Eiendomskreditt AS

Full Rating Report

COVERED BOND RATING

AAA

ISSUER RATINGS

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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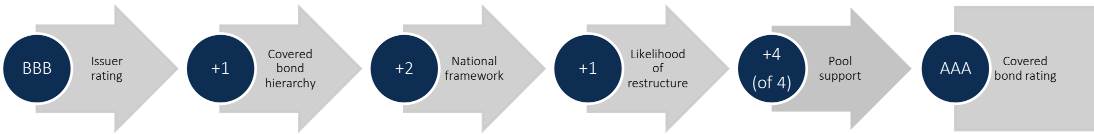
RATING RATIONALE

Our 'AAA' issue rating on covered bonds issued by Norway-based mortgage company Eiendomskreditt AS is ultimately based on our 'BBB' issuer rating on the company and its role as a commercial real estate lender and partner for small and mid-sized Norwegian banks. Our covered bond ratings are supported by our 'a+' qualitative assessment and our analysis of the potential for up to four notches of support from the cover pool, which indicates 'AAA' level support for bondholders in the unlikely event that the pool were to become a standalone entity.

Figure 1. Covered bond rating components



Given the stable outlook on the issuer rating on Eiendomskreditt we expect the covered bond ratings to remain stable. The current assessment of pool support is a maximum of four notches.

RATING STRENGTHS:

- Moderate loan-to-value (LTV) profile of commercial mortgages and geographic diversity of cover pool.
- Low historical credit losses.
- Relationship with partner banks.

COVERED BOND RATING DRIVERS:

- Increased credit risk due to higher LTV on commercial mortgages.
- Multi-notch reduction in our issuer rating on Eiendomskreditt.
- Material reduction in overcollateralisation resulting in weaker cover pool support.

Figure 2. Cover pool characteristics, Q2 2024–Q2 2025

	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Eligible cover pool assets (NOKm)	6,422	6,278	6,343	6,160	6,337
Outstanding covered bonds (NOKm)	4,950	4,787	4,717	4,757	4,655
Legal overcollateralisation (%)	29.7	31.1	34.5	29.5	36.1
Weighted-average LTV (%)	48.8	48.9	48.9	48.5	48.1
Average loan maturity (years)	3.5	4.4	4.3	3.9	3.9
Average bond maturity (years)	2.7	2.6	2.5	2.7	2.7
Average loan size (NOKm)	26.1	25.1	26.4	26.0	27.0
Commercial property share (%)	84.2	83.8	86.1	85.2	83.9
Residential rental property share (%)	15.8	16.2	13.9	14.8	16.1
>90 day past due loans (bps)	0.68	2.05	3.47	3.48	3.53
10 largest borrowers share (%)	24.6	24.9	24.3	24.4	24.0

Source: Eiendomskreditt (https://eiendomskreditt.no/investor/cover-pool/).

Figure 3. Loan per property by region (NOKbn), 30 Jun. 2025

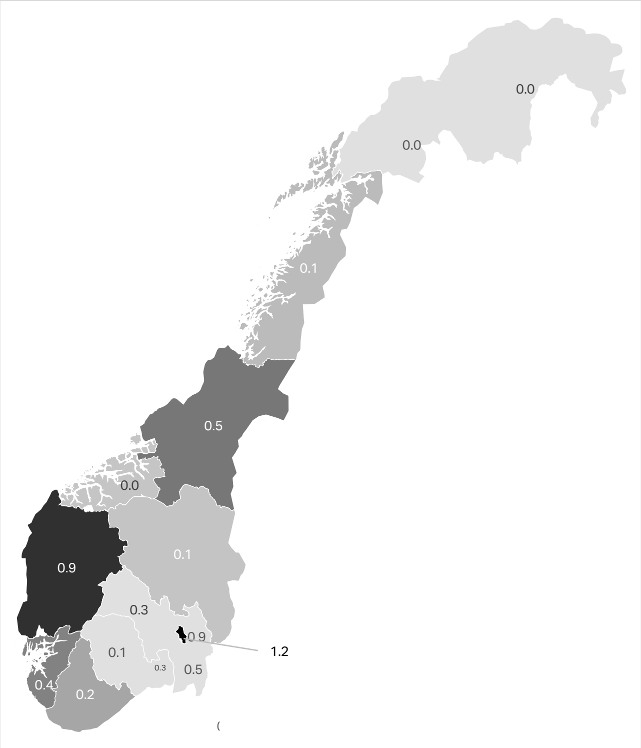


Figure 4. Weighted LTV by region (%), 30 Jun. 2025

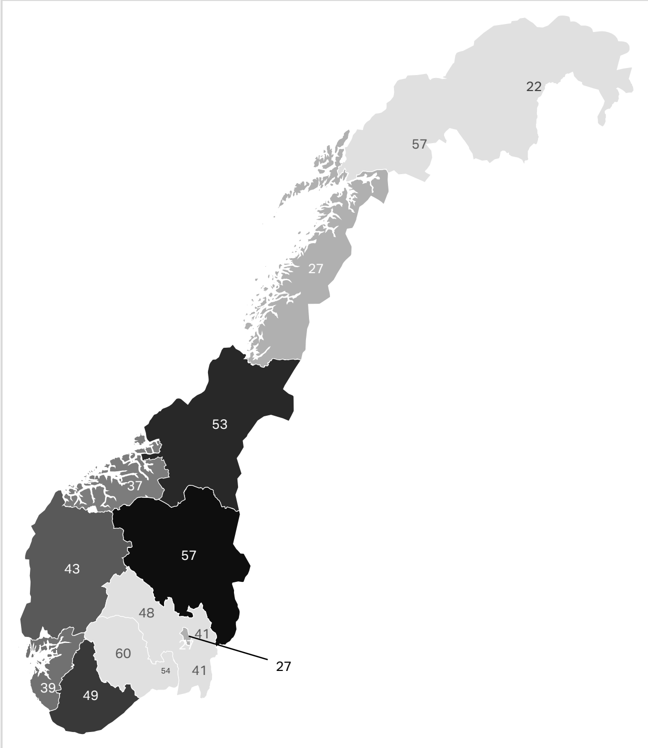


Figure 5. Average loan size per property by region (NOKm), 30 Jun. 2025

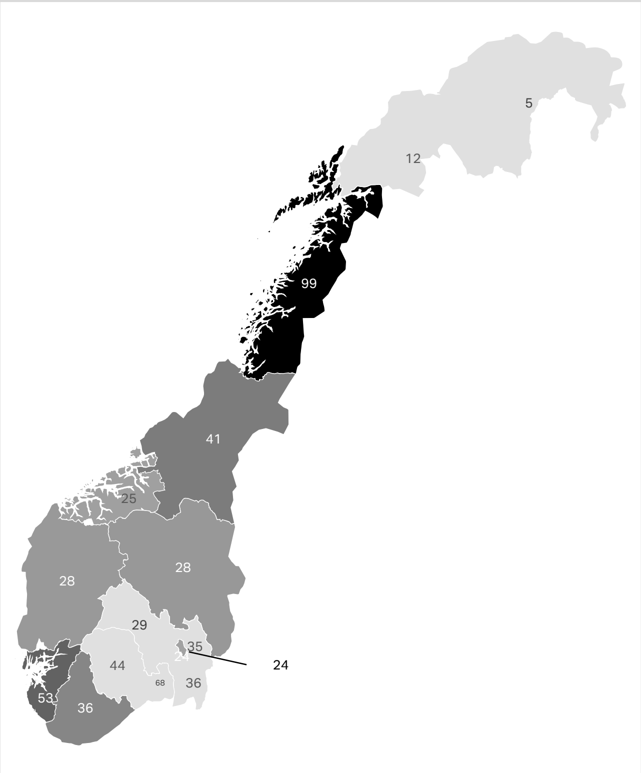
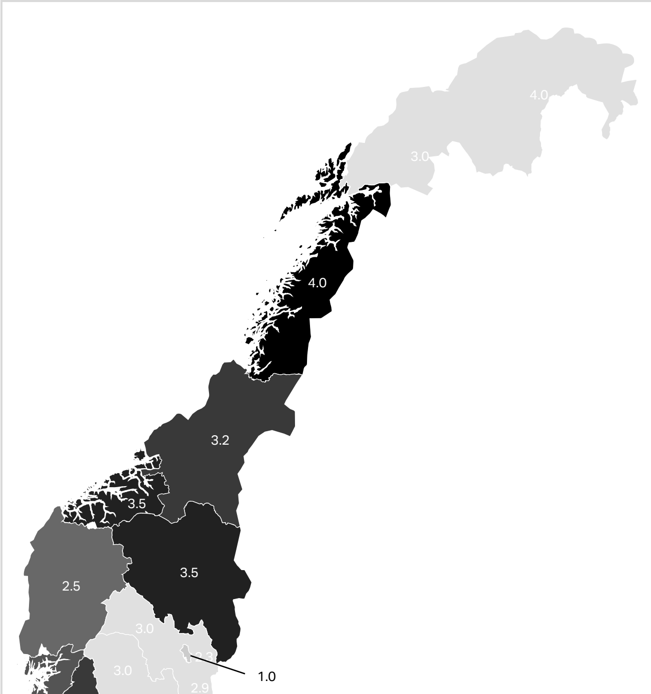


