

Eiendomskreditt AS cover pool overview Q2 2023

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This commentary does not constitute a rating action.

Our 'BBB' issuer rating and 'AAA' covered bond ratings on Norway-based mortgage company [Eiendomskreditt AS](#) are unchanged following the publication of its mid-2023 results and receipt of updated cover pool details. The following is a bi-annual summary of the cover pool. The latest full report by Nordic Credit Rating (NCR) explaining the components of the covered bond ratings (see Figure 1) is available [here](#).

Figure 1. Eiendomskreditt covered bond rating components

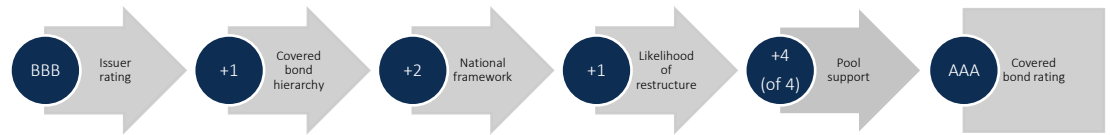
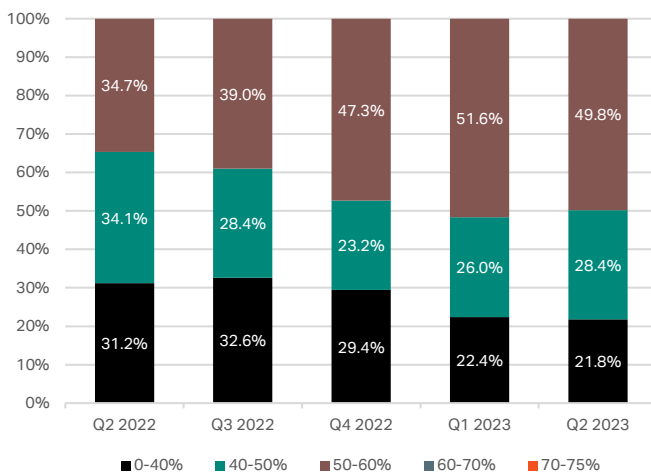


Figure 2. Eiendomskreditt cover pool characteristics, Q2 2021–Q2 2023

	Q2 2021	Q4 2021	Q2 2022	Q4 2022	Q2 2023
Eligible cover pool assets (NOKm)	5,692.7	5,908.6	5,776.5	6,118.0	5,878.3
Outstanding covered bonds (NOKm)	4,395.0	4,660.0	4,585.0	4,955.0	4,700.0
Legal overcollateralisation (%)	29.5	26.8	26.0	23.5	25.1
Weighted-average LTV (%)	44.9	47.2	42.6	44.7	45.8
Average loan maturity (years)	6.3	5.9	5.8	5.7	5.6
Average bond maturity (years)	3.4	3.0	3.0	3.0	2.9
Average loan size (NOKm)	21.1	21.8	22.0	24.6	25.4
Commercial property share (%)	86.4	88.2	85.7	87.1	85.5
Residential rental property share (%)	13.6	11.8	14.3	12.9	14.5
>90 day past due loans (bps)	1.87	0.34	0.69	0.90	0.53
10 largest borrowers share (%)	25.1	24.0	25.5	23.8	25.0

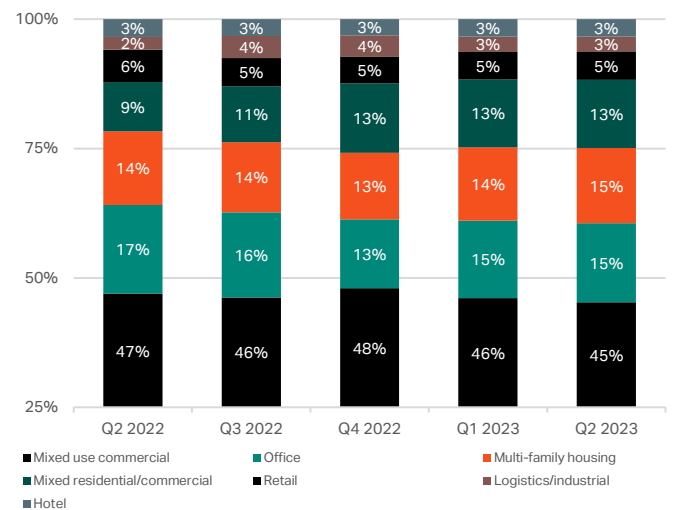
Source: Eiendomskreditt (<https://eiendomskreditt.no/investor/cover-pool/>).

