Rogaland Sparebank Boligkreditt AS

Norwegian Mortgage Covered Bonds – Performance Update

The AAA rating with a Stable Outlook assigned to the mortgage covered bonds (Obligasjoner med fortrinnsrett) issued by Rogaland Sparebank Boligkreditt AS (RSBB) are based on the bank's issuer rating (A-/Stable), enhanced by six notches of cover pool support based uplift. Governance support factors, in total, provide a rating uplift of up to five notches and, effectively, a floor against a deterioration in cover pool credit quality. This reflects our assessment of the strong governance support provided by the legal covered bond and resolution framework in Norway.

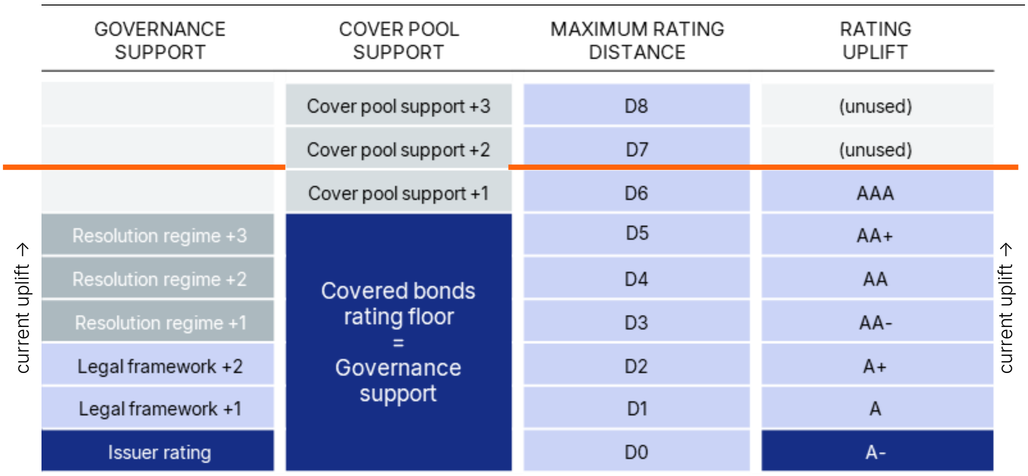
Table 1: RSBBs Mortgage covered bonds

Cut-off date	Cover pool	Cover asset type	Covered bonds	Rating/Outlook
30 09 2024	NOK 15.5bn	Residential mortgage loans	NOK 13.5bn	AAA/Stable

Cover pool support is the primary rating driver. Together with the programme's governance support, it provides six notches of uplift above the issuer rating. We classified the interplay between complexity and transparency with a cover pool complexity (CPC) category of 'low', allowing the maximum additional uplift from cover pool support of three notches on top of the governance support uplift. Together, the programme benefits from a two-notch buffer against an issuer downgrade.

The bonds are covered by a portfolio fully domestic granular first-lien low-risk Norwegian residential mortgage loans which are mainly located in Rogaland plus negligible amount of substitute assets. There is no interest rate or foreign exchange risks, since both assets and bonds are floating, and the programme is fully denominated in NOK. Maturity mismatches are the main drivers of the overcollateralisation (OC) needed.

Figure 1: Covered bond rating building blocks



Source: Scope Ratings

Covered bond rating

AAA

Outlook

Stable

Rating action

Affirmation

Last rating action

11 Feb 2025

Issuer rating

A-

Covered bond rating

Stable

Last rating action rating

12 Mar 2024

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1. Stable Outlook

Scope's Stable Outlook on the mortgage covered bonds reflects the Stable Outlook on the issuer, governance support factors and the cover pool. Together they allow for a cushion against a downgrade of up to two notches. The rating may be downgraded upon (individually or collectively): i) an issuer rating downgrade by more than two notches; ii) a deterioration in Scope's view on governance support factors relevant to the issuer and Norway covered bonds in general and on the interplay between complexity and transparency, and/or iii) the inability of the cover pool to provide an additional uplift in case the issuer rating is downgraded.

2. Changes since the last performance update

As of 30 Sep 2024, the A-/Stable of the RSBB's issuer rating was affirmed to A-/Stable in line with its parent. This reflects RSBB's low risk business model focused on retail lending and its position as a well-established savings bank in the region supported by its membership in the Eika alliance. The bank consistently delivers solid earnings and has maintained sound levels of asset quality over the past years since the de-risking of the bank in earlier years. Rogaland Sparebank's solvency metrics remain comfortably above its requirements. The bank's funding and liquidity metrics remain reassuring.