Figure 6. Average class of properties by region, 30 Jun. 2025



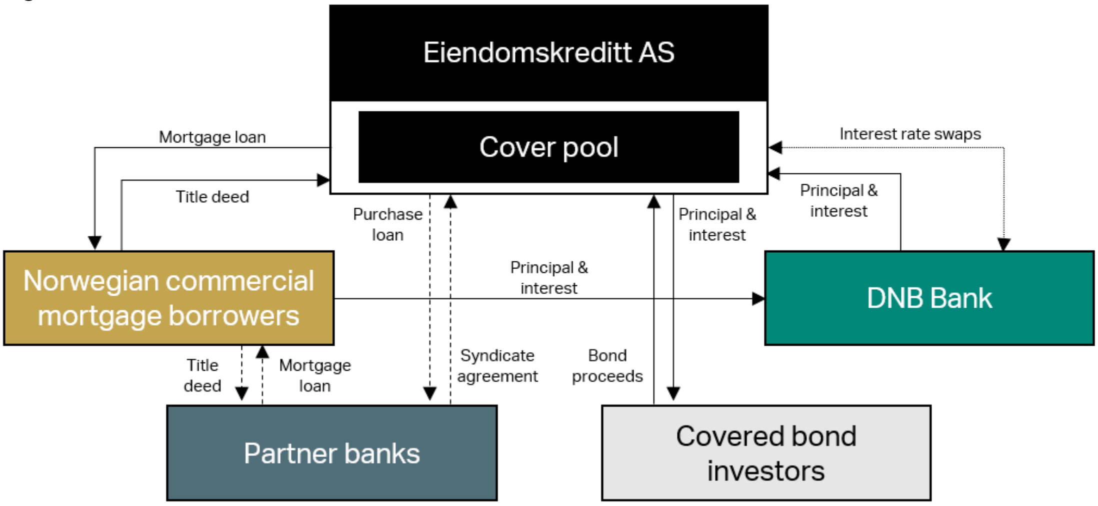
Region class is defined in Figure 12 of the Covered Bond Rating Methodology. The scale is from 1-major cities to 5-rural.

COMPANY PROFILE

Eiendomskreditt was established in 1997 and is a regulated mortgage credit institution based in Bergen, Norway. The company is a specialised mortgage provider, financing commercial real estate for SME borrowers, multi-family rental housing and housing association mortgages. The company has issued covered bonds in Norway since 2009 and received approval to issue European Covered Bond (Premium) covered bonds in 2022. As of 30 Jun. 2025, virtually all loans are included in the cover pool. Most of the financed properties are in metropolitan areas of Norway's largest regions, with Vestland, Oslo, Akershus and Rogaland accounting for nearly two-thirds of lending.

Meteva AS (Trond Mohn),R Transit AS (the Rieber family) and KLK Kreditt jointly own 60% of the company. In addition, over 60 Norwegian savings banks, Voss Veksel og Landmandsbank ASA, and Pareto Bank own over 38%. Eiendomskreditt is independent and not aligned with any Norwegian savings bank alliances, however all of these alliances are represented among the owners.

Figure 7. Covered bond structure



QUALITATIVE ASSESSMENT

Qualitative assessment

Our qualitative assessment of Eiendomskreditt's covered bonds is 'a+', reflecting the issuer rating on the company and the notches of support described below. Our qualitative assessment indicates a relatively low likelihood that the cover pool will become a standalone entity, and a high likelihood that bondholders will receive timely coupon and principal payments. However, given that the qualitative assessment does not reach the 'aaa' level, a bottom-up analysis of the cover pool was undertaken to determine the ability of the underlying assets to support timely payments and full repayment.

Issuer rating 'BBB'

The repayment capacity for covered bonds is linked to Eiendomskreditt's own credit quality. Our 'BBB' issuer rating on Eiendomskreditt reflects the company's moderate risk appetite, conservative underwriting, strong capital position, modest competitive position, and expectations of strong cost efficiency and modest loan losses. The outlook on our issuer rating on Eiendomskreditt is stable. Details of the issuer rating rationale are provided at the end of this report.

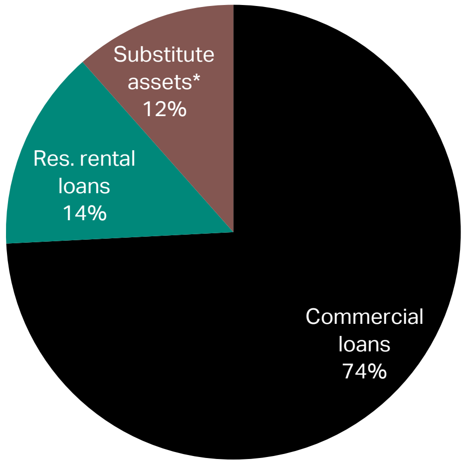
Senior unsecured issue rating in line with the issuer rating

Eiendomskreditt's liability structure consists primarily of covered bonds, which are excluded from bail-in under the EU's Bank Recovery and Resolution Directive (BRRD), effective in Norway since 1 Jan. 2019 (BRRD II since 1 Jun. 2022). As of 30 Jun. 2025, the company had four outstanding senior unsecured bonds totalling NOK 875m, as well as NOK 100m in outstanding senior unsecured commercial paper. Eiendomskreditt has exceeded its typical ratio of senior unsecured lending to outstanding covered bonds of 10–15%, with the ratio at 19% as of 30 Jun. 2024. We expect Eiendomskreditt to maintain this ratio closer to 20% to support overcollateralization of the cover pool.

We consider covered bonds to have structural priority above other liabilities, given the preferential claim of the cover pool over most the company's loan assets in the event of default. As a result, we add an additional notch of uplift to the covered bond ratings in comparison with ratings on the company's senior unsecured instruments. This reflects the BRRD's explicit definition of covered bonds as having priority claim over senior unsecured debt obligations in the default hierarchy of financial institutions.

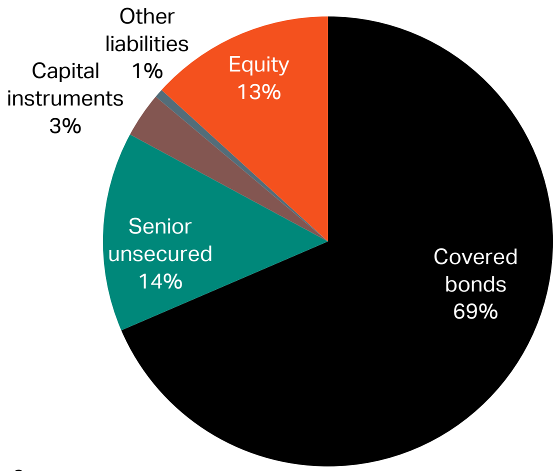
For more details on the BRRD and the creditor hierarchy in Norway, see Appendix I.

Figure 8. Loans and assets, 30 Jun. 2025



Source: company. *rental, cooperatives, and households.**53% cash and 47% bonds.

Figure 9. Liabilities and equity, 30 Jun. 2025



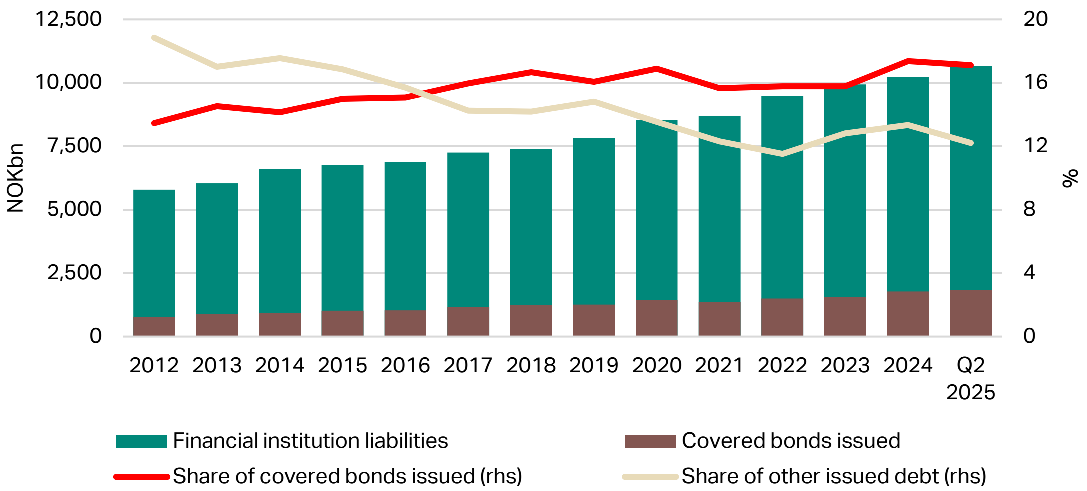
Source: company.

