Group reviews all documents before payment. In addition, an officer of the central credit department called the Credit Controller continuously reviews samples of paid out loans to ensure that the system's records and calculations are accurate. Internal Audit also perform reviews of documents, administration, and routines on an ongoing basis.

The Underwriting Decision 2.F.1(f)

Once all of the relevant information is obtained from the applicant and the relevant databases, the KreBo system checks that the applicant's details comply with the Originator's lending criteria (described below). In order to assess the LTV of the proposed loan, the KreBo system has an in-built valuation system for loans secured on Pantbrev over single-family properties to estimate the value of the property in question. Details on how the value estimate is arrived at in the KreBo system is described below under "*Valuation*".

In addition, checks are made to ensure that the applicant has the means to service the additional debt being applied for.

When all the information necessary has been collected and processed the KreBo system indicates how the application should be processed further as follows:

Light	*Meaning*
Green light	Suitable for approval
Yellow light	Some information in the application does not correspond with the information obtained in the UC which, therefore, requires further investigation
Red light	Application is rejected

Although the KreBo system helps speed up the approval process by generating these signals, the actual approval is carried out manually by the Originator's credit officers. The table below shows the different authority levels for the Originator's credit officers.

Approval Authority Level	*Amount*	*LTV*
Credit Committee	Above SEK 3,500,000	Up to 70% LTV
Level 1	Up to SEK 3,500,000	Up to 70% LTV
Level 2	Up to SEK 2,000,000	Up to 70% LTV
Level 3	Up to SEK 1,500,000	Up to 70% LTV
Level 4	Up to SEK 750,000	Up to 70% LTV
Level 5	Up to SEK 500,000	Up to 35% LTV

When the loan is approved, a final review of the file is undertaken before documents are sent to the applicant to be signed and returned. The relevant signatures are checked when the documents are returned and payment is thereafter made to any previous lender in exchange for the relevant Pantbrev or pledge of a Bostadsrätt (as applicable). Any amount of the loan remaining after such previous lender has been repaid, is then paid to the individual's bank account after appropriate checks are made to ensure that the correct individual is being paid.

Valuation

Single Family Properties

Information for the valuation of single family properties is readily available in Swedish databases, and thus much of the Originator's calculation is done electronically. Since April 1999, the Originator has used KreBo for the valuation of single-family properties. It estimates value and LTV automatically by sampling a number of sale prices within a specified time period in a specified area in which the relevant property is situated. The data is drawn from various online property databases. KreBo has filtering mechanisms to ensure that property data is used accurately and that it properly reflects the market. For example, properties which have been sold below market value, such as those sold within families, are excluded from KreBo's analysis. KreBo also excludes properties which have been rebuilt or refurbished since the last tax assessment, as their listed values would not reflect true market prices.

A professional external valuer may be used to determine market value, but is only utilised (i) at the request of the loan applicant, and at his or her expense or (ii) where the purchase price deviated from the value determined by KreBo by more than 25 per cent. (in which case, the valuer's estimate instead of KreBo's is used to calculate LTV).

Prior to April 1999, the Originator used mainly either a professional external valuation or the purchase price of a property to determine the LTV ratio. 2.F.1(e)

Tenant-Owner Properties

Since price data on tenant-owner properties is less readily available than that for single-family properties, the Originator has developed a different system for valuing these types of apartments. Since July 2001, the Originator has used a method of valuation known as Vbrf, which is an adaptation of a model used earlier by the Originator (from May 2000 until July 2001) called Brsnabbv. The Vbrf model simulates a professional external valuer's methodology. It first establishes a basis for valuation by retrieving price statistics in the sub-market area from a price database which the Originator itself has developed in response to the scarcity of other adequate sources of such statistical information. Regression analysis is then carried out on these statistics, a price trend is determined, and this information is applied to the tenant-owner apartment for which the loan is sought. The LTV calculated using this information must be less than, or equal to, 60 per cent. in order for the loan to be approved. If a higher LTV than 60 per cent. is determined, an external valuation is required. In the case of a co-operative which has a debt burden of more than SEK 9,000 per square meter, a special audit of the co-operative is undertaken by the Originator, in which careful analysis of the profit and loss accounts and balance sheet is undertaken.

The method used previously (prior to July 2001), the Brsnabbv model, is substantially similar to the current Vbrf model, with the exception that it relied upon price statistics from the Association of Swedish Real Estate Agents. For loans originated between May 2000 to November 2000, the model based estimates on regional prices as of fourth quarter 1999. For loans originated from November 2000 to May 2001, the model based estimations on regional prices as at first quarter 2000.

Loans originated prior to May 2000 were valued using an independent valuer. Today, for loans secured on pledges over a Bostadsrätt where the Vbrf model calculates an LTV of less than or equal to 60 per cent., this option is still used at the applicant's request and expense. For tenant loans where the Vbrf model calculates an LTV of above 60 per cent., a professional external valuation is always required to determine the LTV for underwriting purposes.

Servicing of Private Market Loans

Servicing of loans by the Originator is carried out by a staff of approximately 30 administrators in the Originator's Private Market Division. The administrators handle all billings, payments, distribution of annual statements, collation of information for the loan, complaints, maintenance of vaults, administration of Changes of Conditions and roll-overs, implementation of interest resets and administration of loans in arrears. Loans secured on Pantbrev and loans secured on pledges over a Bostadsrätt are serviced in the same way. The Originator's contact with customers takes place entirely over phone, on the internet, via e-mail or post. The Private Market Division handles approximately 20,000 phone calls per month, and its internet site receives approximately 60,000 visits per month. About 4,000 questions per month are directed to the Originator by e-mail. Around 50 per cent. of inquiries by telephone and e-mail concern existing loans, while a majority of visits to its internet site concern new loan applications and related matters.

The Originator continually reviews its loan administration procedures to ensure that they remain up to date and effective in a competitive market.

Routines for administration of loans are set out in an intranet-based loan manual available to all administrators. Instructions in the manual are governed by the Credit Policy and Credit Instruction which are approved annually by the board of the Originator. The manual itself is written and revised by loan servicing administrators using a template and incorporating suggestions by administrators who have special expertise in the areas being revised.

The following tables illustrate the historic delinquency experience of the Originator. There can be no assurance that the Loans in the Portfolio will experience similar delinquency levels.

Originator's Single-Family Loan Book
Outstanding balance of
+ 60 days Overdue Loans

Date	*Total Outstanding Balance of (SEK '000)*	*(SEK '000)*	*as % of Total Outstanding Balance of Single-Family Loans)*
31/12/96	2,909,000	33,646	1.16%
31/12/97	4,944,000	29,150	0.59%
31/12/98	10,758,000	26,473	0.25%
31/12/99	17,979,000	25,875	0.14%
31/12/00	14,014,000	22,739	0.21%
31/07/01	18,370,000	22,296	0.12%

Originator's Tenant Loan Book
Outstanding balance of
+ 60 days Overdue Loans

Date	*Total Outstanding Balance (SEK '000)*	*(SEK '000)*	*as % of Total Outstanding Balance of Tenant-Owner Loans)*
31/12/96	0	0	0.00%
31/12/97	117,000	0	0.00%
31/12/98	678,000	0	0.00%
31/12/99	2,127,000	90	0.00%
31/12/00	5,279,000	1,901	0.04%
31/07/01	7,390,000	2,902	0.04%

Originator's Single-Family Loan Book
Outstanding balance of
+ 60 days Overdue Loans

Date	*Total Outstanding Balance of (SEK '000)*	*(SEK '000)*	*as % of Total Outstanding Balance of Single-Family Loans)*
31/12/96	2,909,000	33,646	1.16%
31/12/97	5,061,000	29,150	0.58%
31/12/98	11,436,000	26,473	0.23%
31/12/99	20,106,000	25,965	0.13%
31/12/00	19,293,000	23,830	0.16%
31/07/01	25,760,000	25,198	0.10%

SUMMARY OF PRINCIPAL DOCUMENTS

Sale Agreement: The Issuer will enter into the Sale Agreement with the Originator, SBAB and the Trustee on the Closing Date. Under that agreement, the Originator will agree to sell to the Issuer the Completion Portfolio, and the Issuer will agree to purchase the Completion Portfolio at a price equal to the aggregate of:

(i) the Swedish Kronor proceeds of the exchange of the proceeds of the issue of the Notes under the Currency Hedge Agreements (less an amount equal to the Start-Up Expenses and the Initial Reserve Fund Amount);

(ii) by way of deferred purchase price for the acquisition of the Completion Portfolio, an amount equal to the difference between (x) the aggregate of accrued interest on the Loans acquired by the Issuer on the Closing Date and the aggregate outstanding principal amount of the Loans as at the Closing Date and (y) the amount described in (i) above together with interest on the outstanding amount thereof at a rate of 12 per cent. per annum, in instalments on each Interest Payment Date (to the extent that the Issuer has funds available to make such payments following the application of funds available for it in or towards payment of all amounts ranking in priority to the Issuer's obligation to pay such deferred purchase price); and

(iii) by way of deferred purchase price, any excess Available Revenue Funds held by the Issuer following the payment of, or provision for, items (i) to (xiv) of the Revenue Priority of Payments or items (i) to (vii) of the Post-Enforcement Priority of Payments.

The Loans and their Related Security forming the Portfolio will be required to comply with certain eligibility criteria (the "**Eligibility Criteria**") which will be set out in the Sale Agreement. They will also be required to comply with certain representations and warranties (the "**Warranties**") given by the Originator.

The Eligibility Criteria will include: 2.F.1(g)

(i) The Loan is an asset of the Originator.

(ii) The original Loan maturity is 30 years or above.

(iii) The remaining years to Loan maturity is less than or equal to 50 years.

(iv) The terms and conditions of each Loan contains a final maturity date.

(v) No notice of prepayment of the Loan has been given.

(vi) The Loan is not delinquent.

(vii) The Loan is secured by one or more Pantbrev on a single-family property (in the case of the Pantbrev Loans) or by a pledge over the Bostadsrätt (in the case of the Tenant Loans).

(viii) Each property in respect of which security has been given for any Loan is occupied and pledged by the owner thereof (in the case of Pantbrev Loans) or the holder of a Bostadsrätt (in the case of Tenant Loans) and the Loan was advanced on the basis that the Borrower is the owner or Bostadsrätt holder and occupier of the property.

(ix) In respect of the Tenant Loans only, there are no prior ranking pledges over a Bostadsrätt held by third parties.

(x) The security for the Loan will consist of Pantbrev (in the case of the Pantbrev Loans) or pledge over a Bostadsrätt (in the case of the Tenant Loans) only.

(xi) Only one property or Bostadsrätt can serve as security for each Loan.

(xii) If Loans have a shared security, all (but not some only) of the Loans will be in the Portfolio.

(xiii) The interest rate is not discounted.

(xiv) The Loan is to a person or persons. Corporate borrowers are not permitted.

(xv) The Loan was originated on or after 1st January, 1996.

(xvi) The outstanding balance of the Loan is fully secured by the pledge over the Bostadsrätt or, in respect of Pantbrev Loans, the outstanding balance of the Loan is equal to or less than the face value of the Pantbrev which provide security for the Loan.

(xvii) In respect of the Tenant Loans only, the housing co-operative has confirmed receipt of the notification of the pledge over the Bostadsrätt to the Originator.

(xviii) The Loan did not exceed 70 per cent. of the market value of the property over which the relevant Pantbrev has been taken (in the case of Pantbrev Loans) or the pledged Bostadsrätt (in the case of Tenant Loans) at the time of origination.

The Warranties will include: 2.F.1(g)

1. The Originator is the absolute owner of the Loans and has the sole benefit of their Related Security to be sold to the Issuer. No Loan or its Related Security is subject to any encumbrance (other than, after the sale of the Loans, the Swedish Security Agreement or the Deed of Charge).

2. Each Loan and its Related Security constitutes a valid and binding obligation of the Borrower enforceable in accordance with its terms and the Related Security for each Loan secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower.

3. No registration or other action is required to perfect or create the interest of the Originator in any Pantbrev or any pledge over any Bostadsrätt which provides security for any Loan.

4. No lien or right of set-off or counterclaim has been created or arisen between the Originator and any Borrower.

5. Searches of the Land Registry in respect of the property proposed to be subject to Pantbrev and with the UC (as defined below) in respect of the Borrower have been carried out in accordance with the Originator's procedures and no adverse entries have been found and in relation to Tenant Loans, the relevant co-operative has confirmed the absence of any previous pledges which have not been discharged.

6. In relation to Pantbrev Loans, the Borrower and the mortgagee under each Pantbrev have a good and marketable title to the relevant property and in relation to Tenant Loans, the Borrower and pledgee have good and marketable title to the relevant Bostadsrätt.

7. Each property has been valued according to the Originator's valuation procedures.

8. Prior to making a Loan the circumstances of the relevant Borrower and nature of the relevant property satisfied the Lending Criteria in force at that time in all material respects.

9. Each Loan and its Related Security has been made on the terms of the standard documentation (so far as applicable) which has not been varied in any material respect.

10. Interest on each Loan is: (a) charged on each Loan in accordance with the provisions of that Loan and its Related Security; (b) is calculated by reference to the rate applicable to Loans originated by the Originator having the same duration as such Loan as at the date of origination of such Loan, or as at its most recent change of condition date.

11. No payment of interest in respect of any Loan was in arrears at the Closing Date.

12. Except in the case of the Non Verified Loans and in respect of Further Advances relating to Loans purchased by the Issuer after the Closing Date, as at the Closing Date the first payment due has been paid by the relevant Borrower in respect of each Loan.

13. In the case of Pantbrev Loans, each property is covered by a fire insurance policy in accordance with the general terms and conditions of the Loan and in the case of Tenant Loans the co-operative has confirmed that the relevant building is covered by insurance against fire.

14. The Originator has procured that full and proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts and proceedings relating to each Loan and its Related Security.

15. The Originator has not received written notice of any litigation or claim calling into question in any material way its title to any Loan and its Related Security.

16. Each Borrower is a natural person, and no Borrower is at present an employee of the Originator or any member of the Originator's group of companies.

17. Each Loan and its Related Security comply with the Eligibility Criteria.

18. Each Loan has a final payment date falling not more than 50 years from the date of advance of that Loan.

19. (a) The Originator has in its possession or under its control the promissory note relating to each Loan.

(b) In respect of the Pantbrev Loans only, the Originator or SBAB as agent for the Originator is the registered holder of each Datapantbrev.

20. All Loans were originated by the Originator.

21. As at the close of business on the Payment Verification Date, each Non-Verified Loan has received its first instalment.

If a Loan or its Related Security fails to comply with the Eligibility Criteria or the Warranties, then the Issuer may require the Originator to repurchase such Loan at an amount equal to its outstanding principal balance together with all accrued and unpaid interest thereon. Alternatively, as consideration for such repurchase, the Originator may elect to transfer another Loan in respect of which the outstanding principal amount is at least equal to the cash consideration that would otherwise be payable by the Originator for such repurchase and which meets with criteria applicable to Qualifying Additional Loans (see "*Description of the Portfolio and Qualifying Additional Loans*").

The Sale Agreement will also provide:

(i) that the Issuer may in the future purchase Qualifying Additional Loans and their Related Security from the Originator, provided that such Loans comply with the Eligibility Criteria and the Warranties (to the extent applicable and where appropriate, reading references to the "Closing Date" as if they referred to the date on which such Qualifying Additional Loans and their Related Security are purchased); and 2.F.1(i) 2.F.1(f)

(ii) that where a Borrower requests the making of a further advance under an existing Loan (which advance will be secured by the Pantbrev or the pledge over a Bostadsrätt (as applicable) relating to a Loan owned by the Issuer) which further advance the Originator agrees to make (each, a "**Further Advance**"), the Originator will have the right to repurchase such Loan from the Issuer for an amount equal to the then outstanding principal amount of such Loan plus interest accrued thereon to the date of such repurchase.

Deed of Charge: The Issuer will enter into the Deed of Charge on the Closing Date with the Trustee, the Originator, the Interest Rate Hedge Provider, the Currency Hedge Provider, the Transaction Account Bank, the Paying Agents and the Administrator (together with the Noteholders, the "**Secured Creditors**"). 2.B.20

Under the Deed of Charge, the Issuer will grant fixed and floating security over all of its assets (other than those charged under the Swedish Security Agreement or the Jersey Security Agreement) in favour of the Trustee for the benefit of the Noteholders and all of the Other Secured Creditors.

The Deed of Charge will also provide that (other than in certain limited circumstances) only the Trustee, may enforce the security created under any of the Deed of Charge, the Swedish Security Agreement or the Jersey Security Agreement. The proceeds of any such enforcement of the Deed of Charge, the Swedish Security Agreement or the Jersey Security Agreement will be required to be applied in accordance with the order of priority set out in the Post-Enforcement Priority of Payments.

Swedish Security Agreement: The Issuer will enter into the Swedish Security Agreement with the Trustee, SBAB and the Originator on the Closing Date. Under the Swedish Security Agreement, the Issuer will create security in favour of the Trustee for the benefit of the Trustee, the Noteholders and all 2.B.20

of the Other Secured Creditors over all of the Loans and their Related Security and the Issuer's interest in the Collection Account Agreement and the Sale Agreement (to the extent governed by Swedish law).

Jersey Security Agreement: The Issuer will enter into the Jersey Security Agreement with the Trustee on the Closing Date. Under the Jersey Security Agreement, the Issuer will create security in favour of the Trustee for the benefit of the Noteholders and all of the Other Secured Creditors over all the Issuer's interest in the Corporate Services Agreement. 2.B.30

Administration Agreement: The Administrator, SBAB, the Issuer and the Trustee will enter into the Administration Agreement on the Closing Date. The Administrator's responsibilities will include administration and cash management of the Loans. 2.H.1(c)(e)

Under the Administration Agreement, the Administrator will agree to service the Loans and their Related Security on behalf of the Issuer and the Trustee. The Administrator shall comply with the terms of the Administration Agreement and (a) administer the Loans and their Related Security as if the same had not been assigned to the Issuer but had remained the property of the Originator; (b) administer all loans originated in the Private Market Division of the Originator (the "**Private Market Loans**") which are owned by the Originator and the Loans and their Related Security with the same level of care and diligence as would a reasonably prudent residential mortgage lender in Sweden; (c) use its reasonable endeavours to keep in force all licences, approvals, authorisations and consents which may be necessary in connection with the performance of the administration services and prepare and submit all necessary applications and requests for any further approval, authorisation, consent or licence required in connection with the performance of the administration services; (d) not knowingly fail to comply with any material legal requirements in the performance of the administration services; (e) not amend or terminate any of the Relevant Documents save in accordance with their terms; (f) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Originator to repurchase any Loan pursuant to the Sale Agreement, notify the Originator of such event; and (g) set the rates for the Loans in the same way as the rates are set for those Private Market Loans not comprised in the Portfolio and owned by the Originator. In addition, the Administrator and SBAB will agree to act as agent for the Issuer in relation to any dealings which the Issuer may have with the Land Registry in relation to dealings with or registration of any Pantbrev in electronic form (the "**Administration Services**").

The Administrator will provide certain cash management services (the "**Cash Management Services**") pursuant to the terms of the Administration Agreement. Among other things, the Administrator will be required to record all Principal Receipts in a ledger for the purpose (the "**Principal Collections Ledger**") and to record Interest Receipts in a ledger for that purpose (the "**Interest Collections Ledger**").

The Administrator may also, from time to time, invest or deposit cash held by the Issuer which is not required to be utilised in any other manner in Authorised Investments. 2.H.1(c)(iii)

The Administrator, on behalf of the Issuer and the Trustee, will in addition maintain a ledger in order to record principal losses on the Loans (the "**Principal Deficiency Ledger**").

The Principal Collections Ledger, the Interest Collections Ledger, the Principal Deficiency Ledger and the Further Advances Ledger are collectively referred to herein as the "**Ledgers**".

The Ledgers will be used to monitor the receipt and subsequent application of cash available to the Issuer from time to time.

The appointment of the Originator as Administrator (in relation to the provision of the Administration Services or Cash Management Services) can only be terminated on the occurrence of the Originator's insolvency or relevant material default under the Administration Agreement (see further Condition 4(B)). In the event that the appointment of the Administrator is terminated, the Trustee will not be responsible for performing any of the duties of the Administrator pending the appointment of a substitute administrator. The Administrator will be entitled to assign its rights and obligations under the Administration Agreement to SBAB (so long as neither the Administrator nor SBAB have breached the provisions of the Administration Agreement and such breach is still subsisting). See also "*Administration of the Portfolio*" for further description of the administration of the Loans. 2.H.1(c)(e)

Interest Rate Hedge Agreement: The Issuer will enter into the Interest Rate Hedge Agreement with the Interest Rate Hedge Provider to hedge itself against interest rate exposure arising as a result of differences between the rates of interest charged on the Loans and its obligation to make payments to, inter alios, the Currency Hedge Provider. The exchange will be between two amounts ((x) and (y) respectively) calculated, on each Determination Date, as follows:

(x) an amount calculated by applying three month STIBOR for the Interest Period within which the relevant Determination Date falls plus 1.00 per cent. to the weighted average principal amount outstanding of Loans in the Portfolio during the relevant Determination Period and multiplied by the Performance Factor; and

(y) an amount equal to the aggregate of the interest payments received on the Loans in the relevant Determination Period.

The "**Performance Factor**" will be determined by dividing (i) the amount of interest received by the Issuer during the Determination Period by (ii) the amount of interest due on the Loans (whether paid or not) during the same Determination Period.

If amount (x) exceeds amount (y), the Interest Rate Hedge Provider will be required to pay to the Issuer the difference between the amounts calculated. If amount (y) exceeds amount (x), the Issuer will be required to pay to the Interest Rate Hedge Provider the difference between the amounts calculated. Such payment will be made on the Interest Rate Hedge Payment Date immediately following the expiry of such Determination Period. In the event of a withholding tax being imposed on payments due to be made by the Issuer, it will not be obliged to gross up such payments.

Currency Hedge Agreements: Subscription amounts for the Notes will be paid by investors in U.S. Dollars and Euro and payments by the Issuer in relation to interest and principal on the Notes will be made in U.S. Dollar and Euro. The consideration for the purchase by the Issuer of the Loans will be in Swedish Kronor, as will collections in relation to the Loans. After swapping its interest income with the Interest Rate Hedge Provider, the interest income of the Issuer will be the equivalent of 3 month STIBOR plus 1.00 per cent. in respect of the Loans (to the extent Borrowers have not defaulted on any interest payments on their Loan). To hedge its currency and interest rate exposure, the Issuer will enter into a Currency Hedge Agreement in relation to each class of the Notes pursuant to each of which the Issuer will pay to the Currency Hedge Provider on the Closing Date an amount equal to the net proceeds of the relevant class of Notes in U.S. Dollars and Euro. In return the Currency Hedge Provider will pay to the Issuer on the Closing Date the Swedish Kronor equivalent of that U.S. Dollar amount and that Euro amount (calculated by reference to the applicable exchange rate determined in accordance with the terms of the relevant Currency Hedge Agreement (the "**Currency Swap Rate**")).

Thereafter, in respect of each Currency Hedge Payment Date (being a Note Business Day (as defined in Condition 5) which falls two Note Business Days prior to an Interest Payment Date) the Issuer will pay to the Currency Hedge Provider an amount in Swedish Kronor calculated by reference to three month STIBOR (plus a margin) and based on the Principal Amount Outstanding of the Notes of the relevant class at the beginning of the relevant Interest Period (with the Principal Amount Outstanding of the Notes of the relevant class being converted from U.S. Dollars or Euro (as the case may be) to Swedish Kronor at the relevant Currency Swap Rate). In return, the Currency Hedge Provider will pay on each Currency Hedge Payment Date to the Issuer an amount denominated in: (i) U.S. Dollars calculated by reference to Notes U.S. Dollar LIBOR (plus the margin on the Notes of the relevant class) which is based on the Principal Amount Outstanding of the U.S. Dollar Notes and (ii) Euro calculated by reference to Note EURIBOR (plus the margin on the Notes of the relevant class) which is based on the Principal Amount Outstanding of the Euro Notes of the relevant class. The exchange rates for all currency exchanges will be determined for the transaction on or prior to the Closing Date.

If the Issuer does not have sufficient Available Revenue Funds and/or Revenue Deficiency Payments available to make the full payment due under a Currency Hedge Agreement, the amount payable by the Currency Hedge Provider will be reduced proportionately by a corresponding amount, and such amounts will be deferred until the Issuer has sufficient Available Revenue Funds and/or Revenue Deficiency Payments available to pay the amounts so deferred on a subsequent Currency Hedge Payment Date.

In addition, the Issuer will pay the Currency Hedge Provider on each Currency Hedge Payment Date the Swedish Kronor amount to be applied towards redemption of the Notes on the immediately succeeding Interest Payment Date. In return, the Currency Hedge Provider will pay to the Issuer the equivalent amount denominated in U.S. Dollars or Euro (as applicable) (calculated by reference to the relevant Currency Swap Rate).

The Currency Hedge Provider will make all payments under Currency Hedge Agreements subject to any applicable witholding or deduction for or on account of any tax and will not be obliged to pay any additional amounts as a consequence. The Issuer may only terminate the Currency Hedge Agreements as a result of such withholding or deduction if a substitute currency hedge provider can be found on terms acceptable to the Rating Agencies.