Since our last analysis one year ago cover assets and covered bonds have increased by around 4.6% and 16.3%, respectively. The OC decreased to 14.2% from 27.1%. The programmes overall credit and cash flow metrices have remained largely unchanged but in combination we were able to lower the rating supporting overcollateralisation to 5% from 6% previously. Eligible cover assets originated by former Hjelmeland Sparebank will only gradually become introduced to the cover pool as most of the banks mortgage loans were refinanced with another covered bond issuer. We expect gradual additions typically following a refinancing of the loan including a reassessment and revaluation based on RSB's standards.

3. Rating drivers and mitigants

Positive rating drivers	Negative rating drivers and mitigants
• Strong legal covered bond framework • Adequate resolution regime and adequate systemic importance • Cover pool complexity categorization allowing for the highest cover pool support • Strong cover pool support allowing for maximum uplift	• Mid to low systemic importance currently constrains governance support uplift

Upside rating-change drivers	Downside rating-change drivers
• The ratings are on the highest level achievable • Additional issuer downgrade cushion could arise from a higher systemic importance to the issuer and its covered bonds • Additional issuer downgrade cushion could further arise from a rating upgrade of the issuer	• Issuer downgrade by more than two notches • The rating may also be downgraded upon a deterioration of our assessment related to the programme's governance support factors and the interplay between complexity and transparency by together more than two notches. • The rating may also be subject to a downgrade if the cover pool is unable to provide an additional uplift in case the issuer rating is downgraded by three notches, or our governance analysis deteriorates by three notches.

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4. The issuer

RSBB's ratings reflect those of its parent bank, Rogaland Sparebank. With roots dating back to 1875, Rogaland Sparebank is a savings bank operating in the county of Rogaland in South-West Norway. The bank serves customers from its offices in Sandnes, Stavanger and Hjelmeland and lending operations are focused on the retail and SME segments. In August 2024, Sandnes Sparebank and Hjelmeland Sparebank merged to form Rogaland Sparebank, expanding the bank's market area to include Ryfylke and Nord Jaeren. As of Q3 2024, the group had total assets of NOK 39bn and about 180 employees.

Highlight of the paragraph (note: do not use this as a title)

For further details on our bank credit analysis, see the full bank rating report available on www.scoperatings.com.

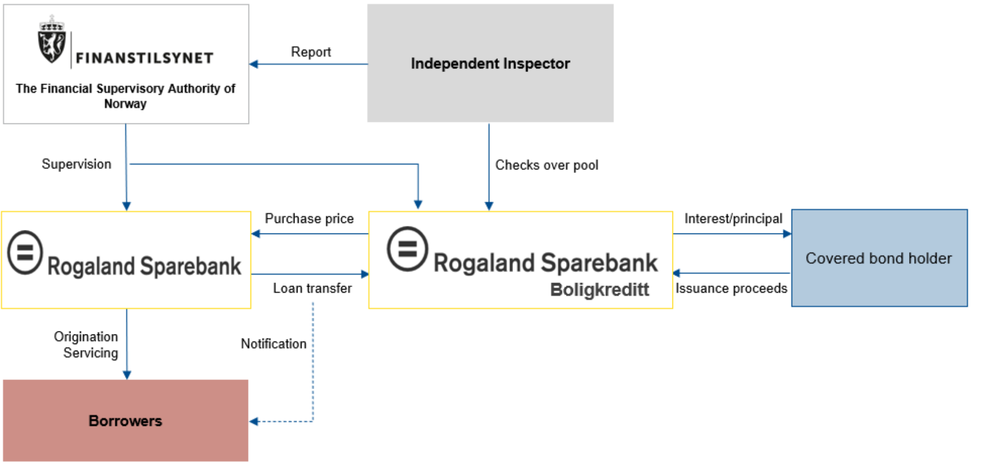
5. Programme structure

Specialised mortgage bank issuing covered bonds

The Norwegian legal covered bond framework is mainly based on the relevant section on covered bonds in the country's Financial Institutions Act (Lov om finansforetak og finanskonsern) and related regulation on mortgage institutions, both introduced in 2007. The act was last amended to transpose the European Covered Bond Directive. Such amendments came into force 8 July 2022 in parallel with the application date in the EU. The act itself provides the general structure of the main framework and references to regulations provided by the ministry of finance (Finanstilsynet). As such the Norwegian regulation on capital requirements and national adaptation of CRR/CRD IV provides further details on the requirements for Norwegian covered bonds and issuers.