National regulations provide two-notch uplift to covered bond ratings

We consider the legal framework for Norwegian covered bonds as supportive of the creditworthiness of covered bonds secured by residential and commercial mortgage loans, adding an additional two notches to the rating on Eiendomskreditt's covered bonds. For more details see Appendix I.

In addition to strong national regulations, covered bonds are a significant part of the Norwegian financial fabric and constitute a material portion of domestic bank financing. The country had over NOK 1.8 trillion in outstanding covered bonds as of 30 Jun. 2025, constituting a material proportion of low-risk market assets. Covered bonds represent 17% of Norwegian monetary financial institution liabilities, making them one of the most important financing sources in the country's banking system, behind only customer deposits.

Figure 10. Norwegian financial institutions' share of liabilities by type, 2010-Mar. 2024



Source: Statistics Norway, Finance Norway

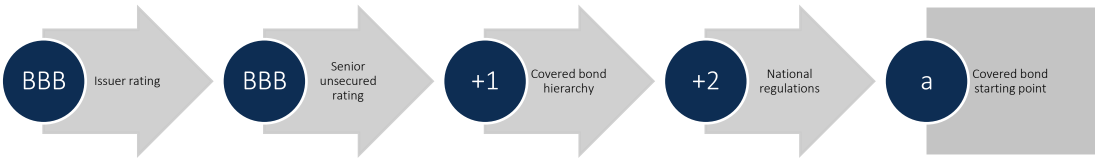
Uncertain likelihood of restructuring leads to 'a+' qualitative assessment

The possibility of resolution or restructuring is an important component in our evaluation of the likelihood of Eiendomskreditt's cover pool being run down by an administrator. In our view, we believe a restructuring could allow the cover pool to continue servicing the covered bonds as a going concern under new ownership. However, the likelihood is uncertain, resulting in only one notch of uplift.

We consider the resolution of Eiendomskreditt as unlikely given its relatively small size and niche profile. The company has not been named as a systemically important financial institution in Norway, nor has the issuer received any minimum requirement for own funds and eligible liabilities requirements from the Norwegian regulator. Neither does our assessment consider that default by Eiendomskreditt, with nearly NOK 5bn in outstanding covered bonds, would be material enough to risk the financial stability of the banking market or to negatively affect the reputation of Norwegian covered bonds among investors.

However, we consider that default by Eiendomskreditt could have financial repercussions for its partner banks. For this reason, we believe it likely that a high proportion of still-performing loans would be repatriated by partner banks with the means to finance their customers' loans on their own balance sheets. An increase in prepayments of pool loans would support the liquidity of the cover pool. After this initial effect, we believe that larger commercial or regional banks could acquire the remaining performing assets and support the cover pool as a going concern.

Figure 11. Covered bond starting point



Our evaluation of the impact of restructuring compares the implicit default frequency of the covered bond starting point with the probability of the covered bonds being protected in a restructuring. We assess the probability of restructuring as 33%, reflecting considerable uncertainty compared with an issuer with a high likelihood of resolution or a pool of residential mortgages. This results in a qualitative assessment of 'a+'.

Figure 12. Qualitative assessment based on the covered bond starting point and the probability of resolution or restructuring

COVERED BOND STARTING POINT	95%	67%	33%	0%
aaa	aaa	aaa	aaa	aaa
aa+	aaa	aaa	aaa	aa+
aa	aaa	aaa	aa+	aa
aa-	aaa	aa+	aa	aa-
a+	aaa	aa	aa-	a+
a	aaa	aa	**a+**	a
a-	aa+	aa-	a	a-

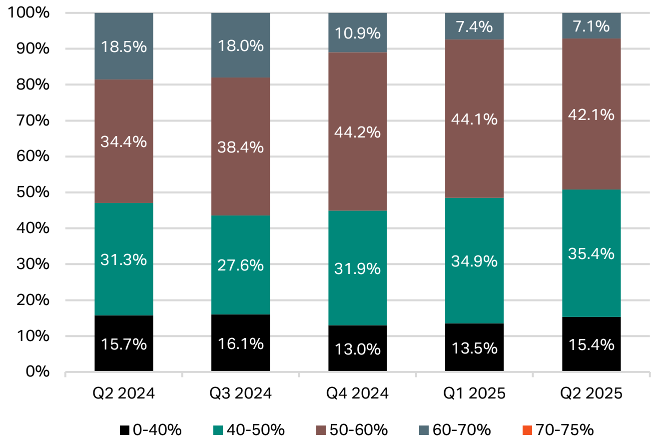
COVER POOL ANALYSIS AND STRESS TESTING

Our cover pool analysis results in four additional notches of support from the security in the cover pool, the maximum possible given the qualitative assessment of 'a+'. This results in a 'AAA' rating on Eiendomskreditt's covered bonds. We have used loan, property and borrower level details from Eiendomskreditt to analyse pool assets and conduct sensitivity analysis and credit risk stress testing on the cover pool according to our criteria. In addition, we have complemented detailed data with data available from Eiendomskreditt's quarterly covered bond summaries to stress cash flows according to the standard stress assumptions specified in our criteria.

Our stress test shows that even in our most difficult stress scenario, the cover pool assets are sufficient to cover liquidity needs for five years (see Figure 27). We have no overcollateralisation requirement in our methodology but stress pool assets to determine the ability to fulfil commitments as a standalone entity. Accordingly, overcollateralisation is a key component of an issuer's ability to repay bondholders in full in the event of a rundown.

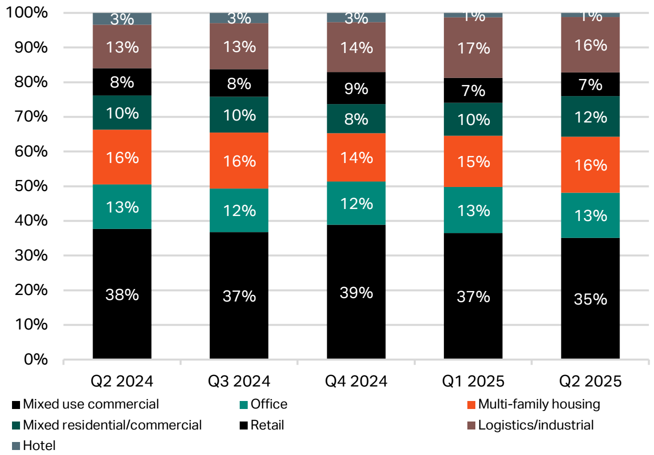
For details on our stress test approach and assumptions, see Appendix II.

Figure 13. Share of pool by whole-loan LTV, last five quarters



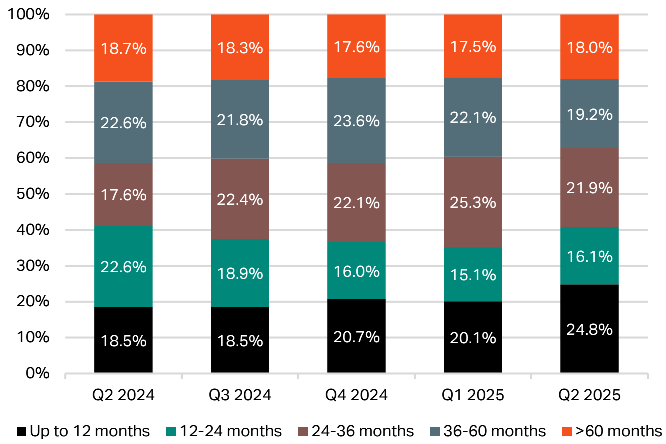
Source: company. Entire eligible loan amount in respective bucket based on borrowers' LTV.

Figure 14. Share of pool by property type, last five quarters



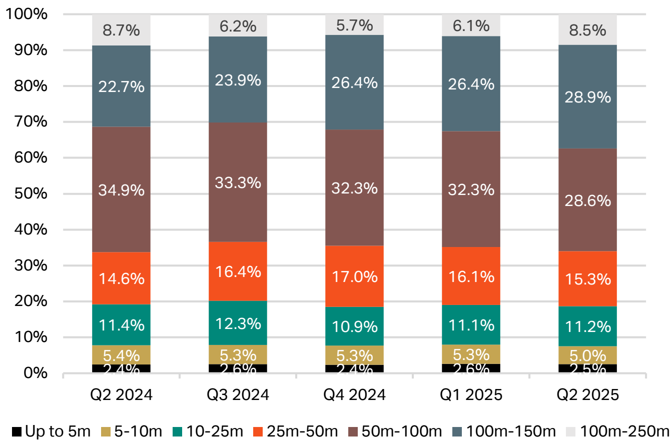
Source: company.