Figure 3. Share of pool by whole-loan loan to value (LTV), last five quarters



Source: company. Entire eligible loan amount in bucket based on property LTV.

Figure 4. Share of pool by property type, last five quarters



Source: company.

Figure 5. Loan per property by region (NOKbn), 30 Jun. 2023

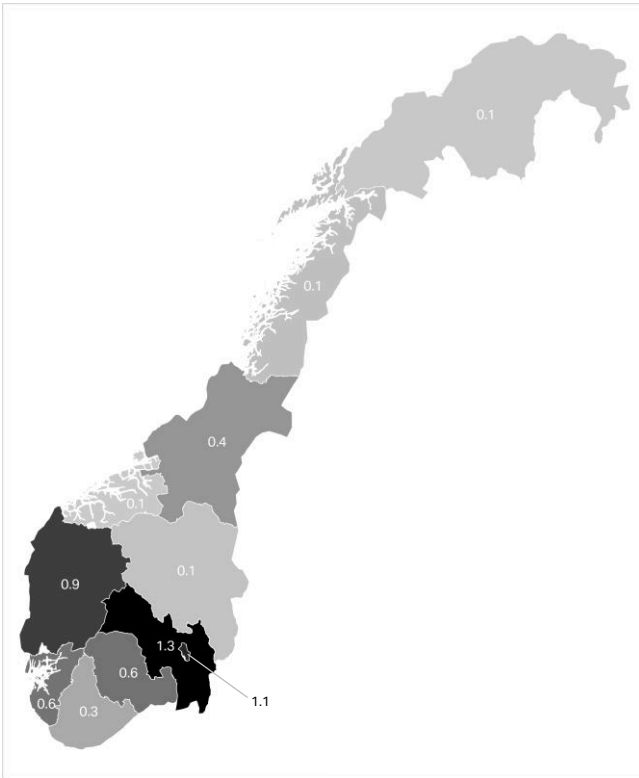


Figure 6. Weighted LTV by region (%), 30 Jun. 2023

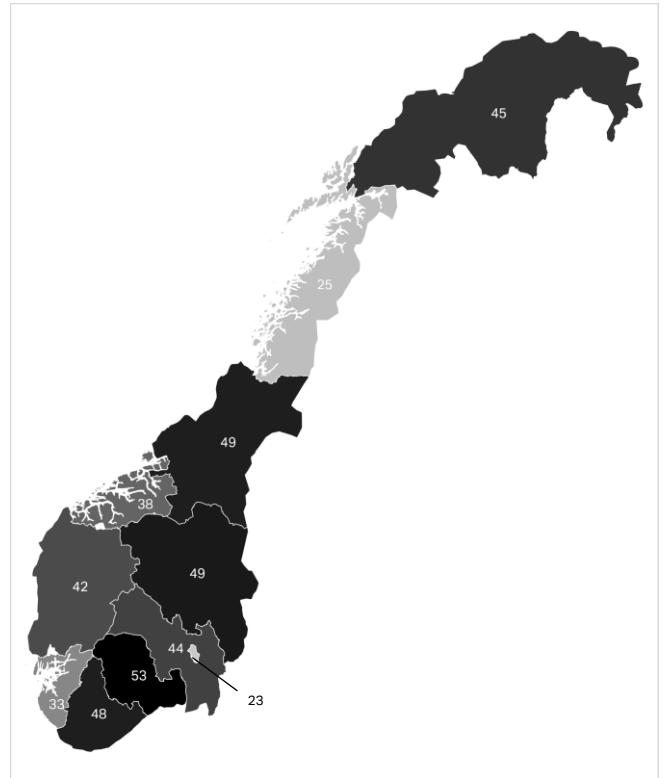


Figure 7. Average loan size per property by region (NOKM), 30 Jun. 2023

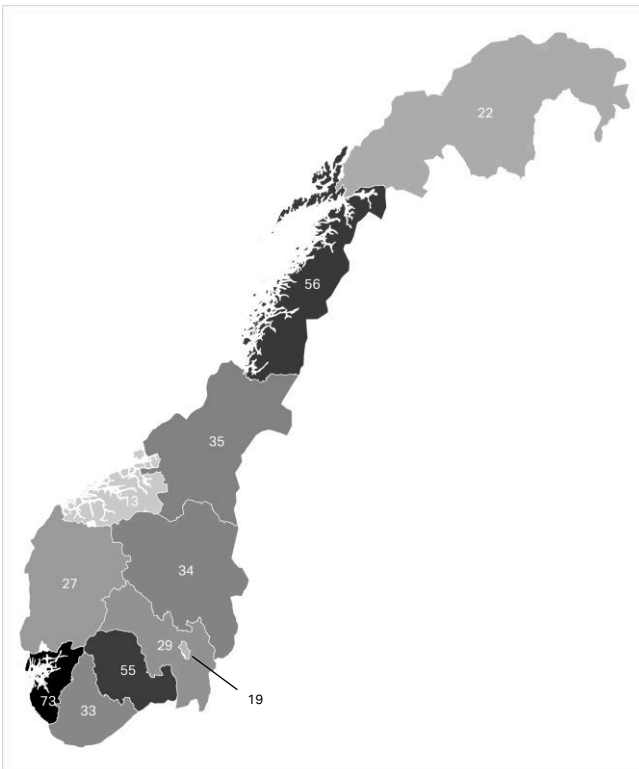


Figure 8. Average class of properties by region, 30 Jun. 2023

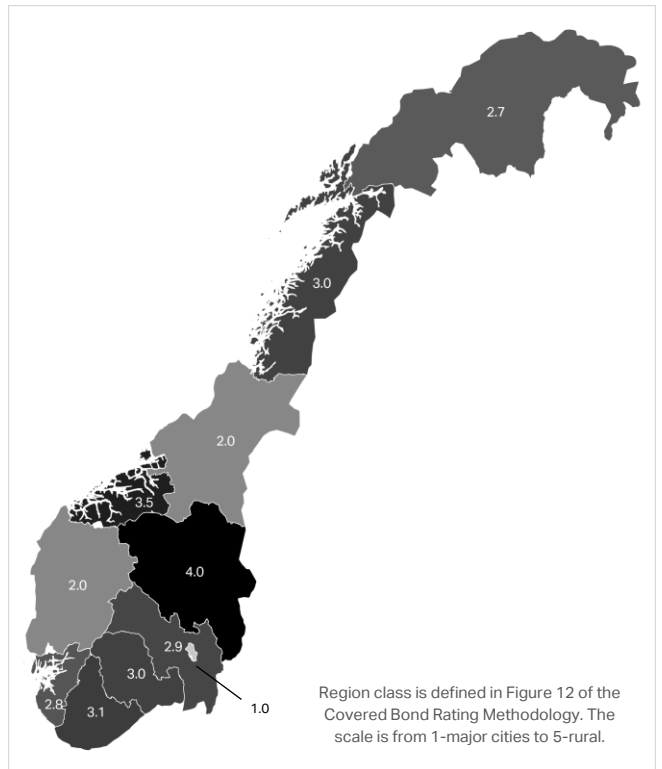


Figure 9. Share of pool by loan seasoning, last five quarters

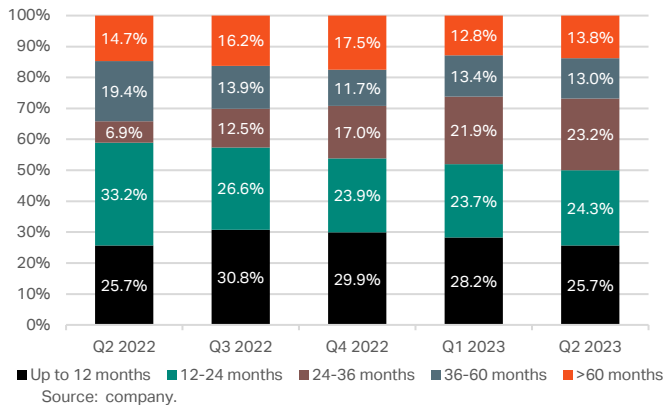


Figure 10. Share of pool by loan size (NOK), last five quarters

