

# MARE BALTIC PCC LIMITED 2005-1

## Static Cash CLO – Europe

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 27 October 2005. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The definitive ratings may differ from the provisional ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.*

### Estimated Closing Date

November 2005

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## PROVISIONAL (P) RATINGS

Class	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	(P) <b>Aa2</b>	€[201.6]	[69]%	2010/2015	EUR 6m + [0.38]%
B	(P) <b>Baa2</b>	DKK[410.6]	[19]%	2010/2015	[2]%
C	NR	DKK[277.9]	[12]%	2010/2015	[2]%
Total		€[294.0]	100.00%		

*The ratings address the expected loss posed to investors by the legal final maturity. [In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date.] Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.*

## OPINION

### Strengths of the Transaction

- The repackaged assets are of a relatively high credit quality.
- The portfolio diversity provided by the regional distribution of the Danish banks and the inclusion of additional Nordic countries
- There is good subordination below the Class A tranche

### Weaknesses and Mitigants

- There is limited diversity in the underlying portfolio and the repackaged assets have the status of subordinated capital; however, these features were accounted for in the portfolio default simulations and the conservative recovery rates assumed in the Moody's rating analysis.
- Investors face a significant exposure to HSH Nordbank (**A1**) through its agent roles; this is mitigated by the low credit risk posed by the institution and various provisions within the documents to protect investors in the event of deterioration in the bank's credit rating.



## STRUCTURE SUMMARY

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Issuer:	Mare Baltic PCC Limited
Jurisdiction of Issuer:	Guernsey
Series:	2005-1 Cell
Structure Type:	Cash CLO
Specified Currency:	Euro
Interest Payments:	6 months EURIBOR + [0.38]%, paid May and November in each year up to and including the Interest Payment date in November 2015. The first Interest Payment Date is May 2006.
Principal Payments:	The Issuer will make principal payments to partially redeem the Notes on each Interest Payment Date falling on or after November 2010 to the extent that it has received principal repayments from the Borrowers under the repackaged assets or a final payment under the Hedging Agreement. Such amounts of principal will be applied first to repay the Class A Notes (on a pro rata basis) and then to the Class B Notes.
Term:	The Issuer has a call option on the bond at par in November 2010 (5 years) and on each interest payment date thereafter until the final maturity date in November 2015. One or more of the underlying assets can prolong until November 2015 based on higher interest rates and amended conditions.
Seniority:	The Class A Notes will be senior to the Class B 2% Limited Recourse Secured Mezzanine Notes due 2010/2015 and to the Class C 2% Limited Recourse Secured Junior Notes due 2010/2015.
Trustee:	Law Debenture Trust Corporation p.l.c. England
Arranger, Dealer, Paying Agent, Issue Agent, VP Agent, Custodian, Listing Agent:	HSH Nordbank AG, Copenhagen Branch ( <b>A1/P-1</b> )

## COLLATERAL SUMMARY

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Number of Borrowers:	22
Type of Equipment:	Subordinated Term Loans
Interest payments:	Semi-annual
Maturity:	2015
Geographic Diversity:	Mostly Danish banks (83%), other Nordic banks (17%)

## PORTFOLIO

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Borrower	Nominal amount (EUR)	Domicile
Amagerbanken	27,000,000	Denmark
Egnsbank Han Herred (ebh)	7,500,000	Denmark
Fionia Bank	30,000,000	Denmark
Forstædernes Bank	10,000,000	Denmark
Morsø Bank	7,500,000	Denmark
Østjydsk Bank	12,500,000	Denmark
Roskilde Bank	30,000,000	Denmark
Skælskør Bank	10,000,000	Denmark
Spar Nord Bank	33,500,000	Denmark
Sparekassen Farsø	5,000,000	Denmark
Sparekassen Lolland	15,000,000	Denmark
Middelfart Sparekasse	10,000,000	Denmark
Sparekassen Østjylland	3,500,000	Denmark
Sparekassen sparTrelleborg	7,500,000	Denmark
Tønder Bank	5,000,000	Denmark
Totalbanken	3,500,000	Denmark
Vestjysk Bank	15,000,000	Denmark
Sparbanken Gripen	5,000,000	Sweden
Icebank	15,000,000	Iceland
Reykjavik Savings Bank (Spron)	10,000,000	Iceland
Sparebanken Vestfold	10,000,000	Norway
Sparebanken Øst	7,500,000	Norway
<b>TOTAL:</b>	<b>280,000,000</b>	

***Static cash CLO of term loans to a portfolio of Danish, Swedish, Norwegian and Icelandic commercial and savings banks.***

## OVERVIEW

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The issuer of the Notes, Mare Baltic PCC Limited (“Mare Baltic” or the “Issuer”) was established on 31 January 2003 under a €1,000,000,000 Structured Note Programme. The Issuer is incorporated as a protected cell company with limited liability in Guernsey.

