

Research Update:

Eiendomskreditt AS Affirmed At 'BBB-/A-3' Amid Tentative Recovery In Commercial Real Estate; Outlook Stable

February 20, 2026

Overview

- We expect Eiendomskreditt AS will continue generating solid earnings through 2027 despite its concentration of lending in the Norwegian commercial real estate (CRE) market.
- Despite growth ambitions, we anticipate the bank's prudent approach to risk taking will continue to keep the cost of risk contained, although we forecast nonperforming loans (NPLs) to persist at higher-than-historical levels.
- We affirmed our 'BBB-/A-3' long- and short-term issuer credit ratings on Eiendomskreditt.
- The stable outlook reflects our view that the bank will continue to have a niche position in the Norwegian banking business despite increased competition, and that its capitalization will not deteriorate as it targets higher lending growth.

Rating Action

On Feb. 20, 2026, S&P Global Ratings affirmed its 'BBB-/A-3' long- and short-term issuer credit ratings on Eiendomskreditt AS. The outlook remains stable.

Rationale

Eiendomskreditt is adapting to the new operating environment after updated regulatory capital requirements. The bank, formed in 1997, was originally set up as a platform to facilitate residential and commercial mortgage loans for Norwegian savings banks, and has in recent years expanded its partnerships to include commercial banks and also grown its own in-house lending. In turn, the bank has provided access to its covered bond program. In 2025, updated regulatory capital requirements, specifically the implementation of CRR3 Basel IV, improved Eiendomskreditt's regulatory capital position. The bank's common equity Tier 1 (CET1) ratio increased to 19.8% at year-end 2025 from 16.25% at year-end 2024, on a decline in average risk weights to about 58% from about 82%, underpinned by its focus on robust levels of

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collateralization. This has also strengthened the capital positions of smaller savings banks, potentially reducing their dependence on Eiendomskreditt, and could spur increased competition for CRE lending.

Ambitious growth targets could stall given this backdrop. Owing to the evolving landscape, in first-quarter 2025, an owner bank repatriated about Norwegian krone (NOK) 300 million of loans. Despite this, Eiendomskreditt's new management team has delivered lending growth of 12.2% for the year in 2025, which led to total assets of NOK7.7 billion (€685 million) as of year-end 2025. The bank is also targeting above-market lending growth to support its forecast stable return on equity of 10%-11%. We forecast lending growth of 8%-9% in 2026 and 5%-6% a year over 2027-2028. Although stabilizing office vacancies and yields, coupled with the expectations of easing financing conditions, could lead to an improving climate for real estate assets, the expansion strategy carries execution risks. Smaller banks that have previously relied on Eiendomskreditt for funding could rely less on its intermediary services and the competition for business could inhibit the bank's volume growth.

Conservative risk management underpins our view of the bank's risk profile. Despite the higher financing costs over the past two years, which reduced CRE transaction volumes and pressured asset valuations, sizable risk costs have not materialized for Eiendomskreditt. The cost of risk peaked at 9 basis points (bps) in 2024 and subsided to 2 bps for 2025; we forecast new loan loss provisions will be up to 5 bps over the next two years as conditions slowly improve. This is well below our estimate of through-the-cycle credit losses for CRE lending in Norway. Nevertheless, the local focus, small size, sector concentration, and considerable single-name exposure remain inherent risks for the bank. NPLs reached 5.1% of gross lending in third-quarter 2025 but eased to 3.1% by year-end, and we forecast they will remain near 2%-3% as Eiendomskreditt works to improve the exposures' cash flow profile. Management is expected to remain committed to conservative underwriting standards during the bank's expansion phase.

We forecast the bank's very strong capitalization to offset some of these risks. We forecast Eiendomskreditt's S&P Global Ratings risk-adjusted capital ratio will decline but remain robust, at 18%-19% over the next two years from 23.8% at year-end 2024. Our forecast assumes risk-weighted asset growth of 6%-8% a year and a 100% dividend payout of net profits for 2025-2026. We expect dividends will normalize near 50%-70% in 2027-2028. Management has also committed to maintaining the CET1 ratio above 16%, in addition to the leverage ratio above 10%, which supports our medium-term forecast. Recent changes to Norwegian bank ownership rules resulted in R Transit AS, representing the Reiber family's interests, increasing its shareholding to 50% from 30% in first-quarter 2026. R Transit, a stable investor since 2017, and KLK Kreditt (10%), alongside a group of 46 banks (40%), continue to hold significant stakes. We don't think that recent changes in the ownership structure will affect the bank's creditworthiness, although we will continue to monitor expansion developments that could diminish Eiendomskreditt's capital buffers.

Funding markets will continue supporting covered and unsecured issuance. Eiendomskreditt relies on covered bond funding, which constitutes just over 85% of its funding base; we continue to see this as a structural weakness for the rating due to a confidence-sensitive funding profile. Still, the bank maintained stable funding access via the covered bond market despite a challenging period for the CRE sector. The bank's position is fortified by its liquidity reserve of about NOK1 billion as of year-end 2025. This reserve ensures 180 days of net outflows are well-covered and typically equates to broad liquid assets fully backing short-term wholesale funding.

Outlook

The stable outlook on Eiendomskreditt reflects our view that the bank will continue to focus on lending to the concentrated Norwegian CRE sector and that in the next 12-24 months, its capital position will not deteriorate as it targets higher lending growth.

Downside scenario

We could take a negative rating action on Eiendomskreditt if:

- The bank’s competitive position weakens, as reflected in a material fallback in lending growth or deteriorating margins compared with those of peers;
- Its capitalization was to weaken as indicated by an S&P Global Ratings risk-adjusted capital ratio falling below 15%; or
- We observed deteriorating risk metrics that would indicate a loosening of underwriting standards amid growth ambitions.

Upside scenario

We view the likelihood of a positive rating action as remote, given Eiendomskreditt's revenue and risk concentration.

Rating Component Scores

Rating Component Scores

Issuer Credit Rating	BBB-/Stable/A-3
SACP	bbb-
Anchor	a-
Business position	Constrained (-3)
Capital and earnings	Very Strong (2)
Risk position	Moderate (-1)
Funding and liquidity	Moderate and Adequate (-1)
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024

- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Ratings List

Ratings List

Ratings Affirmed

Eiendomskreditt AS

Issuer Credit Rating

BBB-/Stable/A-3

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