Trust Deed: The Notes are constituted by the Trust Deed. Pursuant to the terms of the Trust Deed, the Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer without assigning any reason and without being responsible for any costs occasioned by such retirement. The Class A Noteholders or, if no Class A Notes remain outstanding, the Class M Noteholders, or, if no Class M Notes remain outstanding, the Class B Noteholders shall have the power (exercisable by Extraordinary Resolutions of the Class A Noteholders, the Class M Noteholders, or the Class B Noteholders, as applicable), or, if none of the Class A Notes, the Class M Notes or the Class B Notes remains outstanding, all of the Other Secured Creditors will have the power to remove any trustee or trustees for the time being under the Trust Deed. The Issuer undertakes that it will use all reasonable endeavours to procure a new trustee to be appointed as soon as reasonably practicable after the Trustee under the Trust Deed retires or is removed. The retirement or removal of any such trustee will not become effective until a successor trustee is appointed. If a successor trustee has not been appointed within two months after the date of the notice of retirement of the Trustee, then the retiring Trustee may appoint its own successor trustee. 2.B.22(b)

The Trust Deed also provides for the indemnification and exoneration of the Trustee as further described in Condition 13.

Transaction Account Agreement: The Issuer, the Trustee and the Administrator will enter into an account agreement with the Transaction Account Bank whereby the Transaction Account Bank will open the Issuer Transaction Accounts in the name of the Issuer. The Transaction Account Agreement also contains a provision whereby the Transaction Account Bank will guarantee the Issuer a minimum rate of interest on sums standing from time to time to the credit of the Kronor Transaction Account of STIBOR minus 0.30 per cent. per annum and exchange Swedish Kronor into other currencies at the prevailing spot rate to the extent necessary to allow the Issuer to pay those of its obligations under items (i) to (iv) of the Revenue Priority of Payments which are denominated in currencies other than Swedish Kronor.

If the short-term, unsecured, unsubordinated and unguaranteed debt obligations of The Chase Manhattan Bank are downgraded below A-1+ by S&P and P-1 by Moody's, the Issuer must use reasonable endeavours to find a substitute transaction account bank with the requisite short-term rating and move the Issuer Transaction Accounts to such substitute transaction account bank.

Collection Account Agreement: The Originator will enter into the Collection Account Agreement with the Collection Account Bank whereby the Collection Account Bank will provide an account in the name of the Originator into which the Borrowers will make all payments in respect of the Loans (the "**Collection Account**"). All amounts standing to the credit of the Collection Account Agreement will be held in the name of the Originator but for the benefit of the Issuer.

If the long-term, unsecured, unsubordinated and unguaranteed debt obligations of SBAB are downgraded below BBB by S&P and Baa2 by Moody's, the Issuer must arrange for the Collection Account to be transferred into its own name.

If the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the Collection Account Bank are downgraded below A- by S&P, the Administrator must transfer the Collection Account to another suitably rated bank.

Corporate Services Agreement: The Issuer will enter into the Corporate Services Agreement with the Corporate Services Provider on the Closing Date. Under the Corporate Services Agreement, the Corporate Service Provider will agree to provide certain corporate administration services to the Issuer.

DESCRIPTION OF THE PORTFOLIO AND QUALIFYING ADDITIONAL LOANS

2.I 2.,B.20

Introduction

The Provisional Portfolio was drawn up as at 19th September, 2001 and was made up of loans owned by the Originator. The Completion Portfolio will be selected from the Provisional Portfolio after excluding Loans which, *inter alia*, are repaid between that date and the Closing Date or do not comply with the warranties set out in the Sale Agreement. Such selection of the Completion Portfolio will also be conducted in such a way as to ensure that the total balance of the Tenant Loans does not exceed 50 per cent. of the total balance of the Completion Portfolio. The aggregate balances of Loans in the Completion Portfolio will not exceed €1 billion equivalent (at the Rate of Exchange of €1 = SEK 9.60). In addition, such selection of the Completion Portfolio will also be conducted in such a way as to ensure that (i) the aggregate principal balance of the Tenant Loans does not exceed 50 per cent. of the aggregate principal balance of the Completion Portfolio and (ii) the principal amount outstanding under any Tenant Loans which relate to the same co-operative does not exceed 0.55 per cent. of the principal amount outstanding under all Loans in the Completion Portfolio, in each case, as at the Closing Date. The Loans to be purchased by the Issuer were made by the Originator and secured over property or Bostadsrätt located in Sweden. The Provisional Portfolio comprises 21,146 Pantbrev Loans, each of which are secured by a Pantbrev in respect of a single family house and 18,706 Tenant Loans, each of which are secured by a first ranking pledge over a Bostadsrätt relating to a tenant-owner property. The aggregate principal balance of the Provisional Portfolio as at 19th September, 2001 was SEK 11,333,022,147 (€1,159,981,792 at an assumed exchange rate of €1 = SEK 9.77).

2.F.1(a)
2.F.1(d)
2.F.1(b)
2.F.1(e)

Purchase of Portfolio

On the Closing Date, the Issuer will purchase the Completion Portfolio from the Originator pursuant to the terms of the Sale Agreement between the Originator, the Issuer, SBAB and the Trustee.

Following the purchase of the Completion Portfolio, the Originator will direct the Borrowers to make all payments under the Loans, or arrange for payments made by direct debit to be redirected, to the Collection Account, as appropriate.

The Issuer has not made or caused to be made on its behalf all of the enquiries, searches or investigations which a prudent purchaser of the relevant assets would make and the Trustee has made no such enquiries, searches or investigations and will not be liable for failing to do so but each of them will rely on the representations and warranties by the Originator to be contained in the Sale Agreement.

Characteristics of the Loans

Loans in the Provisional Portfolio have an original maturity of not less than 30 years and no more than 50 years. The term of a loan is divided into periods of 1, 2, 3, 4, 5, 7 and 10 years at the end of which the Borrower is entitled to choose new conditions for the Loan including conditions relating to the length of the next Change of Condition Period and the type of amortisation (the "**Change of Condition Period**").

All Borrowers receive an offer to roll their Loan over 40 days prior to the date at the end of the Change of Condition Period (the "**Change of Condition Date**"), though to prepare for a Change of Condition Date where many Loans roll over, some customers are contacted up to 12 months in advance. In the event that the Borrower does not reply to this offer, unless the Originator notifies the Borrower that the Loan is due for repayment (as described below), the loan will roll over with the same terms as those for the previous period. The Borrower receives confirmation of new terms within 2-3 days after the Change of Condition Date.

Interest Payments and Interest Rate Resetting

The Provisional Portfolio consists of fixed rate loans granted to retail customers throughout Sweden. Loans are granted with interest periods of 3 months, 1, 2, 3, 4, 5, 7 and 10 years. The rate of interest on the Loan is fixed. The rates are set by the Administrator on behalf of the Issuer on the same basis as the Originator sets its rate for the loans which it owns and which have the same terms and conditions as the Loans in the Portfolio. The Originator in turn sets its rate with reference to its funding

rates for the same terms. The interest period corresponds to the Change of Condition Period for all interest periods except for 3-month interest periods where the Change of Condition Period is 1 year.

As at 19th September, 2001 Loans with an interest period of up to one year made up 75.6 per cent. of the Provisional Portfolio. However, this percentage is expected to vary over time, as Borrowers will occasionally choose different interest periods at the end of each Change of Condition Period.

Interest payments can be made monthly or quarterly. Payment is made either by direct debit (which is encouraged by charging those who make payments by other means a SEK 25 surcharge per payment.), or via bank or postal-giro. Interest payments on 83.5 per cent. of the Loans in the Provisional Portfolio are paid by direct debit.

Principal Payments and Early Repayments

The Administrator (on behalf of the Issuer and the Trustee) may serve a pre-payment notice on a Change of Conditions Date only in limited circumstances. In addition, the Borrower may repay the loan on a Change of Conditions Date without penalty. Upon prepayment prior to a Change of Conditions Date (which the Borrower may do without notice) an interest compensation amount for the remainder of the period is charged. The maximum interest compensation amount equals the difference in margin between the interest on the loan and the interest on Swedish government bonds with the same maturity plus 1 per cent.

Each Loan in the Provisional Portfolio has scheduled repayment dates according to one of three amortisation profiles. Payments are typically due on the same date that the related interest payment is due.

Amortisation profiles available are:

(i) Straight line (the principal paid off is constant over the term);

(ii) Bullet (no amortisation); and

(iii) Serial (the initial amortisation amount increases by 8 per cent. p.a.).

The Provisional Portfolio comprises both amortising (48.2 per cent. of the Loans by value) and non-amortising Loans.

Lending Criteria

The following lending criteria (the "**Lending Criteria**") will have been applied in respect of the Loans comprising the Provisional Portfolio. On origination of each Loan from time to time comprised in the Portfolio, the Lending Criteria may have been applied with certain minor variations to reflect minor changes to the Lending Criteria. 2.F.1(f) 2.F.1(m)

The Lending Criteria are governed by the Originator's credit policy and related credit instructions, and are revised annually. The Lending Criteria were last approved by the Originator's Board of Directors on 1st April 2001. However, no significant changes have been made to these criteria since the Originator began its residential lending activities in 1996, and therefore all Loans have been originated according to substantially the same lending policy that the Originator uses currently. The Originator applies the Lending Criteria strictly and deviations from the Lending Criteria will result in a loan application being rejected.

The primary Lending Criteria are:

(a) Property Type and Use

Loans may only be granted in relation to certain types of properties. All Loans have been granted in relation to single family properties and tenant-owned apartments in multi family properties and, in certain cases, in semi-detached or detached properties belonging to co-operatives subject to the Swedish Co-operatives Act, 1991:614, as amended.

(b) Loan-to-Value Ratio (LTV)

Loans must not exceed 70 per cent. of the market value of the property, as determined through the valuation methodologies adopted by the Originator as described under "The Originator – Valuation". This ratio is reduced to 60 per cent. for all Tenant Loans except for Tenant Loans where the tenant-owner property is based in certain areas experiencing high population growth as selected from time to time by the Originator.

If a Loan is secured by a Pantbrev with a prior lien, the Pantbrev value of the prior lien is included in the Loan amount for purposes of calculating the LTV ratio.

(c) Loan Amount

Loans above SEK 3,500,000 in value require approval by the Originator's Credit Committee. The minimum loan amount for Tenant Loans is SEK 100,000. The minimum Loan amount for Pantbrev Loans is SEK 50,000.

(d) Creditworthiness of the Borrower

Creditworthiness of the Borrower is determined by calculating his/her net disposable income, which must be sufficient to pay the Loan and leave sufficient funds for reasonable expenses for other debt, living expenses, food, and similar matters. This is considered a fair measure of the Borrower's ability to repay the Loan. The Borrower's net disposable income is determined by taking the declared permanent income of the Borrower (checked against the UC) along with any tax-free income, such as child allowances, less income tax ("**net disposable income**"). "**Assessed income**" is then calculated by subtracting from the net disposable income the "**living costs**", which are: property tax on all properties owned by the Borrower; any site lease rent; house utility and maintenance costs (such as electricity, water, heating, etc.), assuming a minimum of SEK 2,000 per month, unless KreBo calculates a lower cost; monthly co-operative fees (in the case of Tenant Loans); interest and principal on all housing loans, calculated on the basis of a minimum of a 5-year interest reset and an amortisation period of 40 years; interest and principal on all other loans and credits based on current interest rates; and any other fixed costs, such as child day care, child maintenance, etc. The assessed income must be above SEK 5,000 per month per adult in the Borrower's household, and SEK 1,500 per month per child in the household. In addition, the living costs (as calculated above but disregarding the last two items in the calculation thereof) must be less than 50 per cent. of the Borrower's net disposable income.

(e) Further criteria

The following criteria also apply to each Loan. Searches made by the Originator upon application for the Loan must reveal that the Borrower:

(i) has not had a trustee appointed to manage his affairs;
(ii) has not emigrated;
(iii) is registered with the Swedish Inland Revenue;
(iv) has an address in UC's register;
(v) does not have entries in the UC for non-payment of debts or having completed debt rescheduling
(vi) does not have a post office box address instead of a street address;
(vii) has not exceeded a credit limit of SEK 1,000 on unsecured debt arrangements.

In addition, investigation of the Borrower upon application for the Loan must reveal no negative history of debt repayment or acquisition of too much debt.

Further investigation into a Borrower must be undertaken by the Originator for approval if the Borrower, as a private person, has been subject to 4 or more UC inquiries in the 6 months prior to application for the loan, or 8 or more UC inquiries in the 12 months prior to application for the Loan.

A special analysis is undertaken for Tenant Loans in relation to which the cooperative has a debt burden that is higher than SEK 9,000 per square meter. In this case, the cooperative's profit and loss account and balance sheet must be taken into account as part of the credit process in underwriting Tenant Loans.

Insurance

A Borrower of a Pantbrev Loan must have full value insurance for the property on which the Loan is secured. This includes cover for risk of fire. In addition, Borrowers are offered payment protection insurance ("**Payment Protection Insurance**") provided by Cigna Life Insurance Company of Europe S.A. – N.V.. This insurance covers principal and accrued interest up to SEK 1,000,000 in case of death before the age of 65. In the case of unemployment or illness the insurance covers principal and interest payments up to SEK 15,000 per month for a period of one year at the most. Less than 5 per cent. of the borrowers in the Originator's total book of residential loans take out this insurance. The benefit of these insurances will be transferred to the Issuer pursuant to the terms of the Sale Agreement. 2.F.1(j)

The notice to the co-operatives regarding the pledge of the Bostadsrőtt contains a confirmation from the co-operative that the property has fire insurance.

Provisional Portfolio Information

The following tables have been compiled using data as at 19th September, 2001 (the percentages in the following tables may not equal the totals shown due to rounding). The data set out in the following tables relate to the Provisional Portfolio from which the Completion Portfolio will be selected.

For the purposes of the tables set out below, the LTV for Pantbrev Loans representing approx. 15.5 per cent. of the aggregate principal balance of the Provisional Portfolio has been calculated on the basis of the adjusted tax value of a property. The adjusted tax value was obtained from the LMV, which is the National Land Survey of Sweden which maintains records of tax values for all properties in Sweden and is an accurate means of obtaining tax information about a property. The LMV determines the adjusted tax value of a property by first determining its base tax value. It does this by conducting an assessment every 6 years, for which all property owners are required to complete a form describing the property they own. This form includes information such as location and type of property, along with a detailed classification scheme. The base value of a property is usually equal to about 75 per cent. of a property's market value. The last such assessment was conducted in 1996. Once base value is determined, it is adjusted to reflect changes in general property prices between the time of the base value assessment and the date of the loan application. This is done using the K/B ratio for the municipality in which the property is located. The K/B ratio is a measure expressing the average property acquisition price of properties in a base value area within a particular calendar quarter as a percentage of the average base value for property in that base value area. The resulting number from this entire process is the adjusted tax value.

In addition, for the purposes of the tables set out below, all Euro amounts have been calculated using an assumed exchange rate of €1 = SEK9.77. This may differ from the SEK/€ Currency Exchange Rate.

Distribution of Loans by Property Type

In the tables below, the column "**Property Liens**" refers to one or more Pantbrev issued in favour of the Originator ranking *pari passu* or immediately in succession to each other without any intermediate Pantbrev issued in favour of a third party. To the extent there is an intermediate Pantbrev, there will be more than one Property Lien relating to the relevant property. Property Liens also refers to pledges over Bostadsrőtt, but in accordance with the Warranties described in "*Summary of Principal Documents – Sale Agreement*" that there will only be a single, first ranking Property Lien in respect of each Tenant Loan.

Table 1: Key Characteristics of the Provisional Portfolio

Total Number of Loans:	39,852
Total Number of Property Liens:	23,413
Total Principal Balance[1]:	€1,159,981,792
Pantbrev Loans as % of Total Principal Balance:	49.93%
Tenant Loans as % of Total Principal Balance:	50.07%
% of First Ranking Loans:	
– Total Provisional Portfolio	88.48%
– Pantbrev Loans	76.93%
– Tenant Loans	100.00%
Average Loan Size:	
– Pantbrev Loans[1]	€27,387
– Tenant Loans[1]	€31,501
Weighted Average Age:	
– Total Provisional Portfolio	15 months
– Pantbrev Loans	16 months
– Tenant Loans	14 months
Weighted Average LTV:	
– Total Provisional Portfolio	51.92%
– Pantbrev Loans	46.12%
– Tenant Loans	57.71%

Table 2: Total Provisional Portfolio

Property Type	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Single-Family	21,146	53.06	579,133,321	49.93
Tenant-Owner	18,706	46.94	580,848,471	50.07
Total:	**39,852**	**100.00**	**1,159,981,792**	**100.00**

Distribution of Loans by Start LTV

Table 3a: Total Provisional Portfolio

Start LTV (%)	*No. of Property Liens*	*% of No. of Property Liens*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19.99	19,428	82.98	1,083,459,836	93.40
20.00 – 39.99	2,622	11.20	55,397,038	4.78
40.00 – 49.99	806	3.44	14,110,605	1.22
50.00 – 59.99	438	1.87	6,076,311	0.52
60.00 – 69.99	119	0.51	938,005	0.08
Total:	**23,413**	**100.00**	**1,159,981,792**	**100.00**

[1]At an assumed exchange rate of €1 = SEK9.77

Table 3b: Pantbrev Loans in Provisional Portfolio

Start LTV (%)	*No. of Property Liens*	*% of No. of Property Liens*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19.99	9,497	70.44	502,611,363	86.79
20.00 – 39.99	2,622	19.45	55,397,038	9.57
40.00 – 49.99	806	5.98	14,110,605	2.44
50.00 – 59.99	438	3.25	6,076,311	1.05
60.00 – 69.99	119	0.88	938,005	0.16
Total:	**13,482**	**100.00**	**579,133,322**	**100.00**

Table 3c: Tenant Loans in Provisional Portfolio

Start LTV (%)	*No. of Property Liens*	*% of No. of Property Liens*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19.99	9,931	100,00	580,848,471	100.00
Total:	**9,931**	**100.00**	**580,848,471**	**100.00**

Distribution of Loans by End LTV

Table 4a: Total Provisional Portfolio

End LTV (%)	*No. of Property Liens*	*% of No. of Property Liens*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19.99	2,735	11.68	57,243,433	4.93
20.00 – 39.99	6,117	26.13	215,479,976	18.58
40.00 – 49.99	3,610	15.42	182,076,361	15.70
50.00 – 59.99	4,057	17.33	230,319,367	19.86
60.00 – 69.99	4,779	20.41	322,644,608	27.81
= 70.00	2,115	9.03	152,218,050	13.12
Total:	**23,413**	**100.00**	**1,159,981,792**	**100.00**

Table 4b: Pantbrev Loans in Provisional Portfolio

End LTV (%)	*No. of Property Liens*	*% of No. of Property Liens*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19.99	2,219	16.46	46,385,141	8.01
20.00 – 39.99	4,666	34.61	160,171,708	27.66
40.00 – 49.99	2,267	16.82	105,332,465	18.19
50.00 – 59.99	1,892	14.03	103,658,491	17.90
60.00 – 69.99	1,787	13.25	114,379,027	19.75
= 70.00	651	4.83	49,206,490	8.50
Total:	**13,482**	**100.00**	**579,133,322**	**100.00**

Table 4c: Tenant Loans in Provisional Portfolio

End LTV (%)	*No. of Property Liens*	*% of No. of Property Liens*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19.99	516	5.20	10,858,292	1.87
20.00 – 39.99	1,451	14.61	55,308,269	9.52
40.00 – 49.99	1,343	13.52	76,743,897	13.21
50.00 – 59.99	2,165	21.80	126,660,875	21.81
60.00 – 69.99	2,992	30.13	208,265,581	35.86
= 70.00	1,464	14.74	103,011,559	17.73
Total:	**9,931**	**100.00**	**580,848,471**	**100.00**

Distribution of Loans by Age

Table 5a: Total Provisional Portfolio

Age (months)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 11.99	19,571	49.11	607,380,385	52.36
12.00 – 23.99	10,991	27.58	308,014,586	26.55
24.00 – 35.99	5,864	14.71	158,856,046	13.69
36.00 – 47.99	2,383	5.98	60,322,655	5.20
48.00 – 59.99	749	1.88	17,294,122	1.49
60.00 – 71.99	294	0.74	8,113,998	0.70
Total:	**39,852**	**100.00**	**1,159,981,792**	**100.00**

Table 5b: Pantbrev Loans in Provisional Portfolio

Age (months)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 11.99	10,287	48.65	308,838,860	53.33
12.00 – 23.99	4,999	23.64	128,429,704	22.18
24.00 – 35.99	2,989	14.14	72,058,914	12.44
36.00 – 47.99	1,836	8.68	44,561,367	7.69
48.00 – 59.99	741	3.50	17,130,478	2.96
60.00 – 71.99	294	1.39	8,113,998	1.40
Total:	**21,146**	**100.00**	**579,133,321**	**100.00**

Table 5c: Tenant Loans in Provisional Portfolio

Age (months)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 11.99	9,284	49.63	298,541,526	51.40
12.00 – 23.99	5,992	32.03	179,584,882	30.92
24.00 – 35.99	2,875	15.37	86,797,131	14.94
36.00 – 47.99	547	2.92	15,761,288	2.71
48.00 – 59.99	8	0.04	163,645	0.03
Total:	**18,706**	**100.00**	**580,848,471**	**100.00**

Distribution of Loans by Remaining Term

Table 6a: Total Provisional Portfolio

Remaining Term (months)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
288 – 299	85	0.21	1,698,458	0.15
300 – 311	328	0.82	6,551,453	0.56
312 – 323	833	2.09	16,124,348	1.39
324 – 335	2,164	5.43	46,596,815	4.02
336 – 347	3,314	8.32	75,947,528	6.55
348 – 359	7,168	17.99	186,162,059	16.05
360 – 395	22	0.06	578,067	0.05
396 – 431	477	1.20	13,430,841	1.16
432 – 467	8,291	20.80	248,517,460	21.42
468 – 503	6,196	15.55	192,273,303	16.58
504 – 539	3	0.01	87,709	0.01
540 – 575	1,629	4.09	52,100,403	4.49
>= 576	9,342	23.44	319,913,351	27.58
Total:	**39,852**	**100.00**	**1,159,981,792**	**100.00**

Table 6b: Pantbrev Loans in Provisional Portfolio

Remaining Term (months)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
288 – 299	85	0.40	1,698,458	0.29
300 – 311	327	1.55	6,550,839	1.13
312 – 323	730	3.45	13,922,311	2.40
324 – 335	1,504	7.11	30,555,602	5.28
336 – 347	2,086	9.86	44,611,161	7.70
348 – 359	4,106	19.42	101,528,168	17.53
360 – 395	3	0.01	135,107	0.02
396 – 431	473	2.24	13,316,272	2.30
432 – 467	3,262	15.43	92,384,424	15.95
468 – 503	3,777	17.86	118,177,325	20.41
504 – 539	3	0.01	87,709	0.02
540 – 575	927	4.38	26,072,975	4.50
>= 576	3,863	18.27	130,092,971	22.46
Total:	**21,146**	**100.00**	**579,133,321**	**100.00**

Table 6c: Tenant Loans in Provisional Portfolio

Remaining Term (months)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
300 – 311	1	0.01	614	0.00
312 – 323	103	0.55	2,202,037	0.38
324 – 335	660	3.53	16,041,213	2.76
336 – 347	1,228	6.56	31,336,367	5.39
348 – 359	3,062	16.37	84,633,891	14.57
360 – 395	19	0.10	442,960	0.08
396 – 431	4	0.02	114,569	0.02
432 – 467	5,029	26.88	156,133,036	26.88
468 – 503	2,419	12.93	74,095,978	12.76
540 – 575	702	3.75	26,027,427	4.48
>= 576	5,479	29.29	189,820,380	32.68
Total:	**18,706**	**100.00**	**580,848,471**	**100.00**

Distribution of Loans by Current Principal Balance

Table 7a: Total Provisional Portfolio

Current Principal Balance (€)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19,999.99	13,381	33.58	166,387,759	14.34
20,000.00 – 39,999.99	18,093	45.40	511,044,798	44.06
40,000.00 – 59,999.99	5,951	14.93	283,120,699	24.41
60,000.00 – 79,999.99	1,565	3.93	105,172,220	9.07
80,000.00 – 99,999.99	453	1.14	39,558,808	3.41
100,000.00 – 119,999.99	228	0.57	24,194,824	2.09
120,000.00 – 139,999.99	72	0.18	9,213,072	0.79
140,000.00 – 159,999.99	39	0.10	5,846,630	0.50
160,000.00 – 179,999.99	19	0.05	3,225,283	0.28
180,000.00 – 199,999.99	12	0.03	2,278,921	0.20
>= 200,000.00	39	0.10	9,938,777	0.86
Total:	**39,852**	**100.00**	**1,159,981,792**	**100.00**

Table 7b: Pantbrev Loans in Provisional Portfolio

Current Principal Balance (€)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19,999.99	8,127	38.43	96,831,956	16.72
20,000.00 – 39,999.99	8,912	42.15	252,111,039	43.53
40,000.00 – 59,999.99	3,065	14.49	146,027,191	25.21
60,000.00 – 79,999.99	686	3.24	46,091,350	7.96
80,000.00 – 99,999.99	190	0.90	16,567,084	2.86
100,000.00 – 119,999.99	98	0.46	10,365,418	1.79
120,000.00 – 139,999.99	27	0.13	3,443,046	0.59
140,000.00 – 159,999.99	17	0.08	2,537,080	0.44
160,000.00 – 179,999.99	5	0.02	832,864	0.14
180,000.00 – 199,999.99	6	0.03	1,137,348	0.20
>= 200,000.00	13	0.06	3,188,946	0.55
Total:	**21,146**	**100.00**	**579,133,321**	**100.00**

