MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades and confirms Notes of Mare Baltic 2006-1

Global Credit Research - 16 Mar 2011

London, 16 March 2011 -- Moody's Investors Service announced today the following rating actions on notes issued by Mare Baltic The Series 2006-1 Cell of Mare Baltic PCC Limited ("ScandiNotes® IV"or "Mare Baltic 2006-1"):

EUR170.011M Class A Floating Rate Limited Recourse Secured Asset Backed Notes due 2014, Downgraded to B1 (sf); previously on Feb 18, 2011 Ba3 (sf) Placed Under Review for Possible Downgrade

DKK879.571M (currently DKK 528.166M) Class B 3% Limited Recourse Secured Asset Backed Notes due 2014, Confirmed at Ca (sf); previously on Feb 18, 2011 Ca (sf) Placed Under Review for Possible Downgrade

RATINGS RATIONALE

Mare Baltic 2006-1 is a highly non-granular securitization of subordinated debt issued by Danish banks. All the assets in the pool have the flexibility to redeem the loans at the year five call option in November 2011. Should they choose not to redeem, the underlying assets will be subject to an increase in the coupons paid.

The driver of the rating actions is the recent announcement by Financial Stability, the Danish government-backed bank-support vehicle, that, effective 6 February 2011, a newly created subsidiary of Financial Stability acquired all the assets and part of the liabilities of Amagerbanken. Aktieselskab ("Amagerbanken"). The transfer effectively wipes out the subordinated debt of Amagerbanken that was included in the pool.

The impact on the underlying rating of class A was mitigated by the already low rating on the tranche and the high default probability assigned to Amagerbanken at the last rating action (June 2010).

Following the default of Amagerbanken, and in accordance with the terms of the swap documentation, Class C has been written down to zero. Class B has been written down to DKK 528,166,376 from its initial value of DKK 879,571,000. Reflecting this, the ratings on Class B remain commensurate with the Moody's expected recoveries for the notes, as outlined in the paper titled "Moody's Approach to Rating Structured Finance Securities in Default" (November 2009).

The majority of the assets in the pool are assessed by credit estimate. In its base case, Moody's analysed the collateral pool with a stressed weighted average default probability (DP) equivalent to a B3 rating. In addition to the estimates on the underlying issuers, the average portfolio rating reflected the treatment for non granular pools that rely on credit estimates outlined in the paper "Updated Approach to the Usage of Credit Estimates in Rated Transactions" (October 2009).

Moody's also considered various additional scenarios, including the jump to Caa2 scenario described in the above mentioned report. This scenario had an impact of slightly over half a notch on the model output of class A.

Because the portfolio references a low number of generally small Danish banks and the concerns listed above surrounding the Danish banking industry, Moody's believes the correlation in defaults between issuers in the pool is likely to be high. Correlation was assumed to be 50%, though a stress case of 75% was also looked at. This had a two notch impact on the model results for Class A .

Although the issuers have an economic incentive to repay the loans at the Optional Redemption Date falling in November 2011, Moody's considered the likelihood that some or all of the loans would not be redeemed at the end of their fifth year due to financing difficulties of the underlying banks, and found the impact to be consistent with the revised rating levels.

Recoveries on the subordinated loans in the event of default were assumed to be zero.

Sources of additional performance uncertainties include:

1) Low portfolio granularity: the performance of the portfolio depends to a large extent on the credit conditions of a few large obligors that are rated low non investment grade. This is especially true in scenarios where these obligors jump to default.

2) Moody's believes the correlation in defaults between issuers in the pool will be probably be high, with the consequence that remaining performance outcomes of the notes are likely to be binary in nature.

At closing the assets were referenced via an asset swap with HSH Nordbank AG as the counterparty. Using this mechanism, classes B and C were issued at discount paying a reduced fixed coupon. The difference was due to be paid to the noteholders by way of a final payment from the asset swap that expires in November 2011 at the same time as the call options on the underlying loans. After termination of the swap, there remains a floor in place to mitigate the interest risk between the floating rate assets and fixed liabilities on classes B and C. When defaults occur on the underlying assets, the amount of the fixed notional of the swap that is written down is determined by the current interest rates at the time the swap is written down.

The principal methodologies used in this rating were "Moody's Approach to Rating Corporate Collateralized Synthetic Obligations" published in December 2008 and Moody's Approach to Rating Collateralized Loan Obligations" published in August 2009.

Under these methodologies, Moody's relies on a simulation based framework. Moody's used a bespoke CDOROM and cash model in order to capture the specific characteristics of the deal, incorporating the assumptions contained in the above methodologies. As such default scenarios were generated for each asset in the portfolio and these were applied in the cash flow model to compute the loss associated with each tranche in the structure.

Moody's Investors Service did not receive or take into account a third party due diligence report on the underlying assets or financial instruments

related to the monitoring of this transaction in the past 6 months.

REGULATORY DISCLOSURES

The rating has been disclosed to the rated entity or its designated agents and issued with no amendment resulting from that disclosure

Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entity or its related third parties within the three years preceding the Credit Rating Action. Please see the ratings disclosure page www.moodys.com/disclosures on our website for further information.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

London
Greg O''Reilly
Analyst
Structured Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Paris
Florence Tadjeddine
VP - Senior Credit Officer
Structured Finance Group
Moody's France SAS
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. (“MJKK”) are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, “MIS” in the foregoing statements shall be deemed to be replaced with “MJKK”. MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.