Under this framework, issuance is permitted through specialist covered bond issuers. Like RSBB, most issuers of covered bonds (generally called Boligkreditt, or specialised residential mortgage institutions) are subsidiaries that rely on loans originated by their respective parent banks. The parent banks generally also provide most of the services for these subsidiaries, allowing the latter to keep staff numbers low.

Figure 2: Issuance structure



Source: Scope Group GmbH

6. Governance credit support analysis

Five notches credit support from legal framework and resolution regime

Governance support provides an uplift of five notches for Rogaland's mortgage covered bonds. This uplift is based on our credit-positive view on i) the legal framework for mortgage covered bonds in Norway; ii) Norway's resolution regime; and iii) the systemic relevance of covered bonds in Norway, including those of RSBB.

6.1 Legal framework and structural support analysis

Two notches reflecting strong legal framework

Norway's covered bond framework is very strong, meeting our criteria for protecting investors and resulting in the highest credit differentiation of two notches.

The legal framework is based on the relevant section in the country's Financial Institutions Act (Lov om finansforetak og finanskonsern) and related regulation on mortgage companies (I forskrift 9. desember 2016 nr. 1502 om finansforetak og finanskonsern (finansforetaksforskriften)). Both were introduced in 2007. The Act was amended to transpose the European CBD and came into force 8 July 2022, in parallel with the application date in the EU. The Act provides the general structure of the main framework and references to regulations provided by the Ministry of Finance (Finanstilsynet). The Norwegian regulation on capital requirements and national adaptation of CRR/CRD IV provides further details on the requirements for Norwegian covered bonds and issuers.

Segregation of cover pool upon insolvency

The Norwegian legislation gives covered bondholders preferential claims over the cover pool if the issuer is placed under public administration. The term "covered bonds", (in Norwegian "obligasjoner med fortrinnsrett" or "OMF") is protected by law. The assets in the pool remain with the estate if the issuer is placed under public administration but bondholders and derivatives counterparties have exclusive, equal and proportionate preferential claims over the cover pool, and the administrator is committed to assuring timely payments, provided the pool provides full cover to claims. The issuer maintains a register of issued covered bonds and of the cover assets assigned to them, including derivatives agreements.

Ability to continue payments after issuer insolvency

Under the Norwegian legislation, owners of covered bonds and derivatives counterparties have a direct claim to timely payments with funds covered by preferential rights. Only if timely payment is not possible i.e. after maturity extension is triggered and no distressed liquidation can be arranged, payments on covered bonds can be suspended. Covered bonds will not, however, be subject to automatic acceleration in the event of special administration or liquidation under public administration of the institution.

The administrator's is to ensure proper management of the cover pool and that holders of covered bonds and derivatives counterparties receive agreed and timely payments. Assets can be sold, and new covered bonds can be issued. The administrator can also enter new derivatives contracts or change existing contracts. The entire collateral can only be sold if this provides full coverage of all senior costs as well as the costs incurred by covered bond investors (including any deferred or accrued interest and costs).

Asset eligibility and risk management principles

The credit institution shall ensure that payment flows from the cover pool enable the institution to honour its payment obligations towards holders of covered bonds and derivatives counterparties. It shall establish a liquidity reserve to be included in the cover pool as substitute assets in addition to carrying out stress tests periodically to ensure satisfactory liquidity management.

The Act specifies valuation requirements for the mortgage portfolio. The value of the property securing the mortgage claim shall be "reasonable" and not higher than its market value. The valuation must be carried out according to recognised principles by a competent and independent person but can be based on statistical models. It must be monitored and renewed as necessary.

Programme enhancements remain available

The public administrator must ensure proper management of assets securing covered bonds and that the provisions on composition of collateral, liquidity, currency and interest rate risk are continuously complied with.

According to the law, the value of the assets must at all times cover the value of the covered bonds. Any excess collateralisation, yielding more than is necessary to cover bondholders' or derivatives counterparties' claims, may constitute a general bankruptcy claim. While this may limit the preferential position of covered bond investors, it is up to the special administrator to judge if available over-collateralisation (OC) is excessive. We do not expect that any special administrator would release assets as long as it has to ensure timely and full payment of covered bonds according to the law.

The law further specifies a concentration limit of 5% for individual exposures.

The regulation specifies minimum over-collateralisation levels that are dependent on the collateral type. Norwegian mortgage covered bonds benefit from nominal overcollateralisation that has increased to 5% (from 2% earlier).