Figure 15. Share of pool by loan seasoning, last five quarters



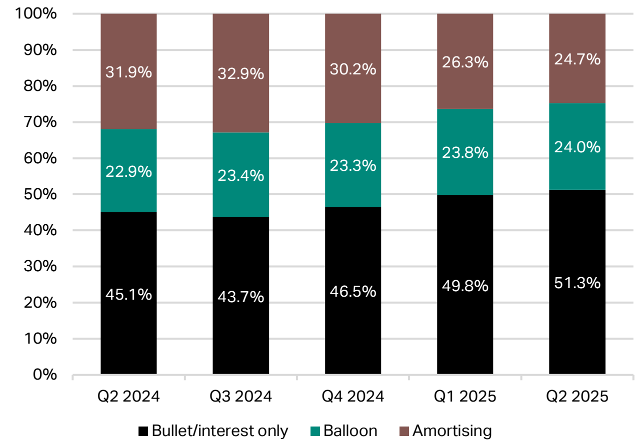
Source: company.

Figure 16. Share of pool by loan size (NOK), last five quarters



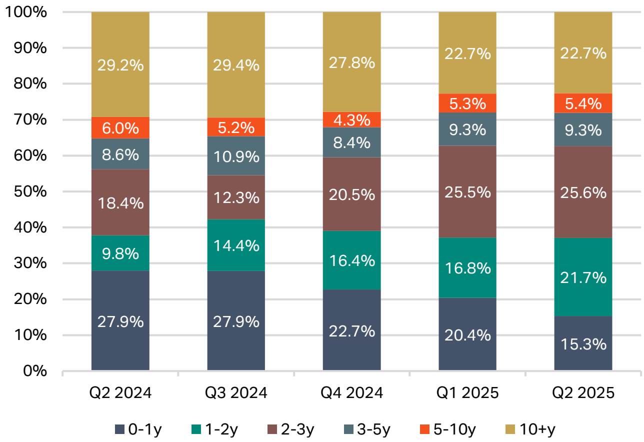
Source: company.

Figure 17. Share of pool by payment profile, last five quarters



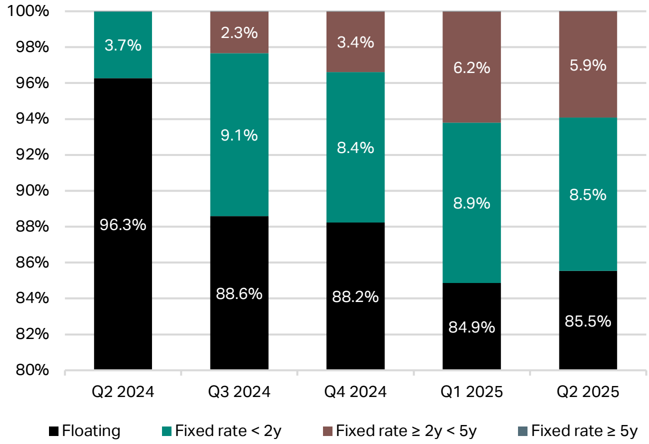
Source: company.

Figure 18. Share of pool by maturity, last five quarters



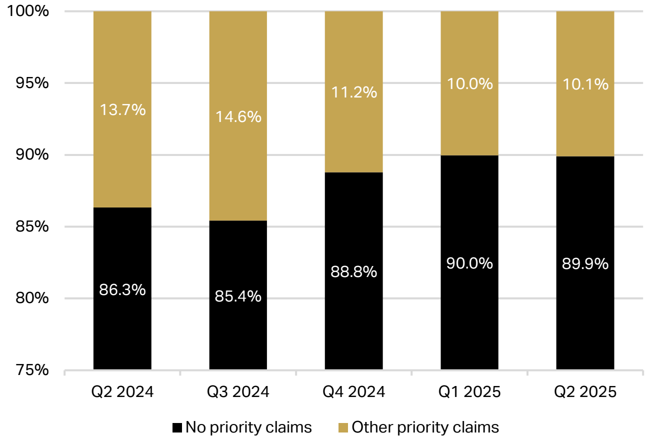
Source: company.

Figure 19. Share of pool by interest rate, last five quarters



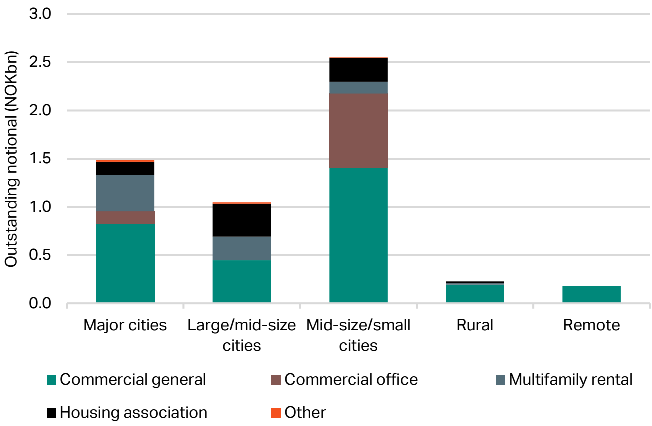
Source: company.

Figure 20. Share of pool by priority claims, last five quarters



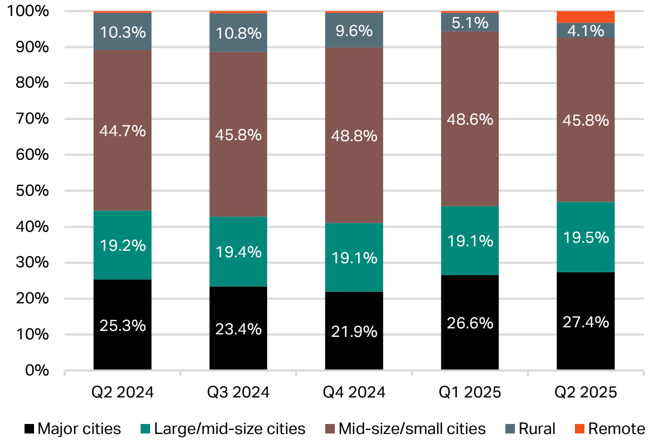
Based on cover pool data,

Figure 21. Region class and property type, 30 Sept. 2023



Based on cover pool data, NCR region definitions.

Figure 22. Region class, Q2 2024-Q2 2025



Based on cover pool data, NCR region definitions.

Average LTV has increased slightly but appears to have stabilised

The previous charts (Figures 13-22) provide an overview of the cover pool assets. As of 30 Jun. 2025, the pool comprised NOK 6.3bn in eligible commercial, housing association and multi-family housing mortgage loans, i.e. loans qualifying for overcollateralisation, LTV and loan performance requirements. This corresponds to legal overcollateralisation of 36.1%. Additionally, Eiendomskreditt held NOK 205m in non-eligible loans within the cover pool, resulting in total overcollateralisation of 40.5%. As of 30 Jun. 2025, the cover pool also included NOK 0.8bn in eligible substitute assets, split between cash held at DNB Bank and Norwegian covered bonds, both which we consider low-risk assets.

Credit risk stress tests indicate moderate reduction of downside risk

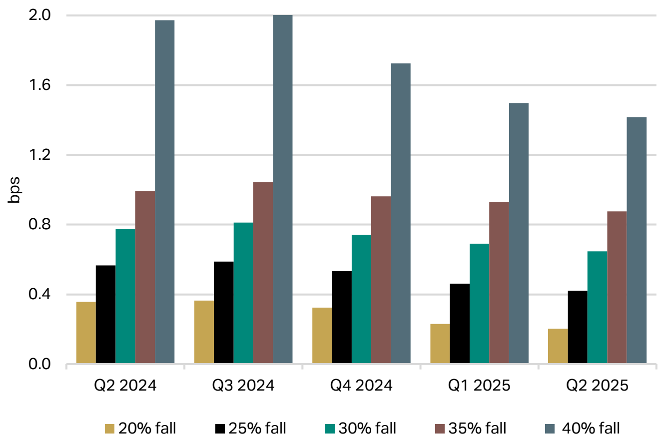
Our stress scenarios assume Norwegian commercial real estate prices being in line with their long-term trend levels (±5%). Market yields widened gradually in 2022 and 2023, but have been mostly stable since, due to stabilised interest rates and low transaction activity. As shown in Figure 13, the portfolio has shifted toward larger volumes in the lower LTV buckets, resulting in gradual improvements in stressed loss projections over the past twelve months. We expect yields, and therefore property valuations, to remain stable over the coming year.

We do not apply an additional geographic concentration adjustment to stressed losses, as the portfolio is distributed across Norway's main commercial real estate markets (Figure 3) and its geographic diversity is comparable to other Norwegian residential and commercial cover pools.

