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Eiendomskreditt Mortgage Covered Bond Ratings Raised On Revised Criteria; New Issuance Rated 'AA+'; Outlook Negative

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OVERVIEW

- We have reviewed our ratings on Eiendomskreditt AS' mortgage covered bonds under our revised covered bonds criteria published on Dec. 9, 2014.
- Following our review, we have raised to 'AA+' our ratings on the covered bond program and related issuances.
- At the same time, we have assigned a 'AA+' rating to a new issuance.
- The negative outlook on the program reflects our outlook on the issuer credit rating on Eiendomskreditt.

LONDON (Standard & Poor's) Feb. 10, 2015--Standard & Poor's Ratings Services said today that it has completed its review of its ratings on Norwegian issuer Eiendomskreditt AS' mortgage covered bond program by applying its revised criteria for rating covered bonds (see "Covered Bonds Criteria," published Dec. 9, 2014, on RatingsDirect). As a result, we have raised to 'AA+' from 'AA' our ratings on the covered bond program and related issuances. At the same time, we have assigned a rating of 'AA+' to a new issuance. The outlook is negative.

On publishing our revised criteria, we placed those covered bond programs that could be affected by a change in the criteria "under criteria observation" (see "Covered Bond Program And Spanish Multicedulas Ratings Placed Under Criteria Observation," published Jan. 12, 2015). Following our review, we have removed our "under criteria observation" identifier from the ratings on the covered bonds issued by Eiendomskreditt.

Under our covered bonds criteria, we organize the analytical process for rating covered bonds into four key stages:

- Performing an initial analysis of issuer-specific factors--legal and regulatory risks and operational and administrative risks--which mainly assess whether a rating on the covered bond may be higher than the rating on the issuer.
- Assessing the starting point for the rating analysis, based on the applicable resolution regimes, to determine the reference rating level (RRL).
- Determining the maximum achievable covered bond rating from an analysis of jurisdictional and cover pool-specific factors.
- Combining the results of the above and incorporating any additional factors, such as counterparty risk and country risk, to assign the final covered bond rating.

After assessing the RRL to determine a maximum achievable covered bond rating, we analyze jurisdictional and collateral support. Our assessment of the expected jurisdictional support for mortgage covered bond programs in Norway is very strong (see "Assessments For Jurisdictional Support According To Our Covered Bond Criteria," published Dec. 22, 2014). Under our covered bonds criteria, the uplift from the RRL can be up to three notches when the jurisdictional support is assessed as very strong. Under our analysis of jurisdictional support, we determine a jurisdiction-supported rating level (JRL), which is our assessment of the creditworthiness of a covered bond program once we have considered the level of jurisdictional support, but before giving credit to the amount of collateral. We give no benefit to jurisdictional support in our analysis (that is, zero incremental uplift for jurisdictional support), where the RRL is already at or above the level of the sovereign rating. In this case, the JRL is the same as the RRL.

Following the assessment of the RRL and JRL, we analyze the credit quality of the cover pool and the availability of liquidity support and committed overcollateralization to determine the maximum collateral uplift. The credit quality of the cover pool is based on information as of May 15, 2014. Liquidity support is provided by one-year extendable maturities on all covered bonds, and Eiendomskreditt has provided a public commitment on overcollateralization, available on their website.

When applicable, we cap our ratings on mortgage covered bond programs under our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria). Given the current ratings on Norway (AAA/Stable/A-1+), the maximum rating on the covered bonds is AA+ (see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published Sept. 19, 2014).

Lastly, the ratings on the program and related issuances are not constrained by legal, operational, or counterparty risks.

We are raising our issue rating on the program to 'AA+' from 'AA'. The 'AA+'

rating reflects our RRL of 'bbb' and JRL of 'a' for the program, as well as four notches of uplift for collateral support. The negative outlook on the program reflects our outlook on the issuer credit rating of Eiendomskreditt.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Covered Bonds Criteria, Dec. 9, 2014
- Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec 9, 2014
- Updated Cash Flow Assumptions For Modeling Certain Covered Bonds, Dec. 9, 2014
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- 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
- Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Cash Flow Criteria For European RMBS Transactions, Nov. 20, 2003

Related Research

- Assessments For Jurisdictional Support According To Our Covered Bond Criteria, Dec. 22, 2014
- Assessments For Target Asset Spreads According To Our Covered Bond Criteria, Dec. 22, 2014
- Global Covered Bond Characteristics And Rating Summary Q4 2014, Dec. 19, 2014
- The Eurozone Crawls Into 2015 With Weak Momentum, Dec. 4, 2014
- Request for Comment: Request For Comment: Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds, Dec 11, 2014
- 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, Feb. 7, 2008
- Covered Bond Monitor: Technical Note, Feb. 14, 2006
- Research Update: Norway 'AAA/A-1+' Ratings Affirmed On Strong Economy And Financial Standing; Outlook Stable, Oct. 31, 2014

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