The cover pool's interest yield must always be higher than the sum of the costs associated with covered bond funding including derivatives.

The collateral requirements allow for loans secured by housing association shares, mortgage loans, or loans secured by pledges in other real property assets. Mortgage collateral must be located within European Economic Area (EEA). Additionally, assets can consist of assets guaranteed by a state or public body, claims against credit institutions or receivables from derivatives agreements.

According to the regulation, the collateral pool securing a European Covered Bond (Premium) can only consist of claims that meet the requirements of article 129 of the Capital Requirements Regulation. This restricts funding coverage for mortgage covered bonds to the asset's loan-to-value threshold of 80% (from 75% earlier) for residential mortgages and 60% for commercial mortgages. The regulation further specifies that mortgages on holiday properties qualify only up to a loan-to-value of 60%. The amount of substitute assets is restricted according to their credit quality step category.

Covered bond oversight

Norwegian issuers are subject to a supervisory regime involving both an independent monitor (cover pool monitor) and the Norway's national supervisor, Finanstilsynet – the Financial Supervisory Authority (FSA).

The FSA must approve new covered bond issuance programmes and can reject issuance in case of solvency doubts. The cover-pool monitor must be a State-authorised auditor and be different from the firm auditing the parent or the covered bond issuer.

At least quarterly, the monitor checks that the requirements for collateral, OC, liquidity, registration and investor information are met and reports at least annually to the FSA. If the monitor has reason to believe that the requirements have not been met, it must notify the FSA as soon as possible.

6.2 Resolution regime and systemic importance analysis

Three notches reflecting Resolution regime and systemic importance of the issuer

RSBB's mortgage covered bonds benefit from an additional three-notch uplift that reflects i) the covered bonds' exemption from bail-in; ii) the high likelihood that the covered bonds remain with a resolved and restructured issuer and that the programme remains actively managed as going concern funding instrument; iii) the high systemic relevance of covered bond in Norway as well as low-to-moderate systemic relevance of RSBB as a covered bond issuers; and iv) the strong and proactive stakeholder community.

Availability of statutory provisions

Norway is in the EAA but is not part of the EU. Relevant EU rules are normally incorporated into the EEA Agreement before being enacted into Norwegian law. This includes the Bank Recovery and Resolution Directive (BRRD) as well as the European Covered Bonds Directive. The main legal act applicable to Norwegian banks is the Act on Financial Undertakings and Financial Groups (Financial Undertakings Act). This Act consolidates the main financial regulations and implements the Capital Requirements Regulation, Capital Requirements Directive and the BRRD.

Strength of statutory provisions

Statutory provisions do provide Norwegian regulators with a toolkit allowing to preserve RSBB as a going concern in the case of a hypothetical failure of its parent. In addition, the national transposition of Article 55 of the BRRD into section 11-6 of the Financial Institutions Act exempts secured liabilities such as covered bonds from bail-in.

Systemic importance of issuer

The current capital structure would allow regulators to restructure RSB, including its mortgage subsidiary RSBB, using available resolution tools should the need arise. However, RSBB's covered bond issuing activities and market share only result in a low to moderate systemic importance. The most likely scenario is a transfer or take-over of RSBB by another bank. As a result, investors might not benefit from the issuer being maintained as a going concern. However, RSBB's low to moderate systemic importance also reflects the fact that most of the 22 Norwegian covered bond issuers are similarly subsidiaries of small to midsize banks. Even a failure of a covered bond issuer with the size and setup of RSBB could thus result in contagion, effectively creating systemic problems for other issuers reliant on this refinancing channel for their core product, residential mortgage lending.

Systemic relevance of covered bonds

We classify Norwegian residential mortgage covered bonds as a systemic important refinancing product. In Norway, 22 specialised covered bond issuers are active, issuing residential, commercial and public sector-backed covered bonds. Since 2007, covered bonds outstanding have soared to EUR 133bn or NOK 1.57trn at the end of 2023. Outstanding covered bonds to GDP account for 30% at the end of 2023 with and annual issuance regularly hovers around EUR 25bn-30bn. Covered bonds have repeatedly provided Norwegian banks with funding stability when capital markets-based wholesale funding has been challenging. Ongoing access to investors as well as ability to use covered bonds as collateral with the central bank prompted peak issuance volumes shortly after the Global Financial Crisis in 2008 (EUR 26bn) as well as during the pandemic crisis (EUR 32.8bn). Globally, Norway was the fifth largest issuing country in 2023, and it ranks 10th by total outstanding covered bonds.