Table 7c: Tenant Loans in Provisional Portfolio

Current Principal Balance (€)	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
0.00 – 19,999.99	5,254	28.09	69,555,803	11.97
20,000.00 – 39,999.99	9,181	49.08	258,933,759	44.58
40,000.00 – 59,999.99	2,886	15.43	137,093,507	23.60
60,000.00 – 79,999.99	879	4.70	59,080,870	10.17
80,000.00 – 99,999.99	263	1.41	22,991,724	3.96
100,000.00 – 119,999.99	130	0.69	13,829,406	2.38
120,000.00 – 139,999.99	45	0.24	5,770,027	0.99
140,000.00 – 159,999.99	22	0.12	3,309,550	0.57
160,000.00 – 179,999.99	14	0.07	2,392,419	0.41
180,000.00 – 199,999.99	6	0.03	1,141,573	0.20
>= 200,000.00	26	0.14	6,749,832	1.16
Total:	**18,706**	**100.00**	**580,848,471**	**100.00**

Distribution of Loans by Payment Frequency

Table 8a: Total Provisional Portfolio

Payment Frequency	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Monthly	8,818	22.13	266,060,992	22.94
Quarterly	31,029	77.86	893,828,693	77.06
Semi-annually	5	0.01	92,108	0.01
Total:	**39,852**	**100.00**	**1,159,981,792**	**100.00**

Table 8b: Pantbrev Loans in Provisional Portfolio

Payment Frequency	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Monthly	3,695	17.47	109,680,704	18.94
Quarterly	17,446	82.50	469,360,510	81.05
Semi-annually	5	0.02	92,108	0.02
Total:	**21,146**	**100.00**	**579,133,321**	**100.00**

Table 8c: Tenant Loans in Provisional Portfolio

Payment Frequency	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Monthly	5,123	27.39	156,380,288	26.92
Quarterly	13,583	72.61	424,468,183	73.08
Total:	**18,706**	**100.00**	**580,848,471**	**100.00**

Distribution of Loans by Payment Method

Table 9a: Total Provisional Portfolio

Payment Method	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Bankgiro	5,446	13.67	162,920,995	14.05
Direct Debit	33,322	83.61	968,545,767	83.50
Postalgiro	1,084	2.72	28,515,030	2.46
Total:	**39,852**	**100.00**	**1,159,981,792**	**100.00**

Table 9b: Pantbrev Loans in Provisional Portfolio

Payment Method	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Bankgiro	2,998	14.18	80,097,486	13.83
Direct Debit	17,309	81.85	479,244,285	82.75
Postalgiro	839	3.97	19,791,550	3.42
Total:	**21,146**	**100.00**	**579,133,321**	**100.00**

Table 9c: Tenant Loans in Provisional Portfolio

Payment Method	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Bankgiro	2,448	13.09	82,823,509	14.26
Direct Debit	16,013	85.60	489,301,482	84.24
Postalgiro	245	1.31	8,723,481	1.50
Total:	**18,706**	**100.00**	**580,848,471**	**100.00**

Distribution of Loans by County

Table 10a: Total Provisional Portfolio

Country	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Stockholm	26,261	65.90	839,990,934	72.41
Västra Götaland	3,653	9.17	92,905,543	8.01
Skåne	3,250	8.16	79,648,348	6.87
Uppland	1,543	3.87	35,673,153	3.08
Halland	1,013	2.54	26,431,870	2.28
Östergötland	710	1.78	15,704,472	1.35
Västmanland	480	1.20	10,357,485	0.89
Värmland	478	1.20	9,007,530	0.78
Södermanland	374	0.94	8,394,922	0.72
Örebro	251	0.63	5,361,913	0.46
Jönköping	245	0.61	5,067,188	0.44
Gävleborg	259	0.65	4,889,082	0.42
Norrbotten	238	0.60	4,428,494	0.38
Västerbotten	208	0.52	4,155,946	0.36
Västernorrland	209	0.52	4,049,449	0.35
Dalarna	199	0.50	4,045,232	0.35
Kalmar	145	0.36	2,844,496	0.25
Kronoberg	106	0.27	2,244,873	0.19
Jämtland	95	0.24	1,878,110	0.16
Blekinge	76	0.19	1,572,572	0.14
Gotland	9	0.15	1,330,180	0.11
Total:	**39,852**	**100.00**	**1,159,981,792**	**100.00**

Table 10b: Pantbrev Loans in Provisional Portfolio

Country	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Stockholm	10,424	49.30	319,341,183	55.14
Västra Götaland	2,647	12.52	68,728,577	11.87
Skåne	2,513	11.88	64,609,914	11.16
Halland	977	4.62	25,802,458	4.46
Uppland	762	3.60	20,361,996	3.52
Östergötland	653	3.09	14,996,130	2.59
Västmanland	427	2.02	9,338,132	1.61
Södermanland	364	1.72	8,267,450	1.43
Värmland	426	2.01	7,980,174	1.38
Örebro	223	1.05	4,943,793	0.85
Jönköping	228	1.08	4,825,119	0.83
Gävleborg	242	1.14	4,673,737	0.81
Norrbotten	227	1.07	4,274,439	0.74
Västerbotten	197	0.93	4,006,084	0.69
Västernorrland	199	0.94	3,895,717	0.67
Dalarna	191	0.90	3,859,677	0.67
Kalmar	144	0.68	2,832,542	0.49
Kronoberg	104	0.49	2,213,246	0.38
Blekinge	73	0.35	1,518,171	0.26
Jämtland	72	0.34	1,432,849	0.25
Gotland	53	0.25	1,231,935	0.21
Total:	**21,146**	**100.00**	**579,133,321**	**100.00**

Table 10c: Tenant Loans in Provisional Portfolio

Country	*No. of Loans*	*% of No. of Loans*	*Principal Balance (€)*	*% of Principal Balance*
Stockholm	15,837	84.66	520,649,751	89.64
Västra Götaland	1,006	5.38	24,176,966	4.16
Uppland	781	4.18	15,311,158	2.64
Skåne	737	3.94	15,038,434	2.59
Värmland	52	0.28	1,027,356	0.18
Västmanland	53	0.28	1,019,353	0.18
Östergötland	57	0.30	708,342	0.12
Halland	36	0.19	629,412	0.11
Jämtland	23	0.12	445,261	0.08
Örebro	28	0.15	418,120	0.07
Jönköping	17	0.09	242,069	0.04
Gävleborg	17	0.09	215,345	0.04
Dalarna	8	0.04	185,555	0.03
Norrbotten	11	0.06	154,056	0.03
Västernorrland	10	0.05	153,733	0.03
Västerbotten	11	0.06	149,862	0.03
Södermanland	10	0.05	127,472	0.02
Gotland	6	0.03	98,245	0.02
Blekinge	3	0.02	54,401	0.01
Kronoberg	2	0.01	31,627	0.01
Kalmar	1	0.01	11,954	0.00
Total:	**18,706**	**100.00**	**580,848,471**	**100.00**

Table 11: By Top 10 Co-Operative Concentrations underlying Tenant Loans in Provisional Portfolio*

Data relating to Co-Operative						*Data relating to corresponding Tenant Loans*		
Co-operative Identifier	*County*	*Total Borrowing of Co-Operative (SEK)*	*Adjusted Tax Value of Co-Operative Property (Year 2001)*	*LTV (%)*	*No. of Bostadsrätt*	*No. of Tenant Loans*	*Principal Balance (SEK)*	*Principal Balance (as % of Total Principal Balance of Tenant Loans)*
1	Stockholm	65,960,000	137,075,027	48.12%	78	250	136,905,739	2.41%
2	Stockholm	34,655,140	122,774,162	28.23%	56	174	97,766,976	1.72%
3	Stockholm	45,302,036	102,471,020	44.21%	66	153	62,442,969	1.10%
4	Stockholm	49,928,000	118,400,324	42.17%	44	90	47,529,568	0.84%
5	Stockholm	84,759,500	132,635,580	63.90%	42	113	47,012,203	0.83%
6	Stockholm	25,110,057	63,736,672	39.40%	48	119	43,243,587	0.76%
7	Stockholm	28,625,000	60,669,905	47.18%	70	152	37,984,385	0.67%
8	Stockholm	24,128,850	71,166,278	33.90%	60	144	37,105,858	0.65%
9	Stockholm	25,073,000	47,826,800	52.42%	62	125	35,466,242	0.62%
10	Stockholm	19,575,786	40,299,319	48.58%	27	74	31,833,274	0.56%
		403,117,369	**897,055,088**	**44.94%**	**553**	**1,394**	**577,290,801**	**10.17%**

* Compiled by SBAB

Description of Qualifying Additional Loans 2.F.1(g) 2.F.1(i)

The Qualifying Additional Loans will need to comply with certain criteria, which will include (unless otherwise agreed with the Rating Agencies from time to time) the following:

(a) the Qualifying Additional Loan made to the Borrower was made in compliance with the Lending Criteria (as revised by the Originator from time to time);

(b) the Qualifying Additional Loan complies with the Eligibility Criteria and the Warranties (except that (i) references therein to the Closing Date shall refer to the Interest Payment Date on which such Qualifying Additional Loans are to be purchased and (ii) with the prior written approval of the Rating Agencies, a Qualifying Additional Loan may have been originated by a co-operation partner of the Originator or any other company in the SBAB group of companies from time to time as well as the Originator);

(c) no Qualifying Additional Loan has a final repayment date falling after December 2056;

(d) the product of the weighted average foreclosure frequency ("**WAFF**") and the weighted average loss severity ("**WALS**") for the Portfolio calculated on the relevant Interest Payment Date (after the assignment of such Qualifying Additional Loans) in the manner set out below does not exceed the product of the WAFF and WALS for the Completion Portfolio as at the Closing Date by more than 0.25 per cent., provided that the figure of 0.25 per cent. may be increased from time to time upon S&P confirming that such increase will not cause the current ratings to the Notes to be withdrawn or downgraded;

(e) the aggregate amount of arrears of interest on the Loans (arrears of interest meaning for these purposes, two or more missed interest payments) expressed as a percentage of the gross interest due on all Loans in Portfolio during the past 12 months, does not exceed two per cent.;

(f) the aggregate outstanding principal amount of any Loans in the Portfolio which have payments that are two months or more in arrears is less than two per cent. of the aggregate outstanding principal amount of all of the Loans in the Portfolio;

(g) the outstanding principal amount of the Qualifying Additional Loans purchased in any Interest Period shall not exceed ten per cent. of the aggregate outstanding principal amount of the Portfolio, other than in the first Interest Period;

(h) the Borrower under the relevant Qualifying Additional Loan has made in full at least one scheduled payment under it (except in the case where the Qualifying Additional Loan is also a

Further Advance made to a Borrower in respect of a Loan which was in the Portfolio prior to being repurchased by the Originator on account of such Further Advance being made);

(i) no payments under such Qualifying Additional Loan was in arrears during the 12 months immediately preceding the Interest Payment Date on which such Qualifying Additional Loan is proposed to be acquired by the Issuer or at all if the Qualifying Additional Loan was originated less than 12 months before such Interest Payment Date;

(j) neither the Administrator nor the Issuer has been informed that the acquisition by the Issuer of such Qualifying Additional Loan would adversely affect the then current ratings of the Notes;

(k) there have been no withdrawals from the Reserve Fund, or if there have been withdrawals, the Reserve Fund has been replenished to the Required Reserve Fund Amount;

(l) the Lending Criteria applied to the origination of such Qualifying Additional Loan have not changed materially since the Closing Date, or all material changes to such Lending Criteria have been notified to the Rating Agencies;

(m) the assignment of Qualifying Additional Loans on the relevant Interest Payment Date does not result in the LTV test (as defined below) as determined in relation to the Loans constituting the Portfolio on the relevant Interest Payment Date (after the assignment of such Qualifying Additional Loans) exceeding the LTV test as determined in relation to the Loans constituting the Portfolio on the Closing Date, plus 0.15 per cent. or as otherwise agreed with Moody's from time to time. For the purposes of the "LTV test", the Administrator shall compare the current principal balance of each Loan to the value of the property on which the Loan is secured as calculated, in the case of Loans included in the Completion Portfolio, on the same basis as used to calculate the LTVs in Table 4a under "- *The Provisional Portfolio Information*" for each such Loan, respectively, and, in the case of Loans included in the Portfolio subsequent to the Closing Date, as determined on the date on which the underwriting decision was made by the Originator;

(n) the assignment of any Qualifying Additional Loans on the relevant Interest Payment Date which are Tenant Loans does not result in the aggregate outstanding principal balance of the Tenant Loans in the Portfolio after such assignment exceeding 50 per cent. of the aggregate balance of the Portfolio on the relevant Interest Payment Date after such assignment;

(o) the assignment of any Qualifying Additional Loans on the relevant Interest Payment Date which are Tenant Loans does not result in the aggregate outstanding principal balance of the Tenant Loans in the counties of Stockholm, Västra Götaland, Uppland and Skåne in the Portfolio after such assignment falling below 98 per cent. of the aggregate outstanding principal balance of the Tenant Loans in the Portfolio on the relevant Interest Payment Date after such assignment;

(p) the assignment of any Qualifying Additional Loans on the relevant Interest Payment Date which are Tenant Loans does not result in the aggregate outstanding principal balance of the Tenant Loans relating to any single co-operative in the Portfolio after such assignment exceeding 0.55 per cent. of the aggregate balance of the Portfolio on the relevant Interest Payment Date after such assignment;

(q) the assignment of any Qualifying Additional Loans on the relevant Interest Payment Date which are Tenant Loans does not result in the aggregate outstanding principal balance of the Tenant Loans relating to the top ten co-operatives in the Portfolio (as determined by taking the aggregate principal amount outstanding on the Tenant Loans for each such co-operative) after such assignment exceeding 5 per cent. of the aggregate balance of the Portfolio on the relevant Interest Payment Date after such assignment; and

(r) (except in the case where the Qualifying Additional Loan is also a Further Advance made to a borrower who was a Borrower in respect of a Loan which was in the Completion no more than 10 per cent., or such higher percentage as may be confirmed by the Rating Agencies not to cause the then current rating of the Notes to be downgraded, of the Qualifying Additional Loans which are Tenant Loans originated after the Closing Date are related to a co-operative whose outstanding level of debt is greater than SEK9,000 per square metre of the relevant co-operative's

property and to the extent that such a Tenant Loan is related to such co-operative, the relevant co-operative must be located in the county of Stockholm.

In addition, the acquisition of Qualifying Additional Loans is subject to the following conditions:

(a) no Enforcement Notice has been given by the Trustee which remains in effect;

(b) the Originator is not in breach of its obligation to reacquire any Loan from the Issuer;

ADMINISTRATION OF THE PORTFOLIO

All Loans are administered and serviced by the Originator's Private Market Division located in Karlstad, Sweden in its capacity as Administrator under and in accordance with the terms of the Administration Agreement. (The Administrator also services loans which will not be included in the Portfolio.)

The Administrator continually reviews its loan administration procedures to ensure that they remain up to date and effective in a competitive market. Subject to the terms of the Administration Agreement the Administrator may therefore change its servicing process from time to time.

The duties of the Administrator include:

(a) setting the interest rates on the Loans from time to time;

(b) dealing with any changes of conditions occurring as permitted under the Loans;

(c) dealing with the funding and acquisition of Qualifying Additional Loans, and repurchase of any Loans by the Originator;

(d) collecting payments on the Loans and discharging Loans and the Related Security upon redemption;

(e) monitoring the Loans and, where appropriate, pursuing arrears and enforcing the Related Security;

(f) taking all necessary action to maintain and preserve the Related Security and its priority;

(g) making claims under any fire insurance under any Pantbrev Loan or Payment Protection Insurance relating to a Loan;

(h) managing the Issuer's obligations under the Interest Rate Hedge Agreement and Currency Hedge Agreements;

(i) making the required entries in the Principal Deficiency Ledgers;

(j) monitoring the ongoing performance of the Portfolio and providing a quarterly report detailing the performance of, the Portfolio in respect of each Determination Period to the Issuer, the Rating Agencies, the Lead Manager and (upon request) the Trustee;

(k) operating the Revenue Priority of Payments and the Principal Priority of Payments; and

(l) storing all documents and correspondence relating to the Loans and the Related Security.

The Administrator will be entitled to assign its rights and obligations under the Administration Agreement to SBAB (so long as neither the Administrator nor SBAB have breached the provisions of the Administration Agreement and such breach is still subsisting).

The Administrator is entitled to charge a fee for its Services under the Administration Agreement payable on each Interest Payment Date in accordance with the Revenue Priority of Payments and Deed of Charge.

Arrears and Default Procedures

The Administrator has established procedures for managing loans which are in arrears and default. The minimum time frame for such procedures connected with the Loans in the Portfolio which are in arrears is set out below.

Pantbrev Loans:

With respect to an overdue payment on a Pantbrev Loan:

If, ten days after the due date of the first overdue payment on a Pantbrev Loan, such payment remains unpaid, a reminder is automatically generated and sent out to the Borrower by the system.

If, twenty days after the due date of the first overdue payment on a Pantbrev Loan, such payment remains unpaid, a Demand to Pay letter is automatically sent by the system (the due date of the Demand to Pay is 10 days after this demand is sent).

If, thirty-five days after the due date of the first overdue payment on a Pantbrev Loan, such payment remains unpaid, the Administrator will apply to Kronofogdemyndigheten, the Swedish debt enforcement agency (described below) for an enforcement order to be sent to the Borrower, unless the Borrower is able to work out an alternative permanent solution to the payment problem.

If, forty-five days after the due date of the first overdue payment on a Pantbrev Loan, such payment remains unpaid, the Borrower receives the enforcement order. It typically takes the Kronofogdemyndigheten about 10 days from the request date to serve an enforcement order, unless the Borrower cannot be found, in which case it would take longer.

If, fifty-five days after the due date of the first overdue payment on a Pantbrev Loan (i.e. ten days after service of the enforcement order), such payment remains unpaid, Kronofogdemyndigheten issues a Decision to Pay, which becomes legally enforceable one month after being issued. If the Borrower disputes the enforcement order, the case is referred to the courts. If the court renders a Decision to Pay, it also gains legal force after one month.

If, eighty-five days after the due date of the first overdue payment on a Pantbrev Loan, such payment remains unpaid, the Decision to Pay becomes legally enforceable, as described above.

In the period between eighty-five days and one hundred and forty-five days after the due date of the first overdue payment on a Pantbrev Loan, if such payment remains unpaid, the Administrator will apply to the Kronofogdemyndigheten for a complete asset review of the Borrower with reference to the Pantbrev Loan.

If, one hundred and forty-five days after the due date of the first overdue payment on a Pantbrev Loan (i.e. two months after the Decision to pay becomes legally enforceable), such payment remains unpaid, a public auction of the mortgaged property can take place.

Tenant Loans:

With respect to the *first overdue payment* on a Tenant Loan, the process is the same as for a Pantbrev Loan up to (and including) eighty-five days after the due date of the first overdue payment (as to which, see above). Thereafter, the process is as follows:

If, even after eighty-five days after the due date of the first overdue payment on a Tenant Loan, such payment remains unpaid, the Administrator will not take further action until a third payment becomes overdue and remains unpaid (as to which, see below).

With respect to the *second overdue payment* on a Tenant Loan:

If, ten days after the due date of the second overdue payment on a Tenant Loan, such payment remains unpaid, a reminder is automatically generated and sent out to the Borrower by the system.

If, twenty days after the due date of the first overdue payment on a Tenant Loan, such payment remains unpaid, a Demand to Pay letter is automatically sent by the system (the due date of the Demand to Pay is 10 days after this demand is sent).

With respect to the *third overdue payment* on a Tenant Loan:

If, ten days after the due date of the third overdue payment on a Loan, such payment remains unpaid, a reminder is automatically generated and sent out to the Borrower by the system.

If, twenty days after the due date of the third overdue payment on a Loan, such payment remains unpaid, a Demand to Pay letter is automatically sent by the system (the due date of the Demand to Pay is 10 days after this demand is sent).

If, thirty-five days after the due date of the third overdue payment on a Loan, such payment remains unpaid, the Administrator will give notification to the Borrower of termination of the Loan in 4 weeks (i.e. sixty five days after the due date of the third overdue payment on a Loan).

If, sixty-five days after the due date of the third overdue payment, such payment remains unpaid, the Loan will terminate and the Administrator will apply to Kronofogdemyndigheten for an enforcement order for the total amount outstanding on the Loan (i.e. principal, interest and fee amounts outstanding) to be sent to the Borrower. At this stage also, with respect to Tenant Loans with terminated contracts only, the Administrator will also apply to the Kronofogdemyndigheten for a complete asset review of the Borrower with reference to the Tenant Loans and underlying Bostadsrätt securing the Tenant Loan.

If, seventy-five days after the due date of the third overdue payment on a Loan, such payment remains unpaid, the Borrower receives the enforcement order. (It typically takes the Kronofogdemyndigheten about 10 days from the request date to serve an enforcement order, unless the Borrower cannot be found, in which case it would take longer.)

If, eighty-five days after the due date of the third overdue payment on a Loan (i.e. ten days after service of the enforcement order), such payment remains unpaid, Kronofogdemyndigheten issues a Decision to Pay, which becomes legally enforceable one month after being issued. If the Borrower disputes the enforcement order, the case is referred to the courts. If the court renders a Decision to Pay, it also gains legal force after one month.

If, one hundred and fifteen days after the due date of the third overdue payment on a Loan, such payment remains unpaid, the Decision to Pay becomes legally enforceable, as described above, and a public auction of the Bostadsrätt can immediately take place.

THE MORTGAGE MARKET IN SWEDEN

All the information provided under "Market Overview" and "Mortgage Lenders in Sweden" below has been derived from publicly available information on the Swedish mortgage industry or on information provided by the Originator.

Market Overview

The Swedish residential mortgage market has been characterised over the last few years by restructuring and increased competition. Banks have increased their market share by taking over specialist mortgage lenders or merging their mortgage lending subsidiaries with those of other banks. Banks now own four of the five biggest specialist mortgage lenders. At the same time, insurance companies and lenders relying for the distribution of their products on the internet, telephone or other means of telecommunications (as opposed to a branch network) (such as the Originator itself) have entered the market.

Mortgage lenders typically provide mortgages with 70-75 per cent. LTV secured by Pantbrev on or pledges over Bostadsrätt relating to a residential property. In addition the banks generally offer top-up financing up to approximately 85-90 per cent. LTV. Swedish mortgage loans may have fixed or variable rates of interest. At present, loans with short-term interest reset dates now tend to be the most commonly originated. The consumer credit act (Konsumentkreditlag 1992:830) (the "**Swedish Consumer Credit Act**") imposes certain conditions on mortgage loans which have resulted in the development of a fairly standardised mortgage loan product. Loans must have a legal maturity of at least 30 years for the lender to be able to adjust the interest rate during the term. Most loans with a long legal maturity have a fixed interest rate for a certain period of time, normally between three months and ten years, which is adjusted at the end of the interest period.

For a description of the Originator's underwriting guidelines, see "*Description of the Portfolio and Qualifying Additional Loans*" above.

Mortgage Lenders in Sweden

The Swedish residential housing market can be broken into three types of housing: rented apartments (48 per cent. of the market), single-family homes (36 per cent. of the market), and tenant-owner apartments (16 per cent. of the market). The breakdown for major cities in Sweden, such as Stockholm, Gothenburg, Uppsala, Lund, and Malmö shows that tenant-owner apartments occupy a much larger share of the housing market in urban areas than they do in Sweden as a whole (in Stockholm for example, tenant-owner apartments account for 23 per cent. of residential occupation).

Mortgage lenders in Sweden provide a range of financing for multi-family properties and single family houses, tenant-owner apartments as well as business and office properties. Aggregate outstanding loans from mortgage lenders secured on Swedish residential properties totalled approximately SEK 608 billion as at June 2001 (source: Sveriges Riksbank) (approximately €62 billion at an exchange rate of €1 = SEK9.77).

The Swedish mortgage market is dominated by the banks and their housing mortgage divisions: as 30th June, 2001 they held a market share for residential mortgages of approximately 93 per cent. The market share for residential lending of the SBAB Group was 7 per cent. The relative market shares are outlined in the chart below.

Market Shares for Swedish residential mortgage institutions as at 31st December, 2000

Institution	*% share*
Spintab	34
Stadshypotek	31
Nordbanken Hypotek	16
SE Bolån	12
SBAB	7
Total	**100%**

Source: compiled by SBAB using figures from the annual reports of the above-named institutions for the Year 2000.

Regulatory Framework

Swedish mortgage lenders are normally established as limited companies under the Companies Act (Aktiebolagslagen 1975:1385). As a credit market company (Sw. *Kreditmarknadsbolag*) (credit market company), each mortgage lender operates under the Act on Financing Activities (Lagen (1992:1610) om finansieringsverksamhet) and is licensed by and subject to the supervision of Finansinspektionen (the Swedish Financial Supervisory Authority).