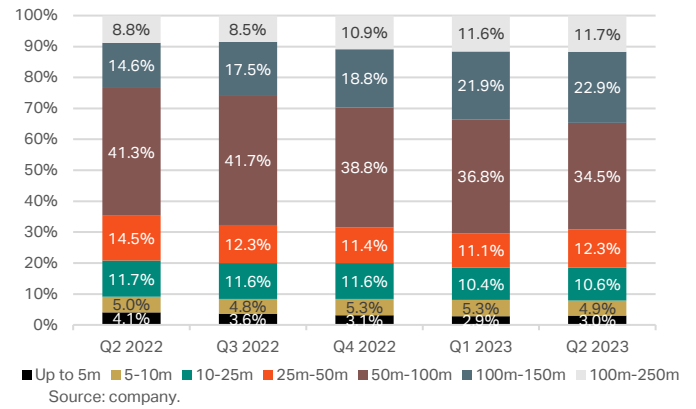


Figure 11. Share of pool by payment profile, last five quarters

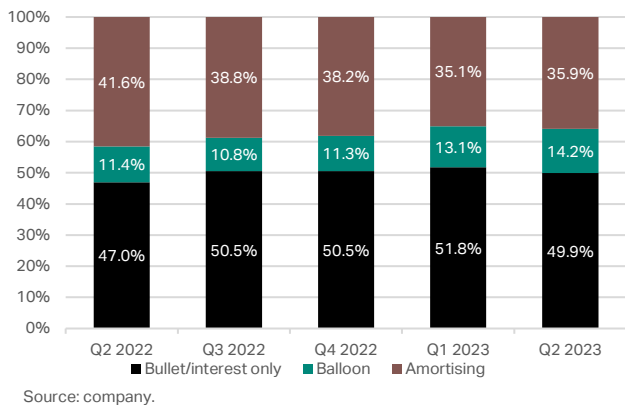


Figure 12. Share of pool by maturity, last five quarters

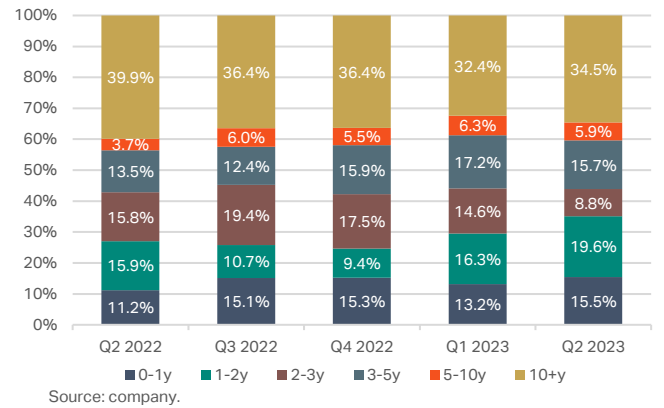


Figure 13. Share of pool by interest rate, last five quarters

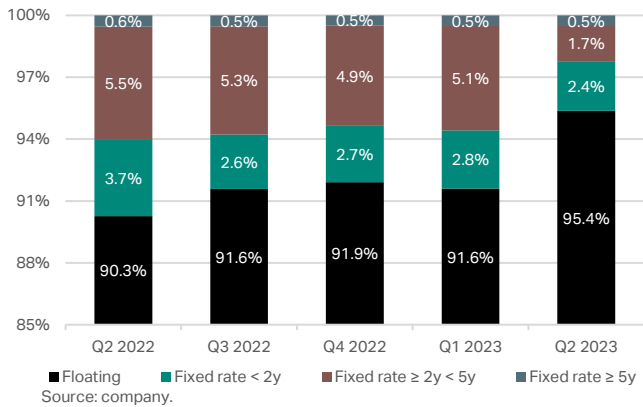


Figure 14. Share of pool by priority claims, last five quarters

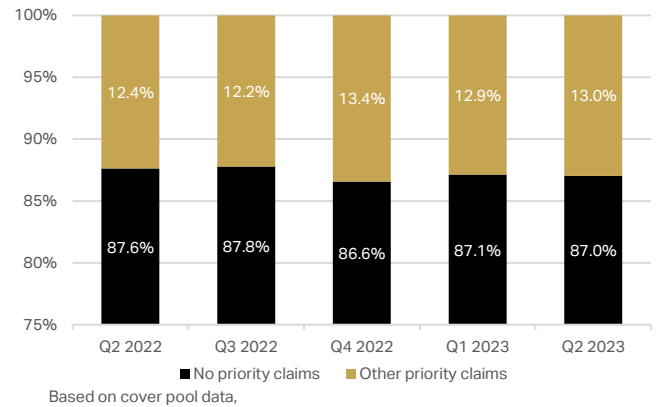


Figure 15. Region class and property type, 30 June 2023

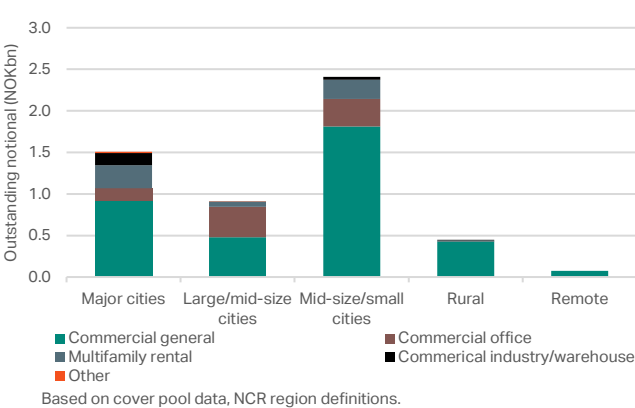
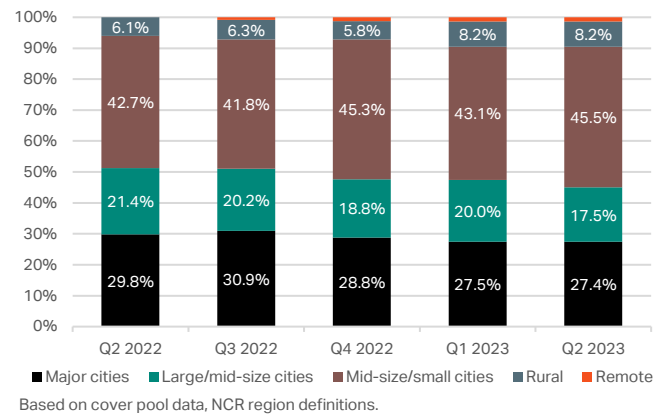


Figure 16. Region class, last five quarters



CREDIT RISK STRESS TEST

NCR's credit risk stress testing begins with standard assumptions as defined in our criteria. We then make adjustments to default assumptions