Proactive stakeholder community

Norwegian stakeholders have demonstrated regularly that they are strongly interested in a functioning covered bond market and are willing to support an orderly resolution of problems in case of a distressed issuer. The country's covered bond issuers actively co-operate under the umbrella of the Norwegian Covered Bond Council to promote the product and initiate any changes to the framework.

7. Cover pool analysis

RSBB's mortgage covered bond ratings are cover pool-supported, providing six notches of uplift and allowing to achieve the highest rating. Governance support provides for a five-notch rating uplift and an effective floor against a deterioration in cover pool credit quality.

7.1 CPC assessment

Our assessment on the interplay between complexity and transparency translates into a CPC category of 'Low'. The assessment on the interplay between complexity and transparency could add up to three additional notches above the issuer rating enhanced by governance support. Consequently, the combined credit support could allow to maintain the covered bond rating at the highest level under a hypothetical issuer downgrade by up to two notches, assuming OC does not become a constraining factor.

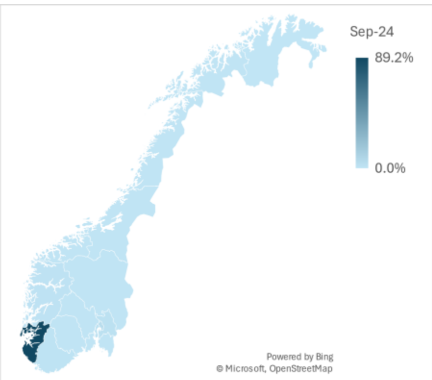
The CPC category of 'Low'-risk stems from the availability of detailed, regular, current and forward-looking transparency and reporting on key credit and market risk factors relevant to the analysis. We took into account information on the issuer's lending products; underwriting, credit and market risk management; and high transparency on its origination and issuance strategy. We had full access to all relevant counterparty risk information.

7.2 Cover pool composition

RSBB's mortgage covered bonds are secured by a portfolio of granular, first-lien Norwegian residential mortgage loans denominated in Norwegian krone. The mortgage pool consists of 7,472 loans granted to 6,261 obligors with an average loan size of NOK 1.97m (around EUR 168,000). The 10 largest obligors only accounts for 0.8% indicating a good granularity.

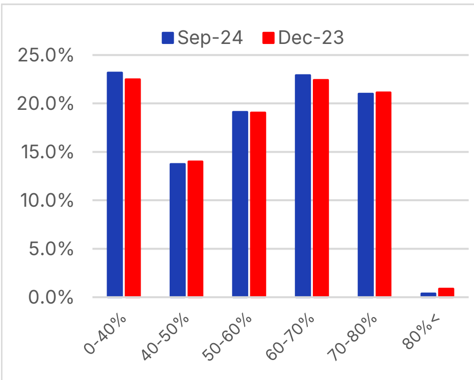
Around 80% of the portfolio is made up of single-family houses and terraced houses, the remaining 20% are apartments. The bank operates primarily in the Stavanger region in southwestern Norway which belongs to the county of Rogaland. As of Sep 2024, 89.2% of the mortgage loans are exposed to Rogaland, 4.4% to Oslo and 2.2% to the Akershus region. The remaining are spread across Norway.

Figure 3: Regional distribution



Source: Scope Ratings, RSBB

Figure 4: LTV distribution



Source: Scope Ratings, RSBB

7.3 Asset risk analysis

The cover pool's credit quality remains strong comprising Norwegian, residential mortgage loans with low LTVs. Our projection of default applicable to an inverse Gaussian distribution. Our analysis is based on the available credit performance data provided.

Our assessment results into an annual average default probability of 64bps, which is the same one year ago and provides a comfortable cushion against actual defaults observed in the previous benign economic situation. This assumption has been established by taking into account the issuer's risk scoring and our PD mapping benchmarked to that of other Norwegian residential

Cover pool characteristics

Reporting date	Sep 2024	Dec 2023
Balance (NOK bn)	15.5	14.8
Residential (%)	95.5	94.6
Substitute (%)	4.5	5.4

Property type (%)

Reporting date	Sep 2024	Dec 2023
Single/double-family house	80.2	80.1
Apartment	19.8	19.7
Others	0.0	0.2

General information

Reporting date	Sep 2024	Dec 2023
No. of loans (tsd)	7,472	7,321
No. of obligors	6,261	6,163
Avg. size (NOK tsd)	1.97	1.9
Top 10 (%)	0.8	0.9
Remaining life (years)	22.0	21.6
LTV (%)	54.1	53.5