To obtain a licence, a credit market company is required to have its articles of association approved by Finansinspektionen and to meet a number of criteria relating to, among other things, the maintenance of sufficient capital reserves. A change in a credit market company's articles of association requires permission from Finansinspektionen. Credit market companies are also required to inform Finansinspektionen about any proposed material changes in the conduct of their business (including proposed changes to their enforcement procedures) and about any amendments to their standard loan documentation.

The Swedish Consumer Credit Act strengthens the rights of consumers against lenders. It gives borrowers a right to prepay loans, in part or in full. In the case of fixed rate loans, the lender may levy a compensatory charge for early termination of the fixed rate loan. Such compensation may not exceed the difference in margin on the interest rate of the loan and the current Swedish government bond interest rate (for bonds with a maturity date corresponding to the remaining loan period) for the period up to the date to which the rate was fixed, plus one per cent. The borrower may repay variable rate loans, in part or in full, without incurring any such charge.

Single Family Dwellings – Loans for Småhus Secured on Pantbrev

The Swedish Tax Authority uses the category of single-family homes (Sw. *småhus*) to describe detached and semi-detached housing accommodations for single family occupiers. All loans on single family dwellings are secured on Pantbrev.

A Pantbrev is a bearer document (which is usually replaced by an entry on a computerised register ("**Datapantbrev**")) with a face amount specified by the title holder of the property and will be issued by Inskrivningsmyndigheten, the official registry of real estate (the "**Land Registry**"), upon application by the title holder. The title holder is the person who is registered with the Land Registry or has applied for registration to the Land Registry after having purchased the property. A security interest over real property in Sweden can only be granted by the title holder of the real property pledging one or more Pantbrev.

The priority of the Pantbrev relating to a single property is ranked according to the date of application to the Land Registry for their issue. A Pantbrev is a perpetual document and cannot be terminated (except with the agreement of the Pantbrev holder).

A registration tax of two per cent. of the nominal amount of the Pantbrev is payable at the time of application for a new Pantbrev. The tax is, in effect, a fee payable for having the Pantbrev issued.

A security interest in property is granted by the title holder pledging one or more Pantbrev to the creditor and physically delivering the Pantbrev to the creditor, or if it is a Datapantbrev, the creditor receives the Datapantbrev into its electronic archive kept by the Land Registry.

The Amount of the Secured Liabilities

The aggregate amount to which the holder of a first ranking Pantbrev is entitled to be paid as a secured creditor in respect of each property during any bankruptcy or enforcement proceedings with respect to any borrower will be equal to the lowest of the results of three calculations set out, respectively, in paragraphs A, B and C below. These calculations would be made by either the relevant borrower's administrator-in-bankruptcy or Kronofogdemyndigheten (as discussed below under "*Enforcement of Kronofogdemyndigheten Security*").

A. Loan Entitlement

(i) The principal amount of the loan together with any fees and charges set out in the loan; plus

(ii) interest at the contractual loan rate (or, as the case may be, at the default rate) up to the date of the dividend proposal in the bankruptcy or, if advance payments are made, up to the date of such payments (or, in the case of enforcement, the date when the property is taken over by the buyer (Sw. *tillträdesdagen*).

B. Pantbrev Entitlement

(i) The amount shown in the Pantbrev as being its nominal amount; plus

(ii) 15 per cent. of the nominal amount of the Pantbrev; plus

(iii) interest from the date of the application for bankruptcy (or, as the case may be, the enforcement decision) to the date of payment to the lender calculated on the nominal amount of the Pantbrev at a rate per annum equal to the official discount rate (as set from time to time by the Swedish National Debt Office) plus four per cent.

However, secondary security interests will not benefit from (ii) and (iii) above.

C. Realisation Proceeds

(i) The amounts realised on the sale or auction of the property; plus

(ii) the income deriving from the property from the date of the bankruptcy decision (or, as the case may be, the enforcement decision if the lender has so requested) to the date when the sold property is taken over by the buyer; less

(iii) expenses incurred in respect of the property from the date of the bankruptcy decision (or, as the case may be, the enforcement decision); and less

(iv) costs incurred and fees charged by the administrator-in-bankruptcy and/or Kronofogdemyndigheten for the administration and sale or auction of the property (and, in limited circumstances, certain creditors preferred by law).

Holders of subordinate Pantbrev are only entitled to their respective amount secured by such Pantbrev out of the remaining bankruptcy and enforcement proceeds after the claims of prior ranking Pantbrev holders have been satisfied.

Tenant-owner apartments – Loans Secured on Bostadsrätt

Loans associated with tenant-owner apartments and secured on a Bostadsrätt comprise 50.07 per cent. of the Loans. Tenant-owner apartments are a well established sector of the Swedish housing market. These apartments are found as part of housing co-operatives. Housing co-operatives are incorporated, non-profit associations with limited liability which own residential property, found in the form of multi-family property, semi-detached, or detached housing (all of which are considered "tenant-owner" in this context). The residents of the properties are the members of the co-operative in which the property is included. The co-operative member does not technically own an apartment in the co-operative in a legal sense, but instead owns a share of the co-operative broadly corresponding to the size of the apartment (Sw. *andelstal*) he or she occupies as compared to the size of the total habitable space in the co-operative. This confers on the co-operative member an exclusive perpetual right to use the apartment. Thus when a

person buys a tenant-owner apartment, he or she in effect is purchasing a share in a co-operative, and a perpetual right of use to the apartment.

Any co-operative member has the right to sell the Bostadsrätt or pass it on by way of inheritance provided that the person receiving the Bostadsrätt is eligible to become a member of the co-operative. A Bostadsrätt recipient's application for membership in the co-operative cannot be refused if the person satisfies all the requirements for membership as stated in the articles of association of the co-operative.

Co-operatives are run by a board elected by co-operative members from co-operative members to manage the property. In many cases, a management company is appointed and paid for by the co-operative. Three companies, HSB, Riksbyggen, and SBC, construct properties for rental and/or establishing co-operatives. The co-operative apartment blocks built and maintained by these companies set the market standard for the way co-operative apartments are maintained and constructed.

When a co-operative is established, a prospective member must pay the equity, or investment capital (Sw. *insatskapital*) necessary to establish the co-operative and purchase the property in the first place. The co-operative member has no right to reclaim his/her share of the investment capital upon leaving the co-operative, but recoups the investment by receiving the market value of the Bostadrätt upon its transfer or sale to another individual.

The buying and selling of a Bostadsrätt in existing co-operatives is distinct from the establishment of the co-operative. These Loans are secured on pledges of Bostadsrätt. Either the pledgor or pledgee must give notice of such pledge to the co-operative. The co-operative must in turn promptly upon receiving such notice register the pledge in the register which each co-operative is required to keep. The value of the pledge is not indicated in the register. That information is set out in the instrument of debt documenting the loan. If more than one pledge over the Bostadsrätt is granted by the co-operative member, the pledges' relative priority will depend on the date of their entry into the co-operative's register.

Enforcement of the Security – Kronofogdemyndigheten

Kronofogdemyndigheten, the Swedish enforcement service, is the body responsible for carrying out enforcement orders over assets in Sweden, including those for the collection of unpaid debts, whether secured or unsecured. A lender begins the enforcement process by obtaining an enforcement order from Kronofogdemyndigheten or the Court. Upon obtaining an enforcement order against a borrower, the lender may then apply to Kronofogdemyndigheten for enforcement of his claim. Upon registering an application for enforcement against a particular property, Kronofogdemyndigheten takes steps to determine the owner of the property and the identity of all secured creditors and to notify them. As regards loans secured on Pantbrev, the identity of the owner and registered Pantbrev holders is publicly available at Inskrivningsmyndigheten. A borrower may challenge the application for the enforcement order, or appeal the order itself, in which case the matter is referred to the Courts which will determine whether to issue a payment order.

Disposal of property by Kronofogdemyndigheten is usually conducted by advertised public auction held in the district in which the property is located. It is also possible for Kronofogdemyndigheten to sell a property using other means (such as through a real estate agent) if they are considered more expedient and it is clear what claims and other encumbrances there are on the property. The consequences of a private sale by Kronofogdemyndigheten are the same as a sale through an auction.

Subject as described below, as regards loans secured on Pantbrev, the highest ranking Pantbrev holder who has applied for enforcement and the holder of any Pantbrev ranking prior to that of the highest ranking applicant for enforcement can reject any auction or private sale result which does not fully satisfy his claim. As regards loans secured on Bostadsrätt, a pledgee with a pledge over the Bostadsrätt ranking prior to that of the highest ranking applicant for enforcement can reject any auction or private sale result which does not fully satisfy his claim. If an auction or private sale is held, Kronofogdemyndigheten can reject any result if, in its view, a substantially higher price will be achieved at a subsequent auction or private sale. If the results of the first auction or private sale are rejected or the property is not sold, a second auction is scheduled or new private sale is arranged.

As regards loans secured on Pantbrev, the proceeds received under sale by public auction or a private sale are applied first to satisfy Kronofogdemyndigheten's costs and then in satisfaction of the claims of Pantbrev holders in order of their priority.

As regards loans secured on Bostadsrätt, the proceeds received under sale by public auction or a private sale are applied in the following order of priority:

(i) *first*, to satisfy the housing co-operative's claim for any unpaid charges (to the extent the pledgees have been notified of such unpaid charges);

(ii) *secondly*, to satisfy the claim of any pledgee with a pledge ranking prior to that of the applicant for enforcement;

(iii) *thirdly*, to satisfy the costs of enforcement;

(iv) *fourthly*, to satisfy the claim of the pledgee applying for enforcement;

(v) *fifthly*, to satisfy the claims of any junior ranking pledgees in order of their priority; and

(vi) *sixthly*, to satisfy the housing co-operative for any unpaid charges that has not been notified to the pledgees.

If a lender's claim exceeds the amount distributable to him the excess of the claim generally becomes an unsecured obligation of the borrower who remains liable for the deficiency.

As described above, Kronofogdemyndigheten's sales have often been conducted by public auction. Due to deterioration of the property (including fixtures and fittings), the absence of the normal seller's representations and warranties as to the property's freedom from undisclosed defects and the limited participation of buyers in the auction process, the prices realised on the sale of the property at auction are typically less than would be realised in a sale of a property in other circumstances.

WEIGHTED AVERAGE LIVES OF THE NOTES

Weighted average lives of the notes refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in reduction of principal of such security (assuming no losses). The weighted average life of the Notes will be influenced by, amongst other things, the rate at which the principal of the Loans is paid, which may be in the form of scheduled amortisation, prepayments or liquidations.

The following table was prepared on the basis of certain assumptions, as described below, regarding the weighted average characteristics of the purchased Loans and the performance thereof. The table assumes, among other things, that:

(a) Available Principal Funds received during each Determination Period are at least equal to expected receipts of Principal Funds (as can be calculated with reference to the Target Principal Amount Outstanding as defined in Condition 6);

(b) all Available Principal Funds received in each Determination Period that are in excess of expected receipts of Available Principal Funds (as can be calculated with reference to the Target Principal Amount Outstanding as defined in Condition 6) are applied towards the purchase of Qualifying Additional Loans by the Issuer during the Additional Purchase Period and/or are retained on each Interest Payment Date in the manner described in "*Summary – Mortgage Portfolio Replenishment/Mandatory Redemption in Part*";

(c) there are no enforcements in respect of the Loans after the Closing Date;

(d) no Loan is sold by the Issuer;

(e) no Further Advances are made; and

(f) the Closing Date is 9th November, 2001.

The actual characteristics and performance of the Loans will differ from the assumptions used in construing the table set forth below, which is hypothetical in nature and is provided only to give a general sense of how the weighted average lives of the Notes might behave under varying prepayment scenarios. For example, it is unlikely that the interest rates on the Loans will adjust as specified, and that there will be no delinquencies or losses on the Loans. Any difference between such assumptions and the actual characteristics and performance of the Loans, or actual prepayment or loss experience, will affect the average lives of the Notes.

Subject to the foregoing, the following tables indicate (i) the weighted average life of each class of Notes (with optional termination) (ii) the principal payment windows (with optional termination), and (iii) the percentages of the Principal Amount Outstanding of each Class of Notes at the Issue Date (the "**Class A1 Notes Initial Principal Amount Outstanding**", "**Class A2 Notes Initial Principal Amount Outstanding**", "**Class M Notes Initial Principal Amount Outstanding**" and "**Class B Notes Initial Principal Amount Outstanding**", respectively) that would be outstanding with optional termination on the Interest Payment Date falling in December 2006 after each of the Interest Payment Dates in each of the months shown in the table.

Percentage of Initial Principal Amount Outstanding, Weighted Average Life* and Payment Windows

	Class A1 Notes	*Class A2 Notes*	*Class M Notes*	*Class B Notes*
Closing Date	100.00%	100.00%	100.00%	100.00%
Interest Payment Date falling in:				
December 2002	88.47%	100.00%	100.00%	100.00%
December 2003	77.78%	100.00%	100.00%	100.00%
December 2004	67.71%	100.00%	100.00%	100.00%
December 2005	58.33%	100.00%	100.00%	100.00%
December 2006	0.00%	0.00%	0.00%	0.00%
	(With Optional Redemption)			
Weighted Average Life in Years*	3.887	5.172	5.172	5.172
Payment Window	3/02-12/06	12/06-12/06	12/06-12/06	12/06-12/06

*The weighted average life of a class of Notes is determined by (i) multiplying each net reduction, if any, of the Principal Amount Outstanding on the relevant Class of Notes at the Closing Date (the "**Class Initial Principal Amount**") by the number of years from the Issue Date to the related payment date, (ii) adding the results and (iii) dividing the sum by the aggregate of the net reductions of the same Class Initial Principal Amount as described in (i) above.

DESCRIPTION OF NOTES AND THE DEPOSITORY AGREEMENT

THE DEPOSITORY AGREEMENT

General

Each class of Notes will, on the Issue Date, be represented by a Reg S Global Note and a Rule 144A Global Note of the relevant class.

The Global Notes will be deposited on or about the Issue Date with The Chase Manhattan Bank, N.A., New York office, as depository (the "**Depository**") pursuant to the terms of the Depository Agreement.

The Depository will (i) issue certificateless depository interests in respect of the Class A1 Rule 144A Global Note to DTC or its nominee and (ii) issue certificated depository interests in respect of each of the Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Note) to The Chase Manhattan Bank, London Branch, as common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg, registered in the nominee name of both Euroclear and Clearstream, Luxembourg. In both cases, such CDIs represent 100 per cent. interest in the underlying Global Note relating thereto.

Upon confirmation by DTC that the Depository has custody of the Class A1 Rule 144A Global Note, and upon acceptance by DTC of the CDIs pursuant to the DTC Letter of Representations sent by the Depository and the Issuer to DTC, DTC will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable thereto.

Upon confirmation by the Common Depository that the Depository has custody of the relevant Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Note) and acceptance by the Common Depository of the associated CDIs, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable thereto.

For the avoidance of doubt, all references in this section to a Book-Entry Interest in a Reg S Global Note or a Rule 144A Global Note shall be construed as a reference to a Book-Entry Interest in the CDI attributable thereto.

Book-Entry Interests in respect of Notes will be recorded in minimum denominations of €10,000 or $100,000, depending on the currency of denomination and integral multiples thereof (an "**Authorised Denomination**"). Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear, Clearstream, Luxembourg or DTC ("**Participants**") or persons that hold interests in the Book-Entry Interests through participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear, Clearstream, Luxembourg or DTC, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear, Clearstream, Luxembourg and DTC, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts to be credited shall be designated by the Managers of the Notes. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as the Depository or its nominee is the holder of the Global Notes underlying the Book-Entry Interests, the Depository or such nominee, as the case may be, will be considered the sole Noteholder for all purposes under the Trust Deed. Except as set forth below under "- *Issuance of Definitive Notes*", Participants or Indirect Participants will not be entitled to have Notes registered in

their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of the Depository and Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "- *Action in Respect of the Global Notes and the Book-Entry Interests*".

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Issuer Event of Default under the Global Notes, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear, Clearstream, Luxembourg and the Depository unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by DTC, Euroclear, Clearstream, Luxembourg and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of the Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Note), unless and until Book-Entry Interests are exchanged for Definitive Notes, the CDIs held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

In the case of the Class A1 Rule 144A Global Notes, unless and until Book-Entry Interests are exchanged for Definitive Notes, the CDIs held by DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in the Class A1 Global Note pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Note directly through DTC if they are Participants in such system, or indirectly through organisations which are Participants in such system. All Book-Entry Interests in the Class A1 Rule 144A Global Notes will be subject to the procedures and requirements of DTC. Purchasers of Book-Entry Interests in a Global Note pursuant to Regulation S or a Global Note pursuant to Rule 144A (other than the Class A1 Rule 144A Global Note) will hold Book-Entry Interests in the Reg S Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of such Global Note directly through Euroclear or Clearstream, Luxembourg in accordance with the provisions set forth under "- *Transfers and Transfer Restrictions*"), if they are accountholders in such systems, or indirectly through organisations which are accountholders in such systems. After the expiration of the Distribution Compliance Period (as defined below) but not earlier, investors may also hold such Book-Entry Interests through organisations, other than Euroclear or Clearstream, Luxembourg, that are Participants in the DTC system. Euroclear and Clearstream, Luxembourg, will hold Book-Entry Interests in each Reg S Global Note on behalf of their accountholders through securities accounts in the respective accountholders' names on Euroclear's and Clearstream's, Luxembourg respective book-entry registration and transfer systems.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among Participants of DTC and accountholders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective Participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Payments on Global Notes

Payment of principal of and interest on, and any other amount due in respect of, the Global Notes will be made in U.S. Dollars (in respect of U.S. Dollar Notes) and Euro (in respect of the Euro Notes) by or to the order of the Principal Paying Agent on behalf of the Issuer to the Depository as the holder thereof. Upon receipt of any payment of principal or interest or any other amount in respect of a Global Note, the Depository will distribute all such payments in U.S. Dollars or Euro (as the case may be), subject as provided below in "- *Denomination of Payments*", to (in the case of the Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144AGlobal Note)) the nominee for the Common Depository and (in the case of the Class A1 Rule 144A Global Note) the nominee for DTC. Each holder of Book-Entry Interests must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of any amounts paid by or on behalf of the Issuer to the Depository in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Depository to the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or of Clearstream, Luxembourg. In the case of payments made in U.S. Dollars (as described under "- *Denomination of Payments*"), upon receipt of any payment from the Depository, DTC will promptly credit its Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown on the records of DTC. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding DTC, Euroclear and Clearstream, Luxembourg

DTC, Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended (the "*Exchange Act*"). DTC was created to hold securities of its Participants and to facilitate the clearance and settlement of transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representatives) own DTC.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their accountholders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in

several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective accountholders may settle trades with each other.

Accountholders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An accountholder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective accountholders, and have no record of or relationship with persons holding through their respective accountholders.

The Issuer understands that under existing industry practices, if either the Issuer or the Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed, Euroclear, Clearstream, Luxembourg or DTC, as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Depository will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depository, in the case of the Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Note), and to the nominee of DTC, in the case of the Class A1 Rule 144A Global Note, and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Depository in connection with the redemption of the Global Note relating thereto. For any redemptions of a Global Note in part, the Depository shall allocate reductions in the Principal Amount Outstanding on a pro rata basis among the CDIs. Upon any redemption in part, the Depository will cause the Principal Paying Agent to mark down or to cause to be marked down the schedule to such Global Note by the principal amount so redeemed.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear, Clearstream, Luxembourg or DTC, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "- *General*" above and "*Transfer Restrictions and Investor Representations*". 2.B.26

Each Rule 144A Global Note will bear a legend substantially identical to that appearing under "*Transfer Restrictions and Investor Representations*", and the holder of any Rule 144A Global Note or any Book-Entry Interest in such Rule 144A Global Note will undertake that it will not transfer such Notes except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Note of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same class, whether before or after the expiration of the Distribution Compliance Period, only upon receipt by the Depository of written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg.

Until and including the 40th day after the completion of the distribution of the Notes as determined and certified by Merill Lynch International (the "**Distribution Compliance Period**"), Book-

Entry Interests in a Reg S Global Note may be held only through Euroclear or Clearstream, Luxembourg, unless transfer and delivery is made through the Rule 144A Global Note relating thereto. Prior to the expiration of the Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Note of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same class only upon receipt by the Depository of written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that each such person and each such account or accounts is a "qualified institutional buyer" within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in a Reg S Global Note of one class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same class will, upon transfer, cease to be represented by a Book-Entry Interest in such Reg S Global Note and will become represented by a Book-Entry Interest in such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Note for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Note of one class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same class will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Note and will become represented by a Book-Entry Interest in such Reg S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Reg S Global Note as long as it remains such a Book-Entry Interest.

Issuance of Definitive Notes

Holders of Book-Entry Interests in a Rule 144A Global Note or Reg S Global Note will be entitled to receive Definitive Notes in registered form ("**Registered Definitive Notes**") in exchange for their respective holdings of Book-Entry Interests if (i) (in the case of the Class A1 Rule 144A Global Note) DTC has notified the Issuer that it is at any time unwilling or unable to continue as holder of the CDIs or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act, and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification, or (in the case of Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Note)) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available, or (ii) the Depository notifies the Issuer that it is at any time unwilling or unable to continue as Depository and a successor Depository is not able to be appointed by the Issuer with the prior written consent of the Note Trustee within 90 days, or (iii) as a result of any amendment to, or change in, the laws or regulations of Jersey (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in a Rule 144A Global Note or a Reg S Global Note will be registered by a registrar in such name or names as the Depository shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be (in the case of Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Note)), or DTC (in the case of the Class A1 Rule 144A Global Note). It is expected that such instructions will be based upon directions received by Euroclear, Clearstream, Luxembourg or DTC from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in a Rule 144A Global Note or a Reg S Global Note, as the case may be, will not be entitled to exchange such Registered Definitive Note for Book-Entry Interests in a Reg S Global Note or a Rule 144A Global Note, as the case may be. Any Notes issued in definitive form will be issued in registered form only.

Action in Respect of the Global Notes and the Book-Entry Interests

Not later than 10 days after receipt by the Depository of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Depository will deliver to Euroclear, Clearstream, Luxembourg and DTC a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear, Clearstream, Luxembourg and DTC will be entitled to instruct the Depository as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear, Clearstream, Luxembourg or DTC, as applicable, the Depository shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear, Clearstream, Luxembourg or DTC are expected to follow the procedures described under "- General" above with respect to soliciting instructions from their respective Participants. The Depository will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Depository will immediately, and in no event later than 10 days from receipt, send to Euroclear, Clearstream, Luxembourg and DTC a copy of any notices, reports and other communications received relating to the Issuer, the Global Notes or the Book-Entry Interests. All notices regarding the Global Notes will be sent to Euroclear, Clearstream, Luxembourg, DTC and the Depository. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in Ireland (which so long as the Notes are listed on the Irish Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be The Irish Times); provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on a page of the Bloomberg Screen, or any other medium for electronic display of data as may be previously approved in writing by the Trustee, publication in The Irish Times shall not be required with respect to such information so long as the rules of the Irish Stock Exchange allow. See also Condition 15 of the Notes.

Action to Depository

Subject to certain limitations, upon the occurrence of an Event of Default with respect to the Global Notes, or in connection with any other right of the holder of the Global Notes under the Trust Deed or the Depository Agreement, if requested in writing by DTC, Euroclear or Clearstream, Luxembourg, as applicable, (acting on the instructions of their respective Participants in accordance with their respective procedures) the Depository will take any such action as shall be requested in such notice, subject to, if required by the Depository, such reasonable security or indemnity from the Participants against the costs, expenses and liabilities that the Depository might properly incur in compliance with such request.

Charges of Depository

The Issuer has agreed to pay all charges of the Depository under the Depository Agreement. The Issuer has also agreed to indemnify the Depository against certain liabilities incurred by it under the Depository Agreement.

Amendment and Termination

The Depository Agreement may be amended by agreement among the Issuer, the Depository and the Trustee. The consent of Euroclear, Clearstream, Luxembourg and DTC or the holders of any Book-Entry Interests shall not be required in connection with any amendment made to the Depository Agreement (i) to cure any inconsistency, omission, defect or ambiguity in such Agreement; (ii) to add to the covenants and agreements of the Depository or the Issuer; (iii) to effect the assignment of the Depository's rights and duties to a qualified successor; (iv) to comply with the Securities Act, the Exchange Act or the U.S. Investment Company Act of 1940, as amended; or (v) to modify, alter, amend or supplement the Depository Agreement in any other manner that is not adverse to Euroclear, Clearstream, Luxembourg and DTC or the holders of Book-Entry Interests. Except as set forth above, no

amendment that adversely effects Euroclear, Clearstream, Luxembourg or DTC or the holders of the Book-Entry Interests may be made to the Depository Agreement or the Book-Entry Interests without the consent of Euroclear, Clearstream, Luxembourg or DTC or the holders of any Book-Entry Interests.

Resignation or Removal of Depository

The Depository may at any time resign as Depository upon 90 days' written notice delivered to each of the Issuer and the Trustee. The Issuer may, by board resolution, remove the Depository at any time upon 90 days' written notice. No resignation or removal of the Depository and no appointment of a successor Depository shall become effective until (i) the acceptance of appointment by the successor Depository or (ii) the issue of Definitive Notes.

Obligation of Depository

The Depository will assume no obligation or liability under the Depository Agreement other than to act in good faith in the performance of its duties under such agreement.