The ratings are based primarily on the following:

- The characteristics of the repackaged assets;
- The subordination provided by the mezzanine and junior tranches;
- The performance of the Notes in relation to various default scenarios and related stress-test analyses; and
- The governing legal structure.

The payment of principal and interest on the Notes is linked to and wholly dependent upon the Issuer receiving payments in respect of loans made to 17 Danish, one Swedish, two Norwegian and two Icelandic commercial and savings banks, which were acquired by the Issuer, and upon payments being received by the Issuer from the Hedging Counterparty in respect of the Hedging Agreement.

## STRUCTURAL AND LEGAL ASPECTS

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### RA Event

A “RA Event” means the circumstances in which there is a default or deferral (in either case, whether or not caused by force majeure) by any of the Borrowers of any interest or instalments due under the Repackaging Assets (after the expiry of the applicable grace period) or any Borrower has stated that it intends to defer or repudiate its obligations, for whatever reason, under or in respect of the Repackaging Assets.

## MOODY’S ANALYSIS

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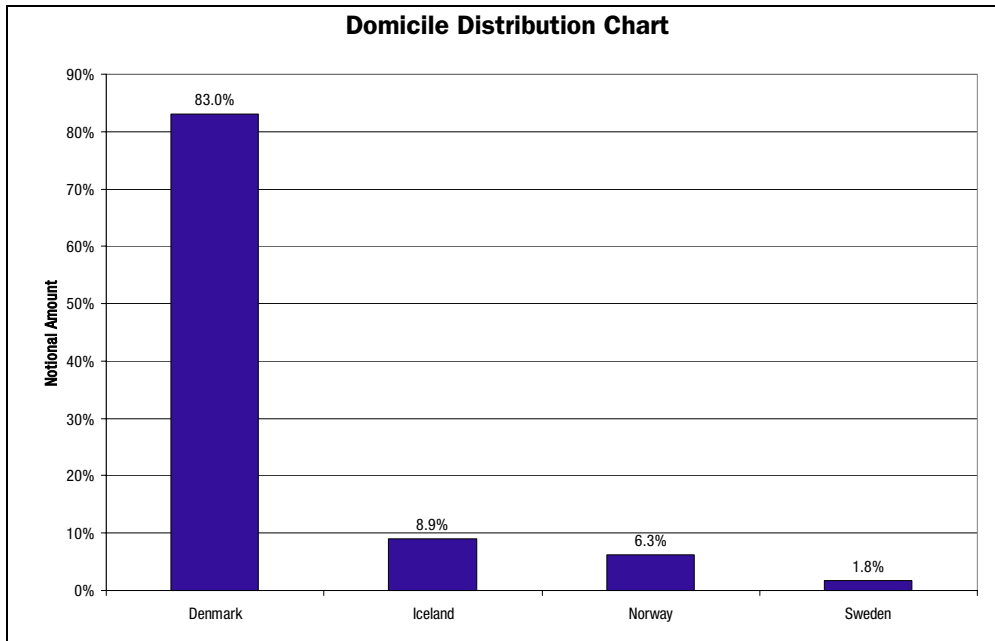
Moody’s quantitative analysis of this transaction is based on a cash flow model of the structure. Essentially, cash flows arising from the repackaged assets and related hedge agreements were generated and distributed according to the waterfall of payments. Defaults on the portfolio were simulated by means of a multivariate normal distribution. The impact of several correlation assumptions was tested during the rating analysis. By repeating the process of generating cash flows and averaging over a large number of simulations, an estimate of the expected loss borne by the Class A note holders was derived.

## RATING SENSITIVITIES AND MONITORING

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Moody’s will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody’s Client Service Desk.

***Moody’s analysed a cash flow model of the deal structure to measure the expected loss on the Notes.***



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