

Ratings Affirmed On Two Covered Bond Programs (Feb. 4, 2010 Review)

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OVERVIEW

- Today's rating actions follow the application of our revised criteria for assessing asset-liability mismatch risk in covered bonds.
- We affirmed and removed from CreditWatch negative our ratings on two covered bond programs and the debt they issue.
- We assigned a stable outlook to the rating on Dexia Municipality Agency's covered bonds. We have assigned a negative outlook to the ratings on WestLB AG's covered bonds.

LONDON (Standard & Poor's) Feb. 4, 2010--Standard & Poor's Ratings Services today affirmed and removed from CreditWatch negative its 'AAA' credit ratings on two covered bond programs: Dexia Municipality Agency Covered Bonds Programme and WestLB AG (WestLB) public sector Pfandbrief. We also affirmed the 'A-1+' short-term ratings on WestLB's covered bonds. At the same time, we have assigned a stable outlook to the covered bonds issued under the Dexia program and a negative outlook to the covered bonds issued under the WestLB program (see ratings list below).

Today's affirmations follow the application of our new covered bond criteria (see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published Dec. 16, 2009).

Our rating actions follow a review of the most recent asset and cash flow information provided to us as well as discussions with the issuers to understand their planned issuance profile and expected levels of credit enhancement.

Following the application of our five-step criteria process, we have assessed the current asset-liability mismatch risk, the programs' categorization, the maximum potential covered bond ratings uplift, the cash flow and market value risk, and the credit enhancement provided.

We use our Covered Bond Monitor (CBM) for our quantitative analysis for both covered bond programs. The CBM is a model that uses a Monte Carlo technique to simulate different economic stress scenarios.

We have reflected the updated covered bond criteria in the new version of the CBM. In addition, we have also re-calibrated the CBM with the longer time series available for interest rates and foreign exchange rates of the various currencies included in the CBM. We used this updated version of the CBM to resolve these CreditWatch placements.

For the affirmed ratings, our assessment indicated that we believe our analysis of these factors, along with other risk factors, is commensurate with a 'AAA' rating. We have consequently affirmed our ratings on these programs and at the same time, also as part of our criteria update, have assigned a stable outlook to each series issued under the Dexia program and a negative outlook for each series issued under the WestLB program.

For program-specific details on these factors see "Global Covered Bond Characteristics And Rating Summary," published Feb. 4, 2010, to include the programs listed below.

Note that the ratings on Dexia Municipal Agency (DexMA) covered bonds factor in the issuer credit rating on Dexia Credit Local (A/Stable/A-1), to which DexMA is a core subsidiary. We use this issuer credit rating as a basis for the elevation of the ratings on DexMA's covered bonds. Under the new methodology, we calculate the maximum potential rating uplift of a covered bond program above the bank's issuer credit rating.

The stable outlook on the covered bonds issued by DexMA reflects the current amount of overcollateralization provided, its issuance plans and the impact on the target credit enhancement and ALMM. It also reflects the fact that a downgrade of the issuer credit rating would not automatically lead to a downgrade of the covered bond rating, all other things being equal.

The negative outlook on the covered bonds of WestLB AG reflects the current issuer credit rating on WestLB (BBB+/Negative/A-2). The covered bond ratings affirmed today already incorporate the maximum achievable elevation WestLB is able to attain under the new covered bond criteria. Hence, any potential downgrade of the issuer credit rating would result in a downgrade of the public sector Pfandbriefe.

CREDITWATCH RESOLUTIONS

We will generally aim to resolve the CreditWatch placements within 10 business days of receiving final credit and cash flow information and after discussions

with issuers to understand their planned issuance profile and expected levels of credit enhancement. We will likely publish our CreditWatch resolutions and assignment of outlooks weekly.

RELATED RESEARCH

- Global Covered Bond Characteristics And Rating Summary, Feb. 4, 2010
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Credit FAQ: Standard & Poor's Explains Update To Criteria For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 17, 2009

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

RATINGS LIST

Program	To	Rating	From
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RATINGS AFFIRMED AND REMOVED FROM CREDITWATCH NEGATIVE; OUTLOOK ASSIGNED

WestLB AG Public Covered Bonds (Öffentliche Pfandbriefe)	AAA/Negative		AAA/Watch Neg
	A-1+		A-1+

Dexia Municipality Agency Covered Bonds (Obligation Foncieres)	AAA/Stable		AAA/Watch Neg
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