The Depository will only be liable to perform such duties as are expressly set out in the Depository Agreement. The Depository Agreement contains provisions relieving the Depository from liability and permitting it to refrain from acting in certain circumstances. The Depository Agreement also contains provisions permitting any entity into which the Depository is merged or converted or with which it is consolidated or any successor in business to the Depository to become the successor depository.

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the "**Conditions**") of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed. Subject to any contrary provisions in the Conditions, the Conditions apply to the Notes in global and in definitive form.*

The issue of the U.S.$550,000,000 Class A1 Mortgage Backed Floating Rate Notes due 2046 (the "**Class A1 Notes**"), the €355,200,000 Class A2 Mortgage Backed Floating Rate Notes due 2058 (the "**Class A2 Notes**") and, together with the Class A1 Notes, the "Class A Notes"), the €30,000,000 Class M Mortgage Backed Floating Rate Notes due 2058 (the "**Class M Notes**") and the €7,500,000 Class B Mortgage Backed Floating Rate Notes due 2058 (the "**Class B Notes**" and, together with the Class A1 Notes, the Class A2 Notes and the Class M Notes, the "**Notes**") by SRM Investment No. 2 Limited (the "**Issuer**") was authorised by resolution of the Board of Directors of the Issuer passed on 7th November. The Class A1 Notes are, in these Conditions, referred to as the "**U.S. Dollar Notes**" and the Class A2 Notes, the Class M Notes and Class B Notes as the "**Euro Notes**".

The Notes are constituted by a trust deed (the "**Trust Deed**"), which expression includes any modification or supplement thereto from time to time made in accordance with the provisions of the Trust Deed, as from time to time so modified or supplemented) dated 9th November, 2001 (the "**Closing Date**") between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**"), which expression includes its successors as trustee or any further or other trustee(s) under the Trust Deed as trustee(s) for the holders of the Notes (the "**Noteholders**").

The net proceeds of the issue of the Notes will be applied, subject to the payment of the Start-Up Expenses and the Initial Reserve Fund Amount, in or towards payment to SBAB, Sveriges Bostadsfinansieringsaktiebolag of the purchase price for the Loans and their Related Security to be purchased by the Issuer from SBAB, Sveriges Bostadsfinansieringsaktiebolag under a sale agreement dated the Closing Date between SBAB, Sveriges Bostadsfinansieringsaktiebolag, the Issuer and the Trustee (the "**Sale Agreement**"). 2.B.32(h)

The Noteholders are entitled to the benefit of and are bound by all the provisions of the Trust Deed, the Deed of Charge and each other Relevant Document (a "**Relevant Document**") being each of the master definitions schedule defined below, the Trust Deed, the Swedish security agreement (the "**Swedish Security Agreement**"), the Jersey security agreement (the "**Jersey Security Agreement**"), the deed of charge (the "**Deed of Charge**"), the agency agreement (the "**Agency Agreement**"), the Sale Agreement, the corporate services agreement (the "**Corporate Services Agreement**"), the administration agreement (the "**Administration Agreement**"), the transaction account agreement (the "**Transaction Account Agreement**"), the collection account agreement (the "**Collection Account Agreement**"), the interest rate hedge agreement (the "**Interest Hedge Agreement**"), each currency hedge agreements (the "**Currency Hedge Agreements**") and the Depository Agreement, all dated on or about the Closing Date and made between, inter alios, the Issuer and the Trustee) to which the Trustee is a party and are deemed to have notice of all the provisions of all the Relevant Documents as defined in the master definitions schedule dated the Closing Date incorporated into each Relevant Document by reference (the "**Master Definitions Schedule**"). Copies of the Relevant Documents to which the Trustee is a party are available for inspection at the London office of the Principal Paying Agent at Trinity Towers, 9 Thomas More Street, London E1W 1YT and at the specified office of the Irish Paying Agent.

1. Global Notes

2.B.15
2.B.32(d)

(a) Form and Denomination

The Class A1 Notes, the Class A2 Notes, the Class M Notes and the Class B Notes initially offered and sold outside the United States to non-U.S. persons pursuant to Regulation S ("**Reg S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") will initially be represented by a separate global note in bearer form for each such class (the "**Class A1 Reg S Global Note**", the "**Class A2 Reg S Global Note**", the "**Class M Reg S Global Note**" and the "**Class B Reg S Global Note**", respectively, and together, the "**Reg S Global Notes**").

The Class A1 Notes, the Class A2 Notes, the Class M Notes and the Class B Notes initially offered and sold in the United States to qualified institutional buyers as defined in and in reliance on Rule 144A

("**Rule 144A**") under the Securities Act likewise will initially be represented by a separate global note in bearer form for each such class (the "**Class A1 Rule 144A Global Note**", the "**Class A2 Rule 144A Global Note**", the "**Class M Rule 144A Global Note**" and the "**Class B Rule 144A Global Note**", respectively, and together, the "**Rule 144A Global Notes**" and, together with the Reg S Global Notes, the "**Global Notes**"), in each case without coupons or talons attached and which, in aggregate, will represent the aggregate initial principal amount outstanding of Class A1 Notes, the Class A2 Notes, the Class M Notes and the Class B Notes.

For so long as any Notes are represented by a Global Note, transfer and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the provisions of a depository agreement (the "**Depository Agreement**") dated on or about the Closing Date between the Issuer, the Trustee and The Chase Manhattan Bank, New York office (in its capacity as book-entry depository) and the rules and procedures from time to time of The Depository Trust Company ("**DTC**"), Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), as appropriate. 2.B.36

(b) Title

Title to the Global Notes shall pass by delivery. The holder of any Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon. 2.B.36

2. Definitive Notes

(a) Issue of Definitive Notes

A Global Note will only be exchanged for Notes in definitive registered form ("**Definitive Notes**") (in whole but not in part) if any of the following applies:

(i) (in the case of the Class A1 Rule 144A Global Note) DTC has notified the Issuer that it is at any time unwilling or unable to continue as holder of the certificateless depository interests (as defined in the Depository Agreement) or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act, and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification, or (in the case of Reg S Global Notes and the Rule 144A Global Notes (other than the Class A1 Rule 144A Global Note)) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available;

(ii) the Depository notifies the Issuer that it is at any time unwilling or unable to continue as Depository and a successor Depository is not able to be appointed by the Issuer with the prior written consent of the Trustee within 90 days; or

(iii) as a result of any amendment to, or change in, the laws or regulations of Jersey (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form.

If Definitive Notes are issued, the beneficial interests represented by the Reg S Global Note of each class and by the Rule 144A Global Note of each class shall be exchanged by the Issuer for Notes of such classes in definitive form ("**Reg S Definitive Notes**" and "**Rule 144A Definitive Notes**" respectively). The aggregate principal amount of the Reg S Definitive Notes and the Rule 144A Definitive Notes of each class shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Reg S Global Note or, as the case may be, the Rule 144A Global Note

of the corresponding class, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Definitive Notes of each class (which, if issued, will be in the denominations set out below) will be serially numbered and will be issued in registered form only.

The denominations of any Definitive Notes issued will be as follows:

Class A1 Notes: $100,000;

Class A2 Notes: €10,000;

Class M Notes: €10,000; and

Class B Notes: €10,000.

(b) Title

Title to a Definitive Note shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the person from time to time appointed to act in this capacity under the terms of the Agency Agreement (the "**Registrar**"). Definitive Notes may be transferred in whole upon the surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of Definitive Notes are subject to any restrictions on transfer set forth on such Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note to be issued upon transfer of a Definitive Note will, within five Business Days of receipt of such Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to the Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require) any tax or other government charges which may be imposed in relation to it.

References to "**Notes**" shall include the Global Notes and the Definitive Notes.

3. Status, Security and Priority of Payments

(a) Status and relationship between classes of Notes

The Class A Notes constitute direct, secured and unconditional, and the Class M Notes and the Class B Notes constitute direct, secured and conditional obligations of the Issuer and are secured by an assignment and a fixed and floating security (the "**Security**") over all of the assets of the Issuer (as more particularly described in the Deed of Charge, Jersey Security Agreement and the Swedish Security Agreement) (the "**Charged Property**"). Notes of the same class rank *pari passu* and rateably without any preference or priority amongst themselves.

The Notes are constituted by the Trust Deed. In the event of the security being enforced, the Class A Notes will rank in priority to all other classes of Notes; and the Class M Notes will rank in priority to the Class B Notes.

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders as a whole (and, while any Notes are outstanding, not to the interests of the other persons entitled to the benefit of the Security created by the Deed of Charge, the Jersey Security Agreement and the Swedish Security Agreement (the "**Other Secured Creditors**")) as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) but requiring the Trustee in any particular case to have regard only to the interests of:

(i) the Class A Noteholders (for so long as there are Class A Notes outstanding) if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and/or the interests of any other class of Noteholder; and

(ii) subject to paragraph (i) above, the Class M Noteholders (for so long as there are Class M Notes outstanding) if, in the Trustee's opinion, there is a conflict between the interests of the Class M Noteholders and the Class B Noteholders.

(b) The Trust Deed contains provisions limiting the powers of the Class M Noteholders and the Class B Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class M Noteholders and the Class B Noteholders, irrespective of the effect thereof on their interests. The Trust Deed contains provisions limiting the powers of the Class B Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class M Noteholders. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of the Class M Noteholders by reference to the effect thereof on the interests of the Class B Noteholders, the exercise of which will be binding on the Class B Noteholders, irrespective of the effect thereof on their interests.

(c) Security and Priority of Payments 2.B.23

The security in respect of the Notes and Coupons is set out in the Deed of Charge, the Jersey Security Agreement and the Swedish Security Agreement. The Administration Agreement contains provisions regulating the priority of application of the Charged Property by the Administrator (and proceeds thereof) among the persons entitled thereto prior to the service of an Enforcement Notice (as defined in Condition 10) and the Deed of Charge contains provisions regulating such application by the Trustee after the service of an Enforcement Notice. The Security will become enforceable on the occurrence of an Event of Default.

4. Covenants

(A) Restrictions

Save with the prior written consent of the Trustee or as provided in or envisaged by these Conditions or as permitted by the Relevant Documents the Issuer shall not so long as any of the Notes remain outstanding (as defined in the Trust Deed):

(i) Negative Pledge

create or permit to subsist any mortgage, sub-mortgage, charge, sub-charge, assignment, pledge, lien, hypothecation or other security interest whatsoever, however created or arising (unless arising by operation of law) over any of its property, assets or undertakings (including the Charged Property) or any interest, estate, right, title or benefit therein or use, invest or dispose of, including by way of sale or the grant of any security interest of whatsoever nature or otherwise deal with, or agree or attempt or purport to sell or otherwise dispose of (in each case whether by one transaction or a series of transactions) or grant any option or right to acquire any such property, assets or undertaking present or future;

(ii) Restrictions on Activities

(a) engage in any activity whatsoever which is not, or is not reasonably incidental to, any of the activities in which the Relevant Documents provide or envisage the Issuer will engage in;

(b) open or have an interest in any account whatsoever with any bank or other financial institution, save where such account or the Issuer's interest therein is immediately charged in favour of the Trustee so as to form part of the Security;

(c) have any subsidiary;

(d) own or lease any premises or have any employees; or

(e) amend, supplement or otherwise modify its Memorandum and Articles of Association;

(iii) Borrowings

incur or permit to subsist any other indebtedness in respect of borrowed money whatsoever, except in respect of the Notes, or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;

(iv) Merger

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person unless:

(a) the person (if other than the Issuer) which is formed pursuant to or survives such consolidation or merger or which acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of Jersey, the objects of which include the funding, purchase and administration of mortgages and mortgage loans, and who shall expressly assume, by an instrument supplemental to each of the Relevant Documents, in form and substance satisfactory to the Trustee, the obligation to make due and punctual payment of all moneys owing by the Issuer, including principal and interest on the Notes, and the performance and observance of every covenant in each of the Relevant Documents to be performed or observed on the part of the Issuer;

(b) immediately after giving effect to such transaction, no Event of Default (as defined in Condition 10) shall have occurred and be continuing;

(c) such consolidation, merger, conveyance or transfer has been approved by Extraordinary Resolutions of each class of the Noteholders;

(d) all persons required by the Trustee shall have executed and delivered such documentation as the Trustee may reasonably require; and

(e) the Issuer shall have delivered to the Trustee a legal opinion of Jersey lawyers acceptable to the Trustee to the effect that such consolidation, merger, conveyance or transfer and such supplemental instrument and other documents comply with (a), (b), (c) and (d) above; and

(f) the then current ratings of the Notes are unaffected by such consolidation, merger, conveyance or transfer; or

(v) Other

cause or permit the validity or effectiveness of any of the Relevant Documents, or the priority of the security interests created thereby, to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to the Trust Deed, the Deed of Charge, the Jersey Security Agreement, the Swedish Security Agreement or any of the other Relevant Documents, or dispose of any part of the Security.

(B) Administrator

So long as any of the Notes remain outstanding, the Issuer will procure that there will at all times be an administrator for the administration of the Portfolio and the performance of the other administrative duties set out in the Administration Agreement. Any appointment by the Issuer of an administrator other than SBAB, Sveriges Bostadsfinansieringsaktiebolag or one of the other companies in the SBAB group of companies is subject to the approval of the Trustee and the terms of the Administration Agreement. The Issuer will not be permitted to terminate SBAB, Sveriges Bostadsfinansieringsaktiebolag's appointment as Administrator without, *inter alia*, the written consent of the Trustee. The appointment of the Administrator may be terminated by the Trustee if, *inter alia* (and

subject to any grace periods applicable thereto), the Administrator defaults in any material respect (as determined in the sole discretion of the Trustee) in the observance and performance of any obligation imposed on it under the Administration Agreement and which default is not remedied within 15 Business Days (as defined for this purpose in the Administration Agreement) after written notice of such default has been served on it by the Issuer or the Trustee.

5. Interest

(A) Period of Accrual

The Notes will bear interest from (and including) the Closing Date. Interest shall cease to accrue on any part of the Principal Amount Outstanding (as defined in Condition 6(A)) of any Note from the due date for redemption unless, upon due presentation, payment of principal or any part thereof due is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgment) at the rate applicable to such Note up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent or the Trustee to the holder thereof (in accordance with Condition 15) that upon presentation thereof, such payment will be made (provided that upon such presentation, such payment is in fact made).

(B) Interest Payment Dates and Interest Periods

Interest on the Notes is, subject as provided below in relation to the first payment, payable quarterly in arrear on 15th March, 15th June, 15th September and 15th December in each year or, if any such day is not a Note Business Day (as defined below), the next succeeding Note Business Day unless such succeeding Note Business Day falls in the next succeeding calendar month, in which event the immediately preceding Note Business Day (each such date being referred to in these Conditions as an "**Interest Payment Date**"). The first such payment is due on the Interest Payment Date falling in March 2002 in respect of the period from (and including) the Closing Date to (but excluding) that Interest Payment Date. Each period from (and including) an Interest Payment Date (or the Closing Date, in the case of the first Interest Period) to (but excluding) the next (or, in the case of the first Interest Period, the first) Interest Payment Date is in these Conditions called an "**Interest Period**" and for the purposes of this Condition 5, "**Note Business Day**" shall mean a day on which banks are open for business in Stockholm, London and New York and on which the Trans-European Automated Real-Time Gross Settlement Express System settles payments in Euro.

(C) Rates of Interest

The rate of interest payable from time to time in respect of the Class A1 Notes, the Class A2 Notes, the Class M Notes and the Class B Notes (the "**Rates of Interest**") and the Interest Payment (as defined below) will be determined by the Agent Bank on the basis of the following provisions.

(a) The Agent Bank will, at or as soon as practicable after 11.00 a.m. (London time) on the U.S. Dollar Business Day (in the case of the U.S. Dollar Notes) and the Euro Business Day (in the case of the Euro Notes) that falls two U.S. Dollar Business Days or Euro Business Days, respectively, prior to the first day of each Interest Period (each an "**Interest Determination Date**"), determine the rate of interest applicable to, and calculate the amount of interest payable on each of the Note, (the relevant U.S. Dollar Business Day being the "**U.S. Dollar Interest Determination Date**", the relevant Euro Business Day being the "**Euro Interest Determination Date**" and each payment so calculated, an "**Interest Payment**") for the Interest Period commencing U.S. Dollar Business Days (in the case of the U.S. Dollar Notes) or two Euro Business Days (in the case of the Euro Notes) after such Interest Determination Date. The rate of interest applicable to the Notes of each class for any Interest Period (a "**Rate of Interest**") will be equal to:

(i) in the case of the Class A1 Notes, U.S. Dollar LIBOR (as determined in accordance with Condition 5(C)(b)(i)) plus a margin of 0.22 per cent. per annum for the period from the Closing Date up to but excluding the Interest Payment Date in December 2006 (the "**Step-Up Date**") and thereafter a margin of 0.44 per cent. per annum;

(ii) in the case of the Class A2 Notes, EURIBOR (as determined in accordance with Condition 5 (C)(b)(ii)) plus a margin of 0.24 per cent. per annum for the period from the Closing Date up to but excluding the Step-Up Date and thereafter a margin of 0.48 per cent. per annum;

(iii) in the case of the Class M Notes, EURIBOR (as determined in accordance with Condition 5 (C)(b)(ii)) plus a margin of 0.60 per cent. per annum for the period from the Closing Date up to but excluding the Step-Up Date and thereafter a margin of 1.20 per cent. per annum; and

(iv) in the case of the Class B Notes, EURIBOR (as determined in accordance with Condition 5(C)(b)(ii)) plus a margin of 1.30 per cent. per annum for the period from the Closing Date up to but excluding the Step-Up Date and thereafter a margin of 2.60 per cent. per annum.

The Interest Payment in relation to a Note of a particular class shall be calculated by applying the Rate of Interest applicable to the Notes of that class to the Principal Amount Outstanding of each Note of that class, multiplying the product of such calculation by the actual number of days in the relevant Interest Period divided by 360 and rounding the resultant figure to the nearest cent (fractions of half a cent being rounded upwards and fractions otherwise being rounded downwards).

For the purposes of these Conditions:

"**Euro Business Day**" means a TARGET Business Day.

"**U.S. Dollar Business Day**" means a day on which banks are open for business in London.

"**TARGET Business Day**" means a day on which the Trans-European Automated Real-Time Gross Settlement Express System settles payments in Euro.

(b) Determination of U.S. Dollar LIBOR and EURIBOR

(i) U.S. Dollar LIBOR

For the purposes of determining the Rate of Interest in respect of the Class A1 Notes under Condition 5(C)(a), U.S. Dollar LIBOR will be determined by the Agent Bank on the basis of the following provisions:

(A) on each U.S. Dollar Interest Determination Date, the Agent Bank will determine the interest rate for three month U.S. Dollar deposits in the London inter-bank market which appears on the Bridge/Telerate Screen No. 3750 (the "**U.S. Dollar LIBOR Screen Rate**") (or, in respect of the first such Interest Period, a linear interpolation of the rate for four month and five month U.S. Dollar deposits) (or (i) such other page as may replace Bridge/Telerate Screen No. 3750 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Trustee) as may replace the Bridge/Telerate Screen) at or about 11.00 a.m. (London time) on such date; or

(B) if the U.S. Dollar LIBOR Screen Rate is not then available, the arithmetic mean (rounded to five decimal places, 0.000005 rounded upwards) of the rates notified to the Agent Bank at its request by each of four reference banks duly appointed for such purpose (the "**U.S. Dollar Reference Banks**") as the rate at which three month deposits in U.S. Dollar are offered for the same period as that Interest Period by those Reference Banks to prime banks in the London inter-bank market at or about 11.00 a.m. (London time) on that date (or, in respect of the first Interest Period, the arithmetic mean of a linear interpolation of the rates for four and five month U.S. Dollar deposits notified by the Reference Banks). If, on any such Interest Determination Date, at least two of the Reference Banks provide such offered quotations to the Agent Bank the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the

Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the sole opinion of the Trustee suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to five decimal places, 0.000005 being rounded upwards) of the rates quoted by major banks in the London inter-bank market, selected by the Agent Bank, at approximately 11.00 a.m. (London time) two days prior to the Closing Date or the relevant Interest Payment Date, as the case may be, for loans in U.S. Dollar to leading London banks for a period of three months or, in the case of the first Interest Period, the same as the relevant Interest Period.

(ii) EURIBOR

For the purposes of determining the Rate of Interest in respect of the Class A2 Notes, Class M Notes and the Class B Notes under Condition 5(C)(b), EURIBOR will be determined by the Agent Bank on the basis of the following provisions:

(A) on each Euro Interest Determination Date, the Agent Bank will determine the interest rate for three month euro deposits in the Eurozone (as defined in Condition 5(H) below) inter-bank market which appears on Bridge/Telerate Screen No. 248 (the "**EURIBOR Screen Rate**") (or, in respect of the first such Interest Period, a linear interpolation of the rate for four month and five month euro deposits) (or (i) such other page as may replace Bridge/Telerate Screen No. 248 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Trustee) as may replace the Bridge/Telerate Monitor) at or about 11.00 a.m. (Brussels time) on such date; or

(B) if the EURIBOR Screen Rate is not then available, the arithmetic mean (rounded to five decimal places, 0.000005 rounded upwards) of the rates notified to the Agent Bank at its request by each of four reference banks duly appointed for such purpose (the "**Euro Reference Banks**") as the rate at which three month deposits in euro are offered for the same period as that Interest Period by those Reference Banks to prime banks in the Eurozone inter-bank market at or about 11.00 a.m. (Brussels time) on that date (or, in respect of the first Interest Period, the arithmetic mean of a linear interpolation of the rates for four and five month euro deposits notified by the Reference Banks). If, on any such Interest Determination Date, at least two of the Reference Banks provide such offered quotations to the Agent Bank the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the sole opinion of the Trustee suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to five decimal places, 0.000005 being rounded upwards) of the rates quoted by major banks in the Euro-zone, selected by the Agent Bank, at approximately 11.00 a.m. (Brussels time) on the Closing Date or the relevant Interest Payment Date, as the case may be, for loans in euro to leading European banks for a period of three months or, in the case of the first Interest Period, the same as the relevant Interest Period.

There will be no minimum or maximum Rates of Interest.

(D) Publication of Rates of Interest and Interest Payments

The Agent Bank will cause the Rates of Interest relating to the Class A1 Notes, Class A2 Notes, Class M Notes and Class B Notes and the Interest Payment for the relevant class of Notes for each Interest Period and the Interest Payment Date to be forthwith notified to the Issuer, the Trustee, the Administrator, the Paying Agents and, for so long as the Notes are listed on the Irish Stock Exchange (the "**Stock Exchange**"), the Stock Exchange and will cause the same to be published in accordance with Condition 15 on the relevant Interest Determination Date. The Interest Payments and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a lengthening or shortening of such Interest Period.

(E) Determination or Calculation by Trustee

If the Agent Bank at any time for any reason does not determine the Rates of Interest or calculate an Interest Payment in accordance with paragraph (C) above, the Trustee shall procure the determination of the Rates of Interest at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (C) above), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Payment in accordance with paragraph (C) above, and each such determination or calculation shall be deemed to have been made by the Agent Bank.

(F) Notification to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Paying Agents, the Trustee and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank, the Paying Agents or the Trustee in connection with the exercise by them or any of their powers, duties and discretions under this Condition.

(G) Reference Banks and Agent Bank

The Issuer will procure that, so long as any of the Notes remain outstanding, there will at all times be four U.S. Dollar Reference Banks with offices in London and four Euro Reference Banks with offices in the Eurozone and an Agent Bank. For the avoidance of doubt, an institution may be a Euro Reference Bank and a U.S. Dollar Reference Bank. The Issuer reserves the right at any time with the prior written consent of the Trustee to terminate the appointment of the Agent Bank or any of the Reference Banks. Notice of any such termination will be given to the Noteholders in accordance with Condition 15. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Agent Bank (as the case may be), or if the appointment of any Reference Bank or the Agent Bank shall be terminated, the Issuer will, with the written approval of the Trustee, appoint a successor Reference Bank or Agent Bank (as the case may be) to act as such in its place, provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the Trustee has been appointed.

(H) Eurozone

"**Eurozone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February, 1992).

(I) *Deferral of Payment*

Notwithstanding the foregoing provisions of this Condition 5, the amount of interest due and payable on the:

(i) Class B Notes on any Interest Payment Date will be the amount calculated in accordance with the foregoing provisions of this Condition 5 together with the amount of any Class B

Deferred Interest (as defined below) arising on the immediately preceding Interest Payment Date and accrued interest thereon outstanding on such Interest Payment Date or, if lower, the Euro amount payable under the Class B Currency Hedge Agreement on such Interest Payment Date in return for a payment of an amount equal to the Kronor amount of the Available Revenue Funds available for application in accordance with the provisions of paragraph (ix) of the Seventh Schedule to the Administration Agreement, on such Interest Payment Date after making the payments and provisions referred to in paragraphs (i) to (viii) (inclusive) of the Seventh Schedule to the Administration Agreement required to be made on such Interest Payment Date; or

(ii) Class M Notes on any Interest Payment Date will be the amount calculated in accordance with the foregoing provisions of this Condition 5 together with the amount of any Class M Deferred Interest (as defined below) arising on the immediately preceding Interest Payment Date and accrued interest thereon outstanding on such Interest Payment Date or, if lower, the Euro amount payable under the Class M Currency Hedge Agreement on such Interest Payment Date in return for a payment of an amount equal to the Kronor amount of the Available Revenue Funds available for application in accordance with the provisions of paragraph (vii) of the Seventh Schedule to the Administration Agreement, on such Interest Payment Date after making the payments and provisions referred to in paragraphs (i) to (vi) (inclusive) of the Seventh Schedule to the Administration Agreement required to be made on such Interest Payment Date.

