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## Eiendomskreditt's Norwegian Mortgage Covered Bonds Assigned 'AA' Ratings; Outlook Negative

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### OVERVIEW

- We have assigned our 'AA' ratings to Norway-based Eiendomskreditt AS' covered bonds.
- The covered bonds' total rated amount is NOK2.377 billion. The cover pool's assets comprise Norwegian commercial mortgage loans.
- The negative outlook on the program mirrors the outlook on the issuer credit rating on Eiendomskreditt.
- The ratings are based on our applicable criteria, some of which are currently under review.

LONDON (Standard & Poor's) July 1, 2014--Standard & Poor's Ratings Services today assigned its 'AA' long-term credit ratings to Norway-based Eiendomskreditt AS' covered bonds.

Our ratings address the timely payment of interest and principal on the covered bonds. We have applied our covered bond methodology and assumptions in our analysis (see "Covered Bond Ratings Framework," published on June 26, 2012 on RatingsDirect).

The cover pool's assets comprise Norwegian commercial mortgage loans. The covered bonds are regulated under the Norwegian covered bond legislation, enacted in 2007, with accompanying amendments to the Financial Services Act and supplementary regulation from the Ministry of Finance. We consider that the Norwegian covered bond legal framework satisfies the relevant legal aspects of our covered bond ratings criteria, including the isolation of cover

pool assets from the risk of the issuer's insolvency. This enables us to assign ratings to covered bonds that exceed the long-term issuer credit rating (ICR) on the issuer (see "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published Sept. 13, 2013).

We have conducted a review of the bank's origination, underwriting, collection, risk monitoring, and default management procedures for its commercial mortgage cover pool assets. In our opinion, the issuer has prudent underwriting and loan management policies.

We analyze the mortgage portfolio's credit quality by applying our relevant criteria (see "Principles Of Credit Ratings," published on Feb. 16, 2011). The portfolio comprises Norwegian commercial mortgage loans, as classified by Standard & Poor's. The credit quality is in line with the assigned rating.

Under our asset-liability mismatch (ALMM) criteria, we calculate the maximum potential ratings uplift that the covered bond ratings can achieve from the long-term ICR on Eiendoms kreditt (BBB/Negative/A-2; see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published on Dec. 16, 2009). Under our criteria, we assess the ALMM risk as "low" and the program in Category 2. The level of available credit enhancement is greater than the level of credit enhancement that is commensurate with the maximum six notches of ratings uplift above the long-term ICR on Eiendoms kreditt. As such, according ALMM criteria, the covered bonds can achieve a 'AA' rating.

We consider the program to have "low" country risk, according to our nonsovereign ratings criteria (see "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on June 14, 2011). Our criteria allow a maximum uplift of six notches for a covered bond program when we rate the sovereign investment-grade. As our unsolicited long-term sovereign rating on Norway is 'AAA' and all of the underlying mortgages in the cover pool are based in Norway, country risk does not constrain our ratings on the covered bonds.

The negative outlook on the covered bonds reflects the negative outlook on Eiendoms kreditt. If we were to downgrade the issuer, we would consequently downgrade the covered bonds, all else remaining equal.

We will soon provide a new issue report detailing our analysis of the covered bond program.

#### POTENTIAL EFFECTS OF PROPOSED CRITERIA CHANGES

Our ratings are based on our applicable criteria, including those set out in the criteria articles "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published June 14, 2011, "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published on Dec. 16, 2009, and "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 26, 2012. These criteria are under review

(see "Request For Comment: Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance," published Oct. 14, 2013, and "Advance Notice Of Proposed Criteria Change For Covered Bonds," published April 29, 2014).

As a result of this review, our future criteria applicable to rating European covered bonds may differ from our current criteria. These criteria changes may affect the ratings on the mortgage covered bonds issued by Eiendomskreditt. Until such time that we adopt new criteria, we will continue to rate and surveil these covered bonds using our existing criteria (see "Related Criteria And Research").

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Covered Bond Ratings Framework: Methodology And Assumptions, June 26, 2012
- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31, 2012
- Methodology And Assumptions For Analyzing Mortgage Collateral In Danish Covered Bonds, May 2, 2012
- Global CDOs Of Pooled Structured Finance Assets: Methodology And Assumptions, Feb. 21, 2012
- Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spreads, April 24, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009

##### Related Research

- Research Update: Ratings On Norway Affirmed At 'AAA/A-1+'; Outlook Stable, May 2, 2014
- Advance Notice Of Proposed Criteria Change For Covered Bonds, April 29, 2014
- Request For Comment: Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance, Oct. 14, 2013
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process,

*Eiendomskreditt's Norwegian Mortgage Covered Bonds Assigned 'AA' Ratings; Outlook Negative*

Feb. 7, 2008

- Covered Bond Monitor: Technical Note, Feb. 14, 2006

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