Given the low LTV profile of the loan book, Eiendomskreditt had low expected losses, even with a 40% reduction in current valuations as of 30 Jun. 2025. Stressed expected losses increased significantly over the past two years, rising to 142bps (40% stress) in the second quarter of 2025 from 46bps (45% stress) in the first quarter of 2023. Nonetheless, these levels remain modest in absolute terms, and there has been an improvement over the past year, as stressed losses declined from 197bps a year ago (also 40% stress).

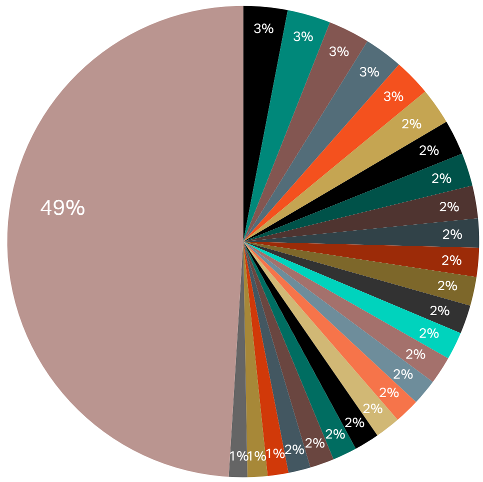
The cover pool exhibits higher single-name concentration than most Norwegian cover pools, reflecting the characteristics of commercial real estate loans compared to retail mortgages. The company's policy limits the top 10 loans to a maximum of 30% of commercial loans in the portfolio, and the top 20 loans to a maximum of 50%. The largest loan is NOK 175m with an LTV of 45%. The top 20 exposures total NOK 2.7bn, representing 47% of the cover pool, with a weighted average LTV of 51.8% as of 30 Jun. 2025. Single-name concentrations are incorporated into the property- and loan-level stress test scenarios. Our Level 5 credit risk stress test indicated a one-year credit loss of NOK 223m, equal to 4% of pool loans and 24% of Tier 1 capital as of 30 Jun. 2025 (see Figure 25).

Figure 23. Expected loss as a share of cover pool loans, based on actual portfolio composition and NCR stress test, Q2 2024-Q2 2025



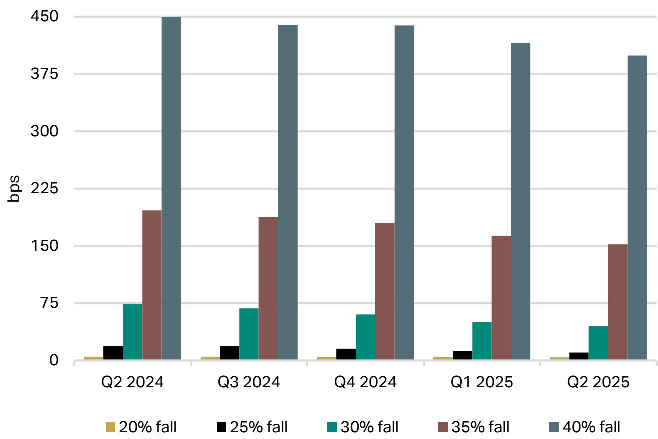
Based on NCR analysis of company data.

Figure 24. Top 25 exposures as a share of eligible cover pool loans, 30 Jun. 2025



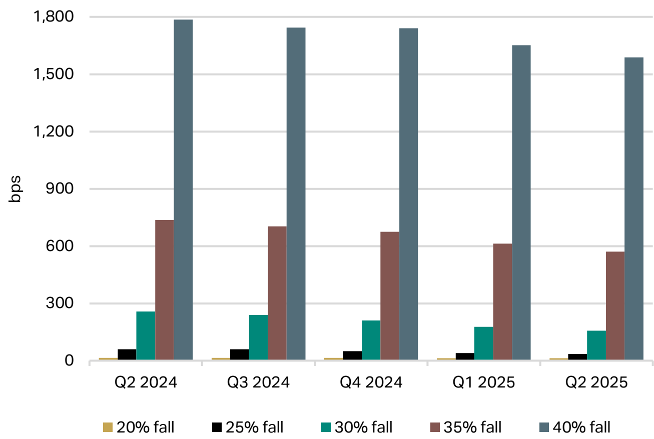
Source: company.

Figure 25. One-year credit loss as a share of cover pool loans, based on actual portfolio composition and NCR stress, Q2 2024-Q2 2025



Based on NCR analysis of company data.

Figure 26. Multi-year credit loss as a share of cover pool loans, based on actual portfolio composition and NCR stress test, Q2 2024-Q2 2025



Based on NCR analysis of company data.

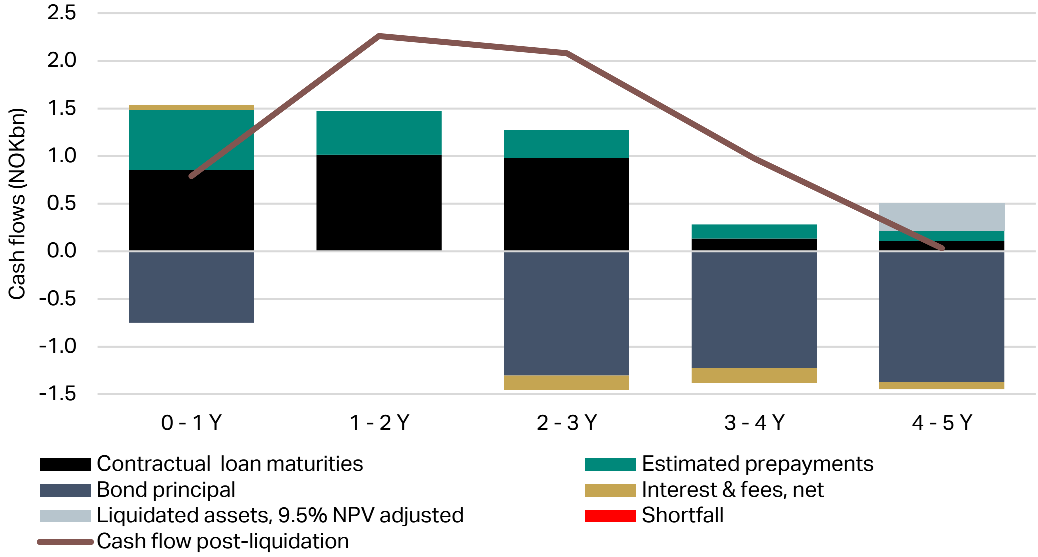
Cash flow stress test shows no shortage after five-year rundown

The stressed losses and non-performing loans are input into our cash flow stress test based on an assumption of the portfolio being run down by an administrator and outstanding bonds being repaid by selling pool assets at a discount.

Our stress analysis shows that even in our most extreme cash flow scenario (Level 5), the sale of highly discounted cover pool assets at the end of the fifth year is sufficient to repay existing bondholders (see Figure 27). The scenario assumes prepayments of 10% and repayment of performing loans at maturity. It also assumes that margins on performing loans will fall from 2.6% to 0%.

The outcome of this analysis is theoretical given the assumption that the stress is immediate and based on current assets and outstanding bonds. The stress scenario is primarily dependent on our assumptions about the severity of discount rates and the liquidation rebates on assets sold. Interest and fees have only a modest impact on our analysis of Eiendomskreditt's stressed cash flows. The fact that the cover pool now passes our Level 5 stress test, where previously it passed only passed Level 4, has no practical implications for the rating, given that the cover pool has received the maximum level of uplift (four notches).

Figure 27. Stressed cash flows in level 5 scenario, 30 Jun. 2025



Based on NCR analysis of company data. NPV-net present value

ADDITIONAL FACTORS

Counterparty risk from interest rate swaps with DNB Bank

Swaps in the cover pool serve to reduce the interest rate risk between the pool and the outstanding bonds by swapping bond interest payments to the three-month Norwegian Interbank Offered Rate. The maturity profile of the swap agreements generally reflects that of the outstanding maturities of the bonds. Eiendomskreditt's primary interest rate swap counterparty is DNB Bank, which fulfils our criteria in terms of the creditworthiness of swap counterparties. DNB Bank is also the bank account provider for Eiendomskreditt. We believe that Eiendomskreditt will actively replace deteriorating and/or defaulting derivative counterparties to support the hedging profile of the cover pool and uphold regulatory requirements and do not adjust the rating on the covered bonds despite the concentration in Eiendomskreditt's swap partners.

EIENDOMSKREDITT ISSUER RATING

Our 'BBB' long-term issuer rating on Eiendomskreditt reflects the operating environment for Norwegian commercial real estate, the company's robust capitalisation and earnings, and low historical and projected credit losses. The rating also reflects weaknesses related to the concentration of Eiendomskreditt's loan portfolio, its modest market position and its concentrated funding profile.