Any amount of interest (including any Deferred Interest (as defined below) arising on the immediately preceding Interest Payment Date and accrued interest thereon) on the Class M Notes and/or the Class B Notes which is not due and payable on an Interest Payment Date as a result of the foregoing provisions of this paragraph (I) is the "Class M Deferred Interest" and the "Class B Deferred Interest" respectively and, together, the "Deferred Interest" arising on any such Interest Payment Date. Interest will accrue on the amount of any such Deferred Interest at the rate from time to time applicable to the Class M Notes and/or the Class B Notes and on the same basis as interest on the Class M Notes and/or the Class B Notes. Where the funds available to the Issuer on an Interest Payment Date are not sufficient to pay in full interest on the Class M Notes and/or the Class B Notes in respect of the immediately preceding Interest Period and any Deferred Interest arising on the immediately preceding Interest Payment Date and accrued interest thereon, such funds shall be applied towards payment on a pro rata basis of such interest, Deferred Interest and accrued interest. On the Interest Payment Date which falls in December 2058 (or earlier redemption of the Class M Notes and/or the Class B Notes in full) the Issuer's obligation in respect of any remaining Deferred Interest and accrued interest thereon will cease and the Class M Noteholders and/or the Class B Noteholders will cease to have any entitlement in respect thereof. As soon as practicable after becoming aware that any part of a payment of interest on the Class M Notes and/or the Class B Notes will be deferred or that a payment previously deferred will be made in accordance with this paragraph (I), the Issuer will give notice thereof to the Class M Noteholders and/or the Class B Noteholders in accordance with Condition 15.

6. Redemption

(A) Mandatory Redemption of the Notes in part

On each Interest Payment Date (other than an Interest Payment Date on which the Notes are redeemed in full under paragraphs (D) or (E) below), each Note of each class shall be redeemed in an amount equal to the Note Actual Redemption Amount applicable to the relevant class of Note (as defined below), divided by the number of Notes of that class outstanding on the relevant Interest Payment Date. In determining the amount of Notes to be redeemed on each Interest Payment Date, the Administrator (which expression when used in this Condition 6 shall include any substitute Administrator appointed to perform some or all of the role, as the case may be, of the Administrator) shall on the Determination Date relating to such Interest Payment Date, determine the Available Note Redemption Amount and the Note Actual Redemption Amount applicable to each class of Note as set out below.

On each Determination Date, the Issuer shall also determine (or shall cause the Administrator to determine) the quotient determined by dividing the Principal Amount Outstanding of each Class A1

Note by 100,000, and of each Class A2 Note, Class M Note and Class B Note as at such Determination Date by 10,000 and expressing the quotient to the sixth decimal place (the "**Pool Factor**").

The "**Class A1 Note Actual Redemption Amount**" on any Interest Payment Date shall be the lower of:

(i) the aggregate Principal Amount Outstanding of the Class A1 Notes; and

(ii) the Available Note Redemption Amount converted from Kronor to U.S. Dollars at the applicable Currency Exchange Rate in respect of the relevant Interest Payment Date.

The "**Class A2 Note Actual Redemption Amount**" on any Interest Payment Date shall be the lower of:

(i) the aggregate Principal Amount Outstanding of the Class A2 Notes; and

(ii) the greater of:

(1) zero; and

(2) the difference between the Available Note Redemption Amount and the Class A1 Note Actual Redemption Amount (converted from U.S. Dollars to Kronor at the applicable Currency Exchange Rate) in respect of that Interest Payment Date, such amount being converted from Kronor to Euro at the applicable Currency Exchange Rate in respect of the relevant Interest Payment Date.

The "**Class M Note Actual Redemption Amount**" on any Interest Payment Date shall be the lower of:

(i) the aggregate Principal Amount Outstanding of the Class M Notes; and

(ii) the greater of:

(A) zero; and

(B) the difference between the Available Note Redemption Amount and the aggregate of the Class A1 Note Actual Redemption Amount (converted from U.S. Dollars to Kronor at the applicable Currency Exchange Rate) and the Class A2 Note Actual Redemption Amount (converted from Euro to Kronor at the applicable Currency Exchange Rate) in respect of that Interest Payment Date, such amount being converted from Kronor to Euro at the applicable Currency Exchange Rate in respect of the relevant Interest Payment Date.

The "**Class B Note Actual Redemption Amount**" on any Interest Payment Date shall be the lower of:

(i) the aggregate Principal Amount Outstanding of the Class B Notes; and

(ii) the greater of:

(A) zero; and

(B) the difference between the Available Note Redemption Amount and the aggregate of the Class A1 Note Actual Redemption Amount (converted from U.S. Dollars to Kronor at the applicable Currency Exchange Rate), the Class A2 Note Actual Redemption Amount and the Class M Note Actual Redemption Amount (converted from Euro to Kronor at the applicable Currency Exchange Rate) in respect of that Interest Payment Date, such amount converted from Kronor to Euro at the applicable Currency Exchange Rate in respect of the relevant Interest Payment Date.

"**Available Note Redemption Amount**" in respect of each class of Notes in relation to an Interest Payment Date means the Kronor amount of Available Principal Funds held by the Issuer on the immediately preceding Determination Date less (prior to but excluding the Step-Up Date):

(i) the Estimated Applied Excess CPR Amount; and

(ii) the Estimated Retained Principal Amount.

"**Estimated Applied Excess CPR Amount**" means the estimated amount of the Excess CPR Amount which is to be applied in or towards the acquisition of Qualifying Additional Loans on the Interest Payment Date which immediately succeeds the Determination Date on which the Excess CPR Amount is calculated.

"**Estimated Retained Principal Amount**" means the lower of (i) an amount equal to 5 per cent. of the aggregate principal balance of the Completion Portfolio as at the Closing Date and (ii) the amount by which the Excess CPR Amount exceeds the Estimated Applied CPR Amount, each as calculated on the Determination Date.

"**Excess CPR Amount**" means the positive difference (if any) between the Available Principal Funds as at the Determination Date and the amount of Available Principal Funds that would have to be applied towards redemption of Notes to reduce the Principal Amount Outstanding under the Notes as at the Determination Date to the Target Principal Amount Outstanding on the immediately succeeding Interest Payment Date.

"**Target Principal Amount Outstanding**" means, in respect of each Interest Payment Date, the amount representing the targeted Principal Amount Outstanding of the Notes (converted to Swedish Kronor from U.S. Dollar (in the case of the Class A1 Notes) and from Euro (in the case of the Class A2, Class M and Class B Notes) at the applicable Currency Exchange Rate) set out next to the relevant Interest Payment Date in the following table:

	Target Principal Amount Outstanding			
	Class A1 Notes (U.S.$)	*Class A2 Notes (€)*	*Class M Notes (€)*	*Class B Notes (€)*
Closing Date	550,000,000	355,200,000	30,000,000	7,500,000
Interest payment Date falling in:				
March 2002	534,150,000	355,200,000	30,000,000	7,500,000
June 2002	518,300,000	355,200,000	30,000,000	7,500,000
September 2002	502,450,000	355,200,000	30,000,000	7,500,000
December 2002	486,600,000	355,200,000	30,000,000	7,500,000
March 2003	471,900,000	355,200,000	30,000,000	7,500,000
June 2003	457,200,000	355,200,000	30,000,000	7,500,000
September 2003	442,500,000	355,200,000	30,000,000	7,500,000
December 2003	427,800,000	355,200,000	30,000,000	7,500,000
March 2004	413,950,000	355,200,000	30,000,000	7,500,000
June 2004	401,000,000	355,200,000	30,000,000	7,500,000
September 2004	386,250,000	355,200,000	30,000,000	7,500,000
December 2004	372,400,000	355,200,000	30,000,000	7,500,000
March 2005	359,500,000	355,200,000	30,000,000	7,500,000
June 2005	346,600,000	355,200,000	30,000,000	7,500,000
September 2005	333,700,000	355,200,000	30,000,000	7,500,000
December 2005	320,800,000	355,200,000	30,000,000	7,500,000
March 2006	308,800,000	355,200,000	30,000,000	7,500,000
June 2006	296,800,000	355,200,000	30,000,000	7,500,000
September 2006	284,800,000	355,200,000	30,000,000	7,500,000
December 2006 (and each Interest Payment Date thereafter)	0	0	0	0

"**Currency Exchange Rate**" means in respect of the U.S. Dollar Notes, the rate at which U.S. Dollars are converted to Swedish Kronor, or, as the case may be, U.S. Dollars converted into Swedish Kronor, in respect of each of the Euro Notes, the rate at which Euro is converted to Swedish Kronor or, as the case may be, Swedish Kronor is converted to Euro pursuant to the applicable Currency Hedge Agreement or, if there is no applicable Currency Hedge Agreement in effect at such time in respect of such class of Notes, the "spot" rate at which U.S. Dollars or Euro (as applicable) are converted to

Swedish Kronor or, as the case may be, Swedish Kronor is converted to U.S. Dollars or Euro (as applicable) on the foreign exchange markets.

"**Currency Hedge Payment Date**" means the Note Business Day which falls two Note Business Days prior to each Interest Payment Date.

"**Determination Date**" means the Interest Rate Hedge Business Day which falls two Interest Rate Hedge Business Days prior to each Interest Rate Hedge Payment Date.

"**Interest Rate Hedge Business Day**" means a day on which banks are open for business in Stockholm, London and New York and which is a TARGET Business Day.

"**Interest Rate Hedge Payment Date**" means the Interest Rate Hedge Business Day which falls one Interest Rate Hedge Business Day prior to each Currency Hedge Payment Date.

"**Note Actual Redemption Amount**" means the Class A1 Note Actual Redemption Amount, the Class A2 Note Actual Redemption Amount, the Class M Note Actual Redemption Amount and the Class B Note Actual Redemption Amount or any one or more of them, as the context may require.

"**Principal Amount Outstanding**" means with respect to any class of Notes outstanding on any date, the face amount of such class of Notes on the Closing Date less the aggregate principal payments due and payable (whether or not paid) with respect to such class of Notes from the Closing Date to but excluding such date of determination.

(B) Calculation of Note Principal Payments and Principal Amount Outstanding

On each Determination Date the Administrator shall determine (w) the amount of the Note Actual Redemption Amount applicable to each class of Notes due on the Interest Payment Date next following such Determination Date, and (x) the Principal Amount Outstanding of the Notes of each class on the first day of the next following Interest Period (after deducting any Note Actual Redemption Amount in relation to Notes of the relevant class due to be made on the next Interest Payment Date) and (y) the Pool Factor for each class of Notes for such Determination Date. Each determination by the Administrator of any Note Actual Redemption Amount, the Principal Amount Outstanding of a Note and Pool Factor for a class of Notes (in each case in the absence of wilful default, bad faith or manifest error) shall be final and binding on all persons.

The Issuer or the Administrator on its behalf will cause each determination of a Note Actual Redemption Amount, Principal Amount Outstanding and Pool Factor for each class of Notes to be notified (in accordance with Condition 15) forthwith upon such determination to the Trustee if requested, the Paying Agents, the Agent Bank, Merrill Lynch International and, for so long as any class of Notes is listed on the Irish Stock Exchange, the Stock Exchange and will cause details of each determination of an Note Actual Redemption Amount, Principal Amount Outstanding and Pool Factor to be published in accordance with Condition 15 by not later than the second business day (or, if such day is not a Note Business Day, the next following Note Business Day) prior to the relevant Interest Payment Date.

If the Administrator at any time for any reason does not determine a Note Actual Redemption Amount or the Principal Amount Outstanding applicable to the Notes or the Pool Factor for each class of Notes in accordance with the preceding provisions of this sub-paragraph (B), such Note Actual Redemption Amount, Principal Amount Outstanding and, as the case may be, Pool Factor for each class of Notes shall be determined by the Trustee in accordance with this sub-paragraph (B) and sub-paragraph (A) above (but based on such information as it has in its possession) and each such determination or calculation shall be deemed to have been made by the Administrator.

(C) Redemption for Taxation or Other Reasons

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the occasion of the next Interest Payment Date (i) the Issuer would be required to make any withholding or deduction from any payment of principal or interest in respect of any of the Notes or either of the Hedge Providers would be required to make such withholding or deduction under any of the Hedge Agreements for or on account of any present or future tax, duty or charge of whatsoever nature incurred or levied by or on behalf of Jersey (in the case of the Issuer) or, in respect of each Hedge

Provider, in the jurisdiction in which rhe relevant Hedge Provider is resident for tax purposes (or, in each case, any political sub-division thereof or therein) or any authority thereof or therein or (ii) the Issuer would not obtain a full deduction for interest payments on any of the Notes or any of the Hedge Agreements in calculating its liability to taxation, then the Issuer shall inform the Trustee accordingly and shall, in order to avoid the relevant event described in (i) or (ii) above, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Trustee as principal debtor under the Notes in accordance with Condition 12(C). If the Issuer is unable to arrange such a substitution which would have the result of avoiding the events described in (i) or (ii) above, then the Issuer may, having given not more than 60 nor less than 30 days' notice (or such shorter notice period as the Trustee may agree) to the Noteholders in accordance with Condition 15, redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with accrued interest (including, in the case of the Class M Notes and the Class B Notes, any Deferred Interest and accrued interest thereon) on the next Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it will have the funds, not subject to the interest of any other persons, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Administration Agreement to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the events described in (i) or (ii) above will apply on the occasion of the next Interest Payment Date and cannot be avoided by the Issuer using reasonable endeavours to arrange a substitution as aforesaid and that the Issuer will have the funds referred to above; and the Trustee shall accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and it shall be conclusive and binding on the Noteholders.

(D) Optional redemption in full

On any Interest Payment Date on or after (i) the Step-Up Date, or (ii) the date on which the aggregate Principal Amount Outstanding of the Notes (after taking account of any payment of principal on the Notes which, but for this sub-paragraph, would fall to have been made on such Interest Payment Date) would be 10 per cent. or less of their original aggregate Principal Amount Outstanding as at the date of issue of the Notes, the Issuer may, having given not more than 60 nor less than 30 days' notice to the Noteholders in accordance with Condition 15, redeem all (but not some only) of the Notes at their respective Principal Amounts Outstanding together with accrued interest (including, in the case of the Class M Notes and the Class B Notes, any Deferred Interest and accrued interest thereon) provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it will have the funds, not subject to the interest of any other persons, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Administration Agreement to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall accept the certificate as sufficient evidence of the satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.

After giving notice of redemption pursuant to this sub-paragraph, the Issuer shall not make any further payment of principal on the Notes and no further reduction shall be made to the Principal Amount Outstanding of any such Note other than by way of redemption pursuant to this sub-paragraph (D).

(E) Redemption on maturity

Save to the extent otherwise redeemed or cancelled in accordance with this Condition the Issuer shall redeem the Notes of each class at their respective Principal Amounts Outstanding plus interest accrued and unpaid on the Interest Payment Date which falls in December 2058 or, in the case of the A1 Notes, in December 2046.

On the Interest Payment Date which falls in December 2058 or, in the case of the A1 Notes, in December 2046 or on earlier redemption of the Notes in accordance with the provisions of this paragraph (E) or paragraph (D) above, the Issuer's obligation to redeem each Note as its Principal Amount Outstanding shall be modified such that the Principal Amount Outstanding of each Note shall be written

down by the amount (if any) by which such Principal Amount Outstanding exceeds the Written-down Amount (as defined below) in respect of that Note on such Interest Payment Date.

The "**Written-down Amount**" in respect of each Note on any Interest Payment Date shall be the Principal Amount Outstanding in respect thereof less the Class A1 Deficiency Amount (as defined below) in the case of a Class A1 Note, the Class A2 Deficiency Amount in the case of a Class A2 Note, the Class M Deficiency Amount divided by the number of Class M Notes in the case of a Class M Note or the Class B Deficiency Amount divided by the number of Class B Notes in the case of a Class B Note. The "**Class A Deficiency Amount**" means the debit balance (if any) on the Class A Principal Deficiency Ledger (which shall be divided into two amounts, which shall be apportioned pro rata as to the Principal Amount Outstanding of:

(i) Class A1 Notes; and

(ii) Class A2 Notes,

and the amounts apportioned to item (i) above shall be divided by the number of Class A1 Notes (the "**Class A1 Deficiency Amount**" in respect of the relevant denomination of Class A1 Notes) and the amount apportioned to item (ii) shall be divided by the number of Class A2 Notes (the "**Class A2 Deficiency Amount**"), the "**Class M Deficiency Amount**", means the debit balance (if any) on the Class M Principal Deficiency Ledger and the "**Class B Deficiency Amount**" means the debit balance (if any) on the Class B Principal Deficiency Ledger, all as at the Determination Date immediately preceding such Interest Payment Date and as maintained by the Administrator pursuant to the Administration Agreement.

(F) Purchase

The Issuer may not purchase Notes in the open market or otherwise.

(G) Cancellation

All Notes redeemed in full will be cancelled forthwith and may not be reissued.

7. Payments

(A) Payments of principal and interest in respect of the Notes will be made in U.S. Dollar, in the case of the U.S. Dollar Notes or Euro, in the case of the Euro Notes, against presentation of the relevant Global Notes at the specified office of the Principal Paying Agent or, at the option of the holder of the relevant Global Note, at the specified office of any Paying Agent. Payments of principal and interest will in each case be made by (in the case of the U.S. Dollar Notes), U.S. Dollar cheque or (in the case of the Euro Notes) euro cheque drawn on a bank in, respectively, New York (in the case of U.S. Dollar) or the European Union (in the case of Euro) and posted in Jersey or Ireland or, at the option of the holder, by transfer to a U.S. Dollar or Euro (as applicable) denominated account maintained by the payee with a branch of a bank in New York (in the case of U.S. Dollar) or in the European Union (in the case of Euro). A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on the relevant Global Note by the Paying Agent to which such Global Note was presented for the purpose of making such payment, and such record shall be prima facie evidence that the payment in question has been made. Payments of principal and interest in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto and to normal banking practice.

In the case of Definitive Notes, payments of principal and interest (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note), in which case the relevant payment of principal and interest, as the case may be, will be made against surrender of such Note) will be made by Dollar cheque drawn on a bank in New York City, in the case of the Class A1 Notes, or by Euro cheque drawn on a bank in the Eurozone, in the case of the Class A2, the Class M and the Class B Notes, posted to the holder (or to the first-named of joint holders) of such Definitive Note at the address shown in the Register on the Record Date (as defined below) not

later than the due date for such payment. If any payment due in respect of any Definitive Note is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) so paid. For the purposes of this Condition 7(A), the holder of a Definitive Note will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register on the fifteenth day before the due date for such payment (the "**Record Date**").

Until application by the holder of a Definitive Note to the specified office of the Registrar not later than the Record Date for any payment in respect of such Definitive Note, such payment will be made by transfer to a Dollar account maintained by the payee with a bank in New York City, in the case of the Class A1 Notes or to a Euro account maintained by the payee with a bank in the Eurozone, in the case of the Class A2 Notes, the Class M Notes and the Class B Notes. Any such application for transfer to such an account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Registrar is notified in writing to the contrary by the holder thereof.

(B) Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as being entitled to a particular nominal amount of Notes will be entitled to receive any payment so made in respect of those Notes in accordance with the rules and procedures of DTC, Euroclear and/or, as the case may be, Clearstream, Luxembourg. None of the persons appearing from time to time in the records of DTC, Clearstream, Luxembourg or Euroclear as the holder of a Note of the relevant class shall have any claim directly against the issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note.

(C) If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5 will be paid against presentation of such Note at the specified office of any Paying Agent.

(D) The offices of the initial Principal Paying Agent and the other initial Paying Agents appear below. The Issuer may at any time (with the previous approval of the Trustee) vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will at all times maintain (i) a Principal Paying Agent, (ii) a Paying Agent in New York and (iii) a Paying Agent each having a specified office in a city in Europe which, so long as the Notes are listed on the Stock Exchange, shall be Dublin. Notice of any such termination or appointment and of any change in the office through which any Paying Agent will act will be given to the Noteholders in accordance with Condition 15.

(E) If any Note is presented for payment on a day which is not a Business Day, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note as a result of the due date for such payment falling on a day which is not a Business Day. In this Condition 7(E) the expression "Business Day" means a day on which banks are generally open for business in (i) New York, (ii) London, (iii) Dublin and (iv) the place of presentation.

(F) If a Paying Agent makes a partial payment in respect of any Note presented to it for payment, such Paying agent will endorse on the relevant Note a statement indicating the amount and date of such payment.

8. Prescription

2.B.14

Claims for principal in respect of Global Notes shall become void unless presented for payment within a period of ten years from the relevant date (as defined below) in respect thereof. Claims for interest in respect of Global Notes shall become void unless presented for payment within a period of five years from the relevant date in respect thereof. Claims in respect of Definitive Notes and coupons shall become void unless made within ten years, in the case of principal, and five years, in the case of interest, of the appropriate relevant date. In this Condition, the "relevant date" means the date on which a payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Paying Agents or the Trustee on or prior to such date) the date on which notice that the full amount of such moneys has been received is duly given to the Noteholders in accordance with Condition 15.

9. Taxation

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer (or any Paying Agent) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any such taxes, duties or charges. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor the trustee nor any such Paying Agent will be obliged to make any additional payments to Noteholders in respect of any such withholding or deduction.

10. Events of Default

(A) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if no Class A Notes are outstanding, the Class M Notes or if no Class M Notes are outstanding, the Class B Notes or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Class A Notes then outstanding or if no Class A Notes are outstanding, the Class M Notes or if no Class M Notes are outstanding, the Class B Notes (subject in each case to its being secured or indemnified (or both) to its satisfaction) shall, give notice in writing (an "**Enforcement Notice**") to the Issuer declaring the Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening and during the subsistence of any of the following events (each an "**Event of Default**"):

(i) default being made for a period of seven days in the payment of any principal of, or default is made for a period of fourteen days in the payment of any interest on any Note when and as the same ought to be paid in accordance with these Conditions; or

(ii) the Issuer failing duly to perform or observe any other obligation, condition or provision binding upon it under these Conditions, the Trust Deed or any of the Relevant Documents to which it is a party and in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy, when no notice will be required), such failure continuing for a period of 30 days following the service by the Trustee on the Issuer of notice in writing requiring the same to be remedied; or

(iii) any of the Hedge Agreements is terminated for any reason and the Issuer is unable to enter into a replacement hedge agreement on terms and with a counterparty acceptable to the Rating Agencies in respect of the class of Notes upon such termination;

(iv) the Issuer, otherwise than for the purposes of such a pre-approved amalgamation or reconstruction as is referred to in sub-paragraph (v) below, ceasing or, through an official action of the board of directors of the Issuer, threatening to cease to carry on business (or a substantial part thereof) or the Issuer being (or being deemed to be) unable to pay its debts as and when they fall due; or

(v) an order being made or an effective resolution being passed for the winding-up of the Issuer, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved in writing by the Trustee in writing or by an Extraordinary Resolution of the Class A Noteholders then outstanding or if no Class A Notes are outstanding, the Class M Noteholders or if no Class M Notes are outstanding, the Class B Noteholders; or

(vi) proceedings being initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to the presentation of an administration petition), or an administration order being granted or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the

undertaking or assets of the Issuer, and such proceedings, distress, execution or process (as the case may be) not being discharged or not otherwise ceasing to apply within 15 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally,

provided that in the case of each of the events described in sub-paragraphs (ii) and (iii) of this paragraph (A), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A1 Noteholders or the Class A2 Noteholders, as the case may be, so long as any of the Class A Notes are outstanding, or, if no Class A Notes are outstanding, the interests of the Class M Noteholders so long as any of the Class M Notes are outstanding or, if no Class M Notes are outstanding, the interests of the Class B Noteholders so long as any of the Class B Notes are outstanding.

(B) Upon any declaration being made by the Trustee in accordance with paragraph (A) above that the Notes are due and repayable each Note shall thereby immediately become due and repayable at its Principal Amount Outstanding together with accrued interest as provided in the Trust Deed except to the extent that the net proceeds of realising the Security (after discharging prior ranking liabilities) are insufficient and, to the extent of such insufficiency, the Issuer's obligation in respect of the Principal Amount Outstanding of the Class M Notes and the Class B Notes and such accrued interest (including as aforesaid) shall be reduced (and the Class M Notes and the Class B Notes shall be written down accordingly).

