

Landkreditt Boligkreditt AS

Rating report – Norwegian Obligasjoner med fortrinnsrett

Summary

The **AAA rating** of Landkreditt Boligkreditt (LKBol) mortgage covered bonds (OMF) benefits from a **buffer of two notches** against a rating deterioration from the issuer rating (A-/Positive). The outlook is stable. An **overcollateralisation of 5% (legal minimum)** supports the current rating. The rating reflects the following assessments:

Covered bond rating anchor: A-/Positive

Landkreditt Bank (LK), the main operating company of farmer-owned Landkreditt SA, primarily serves Norway's agricultural sector. Its rating reflects strong capitalisation, robust funding and a consistently low cost of risk. LKBol's rating is aligned with LK's due to its close integration and expected parental support.

First Recourse Assessment: + up to 5 notches

Notches

Covered Bonds Preference Regime

Norwegian mortgage covered bonds are exempt from bail-in and benefit from statutory preference ranking them ahead of other liabilities of the issuer.

+2

Country-Level Institutional Framework scoring: 75/100

The institutional framework for Norwegian covered bonds is underpinned by robust legislation and supervision, solid institutional support with favourable regulatory treatment, diversified investor base and strong market resilience, although the framework's track record is relatively short and the role of covered bonds as a funding tool remains moderate in system wide funding.

+2

Issuer-Level Programme Resilience scoring: 50/100

The programme is strategically important and refinances the core domestic mortgage franchise. The programme benefits from natural hedging, limited market risk, stable collateral performance, a robust legal structure (mortgage company) and the granular mortgage pool. These strengths are balanced by the programme representing a modest share of the Norwegian covered bond market and elevated maturity mismatches.

+1

Second Recourse Assessment: + up to 3 notches

Notches

Payment continuity enhancement scoring: 69/100

The programme benefits from prudent asset quality and prudent risk controls, limited counterparty exposure, robust supervision, extensive administrator powers, complemented by an established green bond strategy. These strengths are balanced by the absence of NPV-based coverage tests, loan maturity and repayment restrictions, and a liquid secondary mortgage market.

+3

Cover pool support analysis: OC: 5%

The AAA rating relies on second recourse, as the five notches of uplift available under first recourse are insufficient to support the rating. It is therefore supported by one additional notch from Scope's second recourse assessment and 5% of supporting overcollateralisation. Credit risk assumptions include a distressed default rate of 11.5% and a distressed recovery rate of 69.5%. The supporting overcollateralisation mainly reflects interest rate and maturity mismatches, with the most adverse scenario combining falling interest rates and low prepayments.

Covered bond rating

AAA

Outlook

Stable

Rating supporting
Overcollateralisation

5%

Rating Buffer (notches)

2

Issuer rating

A-

Outlook

Positive

Distressed default rate

11.5%

Distressed recovery rate

69.5%

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Related research

Scope affirms Landkreditt Boligkreditt's Norwegian covered bond rating at [AAA](#), [Stable Outlook](#) [more research →](#)

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1. Rating composition

Table 1: Rating building blocks

FIRST RECOURSE ASSESSMENT		SECOND RECOURSE ASSESSMENT		Rating Uplift
		Payment continuity +3	Quantitative Uplift (Maximum Achievable Rating)	Downgrade buffer
		Payment continuity +2		Downgrade buffer
		Payment continuity +1		AAA
Programme Resilience +5	Qualitative Uplift (Covered Bond Rating Floor)	Covered Bond Rating Floor		AA+
Institutional Framework +4				AA
Institutional Framework +3				AA-
Preference Regime +2				A+
Preference Regime +1				A
Issuer Rating			A-	

2. Changes since the last performance update

Following the publication of Scope's updated Covered Bond Rating Methodology on 23 July 2026, the programme's AAA/Stable covered bond rating remains unchanged. The rating continues to be anchored by the issuer rating of A-/Positive. The revised methodology provides five notches of uplift from the first recourse assessment and three notches from the second recourse assessment, maintaining the maximum combined uplift at eight notches.

Ratings are anchored at Issuer
Rating of A-/Positive

Norway was last affirmed at AAA/Stable, with the subsequent monitoring review resulting in no rating change. The rating remains supported by a wealthy and diversified economy, a strong external position, and exceptionally robust public finances. Strong fiscal buffers and the sovereign wealth fund provide substantial resilience, helping mitigate risks related to elevated household indebtedness, commercial real estate exposures, and the long-term transition away from oil and gas.