We expect yields in the Norwegian real estate market to remain largely stable, following a period of declining property valuations. Although lower interest rates and normalised inflation should support property managers over time, we believe sector risk is likely to remain elevated for the foreseeable future.

STABLE OUTLOOK

The outlook is stable, reflecting our view that Eiendomskreditt will maintain its selective underwriting and moderate LTV profile, thereby avoiding significant losses. We also believe that Eiendomskreditt's continued access to capital market financing will allow it to continue to support its partner banks, as demand for real estate financing is likely to increase slowly.

POSITIVE RATING DRIVERS:

- Significant improvements to credit risk diversification, via growth in the number and volume of loans;
- proven commitment to maintaining a Tier 1 ratio above 20%; and,
- maintain average annual loan loss provisions below 5bps.

NEGATIVE RATING DRIVERS:

- A material deterioration in the operating environment or a significant increase in loan loss provisions.
- A lasting reduction in the Tier 1 capital ratio to around 17%.
- Risk-adjusted pre-provision income persistently below 1.5% of the risk exposure amount (REA).

Figure 28. Key credit metrics, 2021–2027e

(%)	2021	2022	2023	2024	2025e	2026e	2027e
Net interest margin	1.8	1.9	2.2	2.3	2.2	2.1	1.9
Loan losses/net loans	0.00	0.00	0.00	0.09	0.03	0.03	0.03
Pre-provision income/REA	1.7	1.9	2.4	2.5	2.7	2.8	2.6
Cost-to-income	22.0	20.2	17.5	18.0	20.0	20.7	21.7
Return on average equity	7.6	8.0	9.3	9.5	9.5	9.5	9.4
Loan growth	7.3	4.6	1.7	0.5	8.2	10.0	10.0
CET1 ratio	14.6	16.9	16.4	16.2	19.5	18.3	17.2
Tier 1 ratio	16.1	18.6	18.0	18.0	21.6	20.3	19.0

Source: company and NCR. e–estimate. All metrics adjusted in line with NCR methodology.

RATING RATIONALE

Operating environment

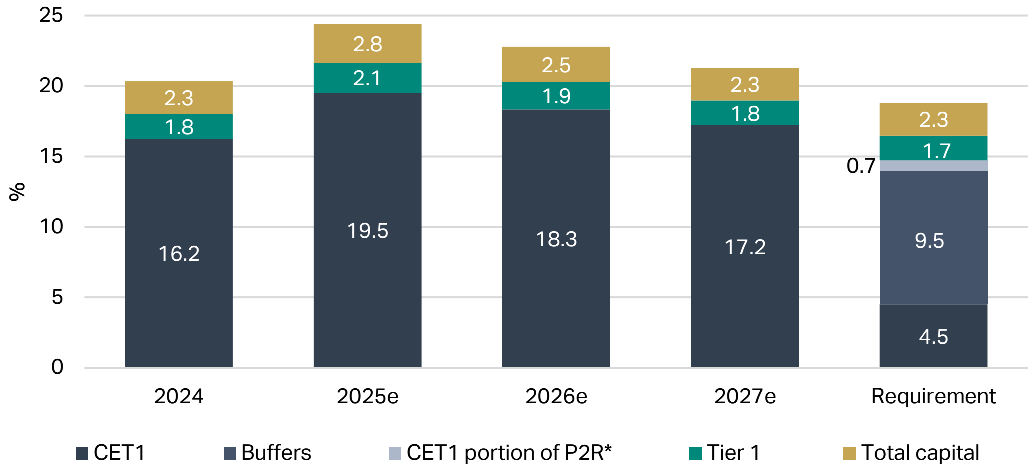
We view the Norwegian banking market as the strongest in the Nordic region given strong capital and earnings, and exceptional public finances. In our view, the risk of a deeper recession in Norway is low, but economic activity has slowed, and is likely to remain subdued into 2026.

Our assessment of the operating environment is primarily influenced by conditions in Norway's property management sector. In our view the sector continues to face elevated financial risk, though risks have stabilised compared to recent years. We believe gradual declines in interest rates and normalised inflation will benefit the sector, but we anticipate only modest increases in transaction activity over the next year. New development is likely to rise slowly, while risk levels in existing projects remain elevated. We believe there remains a clear distinction between companies that have stabilised their financial risk following recent volatility and those that continue to face challenges, with improvements for the latter expected to be gradual. We expect property valuations to remain largely stable over the coming year.

We consider risk resources to be proportionate and adequate, and view Eiendomskreditt as having a restrained risk appetite, despite its focus on a somewhat higher risk segment relative to more traditional banks. The company operates a simple business model with a small portfolio of outstanding loans and borrowers. It conducts its own assessment of money laundering risk associated with customers, including loans distributed by partner banks or transaction managers. With just over 10 employees, key person risk is significant. However, management is experienced, and the board includes current and former executives from Norwegian savings banks, as well as other senior professionals with legal and advisory backgrounds. Cooperation with Kredittforeningen for Sparebanker, with which the company shares offices, provides access to additional and flexible resources.

Eiendomskreditt's capital ratios improved by approximately 5pp following the implementation of the EU's Capital Requirements Regulation III (CRR3). As of 30 Jun. 2025, its CET1 ratio was 21.5% and its Tier 1 ratio was 23.9%, compared with regulatory requirements of 14.7% and 16.5%, respectively. Eiendomskreditt has a relatively low Pillar 2 requirement for a Norwegian niche bank (1.3%) in effect since Mar. 2018. We believe this could increase in the next review, bringing it closer to peers' requirements. We expect Eiendomskreditt to accelerate loan growth in the second half of 2025 and in 2026–2027, resulting in a Tier 1 ratio of 19% in 2027, assuming a dividend payout ratio of 70%. If regulatory requirements increase significantly, we believe the company would likely adjust growth and/or dividends to maintain an adequate buffer.

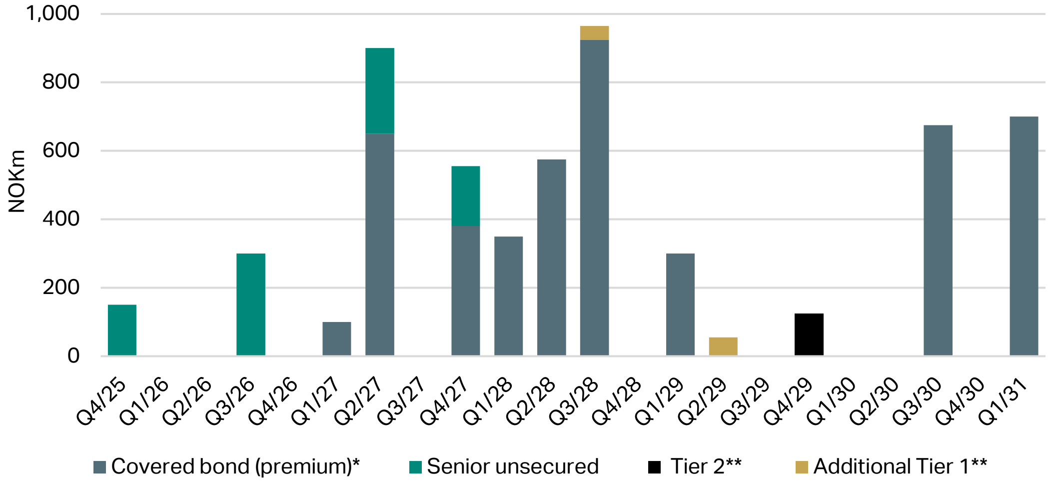
Figure 29. Capital ratios 2024–2027e, capital requirement as of Q2 2025



Source: company. e-estimate. *total pillar 2 requirement (P2R) of 1.3%

We view covered bonds as a stable funding source in the Nordic market and note that Eiendomskreditt's green covered bonds may broaden its investor base. Tap issuance, early buybacks and Norway's history of supporting covered bond market liquidity contribute to overall liquidity for all domestic issuers. However, Eiendomskreditt is one of the smallest issuers in Norway, representing about 0.3% of outstanding bonds, and is one of only two issuers issuing covered bonds backed primarily by commercial real estate. As a result, the company may face greater refinancing challenges during periods of market stress compared to other Norwegian covered bond issuers. Nevertheless, Eiendomskreditt has demonstrated its ability to access the market in more volatile periods in recent years, both for covered bonds and supplementary funding through senior unsecured issuance. The company issues senior unsecured bonds to finance additional collateral and liquid assets required to maintain regulatory funding and liquidity ratios, increasing its reliance on functioning capital markets. All outstanding bonds are denominated in Norwegian kroner, matching the underlying assets.