Interest rate type (%)

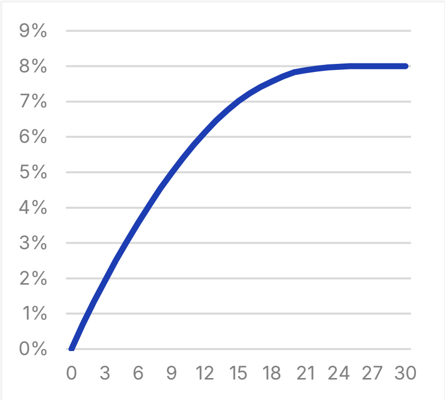
Reporting date	Sep 2024	Dec 2023
Floating	100.0	100.0
Fixed	0.0	0.0

Repayment type (%)

Reporting date	Sep 2024	Dec 2023
Annuity / Linear	82.3	81.8
Bullet / Interest-only	17.7	18.2

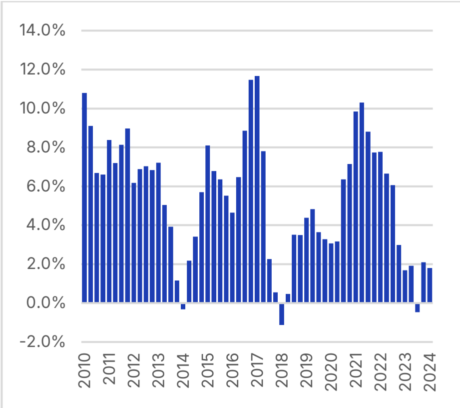
mortgage lenders. The average borrower PD is commensurate with a bb+ rating. The coefficient of variation is 60.0%.

Figure 5: Expected term defaults, cumulative (DP/years)



Source: Scope Ratings

Figure 6: Annual house price growth in Norway



Source: OECD, Scope Ratings

Stressed recovery rates slightly increased to 75.0%, up from 73.5 assessed 12-month ago. This mainly reflects the lower share in of loans with higher than 80% LTV. Our base recovery expectation improved to 99.1% since the MVD in base scenario have been considered at 0.0%.

Our stressed market value decline assumptions increased to 41.3-54.7% from 40-47.5% as of last analysis. This is driven by updated market value decline assumption for Norway.

We kept our fire-sale discounts for Norway unchanged at 20%. The fire-sale discount is applied to properties sold under non-standard market or distressed conditions. In our recovery analysis we do further size for sale costs of 10% (by stressed property value). We assumed a recovery lag of 24 months

Table 2: Norway security value haircuts

Region	Base MVD	Stressed MVD	Firesale discount	Sale costs	Stressed SVH
Oslo	0%	54.70%	20%	10%	67.4%
Southwestern	0%	41.30%	20%	10%	57.7%
Rest of Norway	0%	48.40%	20%	10%	62.8%

Source: Scope Ratings, RSBB

Source: Scope Ratings, RSBB

7.4 Cash flow risk analysis

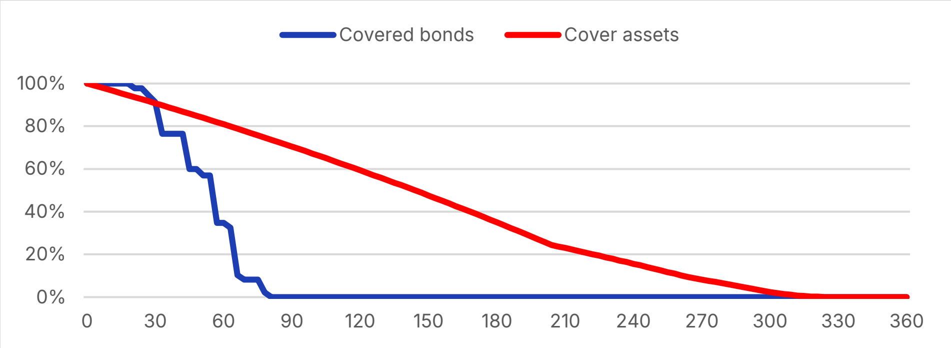
Supporting overcollateralisation decreased to 5.0%

The overcollateralisation (OC) supporting the rating has been lowered to 5% (from 6% based on previous years analysis) and now is floored at the legal minimum OC of 5.0%. Available overcollateralisation is well above and thus could provide additional rating stability to RSBB's mortgage covered bonds.

