

RatingsDirect®

Swedish Covered Bond Corp Mortgage Covered Bonds 'AAA/A-1+' Ratings Affirmed And Withdrawn At The Issuer's Request

Primary Credit Analyst:

Judit O Papp, Frankfurt (49) 69-33-999-319; judit.papp@standardandpoors.com

Secondary Contact:

Casper R Andersen, London (44) 20-7176-6757; casper.andersen@standardandpoors.com

OVERVIEW

- We have reviewed our ratings on The Swedish Covered Bond Corp.'s (SCBC's) mortgage covered bonds.
- The available credit enhancement remains commensurate with the ratings on the covered bonds.
- We are affirming our 'AAA/A-1+' ratings on the covered bond program and related series and withdrawing them at the issuer's request.
- The outlook was stable at the time of withdrawal.

FRANKFURT (Standard & Poor's) June 13, 2014--Standard & Poor's Ratings Services today affirmed its 'AAA/A-1+' long- and short-term issue credit ratings on the mortgage covered bond program and related series of covered bonds issued under the program ("Säkerställda Obligationer") issued by AB Sveriges Säkerställda Obligationer (The Swedish Covered Bond Corp.; SCBC) (not rated), following a review. On the issuer's request, we have subsequently withdrawn the ratings on the program and all related series of mortgage covered bonds. The outlook at the time of withdrawal was stable.

SCBC is a 100%-owned subsidiary of Sweden-based SBAB Bank AB (A/Negative/A-1).

The affirmation reflects our view, based on the latest information provided by SCBC on March 31, 2014, that the program's available credit enhancement is commensurate with the current ratings.

Under our criteria for rating covered bonds, the ratings on this program could be up to six notches higher than the long-term issuer credit rating (ICR) on SCBC's parent SBAB Bank. For further details see our criteria "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published Dec. 16, 2009, on Ratings Direct. However, it only takes five notches of uplift from the rating on SBAB Bank to reach the 'AAA' rating.

The maximum six-notch uplift is based, first, on our classification of SCBC's covered bond program asset liability mismatch (ALMM) as moderate. Second, as is typical of Swedish covered bond programs, we consider this program to have the ability to raise funds, either through asset sales or other borrowing or repo transactions. This puts it in Category '1' under our criteria. Among other factors, category '1' programs are issued in markets with long histories, in our view.

Furthermore, the program's available credit enhancement of 37.65% as of March 2014 is above the 22.64% Standard & Poor's target credit enhancement that we view as commensurate with a 'AAA' rating.

The outlook was stable at the time of withdrawal because adverse movements in the ICR on SBAB Bank or the ALMM measure would not automatically result in a change to the ratings on the covered bonds. This is because the program is eligible for six notches of uplift from the ICR, but it currently only takes five notches to attain a 'AAA' rating. Therefore, the rating on the issuer could be lowered by one notch, or the ALMM could increase to our "high" classification, all else remaining equal, before adversely affecting the rating on the covered bond program.

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
- Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spreads, April 24, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- Revised Assumptions For Categorizing Swedish Covered Bonds, June 11, 2010
- 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
- Criteria For Rating Swedish Covered Bonds, June 20, 2006
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003

Related research

- Advance Notice Of Proposed Criteria Change For Covered Bonds, April 29, 2014
- SBAB Bank AB, Nov 20, 2013
- Request For Comment: Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance, Oct. 14, 2013
- Proposed Swedish Mortgage Loan Amortization Plans Could Increase Covered Bonds' Asset Paydown Rates, Oct.14, 2013
- Covered Bond Monitor: Technical Note, Feb. 14, 2006

Additional Contact:

Covered Bonds Surveillance; CoveredBondSurveillance@standardandpoors.com

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.