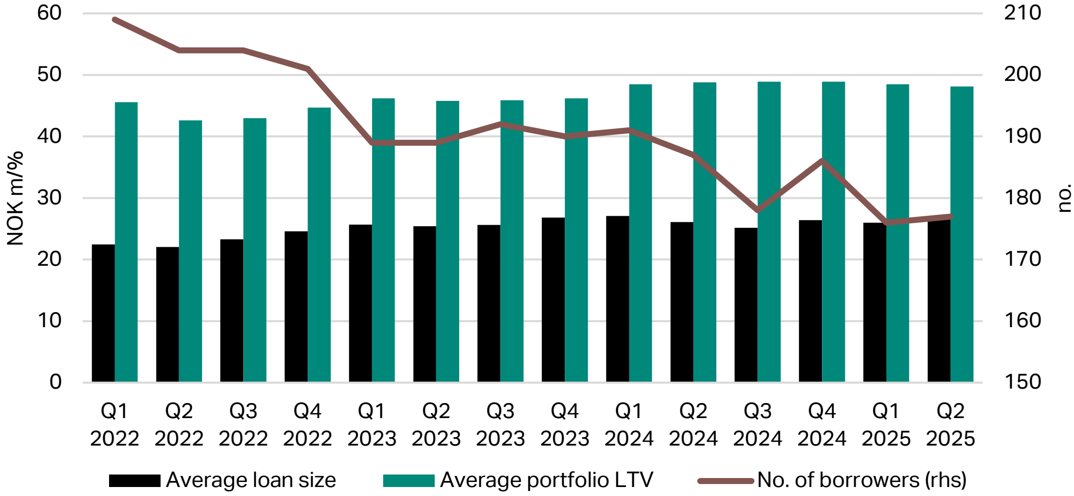
Figure 30. Debt maturity profile, 30 Jun. 2025



Source: company. *extended maturity where applicable. **first call date.

Eiendomskreditt has material concentrations in its credit risk profile due to the size of the loan book and its role as a commercial real estate lender. As of 30 Jun. 2025, the cover pool consisted of 214 loans to 177 borrowers, highlighting the small scale of the operation compared with those of other mortgage institutions in Norway. These concentrations are largely captured in our stress testing of the portfolio, which points to strong resilience in the loan book in all but the most dramatic scenarios. Concentrations have increased in recent years, and we expect the company to focus on limiting them. Eiendomskreditt also take into consideration transition and physical risk associated with all new loans, and is working with Norwegian company Eiendomsverdi AS to understand the inherent exposure to climate-related risk more fully given its real estate lending profile.

Figure 31. Loan book details, Q1 2022-Q2 2025



Source: company. Based on cover pool eligible loans.

The geographic spread of the portfolio covers the whole country, with many borrowers and properties located in major cities and centres of economic activity. The weighted LTV based on indexed property values was 48.1% as of 30 Jun. 2025, down slightly from a peak of 48.9% at year-end 2024. Eiendomskreditt extends loans through three primary channels; in-house, via partner banks, or via transaction managers. While demand has been weak over the past two years, we expect it to pick up slowly, and consider Eiendomskreditt's flexible origination channels as supportive of growth.

Competitive position

Eiendomskreditt began issuing covered bonds for its partner banks in 2009, establishing its role as an alternative financier of partner banks' customer loans as well as its own originated loans. The company is not part of any of Norway's banking alliances, but has owner banks from all the alliances. However, the company is a minor financial institution in domestic terms and has negligible income outside of net interest income from mortgage lending. In addition, it aims to use green loan financing to improve its attractiveness to partner banks and customers.

Performance indicators

Eiendomskreditt's earnings are robust, supported by its small operational scale and cost sharing with Kredittforeningen for Sparebanker. In recent years, higher interest rates have contributed to stronger earnings. We expect lower rates and increased margin pressure from competition willreduce interest margins over the forecast period. Additionally, Eiendomskreditt's strategic growth initiatives are projected to raise the cost-to-income ratio above 20% through 2027. Nonetheless, we expect earnings to remain strong.

Eiendomskreditt has a track record of low credit losses, despite maintaining loss reserves for Stage 1 performing loans and reporting volatile net non-performing loans since adopting IFRS 9 in 2020. Elevated risk in the real estate sector is reflected in Eiendomskreditt's increased share of net Stage 3 lending, which rose to 3.7% as of 30 Jun. 2025 from 3.5% at year-end. However, the company reported minimal loss provisions during this period and has incurred virtually no realised losses through its history. We expect Stage 3 lending to decline gradually as recovery may take some time, but anticipate minimal, if any, related losses.

ESG factors

Environmental, social and governance (ESG) factors are considered throughout our analysis where material to the credit assessment. On aggregate, we view Eiendomskreditt's ESG profile as having a neutral impact on its creditworthiness. The company's activities include the provision of green financing for green loans to partner banks and direct customers.

Figure 32. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Sustainable/green bond framework	Diversity of funding sources, access to additional markets and investors.	Funding & liquidity (+)
Physical climate risk to collateral	Climate-related damage to real-estate collateral (closely linked to supervision of insurance). Longer-term term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0) Risk governance (0)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient control of customers, given the relatively high risk in the construction sector and Eiendomskreditt's limited size.	Risk governance (-)
Control of sustainability issues	Credibility of green bond framework depends on rigour of application and allocation/impact reporting.	Risk governance (0)

*Defined according to a 5-step scale ranging from double minus (--) to double plus (++), with (--) representing the most negative impact and (++) the most positive.

Ownership support

Eiendomskreditt is owned by Meteva AS and R Transit AS, with a 20% and 30% stake respectively, after Meteva AS sold a 10% stake to Bergen-based KLK Kreditt. In addition, over 60 Norwegian savings banks, Voss Veksel og Landmandsbank ASA and Pareto Bank own over 38%, with other private investors owning less than 2%. We note that R Transit would require regulatory approval to increase their ownership shares above 30% and consider this an obstacle to additional capital support.

Issue and short-term ratings

Our rating on Eiendomskreditt's senior unsecured instruments is in line with the 'BBB' issuer rating. The bank has an outstanding tier 2 instrument and two additional tier 1 instruments, which we rate two and four notches below the issuer rating, respectively. Consequently, the tier 2 instrument is rated 'BB+', while the tier 1 instruments are rated 'BB-'.

The short-term rating is 'N3', in line with our definition for the long-term rating level ('BBB').

METHODOLOGIES USED

(i) Financial Institutions Rating Methodology, 12 May 2025.
(ii) Rating Principles, 14 Feb. 2024.
(iii) Group and Government Support Rating Methodology, 14 Feb. 2024.

RELEVANT RESEARCH

(i) Nordic niche banks; building a foundation for growth, 4 Sep. 2025
(ii) Swedish savings banks steadfast amid increasing headwinds, 6 May 2025.
(iii) Lower interest margin will lead to a drop in profitability for Norwegian savings banks, 20 Jan. 2025.
(iv) NCR Comments: Norway moves to adopt new standardised approach to capital requirements, 6 Dec. 2024.
(v) Norwegian savings banks' capitalization boosted by CRR3, 26 Jun. 2024.

Appendix I: Norwegian regulation

BRRD and creditor hierarchy

Following Norway's adoption of the BRRD, the creditor hierarchy for Norwegian banks is as follows:

1. Secured or collateralised obligations, including covered bonds.
2. Guaranteed deposits.
3. Unguaranteed household and SME deposits.
4. Senior preferred debt and wholesale and institutional deposits.
5. Senior non-preferred debt.
6. Subordinated debt.
7. Tier 2 capital instruments.
8. Additional Tier 1 instruments.
9. Equity.

The directive also limits the potential for bail-in of covered bonds in instances in which covered bond liabilities exceed eligible cover pool assets. The Norwegian regulator uses independent oversight of the cover pool register to ensure that liabilities never exceed the value of pool assets.

Norwegian covered bond regulation

Norwegian covered bond legislation was introduced in 2007 and the law is governed by the Norwegian Financial Institutions Act (*Lov om finansforetak og finanskonsern)* and related regulation (*Forskrift om finansforetak og finanskonsern*). On 8 Jul. 2022 Norway implemented its version of the EU's updated covered bond directive.

The Norwegian Covered Bonds Issuance Act ensures:

- the bankruptcy remoteness of the cover pool and the maintenance of an accurate register of pool assets, including derivative agreements;
- covered bond investors' preferential claim to pool assets;
- covered bond investors' pari passu claim with other senior creditors to additional assets;
- independent monitoring of the cover pool appointed by the Norwegian Financial Supervisory Authority;
- a liquidity buffer requirement covering 180 days of net outflows using extended maturity dates for extendable maturity (soft bullet) bonds;
- soft bullet bonds are only extended if approved by the Norwegian regulator to avoid insolvency;
- acceptance of lower-rated derivative counterparties, where necessary, to avoid counterparty concentrations;
- separate bank accounts for pool-related transactions; and
- the national administrator's authority to borrow and issue derivatives, as well as sell assets, if necessary, to maintain a balance between incoming and outgoing cash flows.