The cover pool increased to NOK 10.1bn from NOK 5.1bn, reflecting strong mortgage origination. Loans seasoned for less than 12 months increased to 39% from 11%, while the average loan size rose to NOK 2.5m from NOK 1.9m. Nevertheless, pool granularity improved, with the top 10 exposures declining to 1.3% from 1.9%. The indexed weighted-average LTV increased moderately to 42.9% from 40.5%. The share of interest-only and bullet loans declined to 11.9% from 15.6%, while all cover assets remain floating rate. The weighted-average life of the assets increased to 20.1 years from 15.8 years, while weighted-average maturity rose to 27.0 years from 21.5 years. Substitute assets declined to 1.1% of the pool from 3.7% and shifted towards sovereign, supranational and agency exposures.

Covered bonds outstanding almost doubled to NOK 8.6bn from NOK 4.4bn, broadly in line with cover-pool growth. The weighted-average life of the liabilities increased moderately to 4.2 years from 3.3 years.

The programme remains analytically supported by the second recourse assessment. The maximum rating uplift remains unchanged at eight notches. The programme also benefits from structural interest-rate risk mitigation because both cover assets and liabilities are linked to floating rates.

Norway's housing market remains resilient, supported by moderate economic growth, low unemployment and strong household finances. House prices have recovered from the 2022–23 slowdown, although growth remains weaker in Oslo than in Stavanger and Tromsø. Affordability has improved as wage growth has exceeded house-price growth, while household debt-to-income has declined to around 205% from 230%. Mortgage performance remains strong, with an NPL ratio of approximately 0.3%, despite new mortgage rates rising to 5.25% from around 4.0% in early 2023 and approximately 95% of mortgages carrying floating rates. However, risks have increased as the share of new loans with LTVs between 85% and 90% rose to 20% in 2025 from 3% in 2024, while the average LTV increased to 66.5% from 64.0%.

3. Rating sensitivities

The upside scenario for the rating and Outlook is:

- not applicable as the rating is the highest achievable.

The downside scenarios for the rating and Outlook are (individually and/or collectively):

- An issuer rating downgrade by more than two notches
- A deterioration in the first recourse uplift by more than two notches
- A deterioration in the second recourse uplift that would reduce the potential credit support from the cover pool
- Available or committed OC below rating-supporting or legal minimum

4. The issuer

The A-/Positive issuer rating reflects Landkreditt's focused business model, supportive earnings capacity and comfortable financial viability management. The rating is supported by strong asset quality, stable profitability and very high capital buffers, but constrained by rapid lending growth and portfolio concentration. Landkreditt is a cooperative owned by Norwegian farmers and a leading financial-services provider to Norway's agricultural sector, with total assets of NOK 49.3bn at year-end 2025. Its lending is evenly split between personal customers, primarily residential mortgages, and business customers, mainly agricultural borrowers. The group also provides asset management, insurance and real estate brokerage services, although its domestic lending and deposit market shares remain below 1%. Landkreditt benefits from operating in Norway, a wealthy economy with strong public finances, low unemployment and a rigorous banking regulatory framework. For more information on Landkreditt's rating, please refer to www.scooperatings.com or, click [here](#).

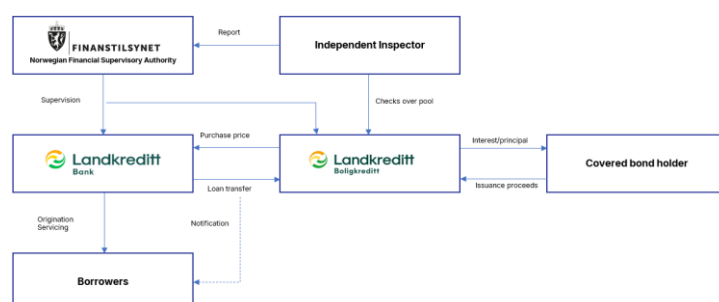
The issuer has a focused business model with a geographically concentrated exposure in a wealthy economy

5. Programme structure

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 credit 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 LKBol, 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.

Norway's specialised mortgage company model

Figure 1: Issuance structure



Source: Scope Ratings, LKBol

6. First Recourse Assessment

The first recourse assessment determines the likelihood that a covered bond remains a going-concern funding instrument during issuer distress. This is reflected in an uplift of up to five notches on top of the issuer rating. It reflects the Covered Bonds Preference Regime (+2); the Country-Level Institutional Framework (+2) and the Issuer-Level Programme Resilience (+1).