based on the concentration of the portfolio and to stressed property valuations based on the region class of the specific property.

In our five stressed scenarios, we assume property value declines of 25–45%. Recent declines in commercial and multi-family housing property values have led to rising weighted average LTV as well as an increase in the share of exposures with LTV in the 50–60% range since year-end 2022 (see Figure 3). Given the low LTV profile of the loan book, Eiendomskreditt demonstrates a low expected loss, even with a 45% reduction on current valuations as of 30 Jun. 2023. In Figure 17 we assume that the one-year probability of default of commercial exposures is 1.8% ('BB' according to NCR rating principles) and that the one-year probability of default for housing association loans is 0.2% ('BBB').

Eiendomskreditt's cover pool has greater single-name concentration than most Norwegian cover pools given the nature of commercial real estate loans in comparison with private residential mortgages. The company's policy limits the top 10 loans to a maximum 30% of commercial loans in the portfolio and the top 20 loans to a maximum 50%. The top 25 exposures total 49.2% of the cover pool and had a weighted average LTV of 50.1% as of 30 Jun. 2023. Given the property- and loan-level stress test, single-name concentrations are reflected in the stress test scenarios.

Figure 17. Expected loss as a share of cover pool loans, based on actual portfolio composition and NCR stress test, last five quarters

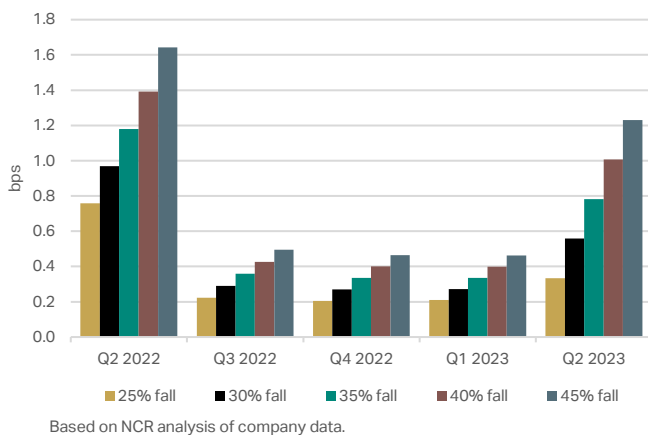


Figure 18. Top 25 exposures as a share of eligible cover pool loans, 30 Jun. 2023