11. Enforcement

2.B.33

The Trustee may, at its discretion and without notice at any time and from time to time, take such proceedings or other action it may think fit to enforce the provisions of the Relevant Documents, the Notes and Coupons the provisions of the Documents, the Other Relevant Documents and the Notes and Coupons, provided that enforcement of the Security shall be the only remedy available for the repayment of the Class M Notes and the Class B Notes and the payment of accrued interest (including any Deferred Interest and accrued interest thereon) and, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such proceedings, action or steps unless (a) it shall have been so directed by an Extraordinary Resolution of Noteholders of any class or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding for the time being of any class of Notes provided that (i) no Extraordinary Resolution or request of the Class B Noteholders shall be effective unless it is sanctioned by an Extraordinary Resolution of the Class M Noteholders and the Class A Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders and the Class M Noteholders and (ii) no Extraordinary Resolution or request of the Class M Noteholders shall be effective unless it is sanctioned by an Extraordinary Resolution or direction of the Class A Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders and (b) it shall have been secured or indemnified (or both) to its satisfaction. No Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Relevant Documents or to enforce the Security unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing provided that no Class M Noteholder and no Class B Noteholder shall be entitled to take proceedings for the winding-up or administration of the Issuer at any time while there are any Class A Notes outstanding without the consent of the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes and no Class B Noteholder shall be entitled to take proceedings for the winding-up or administration of the Issuer at any time while there are any Class A Notes or Class M Notes outstanding without the consent of the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes (if any Class A Notes remain outstanding) and the Class M Notes. The Trustee cannot, while any of the Notes are outstanding, be required to enforce the Security at the request of any of the Other Secured Creditors under the Deed of Charge, the Jersey Security Agreement, the Swedish Security Agreement or otherwise.

12. Meetings of Noteholders, Modification, Waiver, Substitution and Trustee's Discretions 2.B.33

(A) The Trust Deed contains provisions for convening meetings of Noteholders of any class or, in the circumstances referred to below, the holders of both classes of the Class A Notes to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Relevant Documents or any other documents the rights and benefits of the Issuer in respect of which are comprised in the Security.

The Trust Deed provides that:

(i) a resolution which in the opinion of the Trustee affects the interests of the holders of one class only of the Class A Notes shall be deemed to have been duly passed if passed at a meeting of the holders of the Class A Notes of that class;

(ii) a resolution which in the opinion of the Trustee affects the interests of both the Class A1 Noteholders and the Class A2 Noteholders but does not give rise to a conflict of interest between the Class A1 Noteholders and the Class A2 Noteholders shall be deemed to have been duly passed if passed at a single meeting of the Class A1 Noteholders and the Class A2 Noteholders; and

(iii) a resolution which in the opinion of the Trustee affects the interests of both the Class A1 Noteholders and the Class A2 Noteholders and gives rise or may give rise to a conflict of interest between the Class A1 Noteholders and the Class A2 Noteholders shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the Class A1 Noteholders and the Class A2 Noteholders, it shall be passed at separate meetings of the Class A1 Noteholders and the Class A2 Noteholders.

The Trust Deed contains similar provisions in relation to requests in writing from Class A Noteholders upon which the Trustee is bound to act.

An Extraordinary Resolution passed at any meeting or meetings of each of the Class A Noteholders shall be binding on all the Class M Noteholders and the Class B Noteholders, irrespective of its effect upon them except an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Relevant Documents or a waiver or authorisation of any breach or proposed breach of any provision of these Conditions or any of the Relevant Documents, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class M Noteholders and the Class B Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class M Noteholders and the Class B Noteholders.

An Extraordinary Resolution passed at any meeting of Class M Noteholders shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders.

An Extraordinary Resolution passed at any meeting of Class M Noteholders shall be binding on all the Class B Noteholders, irrespective of its effect upon them except an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Relevant Documents or a waiver or authorisation of any breach or proposed breach of any provision of these Conditions or any of the Relevant Documents, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class B Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Noteholders.

An Extraordinary Resolution passed at any meeting of Class B Noteholders shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders and the Class M Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders and the Class M Noteholders.

The quorum at any meeting of the Noteholders of any class or classes for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. in aggregate Principal Amount Outstanding of the Notes of the relevant class or classes then outstanding or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant class or classes

whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class or classes so held or represented except that, at any meeting the business of which includes, *inter alia*, the sanctioning of a modification of the date of maturity of the Notes or any class thereof or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or any class thereof, altering the currency of payment of the Notes or any class thereof, or as the case may be, the Coupons or any class thereof or altering the quorum or majority required in relation to this exception (a "**Basic Terms Modification**") the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing 75 per cent. or at any adjourned such meeting, 331/3 per cent., or more in aggregate Principal Amount Outstanding of the Notes of the relevant class or classes for the time being outstanding.

The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on the resolution. A resolution in writing executed by or on behalf of each Noteholder of the relevant class shall be as effective as an Extraordinary Resolution passed at a meeting of Noteholders of the relevant class duly convened and held and may consist of several instruments in like form each executed by or on behalf of one or more Noteholders.

(B) The Trustee may agree, without the consent of the Noteholders, (i) to any modification (other than a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, these Conditions or any of the Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) to any modification of these Conditions or any of the Relevant Documents, which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Noteholders, determine that any Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

(C) The Trustee may agree, without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate), (ii) such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in these Conditions, (iii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and (iv) certain other conditions set out in the Trust Deed being complied with. In the case of a substitution pursuant to this paragraph (C), the Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change of the laws governing the Notes and/or any of the Relevant Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders. No such substitution shall take effect unless it applies to all the Notes then outstanding.

(D) Where the Trustee is required in connection with the exercise of its powers, trusts, authorities, duties and discretions to have regard to the interests of the Noteholders of any class, it shall have regard to such interests of such Noteholders as a class and, in particular but without prejudice to the generality of the foregoing, shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder 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 Noteholders.

(E) The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Relevant Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders of any class if each of Moody's and S&P (each as defined below) has confirmed that the then current ratings of the Notes of such class would not be adversely affected by such exercise.

13. Indemnification and Exoneration of the Trustee

2.B.21

The Trust Deed and certain of the Relevant Documents contain provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless secured or indemnified (or both) to its satisfaction. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of SBAB or the Originator or any agent or related company of either of them or by clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other persons whether or not on behalf of the Trustee.

The Trust Deed contains provisions pursuant to which the Trustee or any of its related companies is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Relevant Documents or whose obligations are comprised in the Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Relevant Documents or whose obligations are comprised in the Security and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed also relieves the Trustee of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Deed of Charge, the Jersey Security Agreement and the Swedish Security Agreement. The Trustee has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security or the Relevant Documents. The Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless secured or indemnified (or both) to its satisfaction or to supervise the performance by the Administrator, the Interest Rate Hedge Provider, the Currency Hedge Provider or any other person of their obligations under the Relevant Documents and the Trustee shall assume, until it has notice in writing to the contrary, that all such persons are properly performing their duties, notwithstanding that the Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

The Trust Deed and certain of the other Relevant Documents contain other provisions limiting the responsibility, duties and liability of the Trustee.

14. Replacement of the Notes

(A) Definitive Notes and Coupons

If a Definitive Note, Coupon or talon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement thereof will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the relevant Paying Agent may reasonably require. If mutilated or defaced, the Definitive Note, Coupon or talon must be surrendered before a new one will be issued.

(B) Global Notes

If a Global Note is lost, stolen, mutilated, defaced or destroyed, it shall, upon satisfactory evidence of such loss, theft, mutilation, defacement or destruction being given to the Issuer and the Trustee, become void and a duly executed and authenticated replacement Global Note will be delivered by the Issuer to the Depository only upon surrender, in the case of mutilation or defacement, of the relevant Global Note. Replacement thereof will only be made upon payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require.

15. Notice to Noteholders

Any notice to the Noteholders shall be validly given if published (i) in one leading London daily newspaper (which is expected to be the *Financial Times*) and (ii) (for so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require) in a leading English language newspaper having general circulation in Dublin (which is expected to be the *Irish Times*) or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in the opinion of the Trustee, in another appropriate newspaper or newspapers as the Trustee shall approve having a general circulation in Dublin previously approved in writing by the Trustee. Any such notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall determine.

Whilst the Notes are represented by Global Notes notices to Noteholders will be valid if published as described above, for so long as the rules of the Stock Exchange so require and, at the option of the Issuer, if delivered to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders. Any notice delivered to Clearstream, Luxembourg and/or Euroclear as aforesaid shall be deemed to have been given on the day of such delivery.

A copy of each notice given in accordance with this Condition 15 shall be provided to each of Moody's Investors Service Inc. ("**Moody's**") and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") and together with Moody's, the "**Rating Agencies**" which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with the prior written approval of the Trustee, to provide a credit rating in respect of the Notes or any class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to "rating" and "ratings" in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

16. Contracts (Rights of Third Parties) Act 1999

Neither this Note (nor any Coupon) confers any rights on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note (or any such Coupon), but this does not affect any right or remedy of any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

17. Governing law and jurisdiction

The Notes and the Relevant Documents (other than the Sale Agreement (except in respect of certain clauses which are governed by English law), the Swedish Security Agreement, the Collection Account Agreement, the Jersey Security Agreement, and the Depository Agreement and the Corporate Services Agreement) are governed by English law and are subject to the non-exclusive jurisdiction of the courts of England and Wales. The Sale Agreement (except in respect of certain clauses which are governed by English law), the Swedish Security Agreement and the Collection Account Agreement are governed by and are subject to the non-exclusive jurisdiction of the courts of Sweden. The Jersey Security Agreement and the Corporate Services Agreement are governed by and shall be construed in accordance with Jersey law and are subject to the non-exclusive jurisdiction of the courts of Jersey. The Depository Agreement is governed by the laws of the state of New York and are subject to the non-exclusive jurisdiction of the courts of New York. 2.B.24

SUBSCRIPTION AND SALE

2.B.28(a)
2.B.32(iii)

Merrill Lynch International and Schroder Salomon Smith Barney (the "**Managers**") have entered into a subscription agreement dated 7th November, 2001 (the "**Subscription Agreement**"), with the Issuer, the Originator and SBAB, pursuant to which the Managers have, subject to certain conditions, agreed to subscribe for the Class A1 Notes (other than the Placed Notes), the Class A2 Notes, the Class M Notes and the Class B Notes. In respect of the Class A1 Notes (other than the Placed Notes), the Issuer has agreed to pay Merrill Lynch International an underwriting and selling commission of 0.135 per cent. in respect of U.S.$425,000,000 of the Class A1 Notes and Schroder Salomon Smith Barney 0.27 per cent. in respect of U.S.$25,000,000 of the Class A1 Notes. The Issuer has agreed to pay the Managers subscribing for the Class A2 Notes, a combined underwriting and selling commission of 0.145 per cent. of the aggregate principal amount of the Class A2 Notes. In respect of the Class M Notes, the Issuer has agreed to pay Merrill Lynch International for the Class M Notes, a combined underwriting and selling commission of 0.375 per cent. of the aggregate principal amount of the Class M Notes. In respect of the Class B Notes, the Issuer has agreed to pay Merrill Lynch International for the Class B Notes, a combined underwriting and selling commission of 0.700 per cent. of the aggregate principal amount of the Class B Notes.

The Issuer has also agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

In addition, the Issuer, Merrill Lynch International, SBAB and the Originator have entered into a placement agency agreement (the "**Placement Agency Agreement**") pursuant to which Merrill Lynch International as agent for the Issuer will sell U.S.$100,000,000 of the Class A1 Notes (the "**Placed Notes**") to an affiliate of Merrill Lynch International at a price of 100 per cent. of the aggregate principal amount of the Placed Notes. Merrill Lynch International will receive a selling and placement fee of 0.10125 of the aggregate principal amount of the Placed Notes

Except for listing the Notes on the Irish Stock Exchange, no action is being taken to permit a public offering of the Notes, or the distribution of any document, in or from any jurisdiction where action would be required for such purposes. This Offering Circular does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Each Manager has represented to the Issuer and agreed that:

(i) **United States of America:** the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (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. Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 41 days after the later of the commencement of the offering of the Notes and the Closing Date (for the purposes only of this section "Subscription and Sale", the "Distribution Compliance Period") within the United States or to, or for the account or benefit of U.S. Persons and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

The Subscription Agreement provides that selected Managers, through their selling agents which are registered broker-dealers in the United States, may resell Notes in the United States to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to Rule 144A under the Securities Act.

The Issuer has agreed to furnish the holders and prospective purchasers of the Notes with the information required pursuant to Rule 144A(d)(4).

In addition, 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

The Notes are in bearer form and 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 the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

(ii) **United Kingdom:**

(a) it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Notes (as applicable) to persons in the United Kingdom except to persons whose ordinary activities involve them acquiring, holding, managing, or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the Financial Services Act 1986, as amended (the "**FSA**") (or after the repeal of Part IV of the FSA, the Financial Services and Markets Act 2000 (the "**FSM Act**"));

(b) it has complied and will comply with all applicable provisions of the FSA and, after they come into force, all applicable provisions of the FSM Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(c) it has only issued or passed on and will only issue or pass on in the United Kingdom, before the repeal of section 57 of the FSA, any document received by it in connection with the issue of the Notes, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the FSA, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on and, after the repeal of section 57 of the FSA, it 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 FSM Act) received by it in connection with the issue of any Notes in circumstances in which section 21(1) of the FSM Act does not apply to the Issuer.

(iii) **Federal Republic of Germany:** it has not offered or sold and it will not offer or sell the Notes in Germany other than in compliance with the Securities Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13th December, 1990 (as amended), or any other laws and regulations applicable in Germany governing the issue, offering and sale of securities.

(iv) **The Republic of France:** the Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France. Nevertheless, the Notes can be offered or sold and this Offering Circular or any amendment, supplement or replacement thereto or any other offering material relating to the Notes may be distributed or caused to be distributed to any French qualified investor (*investisseurs qualifes*) or a limited number of investors (*cercle restreint d'investisseurs*), all as defined in Article 6 of ordinance no. 62-833 dated 28th September, 1967 (as amended) and Décret no. 98-880 dated 1st October, 1998, and in compliance with the relevant regulations issued from time to time by the Commission des Opérations de Bourse.

(v) **Japan:** the Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Manager and the Issuer has undertaken that it will not offer or sell the Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any

person resident in Japan, including any corporation or other entity organised under the laws of Japan.

(vi) **Republic of Italy:** it will not offer, sell or deliver any Notes or distribute copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy except:

(1) to "Professional Investors", as defined by CONSOB (the Italian Commission for Companies and the Stock Exchange), in compliance with the terms and procedures provided by Legislative Decree No. 58 of 24th February, 1998 (the "**Decree No. 58**") and CONSOB Regulation No. 11971 of 14th May, 1999 (the "**Regulation No. 11971**"), or in any other circumstances where an expressed exemption to comply with the solicitation restrictions provided by Decree No. 58 or Regulation No. 11971 applies, provided, however, that any such offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy, be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1st September, 1993 (the "**Decree No. 385**"), Decree No. 58, CONSOB Regulation No. 11522 of 1st July, 1998, as amended and supplemented, and any such other applicable laws and regulations;

(b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue and offer of securities in Italy is subject to a prior notification to the Bank of Italy, unless an exemption, depending, among other things, on the amount of the issue and the characteristics of the securities, applies; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy; or

(2) if Italian residents submit unsolicited offers to any of the Managers to purchase the Notes.

(vii) **Jersey:** it has not offered or sold and will offer or sell any Notes to, or for the account of, persons (other than financial institutions in the normal course of business) resident for income tax purposes in Jersey.

(viii) **Netherlands:** it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes, other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments or large enterprises).

(ix) **Ireland:** it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in Ireland any Notes other than to persons whose ordinary business it is to buy or sell shares or debentures whether as principal or agent.

(x) **General:** other than with respect to the listing of the Notes on the Irish Stock Exchange, no action has been or will be taken in any country or jurisdiction by the Managers and Issuer that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material in all cases at their own expense.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

2.B.26

Offers and Sales by the Initial Purchasers

The Notes (including interests therein represented by a Rule 144A Global Note, a Rule 144A Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act and any other applicable laws. Accordingly, the Notes (and any interests therein) are being offered and sold: (1) in the United States only to a limited number of "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**") in transactions exempt from the registration requirements of the Securities Act and any other applicable securities laws and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

Investors' Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

(1) (A) it is a QIB and is acquiring such Notes for its own account or as a fiduciary or agent for others (which others also must be QIBs) for investment purposes and not for distribution in violation of the Securities Act, and it is able to bear the economic risk of an investment in the Notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes, or (B) it is acquiring such Notes for its own account or as a fiduciary or agent for others in an offshore transaction pursuant to an exemption from registration provided by Regulation S under the Securities Act;

(2) such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will resell or transfer such Notes only (i) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a QIB acquiring the Notes for its own account or as a fiduciary or agent for others (which others must also be QIBs) to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A, (ii) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available), (iii) to a purchaser acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;

(3) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (2) above, (iii) such transferee shall be deemed to have represented (a) as to its status as a QIB or a purchaser acquiring the Notes in an offshore transaction (as the case may be), (b) if such transferee is a QIB, that such transferee is acquiring the Notes for its own account or as a fiduciary or agent for others (which others also must be QIBs), (c) if such purchaser is acquiring the Notes in an offshore transaction, that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and (d) that such transferee is not an underwriter within the meaning of Section 2(l1) of the Securities Act, and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;

(4) with respect to purchasers of the Class M Notes or the Class B Notes, either (a) no part of the assets to be used to purchase such Class M Notes or Class B Notes (as the case may be) constitutes assets of any employee benefit plan, other plan, or individual retirement account subject to Title I

of ERISA or Section 4975 of the Code or (b) the purchaser is an insurance company and the following requirements are satisfied: (i) the Notes will be purchased and held by the insurance company's general account (and not a separate account of the insurance company), (ii) on each day during the entire period that such purchaser's insurance company general account holds a Class M Note or a Class B Note (as the case may be) either (x) Section 401(c)(5)(B) of ERISA will apply to any assets of such insurance company general account that constitute plan assets (within the meaning of Title I of ERISA and Section 4975 of the Code), such that conduct occurring with respect to such plans assets on such day will be covered by the limitation on liability provided for by Section 401(c)(5)(B) of ERISA, (y) the requirements of the final regulations under Section 401(c) of ERISA will be satisfied such that no portion of the assets of such general account will constitute plan assets, or (z) for any other reason, no portion of the assets of such insurance company general account constitute plan assets; and

(5) with respect to purchasers of the Class A Notes, either (A) no part of the assets to be used to purchase such Notes to be purchased by it constitutes assets of any employee benefit plan, other plan, or individual retirement account subject to Title I of ERISA or Section 4975 of the Code or (B) all or part of the assets to be used to purchase such Notes to be purchased by it constitute assets of one or more employee benefit plans, or other plan, or individual retirement account subject to Title I of ERISA or Section 4975 of the Code and the use of such assets to purchase such Notes will not constitute, cause or result in the occurrence of a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

The Notes that represent interests sold outside the United States to purchasers that are not United States persons (as defined in Regulation S) in compliance with Regulation S will bear a legend to the following effect:

"THIS NOTE HAS 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 AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE CLOSING OF THE OFFERING OF THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES."

Set out below is a form of notice which may be used to notify the transferees of the foregoing restrictions on transfer. Such notice will be set out in the form of a legend on each Rule 144A Global Note. Additional copies of such notice may be obtained from the Principal Paying Agent, the Registrar or the Transfer Agent.

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER LAWS. THIS NOTE MAY BE TRANSFERRED ONLY IN INITIAL PRINCIPAL AMOUNTS OF €10,000 OR $100,000 DEPENDING ON ITS CURRENCY OF DENOMINATION, AND INTEGRAL MULTIPLES IN EXCESS THEREOF. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS THAT IT WILL RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE ONLY (A) (1) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE, PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A (A "QUALIFIED INSTITUTIONAL BUYER"), THAT IT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS MUST ALSO BE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (3) TO A

PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES ACQUIRING THIS NOTE IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND (B) WITH RESPECT TO THE CLASS B NOTES AND THE CLASS C NOTES, EITHER (1) TO A PURCHASER WITH RESPECT TO WHOM NO PART OF THE ASSETS TO BE USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN, OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (2) TO A PURCHASER THAT IS AN INSURANCE COMPANY, PROVIDED THAT THE CLASS B NOTES OR THE CLASS C NOTES WILL BE PURCHASED AND HELD BY THE INSURANCE COMPANY'S GENERAL ACCOUNT (AND NOT A SEPARATE ACCOUNT OF THE INSURANCE COMPANY), AND ON EACH DAY DURING THE ENTIRE PERIOD THAT SUCH PURCHASER'S INSURANCE COMPANY GENERAL ACCOUNT HOLDS A CLASS B NOTE OR A CLASS C NOTE (AS THE CASE MAY BE), EITHER (X) SECTION 401(C)(5)(B) OF ERISA WILL APPLY TO ANY ASSETS OF SUCH INSURANCE COMPANY'S GENERAL ACCOUNT THAT CONSTITUTE PLAN ASSETS (WITHIN THE MEANING OF TITLE I OF ERISA AND SECTION 4975 OF THE CODE) SUCH THAT CONDUCT OCCURRING WITH RESPECT TO SUCH PLANS ASSETS ON SUCH DAY WILL BE COVERED BY THE LIMITATION ON LIABILITY PROVIDED FOR BY SECTION 401(C)(5)(B) OF ERISA, (Y) THE REQUIREMENTS OF THE FINAL REGULATIONS UNDER SECTION 401(C) OF ERISA WILL BE SATISFIED SUCH THAT NO PORTION OF THE ASSETS OF SUCH GENERAL ACCOUNT WILL CONSTITUTE PLAN ASSETS OR (Z) FOR ANY OTHER REASON, NO PORTION OF THE ASSETS OF SUCH INSURANCE COMPANY'S GENERAL ACCOUNT CONSTITUTE PLAN ASSETS, AND, (C) WITH RESPECT TO THE CLASS A NOTES, TO A PURCHASER WITH RESPECT TO WHOM (X) NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR (Y) PART OR ALL OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTE ASSETS OF AN EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE IF AND ONLY IF THE USE OF SUCH ASSETS WILL NOT CONSTITUTE, CAUSE OR RESULT IN THE OCCURRENCE OF A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE PROVIDED THAT THE AGREEMENT OF THE HOLDER HEREOF IS SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PURCHASER'S PROPERTY SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES UNDERTAKEN OR REPRESENTED BY THE HOLDER, FOR RESALES AND OTHER TRANSFERS OF THIS NOTE, TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST THEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE ONLY IN ACCORDANCE WITH ANY SUCH AMENDMENT OR SUPPLEMENT IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER."

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

UNITED KINGDOM, JERSEY AND U.S. TAXATION

2.B.7

The following, which applies only to persons who are the beneficial owners of the Notes, is a summary of the Issuer's understanding of current law and practice in the United Kingdom, Jersey and the United States as at the date of this Offering Circular relating to certain aspects of the United Kingdom taxation of the Notes. Special rules may apply to certain classes of taxpayer (such as dealers). Prospective Noteholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom, Jersey or the United States should seek their own professional advice.

UNITED KINGDOM TAXATION

A. Interest on the Notes

1. Payment of interest on the Notes

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

However, Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual, or who, after 5th April, 2002, either pays amounts payable on the redemption of Notes to or receives such amounts for the benefit of an individual. Such information may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

2. Proposed EU Savings Directive

On 18th July, 2001 the EU Commission published a proposal for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment and/or clarification.

B. United Kingdom Corporation Tax Payers

3. In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (including fluctuations attributable to exchange rates) broadly in accordance with their statutory accounting treatment.

C. Other United Kingdom Tax Payers

4. Taxation of Chargeable Gains

A disposal of Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains.

5. Accrued Income Scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Chapter II of Part XVII of the Income and Corporation Taxes Act 1988, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

The Notes will be variable rate securities within the meaning of the accrued income scheme. Noteholders should seek their own advice on the application of these provisions.

D. Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

6. No stamp duty or SDRT is payable on a transfer of the Notes by delivery.

JERSEY TAXATION

The Issuer has been granted exempt company status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961, as amended, for the calendar year ending 31st December, 2001 and as such is treated as not resident in Jersey for Jersey tax purposes even though it is managed and controlled in Jersey. As an exempt company, the Issuer is exempt from Jersey income tax on its profits arising outside of Jersey and, by concession, bank interest arising in Jersey, but is otherwise liable to Jersey income tax on income arising in Jersey and is liable to Jersey income tax on the profits of any trade carried on through an established place of business in Jersey. Exempt company status is applied for on an annual basis when payment of an annual charge, currently £600, must be made. The retention of exempt company status is conditional on the Comptroller of Income Tax in Jersey being satisfied that no Jersey resident has a beneficial interest in the Issuer except as permitted by certain concessions granted by the Comptroller of Income Tax. It is the Issuer's intention to maintain such status.

As an exempt company, payments in respect of the Notes to persons who are not resident in Jersey for tax purposes will not be subject to taxation in Jersey and no withholding or deduction for or on account of Jersey taxation will be required on any such payment made to a holder of the Notes.

No stamp duties are payable in Jersey on the acquisition, ownership, redemption, sale or other disposal of the Notes. Probate or Letters of Administration normally will be required to be obtained in Jersey on the death of an individual holder of the Notes. Stamp duty is payable in Jersey on the registration of such Probate or Letters of Administration calculated on the value of the holder's estate in Jersey.

U.S. TAXATION

The following is a general summary of the principal U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes. This summary addresses only the U.S. federal income tax considerations of holders that are initial purchasers of the Notes pursuant to this offering and that will hold the Notes as capital assets. It is not a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. In particular, this summary does not address tax considerations applicable to holders that are subject to special tax rules, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in securities or currencies; (iv) tax-exempt entities; (v) regulated investment companies; (vi) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes; (vii) persons that own (or are deemed to own) 10 per cent. or more of the voting shares of the Issuer; (viii) persons who hold Notes through partnerships or other pass-through entities; and (ix) persons that have a "functional currency" other than the U.S. Dollar. Further, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of Notes.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Offering Circular. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For the purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Notes that is, for U.S federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation or other entity treated as a corporation, created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. A "**Non-U.S. Holder**" is a beneficial owner of Notes that is not a U.S. Holder.