We established the amortisation schedule for both, assets and liabilities using line-by-line data provided by the issuer. As of Q3 2024, the weighted average life of the outstanding covered bonds is 4.4 years when accounting for their soft-bullet structure, up from 3.8 years in the previous analysis. In comparison, the (scheduled) weighted average life of the cover pool is 12.6 years assuming a 30-year tenor on flexible loans.

The programme is most sensitivity to a combination of low prepayment and increasing interest rate. This is mainly driven by maturity mismatches between assets and liabilities. The assets will be sold with discount to payout the bonds.

Figure 7: Amortisation profile



Source: Scope Ratings

Asset-liability mismatches

	Assets	Liabilities
NOK (%)	100.0	100.0
Fixed (%)	0.0	0.0
Floating (%)	100.0	100.0
WAL (years)	12.6	4.4*

*incl. extension

In the event of recourse to the cover pool, we assume assets will be sold at a discount of up to 150bps if the cash accumulated from cover pool amortisation is insufficient to pay timely interest and principal on the covered bonds. We have disregarded the substitute assets from our asset risk analysis because of their volatile level of support. Therefore, we consider only the credit risk (and cash flows) of the primary collateral – the mortgage loans.

Other market risks are limited as cover assets and covered bonds are both floating rates. Also, there is no foreign exchange risk as assets and liabilities are denominated in Norwegian krone. At this stage, we do not expect foreign currency-denominated issuances.

We conservatively established the asset's amortisation profile assuming that all flexible lines were fully drawn. The bond's amortisation profile was calculated assuming the one-year maturity extensions was executed.

We have tested the programmes resilience against high (15%) and low (1%) prepayments as well as a set of rising and declining interest rate scenarios. The covered bonds are most exposed towards a low prepayment scenario in combination with low interest rates. As a consequence, we assume asset sales under discounts in order to meet the bonds payment obligations.

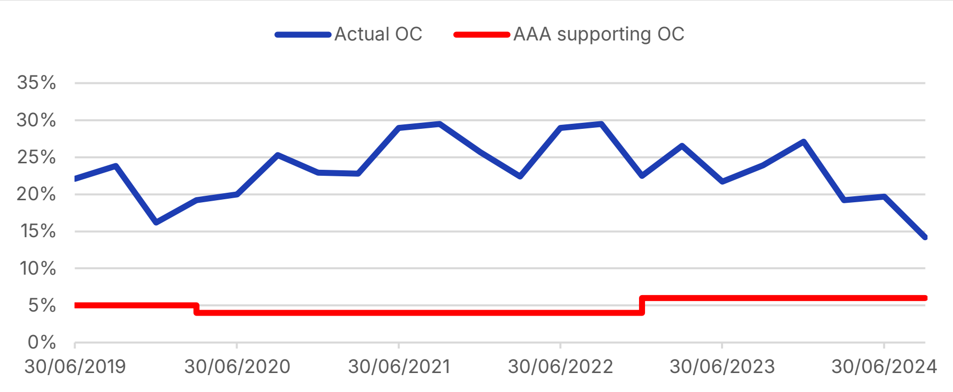
We complemented our base case cash flow results with additional analysis, testing sensitivities to a margin compression, frontloaded defaults, no bond extension, considering the bonds issued in January, a liquidity premium assuming a one-notch downgrade of the country, time subordination and a potential downgrade of the issuer. None of such calculation resulted into an adjustment of our rating supporting overcollateralisation.

8. Availability of overcollateralisation

Overcollateralisation fully taken into account

The current rating of RSBB allows us to account for the provided OC of 14.2% as of September 30, 2024, which is well above the 5% level of overcollateralisation supporting the programmes' AAA rating. We are not aware of plans that would significantly change the risk profile or reduce available OC to levels that would no longer support the current rating uplift.

Figure 8: Available OC versus current rating-supporting level



Source: Scope Ratings, RSBB

9. Other risk considerations

Counterparty exposure does not limit the rating

The rated covered bonds have counterparty exposures to the issuer, as well as to the issuer's parent as loan originator, servicer, bank account provider and paying agent. However, if a regulator were to intervene, we believe the strong alignment of interests between the issuer and the covered bond holders would prevent any negative impact. We also view positively the fact that collections are generally made via direct debit, allowing for a relatively swift redirection of payments if necessary. Derivatives registered in the cover pool are compliant with our counterparty risk methodology, do not introduce additional counterparty risk and fully mitigate interest rate risk from the limited amount of fixed rate covered bonds.

