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## Eiendomskreditt AS Mortgage Covered Bond Ratings Affirmed After Criteria Revision; Outlook Negative

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OVERVIEW

- We have reviewed our ratings on Eiendomskreditt AS' commercial mortgage covered bonds under our revised commercial real estate criteria published on March 31, 2015.
- Following our review, we have affirmed our ratings on the covered bonds.
- The negative outlook on our ratings reflects the outlook on the issuer.

LONDON (Standard & Poor's) Aug. 14, 2015--Standard & Poor's Ratings Services said today that it has completed its review of its credit ratings on Norway-based Eiendomskreditt AS' commercial mortgage covered bonds by applying its revised criteria for commercial real estate assets in covered bonds (see "Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds," published on March 31, 2015, on RatingsDirect). As a result, we have affirmed our 'AA+' ratings on the covered bonds. The outlook on our ratings is negative.

Upon publishing our revised criteria, we had placed our ratings on those covered bond programs that could be affected by a published change in criteria "under criteria observation" (see "Covered Bond Program And Spanish Multicedulas Ratings Placed Under Criteria Observation," published on April 30, 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 on 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.

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.

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. Given the current ratings on Norway (AAA/Stable/A-1+), the maximum rating on the covered bonds is 'AAA' (see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015).

Lastly, the ratings on the covered bonds are not constrained by legal, operational, or counterparty risks.

The 'AA+' ratings reflect our RRL of 'bbb' and JRL of 'a' for the covered bonds, as well as the coverage of 'AAA' credit risk and 100% of refinancing costs. In this case, the issuer credit rating acts as a floor for the RRL, because covered bonds in Norway are not eligible for any ratings uplift due to a bank resolution regime. Although we expect Norway will implement legislation similar to the EU's Bank Recovery and Resolution Directive (BRRD), it is not

clear how the implementation will differ, and whether this may affect our analysis. Due to these uncertainties, our analysis does not give credit to the eventual adoption of a resolution regime.

The negative outlook on our covered bond ratings reflects our negative outlook on Eiendoms kreditt.

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds, March 31, 2015
- Methodology And Assumptions For Analyzing Mortgage Collateral In Finnish And Norwegian Covered Bonds, Dec. 10, 2014
- 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
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Ratings Definitions, June 3, 2009

##### Related Research

- Credit Rating Model: Covered Bond Monitor, June 26, 2015
- Global Covered Bond Characteristics And Rating Summary Q1 2015, June 19, 2015
- Covered Bond Program And Spanish Multicedulas Ratings Placed Under Criteria Observation, April 30, 2015
- Norway 'AAA/A-1+' Ratings Affirmed On Wealthy Economy And Strong Financial Standing; Outlook Stable, April 24, 2015
- 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

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