In addition, the law sets out the following conditions for cover pool assets:

- property exposures should be located in Norway or other states of the European Economic Area;
- maximum LTV of 80% for residential mortgages and 60% for holiday properties included as eligible security;
- maximum LTV of 60% for commercial and agricultural mortgages included as eligible security, which can be increased to 70% if overcollateralisation in the cover pool exceeds 10% (Agricultural mortgages are defined as either primarily residential or commercial);
- maximum of 5% single-name concentration in the cover pool;
- the amount of additional liquid security that can be pledged in the cover pool is 20%; and
- the nominal value of eligible pool assets must exceed bond liabilities by 5%, i.e. overcollateralisation of 5%.

Appendix II: Stress test details

Our standalone stress testing of the cover pool assumes that all forms of external support for the pool are exhausted and that only the underlying assets can provide enough liquidity to make coupon and principal payments. The stress test was conducted based on cover pool details as of 30 Jun. 2025. This analysis begins with the assumption that the issuer and/or banking group is being liquidated and administrators have committed to winding down the pool and selling necessary assets at a discount to ensure investors receive timely payment. For more details of the stress assumptions, see *Appendix 1: Analysing the Cover Pool* in our *Covered Bond Rating Methodology*, 14 Feb. 2024.

For each scenario, if the modelled cash flows demonstrate that the existing cover pool assets can generate enough liquidity to repay outstanding covered bonds then a notch of cover pool support is added to the qualitative assessment, up to a maximum of 'aaa'. This is measured by comparing the existing overcollateralisation with the modelled interest cash flows and cover pool liquidation proceeds to make coupon and principal payments and the modelled default rates for mortgages and other cover pool assets.

We conduct credit risk and cash flow stress testing on the cover pool assets with five increasingly difficult stress scenarios – Level 1 to Level 5 – with Level 5 being the most severe. Where the qualitative assessment is below 'aaa', the varying levels of stress can determine whether additional credit support is available from pool assets and reflected in additional notches in the covered bond ratings. For Eiendomskreditt, with a qualitative assessment of 'a+', the potential exists for up to four notches of support based on the pool analysis.

Segment differences

Commercial and multi-family rental housing carries the default risk of the property owner and their ability to service their loans. Ability to service debt is also dependent on maintaining low vacancies and stable rental income. The strength and available alternatives in the local rental market and attractiveness of the underlying asset therefore play a large role in the default risk for these types of loans. Eiendomskreditt allows a maximum 55% LTV for commercial properties and a 60% LTV for multi-family housing properties. In terms of expected losses (see Figure 33), we assume that the one-year probability of default of these exposures is 1.8% ('BB' according to our rating principles).

We view housing association loans as carrying similar default risk to residential mortgages, but with a higher concentration given the higher average loan sizes. Housing cooperatives in Norway can increase fees to tenant owners and own the physical collateral. In addition, the risk of vacancy or unpaid rent is minimal for housing associations once all tenant rights are sold. When housing associations default, the building is sold to a new owner, forcing the tenant owners to become renters and lose their own ownership rights. Eiendomskreditt allows a maximum 65% LTV for housing association properties. In terms of expected losses, we assume that the one-year probability of default for housing association loans is 0.2% ('BBB' according to our rating principles).

According to our criteria, the current price level results in property value stresses as described below. We expect commercial properties to have a higher probability of default and price correction than housing associations. In addition, we adjust stressed valuations based on the basis of our definition of the region class of the specific property.

Figure 33. Standard asset quality assumptions used in credit risk stress testing (%)

	Housing association probability of default*	Housing association price fall	Commercial property probability of default* (3x)	Commercial property price fall (1.25x)
Level 1	4	20	12	25.00
Level 2	5.2	25	15.7	31.25
Level 3	6.9	30	20.6	37.50
Level 4	9	35	27	43.75
Level 5	11.8	40	35.4	50.00

*Half of instances of default are assumed to result in an executive auction at discounted prices.

Figure 34. Eiendomskreditt key financial data, 2021–Q2 2025 YTD

Key credit metrics (%)	FY 2021	FY 2022	FY 2023	FY 2024	Q2 2025 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	92.1	96.0	95.6	93.4	89.2
Net fee income to op. revenue	4.3	4.4	3.5	3.6	4.1
Net gains and losses/operating revenue	3.3	-0.4	0.9	2.9	0.4
Net other income to op. revenue	0.3	0.0		0.2	6.4
EARNINGS					
Net interest income to financial assets	1.8	1.9	2.2	2.3	2.2
Net interest income to net loans	2.1	2.2	2.5	2.6	2.6
Pre-provision income to REA	1.7	1.9	2.4	2.5	3.0
Core pre-provision income to REA (NII & NF&C)	1.6	1.9	2.4	2.4	2.7
Return on ordinary equity	8.3	8.8	10.1	10.4	10.4
Return on assets	1.1	1.2	1.4	1.5	1.4
Cost-to-income ratio	22.0	20.2	17.5	18.0	17.5
Core cost-to-income ratio (NII & NF&C)	22.8	20.2	17.6	18.5	18.8
CAPITAL					
CET1 ratio	14.6	16.9	16.4	16.2	21.5
Tier 1 ratio	16.1	18.6	18.0	18.0	23.9
Capital ratio	18.3	21.1	20.3	20.3	27.1
REA to assets	88.8	76.5	79.9	79.0	58.4
Dividend payout ratio	49.8	49.8	70.0	99.2	90.8
Leverage ratio	14.1	14.1	14.2	14.2	13.9
GROWTH					
Asset growth	7.1	2.9	1.2	1.4	-0.4
Loan growth	7.3	4.6	1.7	0.5	-1.8
Deposit growth					
LOSS PERFORMANCE					
Credit provisions to net loans		0.00	0.00	0.09	0.01
Stage 3 coverage ratio	0.67	3.21	1.14	0.92	1.08
Stage 3 loans to gross loans	0.35	0.93	3.27	3.57	3.70
Net stage 3 loans to net loans	0.35	0.90	3.24	3.54	3.66
Net stage 3 loans/ordinary equity	2.18	5.67	20.07	22.20	23.67
FUNDING & LIQUIDITY					
Loan to deposit ratio					
Liquid assets to deposit ratio					
Net stable funding ratio	105.6	116.2	117.0	124.0	126.0
Liquidity coverage ratio	209.7	130.3	112.0	1943.0	5806.0

Key financials (NOKm)	FY 2021	FY 2022	FY 2023	FY 2024	Q2 2025 YTD
BALANCE SHEET					
Total assets	6,454	6,644	6,726	6,817	6,793
Total tangible assets	6,454	6,644	6,725	6,817	6,792
Total financial assets	6,443	6,631	6,700	6,796	6,770
Net loans and advances to customers	5,544	5,797	5,893	5,925	5,817
Total securities	561	506	528	401	575
Customer deposits	–	–	–	–	–
Issued securities	5,441	5,583	5,638	5,727	5,773
of which other senior debt	5,316	5,458	5,512	5,601	5,647
of which subordinated debt	125	125	125	126	126
Total equity	964	1,002	1,035	1,041	995
of which ordinary equity	879	917	950	946	900
CAPITAL					
Common equity tier 1	837	861	883	875	854
Tier 1	922	946	968	970	949
Total capital	1,047	1,071	1,093	1,095	1,074
REA	5,733	5,083	5,376	5,387	3,967
INCOME STATEMENT					
Operating revenues	121	131	154	163	84
Pre-provision operating profit	94	104	127	134	69
Impairments	0	0	3	5	6
Net Income	72	79	94	99	48

Source: company. FY–full year. YTD–year to date.

Figure 35. Eiendomskreditt rating scorecard

Subfactors	Impact	Score
National banking environment	10.0%	a
Sector exposure assessment	10.0%	bbb-
Regional assessment	-	-
Cross border assessment	-	-
National factors	-	-
Regional, cross border, sector	-	-
Operating environment	20.0%	bbb+
Risk governance	7.5%	bbb-
Capital	17.5%	a-
Funding and liquidity	15.0%	bbb
Credit and market risk	10.0%	bb+
Credit risk	-	-
Market risk	-	-
Other risks	-	-
Risk appetite	50.0%	bbb
Competitive position	15.0%	bb
Earnings	7.5%	a+
Loss performance	7.5%	bbb
Performance indicators	15.0%	a-
Indicative credit assessment		**bbb**
Peer comparison		Neutral
Transitions		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb**
Ownership		Neutral
Capital structure protection		Neutral
Rating caps		Neutral
Material credit enhancement		-
Issuer rating		**BBB**
Outlook		Stable
Short-term rating		**N3**

Figure 36. Capital structure ratings

Seniority	Rating
Covered bond	AAA
Senior unsecured	BBB
Tier 2	BB+
Additional Tier 1	BB-

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