Country risk is not a key rating driver

Country risk is not a key risk factor that constrains the covered bond rating. Norway is currently rated AAA/Stable. We have no evidence that transfer risk (e.g. risk of capital controls), convertibility risk (e.g. risk of eurozone exit), the risk of an institutional meltdown are pertinent risk factors for Norway.

Governance factors are key for the analysis of Norway covered bonds as such drive our legal and resolution regime analysis. In our quantitative analysis performed for the covered bonds issued by RSBB we however have not directly included ESG aspects.

Established green bond framework

RSBB is an active green bond issuer with currently NOK3.3bn in green bonds outstanding. According to its Green Bond Framework, the bank uses its green bonds' proceeds to finance and/or refinance, in part or in full, new and/or existing green eligible residential buildings. The sum of eligible cover assets in the cover pool accounts for NOK4.7bn (around 30% of mortgage cover pool). Based on information provided, our analysis could not establish a significant credit relationship between a loan's performance and its 'greenness'.

10. Sensitivity analysis

Two notches buffer against an issuer downgrade

RSBB's mortgage covered bond ratings do benefit from a buffer against an issuer downgrade of up to two notches. Assuming the issuer's willingness to support the highest ratings as well as a stable covered bond programme risk profile, a one notch downgrade would increase the rating supporting OC to 7.0%; to maintain the current rating upon a two-notch downgrade the supporting OC would increase to 9.0%.

As a consequence, the rating may be downgraded upon: i) an issuer rating downgrade by more than three notches; ii) a deterioration in Scope's view on governance support factors relevant to the issuer and Norwegian covered bonds in general and on the interplay between complexity and transparency, and/or iii) the inability of the cover pool to provide an additional uplift in case the issuer rating is downgraded.

11. Summary of covered bond characteristics

Reporting date	30-Sep-24	31-Dec-23
Issuer name	Rogaland Sparebank Boligkreditt AS	
Country	Norway	
Covered bond name	Obligasjoner med fortrinnsrett (Norwegian mortgage-covered bonds)	
Covered bond legal framework	Norwegian legal covered bond framework	
Cover pool type	Residential mortgage loans	
Composition	Residential = 95.5%	Residential = 94.6%
	Substitute = 4.5%	Substitute = 5.4%
Issuer rating	A-/Stable	A-/Stable
Current covered bond rating	AAA/Stable	AAA/Stable
Covered bond maturity type	Soft bullet	Soft bullets
Cover pool currencies	NOK (100%)	NOK (100%)
Covered bond currencies	NOK (100%)	NOK (100%)
Governance cover pool support	5	5
Maximum additional uplift from cover pool complexity category	3	3
Maximum achievable covered bond uplift	8	8
Potential covered bond rating buffer	2	2
Cover pool (NOK bn)	15.5	14.8
thereof, substitute assets (NOK bn)	0.7	1
Covered bonds (NOK bn)	13.5	11.6
Overcollateralisation: current/legal minimum	14.2% / 5.0%	27.1% / 5.0%
Overcollateralisation to support current rating	5.00%	6.00%
Overcollateralisation upon a one-notch issuer downgrade	7.00%	7.00%
Weighted average life of assets (Scope calculated)	12.6 years	12.6 years
Weighted average life of liabilities (extended)	4.4 years	3.8 years
Number of loans	7,472	7,321
Average loan size (NOK m)	1.97	1.9
Top 10	0.8%	0.9%
Interest rate type assets	Floating 100%	Floating 100%
	Fixed 0%	Fixed 0%
Interest rate type liabilities	Floating 100%	Floating 100%
	Fixed 0%	Fixed 0%
Weighted average loan to lending value (indexed)	54.1%	53.5%
Geographic split	Norway = 100.0%	Norway = 100.0%
Default measure (mortgage/substitute)	Inverse Gaussian	Inverse Gaussian
Weighted average annualised default rate	64bps	63bps
Weighted average coefficient of variation	60%	60%
Weighted average recovery assumption (D0; D8)[1]	99.1%; 75.0%	96.3%; 73.5%
Share of loans > three months in arrears (NPL)	0.00%	0.00%
Interest rate stresses (max/min)	-1 to 9%	-1 to 10%
FX stresses (max/min; currency-dependent)	n/a	n/a
Max liquidity premium	150bps	150bps
Average servicing fee	25bps	24bps

Source: Scope Ratings

[1] D0 and D8 denote the stresses commensurate with the rating distance between our credit view on the issuer and the covered bond ratings.

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