

PRESS RELEASE

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ASCB criticizes Standard & Poor's new method

Standard & Poor's Ratings Services has now published its Revised Methodology and Assumptions for Assessing Asset Liability Mismatch Risk in Covered Bonds. This update follows Standard & Poor's request for comment (RFC), title "Covered Bonds Rating Methodology," published Feb. 4, 2009.

The Association of Swedish Covered Bond issuers, ASCB, welcome the publication of S&P's Revised Methodology and Assumptions for Assessing Asset Liability Mismatch Risk in Covered Bonds following an extended review period by the agency. We note that S&P has addressed some of the inadequacies of the original approach by allowing a greater degree of potential for an increase of the covered bond rating over the issuer's rating. We remain critical to S&P's post insolvency focus when rating covered bonds.

We are also concerned regarding S&P's continued over-reliance on mechanistic features. One such example is the Program Categorization which is primarily driven by the issuer's jurisdiction. In the ASCB's comments on the RFC dated 1 April 2009 ASCB questioned the criteria for this exercise arguing for the same categorization for Sweden as e.g. Germany and France.

The main arguments included the long standing history, size and functionality of the Swedish covered bond market as well as the pending legislative change addressing the access to third party financing for the cover pool in the unlikely case of issuer default. ASCB is of the opinion that the categorization of Sweden into Category 2 in the recent revised methodology is not representative for Swedish issuers' capacities to access liquidity in a distressed scenario.

ASCB would, once again, like to make reference to the arguments presented in connection with RFC as well as the pending legislative change which would further strengthen the ability to access liquidity post an issuer bankruptcy. A draft bill will be presented by the Government in the beginning of 2010 and the amendments are expected to enter into force no later than 1 July 2010.

Further information:

The ASCB's RFC comment can be found at the ASCB web page <http://www.ascb.se> together with other information relevant for understanding the characteristics of Swedish covered bonds and the domestic covered bond market.

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