There are no authorities addressing similar transactions involving securities issued by an entity with terms similar to those of the Notes. Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Notes.

General

The Issuer intends to take the position that the Class A Notes represent debt for U.S. federal income tax purposes. In this regard, the Issuer has obtained an opinion from Allen & Overy that although there is no authority regarding the treatment of instruments that are substantially similar to the Class A Notes, the Class A Notes will be treated as debt for U.S. federal income tax purposes. This opinion is based upon, among other things, certain representations and assumptions authorised by the Issuer. In addition, only the Issuer may rely upon the foregoing opinion and such opinion will not be binding upon the U.S. Internal Revenue Service (the "**IRS**") or the courts. **Prospective investors should consult their own tax advisors regarding the treatment of the Class A Notes for U.S. federal income tax purposes.**

The Issuer has not obtained an opinion from counsel (and will not seek a ruling from the IRS) regarding the characterisation of the Class M Notes and the Class B Notes for U.S. federal income tax purposes. In particular, although the Class M Notes and the Class B Notes will be issued in the form of debt, given the subordination level and other terms of the Class M Notes and the Class B Notes, it is possible that these Notes could be characterised as equity interests in the Issuer for U.S. federal income tax purposes. **Prospective investors should consider the tax consequences of an investment in the Class M Notes and the Class B Notes under either possible characterisation (each of which is summarised below) and should consult their own tax advisors regarding the treatment of the Class M Notes and the Class B Notes for U.S. federal income tax purposes.**

Except as otherwise stated, the following discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

Payments of Interest

Interest on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes.

A U.S. Holder utilising the cash method of accounting for U.S. federal income tax purposes that receives an interest payment denominated in a currency other than U.S. Dollars (a "foreign currency") will be required to include in income the U.S. Dollar value of that interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. Dollars.

If interest on a Note is payable in a foreign currency, an accrual basis U.S. Holder may determine the amount of the interest income to be recognised in accordance with either of two methods. Under the first accrual method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, the part of the period within the taxable year. Under the second accrual method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. If the last day of the accrual period is within five business days of the date the interest payment is actually received, an electing accrual basis U.S. Holder may instead translate that interest at the exchange rate in effect on the day of actual receipt. Any election to use the second accrual method will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and will be irrevocable without the consent of the IRS.

A U.S. Holder utilising either of the foregoing two accrual methods will recognise ordinary income or loss with respect to accrued interest income on the date of receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note). The amount of ordinary income or loss will equal the difference between the U.S. Dollar value of the interest payment received (determined on the date the payment is received) in respect of the accrual period and the U.S. Dollar value of interest income that has accrued during that accrual period (as determined under the accrual method utilised by the U.S. Holder).

Foreign currency received as interest on the Notes will have a tax basis equal to its U.S. Dollar value at the time the interest payment is received. Gain or loss, if any, realised by a U.S. Holder on a sale or other disposition of that foreign currency will be ordinary income or loss and will generally be income from sources within the United States for foreign tax credit limitation purposes.

Interest income on the Notes will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. For this purpose, the interest on the Notes should generally constitute "passive income" or, in the case of certain U.S. Holders, "financial services income".

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on interest received on a Note unless that income is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States.

Sale, Exchange or Retirement of the Notes

A U.S. Holder's tax basis in a Note will generally equal its "U.S. Dollar cost," reduced by the amount of any payments received by the U.S. Holder with respect to the Note that are not stated interest payments. The U.S. Dollar cost of a Note purchased with a foreign currency will generally be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of a Note traded on an established securities market (as defined in the applicable U.S. Treasury Regulations) that is purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognize gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realized on the sale, exchange or retirement and the tax basis of the Note. The amount realized on the sale, exchange or retirement of a Note for an amount of foreign currency will be the U.S. Dollar value of that amount on (i) the date the payment is received in the case of a cash basis U.S. Holder, (ii) the date of disposition in the case of an accrual basis U.S. Holder, or (iii) in the case of a Note traded on an established securities market (as defined in the applicable U.S. Treasury Regulations), that is sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of a Note that is attributable to changes in currency exchange rates will be ordinary income or loss and will constitute principal exchange gain or loss. Principal exchange gain or loss will equal the difference between the U.S. dollar value of the U.S. Holder's purchase price of the Note in foreign currency determined on the date of the sale, exchange or retirement, and the U.S. Dollar value of the U.S. Holder's purchase price of the Note in foreign currency determined on the date the U.S. Holder acquired the Note. The foregoing principal exchange gain or loss will be recognized only to the extent of the total gain or loss realized by the U.S. Holder on the sale, exchange or retirement of the Note, and will generally be treated as from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. Holder in excess of principal exchange gain or loss recognized on the sale, exchange or retirement of a Note will generally be U.S. source capital gain or loss. **Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).**

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a Note equal to the U.S. Dollar value of the foreign currency at the time of the sale, exchange or retirement. Gain or loss, if any, realized by a U.S. Holder on a sale or other disposition of that foreign currency will be ordinary income or loss and will generally be income from sources within the United States for foreign tax credit limitation purposes.

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange or retirement of a Note unless: (i) that gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States, (ii) in the case of any gain realized by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met, or (iii) the Non-U.S. Holder is subject to tax pursuant to the provisions of the Code applicable to certain U.S. expatriates.

Tax Considerations if Class M Notes or Class B Notes are Characterised as Equity for U.S. Federal Income Tax Purposes

Distributions

Subject to the passive foreign investment company rules below, the gross amount of any distribution by the Issuer of cash or property (including any amounts withheld in respect of any applicable withholding tax) actually or constructively received by a U.S. Holder with respect to a Class M Note or Class B Note treated as an equity interest of the Issuer for U.S. federal income tax purposes (hereinafter a "**share**" or "**shares**") will be taxable to a U.S. Holder as a dividend to the extent of the Issuer's current and accumulated earnings and profits as determined under U.S. federal income tax principles. The U.S. Holder will not be eligible for any dividends received deduction in respect of the dividend otherwise allowable to corporations. Distributions in excess of earnings and profits will be non-taxable to the U.S. Holder to the extent of, and will be applied against and reduce, the U.S. Holder's adjusted tax basis in the shares. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the U.S. Holder as capital gain from the sale or exchange of property. The Issuer does not calculate its earnings and profits under U.S. Federal income tax principles. If the Issuer does not report to a U.S. Holder the portion of a distribution that exceeds earnings and profits, the distribution will generally be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of

capital or as capital gain under the rules described above. The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution.

Dividends paid in a foreign currency, including the amount of any withholding tax thereon, will be included in the gross income of a U.S. Holder in an amount equal to the U.S. Dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the foreign currency is converted into U.S. Dollars. If the foreign currency is converted into U.S. Dollars on the date of receipt, a U.S. Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend. If the foreign currency received as a dividend is not converted into U.S. Dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. Dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as ordinary income or loss.

Dividends received by a U.S. Holder with respect to shares will be treated as foreign source income for the purpose of calculating that holder's foreign tax credit limitation. Subject to certain conditions and limitations, foreign country income tax withheld on dividends may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the relevant Issuer generally would constitute "passive income" or, in the case of certain U.S. Holders, "financial services income". In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits for foreign taxes imposed on a dividend if the U.S. Holder (i) has not held the shares for at least 16 days in the 30-day period beginning 15 days before the ex-dividend date, during which it is not protected from risk of loss; (ii) is obligated to make payments related to the dividends; or (iii) holds the shares in arrangements in which the U.S. Holder's expected profit, after non-U.S. taxes, is insubstantial.

A distribution of additional shares to U.S. Holders with respect to their shares that is made part of a pro rata distribution to all shareholders generally will not be subject to U.S. federal income tax. However, a U.S. Holder receiving a non-taxable distribution of additional shares must allocate to those additional shares a portion of his basis in the shares on which the distribution was made. The U.S. Holder's holding period in the additional shares generally will include the holding period of the shares on which the distribution was made.

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on a distribution received on a Note unless that distribution is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States.

Sale or Other Disposition of Shares

Subject to the passive foreign investment company rules discussed below, a U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes upon the sale or exchange of shares in an amount equal to the difference between the U.S. Dollar value of the amount realised from that sale or exchange and the U.S. Holder's tax basis for those shares. That gain or loss will be a capital gain or loss and generally will be treated as from sources within the United States, except that losses will be treated as foreign source to the extent the U.S. Holder received dividends that were includible in the "financial services income" basket during the 24-month period prior to the sale. **Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that held the shares for more than one year) and capital losses (the deductibility of which is subject to limitations).**

If a U.S. Holder receives foreign currency upon a sale or exchange of shares, gain or loss, if any, recognised on the subsequent sale, conversion or disposition of such foreign currency will be ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if such foreign currency is converted into U.S. Dollars on the date received by the U.S. Holder, the U.S. Holder generally should not be required to recognise any gain or loss on that conversion.

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realised on the sale or exchange of shares

unless: (i) that gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; (ii) in the case of any gain realised by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale or exchange and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Redemption of Shares

The redemption of shares by the Issuer will be treated as a sale of the redeemed shares by the U.S. Holder (which is taxable as described above under "*Sale or Other Disposition of Shares*") or, in certain circumstances, as a distribution to the U.S. Holder (which is taxable as described above under "*Distributions*").

Passive Foreign Investment Company Considerations

A corporation organised outside the United States generally will be classified as a "passive foreign investment company" (a "**PFIC**") for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either: (i) at least 75 per cent. of its gross income is "passive income", or (ii) on average at least 50 per cent. of the gross value of its assets is attributable to assets that produce "passive income" or are held for the production of passive income. In arriving at this calculation, the Issuer must also include a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25 per cent. interest. Passive income for this purpose generally includes dividends, interest, royalties, rents, annuities and gains from commodities and securities transactions. The Issuer will be treated as a PFIC for U.S. federal income tax purposes.

Because the Issuer will be a PFIC, upon receipt of a distribution on, or sale of, shares, a U.S. Holder will be required to allocate to each day in its holding period with respect to the shares, a *pro rata* portion of any distributions received on the shares which are treated as an "excess distribution" (generally, any distributions received by the U.S. Holder on the shares in a taxable year that are greater than 125 per cent. of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the shares). Any amount of an excess distribution (which term includes gain on the sale of stock) treated as allocable to a prior taxable year will be subject to U.S. federal income tax at the highest applicable rate for the year in question, plus an interest charge on the amount of tax deemed to be deferred. A U.S. Holder of shares will generally be subject to similar rules with respect to distributions to the Issuer by, and dispositions by the Issuer of the stock of, any direct or indirect subsidiaries of the Issuer that are also PFICS.

The foregoing rules with respect to distributions and dispositions may be avoided if a U.S. Holder is eligible for and timely makes a valid "**QEF election**". A U.S. Holder that makes this election will be required in each taxable year to include (a) as long-term capital gain its pro rata share of the Issuer's net capital gain (i.e. the excess of net long-term capital gain over net short-term capital loss for the Issuers taxable year ending with or within the U.S. Holder's taxable year) and (b) as ordinary income its pro rata share of the Issuer's ordinary earnings (i.e. the excess of current earnings and profits for such taxable year over such net capital gain), regardless of whether the Issuer distributes such amounts to the U.S. Holder. For this purpose, a U.S. Holder's pro rata share of the Issuer's ordinary income and net capital gain is the amount which would have been distributed to the U.S. Holder if, on each day during its taxable year, the Issuer had distributed to each holder of an equity interest a pro rata share of that day's rateable share of the Issuer's ordinary earnings and net capital gain for such year. A U.S. Holder will not be eligible for the dividends received deduction in respect of such income or gain. In addition, any losses in a taxable year will not be available to the U.S. Holder and may not be carried back or forward in computing the Issuer's ordinary earnings and net capital gain in other taxable years. If the Issuer distributes the income or gain that was previously included in the U.S. Holder's gross income, such distributions will be non-taxable to the U.S. Holder. For purposes of determining gain or loss on the disposition (including redemption or retirement) of shares, a U.S. Holder's initial tax basis in the shares will be increased by the amount so included in gross income with respect to the shares and decreased by the amount of any non-taxable distributions on the shares. In general, a U.S. Holder making a timely QEF election will recognise, on the sale or disposition (including redemption and retirement) of shares, capital gain or loss equal to the difference, if any, between the amount realised upon such sale or disposition and that U.S. Holder's adjusted tax basis in those shares.

Each U.S. Holder who desires to make a QEF election must individually make the QEF election. The QEF election is effective for the U.S. Holder's taxable year for which it is made and all subsequent taxable years and may not be revoked without the consent of the IRS. In general, a U.S. Holder must make a QEF election on or before the due date for filing its income tax return for the first year to which the QEF election will apply.

The QEF election is effective only if certain required information is made available by the Issuer. There can be no assurances that the Issuer will provide such information to U.S. Holders and therefore there can be no assurances that a U.S. Holder will be able to make a QEF election. Although the Issuer has not finally determined whether it will provide such information, the Issuer currently does not intend to do so. U.S. Holders should consult their own tax advisors as to the procedures required to be followed in making a QEF election and all the consequences of making and of failure to make a QEF election.

Each U.S. Holder must make an annual return on IRS Form 8621, reporting distributions received and gains realised with respect to each PFIC in which it holds a direct or indirect interest.

Prospective purchasers should consult their own tax advisors regarding the status of the Issuer as a PFIC, whether an investment in the Class M or Class B Notes will be treated as an investment in PFIC stock and the consequences of an investment in a PFIC.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the Notes and proceeds of the sale or redemption of the Notes to U.S. Holders. The Issuer, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding currently at a rate of 30.5 per cent. of such payment through the end of 2001 if the U.S. Holder fails to furnish the U.S. Holder's taxpayer identification number, to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. The backup withholding rate may be subject to change each year. Certain U.S. Holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. **Prospective investors in the Notes should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.**

UNITED STATES ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and the Code, impose certain restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA ("**Plans**"), (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and Keogh plans (also "**Plans**"), (c) any entities whose underlying assets include plan assets by reason of a plan's investment in such entities (together with Plans, "**Plan Investors**") and (d) persons who have certain specified relationships to such Plans ("**parties in interest**" under ERISA and "disqualified persons" under the Code; collectively, "Parties in Interest"). An insurance company's general account may be deemed to include assets of the Plans that have an interest in such account (e.g. through the purchase of an annuity contract), in which case the insurance company would be treated as a Party in Interest with respect to the investing Plan by virtue of such investment. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA and prohibits certain transactions between a Plan and Parties in Interest with respect to the Plan.

Before authorising any investment in Class A Notes, fiduciaries of Plans should consider, among other matters, (a) ERISA's fiduciary standards (including its prudence and diversification standards), (b) whether such fiduciaries have the authority to make such investment in Notes under the applicable Plan investment policies and governing instruments, and (c) rules under ERISA and the Code that prohibit Plan fiduciaries from causing a Plan to engage in a "prohibited transaction". The Class B Notes and the Class C Notes may not be purchased or held by Plan Investors, other than a Plan Investor that is an insurance company using its general account assets if certain requirements described below are satisfied.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans from, among other things, engaging in certain transactions involving "plan assets" with persons who are Parties in Interest with respect to such Plan. A violation of these "prohibited transaction" rules may result in the imposition of an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code.

The United States Department of Labor ("**DOL**") has issued a regulation (29 C.F.R. §2510.3-101) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (the "**Plan Asset Regulation**"). This regulation provides that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and certain other entities in which a Plan purchases an "equity interest" will be deemed for purposes of ERISA to be assets of the investing Plan unless certain exceptions apply.

The Plan Asset Regulation defines an "equity interest" as any interest in an entity other than an interest that is treated as indebtedness under applicable local law and which has no substantial equity features. Accordingly, if a Plan invests in the Class A Notes, the assets of such Plan should not be deemed to include the assets of the Issuer or the Security by reason of such investment. By contrast, although not free from doubt, the Class M Notes and the Class B Notes may be treated as "equity interests" for purposes of the Plan Asset Regulation. Accordingly, the Class M Notes and the Class B Notes may not be purchased by or transferred to a Plan Investor, other than a Plan Investor that is an insurance company using its general account assets if certain requirements described below are satisfied.

Even assuming that the Class A Notes will not be treated as "equity interests" under the Plan Asset Regulation, it is possible that an investment in such Notes by a Plan Investor could be treated as a prohibited transaction under ERISA or the Code (e.g. the direct or indirect transfer or lending to, or use by or for the benefit of, a Party in Interest of Plan assets). The DOL has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for prohibited transactions arising from a Plan's purchase and/or holding of Notes. Those exemptions are: PTCE 90-1, which exempts certain transactions involving insurance company pooled separate accounts; PTCE 95-60, which exempts certain transactions involving insurance company general accounts; PTCE 91-38, which exempts certain transactions involving bank collective investment funds; PTCE 84-14, which exempts certain transactions effected on behalf of a Plan by a "qualified professional asset manager"; and PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an "in-house asset manager". Because such

exemptions impose a range of conditions and do not provide an exemption to all of the Code's and ERISA's prohibited transaction rules, any Plan fiduciary considering the investment of Plan assets in Notes should consult with its legal counsel.

In response to the decision of the United States Supreme Court in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank,* 540 US 86 (1993), pursuant to which assets held in an insurance company's general account may be treated as "plan assets" to the extent that an insurance company has issued to Plan Investors certain types of annuity contracts, ERISA Section 401(c) was enacted. Section 401(c) provides that the DOL must issue regulations to provide guidance for the purpose of determining which assets held by an insurer constitute plan assets of the Plan for purposes of ERISA by reason of the issuance of insurance policies before 1st January, 1999 that are supported by assets of the insurance company's general account. Until expiration of the 18 month period following the issuance of final regulations under Section 401(c), the portion of an insurance company's general account attributable to annuity contracts held by Plans will, due to certain exclusion from liability provided for in Section 401(c) of ERISA, in effect not be treated as plan assets, provided that certain requirements are satisfied. The DOL issued final regulations under Section 401(c) of ERISA on January 5, 2000. The plan asset status of insurance company separate accounts is unaffected by Section 401(c) of ERISA, and separate account assets continue to be treated as the assets of any such Plan invested in a separate account.

Each purchaser of the Class A Notes will be deemed to have represented and agreed that (i) either it is not a Plan Investor and is not purchasing such Notes with the assets of any Plan or that the use of such assets will not constitute a prohibited transaction under ERISA or Section 4975 of the Code, and (ii) with respect to transfers, it will either not transfer such Notes to any Plan Investor or that any such transfer will not constitute or result in a prohibited transaction. Each purchaser and/or holder of Class M Notes or Class B Notes will be deemed to have represented and agreed that either (i) it is not a Plan Investor or (ii) it is an insurance company and that the following requirements are satisfied: (A) the Class M Notes or the Class B Notes (as the case may be) will be purchased and held by the insurance company's general account (and not a separate account of the insurance company), and (B) on each day during the entire period that such purchaser's insurance company general account holds a Class M Note or a Class B Note (as the case may be), either (x) Section 401(c)(5)(B) of ERISA will apply to any assets of such insurance company general account that constitute plan assets (within the meaning of Title I of ERISA and Section 4975 of the Code), such that conduct occurring with respect to such plan's assets on such day will be covered by the limitation on liability provided for by Section 401(c)(5)(B) of ERISA, (y) the requirements of the final regulations under Section 401(c) of ERISA will be satisfied such that no portion of the assets of such general account will constitute plan assets, or (z) for any other reason, no portion of the assets of such insurance company general account constitute plan assets.

Any Plan fiduciary that proposes to cause a Plan Investor to purchase Notes should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption would be applicable and determine on its own whether all conditions of such exemption or exemptions have been satisfied.

Governmental plans, foreign plans, and certain church plans are not subject to ERISA, and are also not subject to the prohibited transaction provisions of Section 4975 of the Code. However, state and foreign laws or regulations may apply to the investment and management of the assets of such plans and may contain fiduciary duty and prohibited transaction provisions similar to those described above. Accordingly, fiduciaries of governmental, foreign, and church plans should consult with their legal counsel as to the impact of their applicable laws on their proposed investment in Notes.

UNITED STATES LEGAL INVESTMENT CONSIDERATIONS

None of the Notes will constitute "mortgage related securities" under the United States Secondary Mortgage Market Enhancement Act of 1984, as amended.

No representation is made as to the proper characterisation of the Notes for legal investment purposes, financial institutional regulatory purposes, or other purposes, or as to the ability of particular investors to purchase the Notes under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the Notes. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisors in determining whether and to what extent the Notes constitute legal investments or are subject to investment, capital or other restrictions.

GENERAL INFORMATION

2.B.17

1. The issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer passed on 7th November, 2001.

2. Application has been made to list the Notes on the Irish Stock Exchange. It is expected that admission of the Notes to the official list of the Irish Stock Exchange will be granted on 9th November, 2001 subject only to the issue of the Global Notes.

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN Number CUSIP Number and Common Codes:

Class of Notes	*ISIN Number Reg S Notes*	*Common Code Rule 144A Notes*	*ISIN Number 144A Notes*	*Common Code Reg S Notes*	*CUSIP Number*
A1	XS0137706627	013840024	US784 65C AA53	013770662	784 65C AA5
A2	XS0137853767	013785406	XS0137854062	013785376	N/A
M	XS0137856786	013785848	XS0137858485	013785678	N/A
B	XS0137859376	013785937	XS0137912019	013785937	N/A

4. Transactions will normally be effected for settlement in U.S. Dollars (in the case of the Class A1 Notes) and in Euro (in the case of the Class A2 Notes, the Class M Notes and the Class B Notes) and for delivery on the third working day after the date of the transaction.

5. The Issuer is not involved in any legal or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened. 2.D.2

6. Since the date of its incorporation, the Issuer has not entered into any material contracts other than the Subscription Agreement and the Agency Agreement, being contracts entered into other than in its ordinary course of business. 2.D.3

7. KPMG whose address is at 45 Esplanade, St. Helier, Jersey, JE4 8WQ, Channel Islands have given and have not withdrawn their written consent to the issue of this Offering Circular with the inclusion herein of their report on the Issuer which is dated 7th November, 2001 in the form and context in which it appears and the references to them and their name in the form and context in which they appear. 2.A.6 2.A.4

8. Save as disclosed herein, since 12th September, 2001 (being the date of incorporation of the Issuer), there has been (1) no material adverse change in the financial position or prospects of the Issuer and (2) no significant change in the trading or financial position of the Issuer. 2.D.4(a)

9. It is a condition of the issue of the Notes that:

   (a) the Class A Notes are on issue assigned an AAA and Aaa rating by S&P and Moody's respectively. (These ratings are the highest ratings assigned by S&P and Moody's, respectively);

   (b) the Class M Notes are on issue assigned an A and A2 rating by S&P and Moody's respectively; and

   (c) the Class B Notes are on issue assigned a BBB and Baa2 rating by S&P and Moody's respectively.

   A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by Moody's and S&P. Each such rating should be evaluated independently of any other rating.

10. Save as disclosed in this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages, charges or given any guarantees. 2.D.4(e)

11. The Issuer will not publish interim accounts. The Issuer will produce non-consolidated audited financial statements in respect of each financial year but will not produce consolidated audited financial statements. The Issuer anticipates that it will publish its first financial statement no later

than 31st July, 2003 in respect of the financial year ending 31st December, 2002. Copies of the most recently published annual accounts from time to time will, so long as the Notes are admitted to the official list of the Irish Stock Exchange, be available at the specified office of the Irish Paying Agent in Dublin. The Administrator will produce on behalf of the Issuer quarterly reports on the performance of the Portfolio. These quarterly reports will be available on Bloomberg and at the offices of the Irish Paying Agent.

12. The Trust Deed will provide that the Trustee may rely on reports or other information from professional advisors or other experts in accordance with the Trust Deed, whether or not such report or other information, engagement letter or other document entered into by the Trustee and the relevant professional advisor or expert in connection therewith contains any limit on the liability of that relevant professional advisor or expert.

13. Copies of the following documents may be inspected) during usual business hours on any weekday (excluding Saturdays and public holidays) at the specified offices of Allen & Overy, One New Change, London EC2M 9QQ, the Irish Paying Agent and the Issuer during a period of 14 days after the date of this document: 2.C.7

(i) the Memorandum and Articles of Association of the Issuer; 2.C.7(a) 2.C.7(e)

(ii) the most recent balance sheet of the Issuer and the accountants' report thereon;

(iii) the most recently published annual audited non-consolidated financial statements of the Issuer. It should be noted that the Issuer will not be preparing consolidated or interim financial statements;

(iv) the consent referred to in paragraph 7 above;

(v) the Agency Agreement;

(vi) the Subscription Agreement; 2.C.7(c)

(vii) the Placement Agency Agreement; 2.C.7(f)

(viii) draft copies of the following documents:

(a) the Sale Agreement; 2.C.7(b)

(b) the Swedish Security Agreement;

(c) the Trust Deed;

(d) the Deed of Charge;

(e) the Interest Rate Hedge Agreement;

(f) the Currency Hedge Agreements;

(g) the Transaction Account Agreement;

(h) the Collection Account Agreement;

(i) the Corporate Services Agreement;

(j) the Jersey Security Agreement;

(k) the Administration Agreement;

(l) the Master Definitions Schedule; and

(m) the Depository Agreement.

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