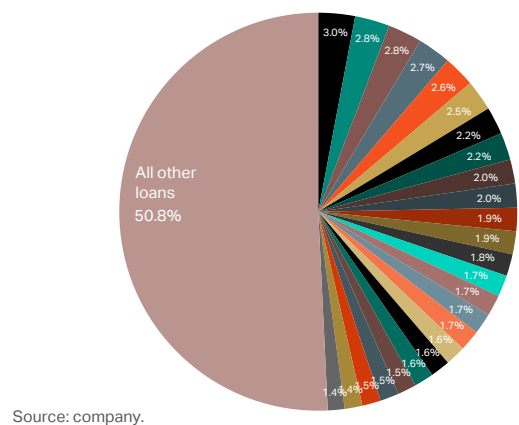


Figure 19. One-year credit loss as a share of cover pool loans, based on actual portfolio composition and NCR stress test, last five quarters

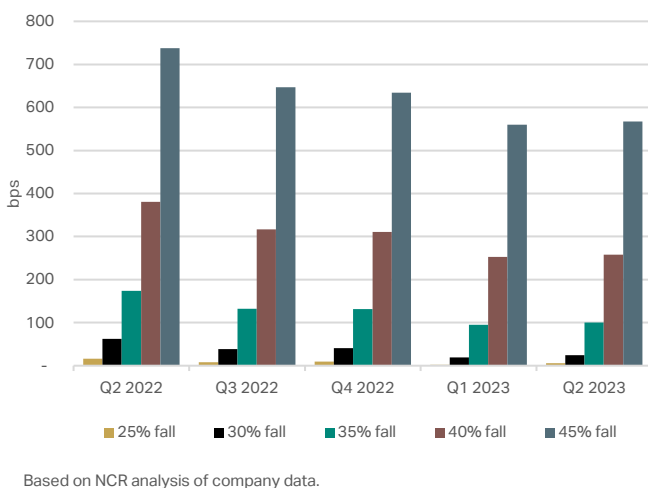
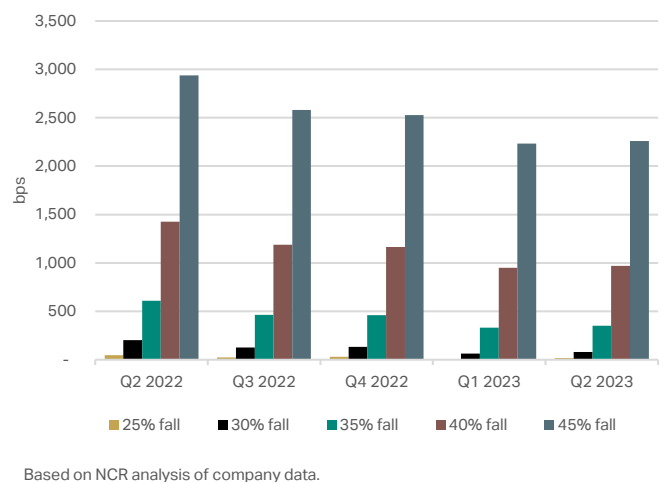


Figure 20. Multi-year credit loss as a share of cover pool loans, based on actual portfolio composition and NCR stress test, last five quarters



METHODOLOGIES USED

- (i) [Financial Institutions Rating Methodology](#), 18 Feb. 2022.
- (ii) [Covered Bond Rating Methodology](#), 6 Jul. 2022.
- (iii) [Rating Principles](#), 24 May 2022.
- (iv) [Group and Government Support Rating Methodology](#), 18 Feb. 2022.

RELEVANT RESEARCH

- (i) [Eiendomskreditt full report](#), 23 Feb. 2023.
- (ii) [Mid-sized Norwegian savings banks navigate economic challenges](#), 28 Aug. 2023.
- (iii) [Norwegian savings banks carry positive momentum into 2023](#), 24 Jan. 2023.

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