Up to five notches under the first recourse

6.1 Covered Bonds Preference Regime (CBPR)

The programme benefits from a two-notch uplift under the CBPR. This is because Norwegian OMF benefit from senior secured preference and a statutory bail-in exemption. The Financial Institutions Act (Finansforetaksloven) ranks covered bonds ahead of other liabilities and exempts secured liabilities, including covered bonds and related hedging instruments, from bail-in up to the value of the security.

Two notches from statutory preference regime

6.2 Country-Level Institutional Framework (CLIF)

The programme benefits from a two-notch uplift under the CLIF, reflecting the integration of Norwegian mortgage covered bonds within Norway's financial, legal and regulatory system.

Two notches from country-level institutional framework

Score	75	100	75	50	25	1
Legal and Regulatory Anchoring	Weight					
Covered bond legislation	50.0%	○	●	○	○	○
Stability and predictability	50.0%	○	●	○	○	○
Institutional Commitment	Weight					
Covered bonds' funding role	50.0%	○	●	○	○	○
Preferential treatment	50.0%	○	●	○	○	○
Market Institutionalisation	Weight					
Investor-base: depth and stability	50.0%	○	○	●	○	○
Secondary-market resilience in stress	50.0%	●	○	○	○	○
<div style="text-align: center;">  </div>						
CLIF Classification Score	100-85.0	84.9-60.0	59.9-25.0	24.9-1.0		
Implied notches	3	2	1	0		
Adjustment		n/a				
Final notches		2				

6.2.1 Legal and Regulatory Anchoring

The Norwegian covered bond framework benefits from a comprehensive and well-established legal and supervisory foundation. It provides strong investor protection through statutory cover-pool segregation, preferential claims, prudent collateral and valuation requirements, dedicated cover-pool monitoring, and detailed rules on liquidity, risk management, overcollateralisation, and transparency. The framework has demonstrated resilience across multiple market stress periods while maintaining programme continuity and market access. These strengths are balanced by Norway's position outside the European Banking Union.

Comprehensive legislation and demonstrated stability

6.2.2 Institutional Commitment

The Norwegian covered bond market benefits from strong institutional support and favourable regulatory treatment, including preferential risk weights under CRR Article 129, Level 1 HQLA recognition, central-bank collateral eligibility and exemption from BRRD bail-in. OMFs are a core funding source for Norway's banking sector, accounting for roughly half of banks' market funding. Outstanding volumes reached approximately EUR 154bn across 22 issuers in 2025, equivalent to around one-third of GDP. Norway has a large and systemically important covered bond market, ranking ninth globally by outstanding volume. Norges Bank and ECB collateral eligibility further support market liquidity and investor demand. These strengths are balanced by Norway's position outside the Eurozone.

Strong relevance with solid regulatory backing

6.2.3 Market Institutionalisation

The programme benefits from a mature and institutionalised covered bond market, supported by uninterrupted benchmark and jumbo issuance over the past decade. Benchmark issuance represents three-fourths of total issuance, while private placements and sub-benchmark transactions account for a quarter of issuances. Demand is primarily institutional and domestically

Strong sovereign rating and deep institutional market

concentrated, with about two-thirds of issuance denominated in NOK. Secondary-market resilience, supported by Norway's AAA sovereign rating, strong public finances and robust financial system, underpins investor confidence and continued market access. This is balanced by the market's relatively limited international investor diversification and meaningful share of private placements and smaller issuances.

6.3 Issuer-Level Programme Resilience (ILPR)

The programme benefits from a one-notch uplift under the ILPR, reflecting the likelihood that the programme remains relevant, actively maintained and operational during issuer stress and through resolution.

One notch from issuer-level programme resilience

Score	50	100	75	50	25	1
Programme Strategic Relevance	Weight					
Scale and role in funding strategy	50.0%	○	○	●	○	○
Management commitment and signalling	50.0%	○	○	●	○	○
Operational & Issuance Stability	Weight					
Issuance regularity and predictability	50.0%	○	○	○	●	○
Performance and structural stability	50.0%	○	○	○	●	○
Resolution Transferability & Continuity	Weight					
Structural setup and separability	33.3%	○	●	○	○	○
Operational continuity and complexity	33.3%	○	○	●	○	○
Cross-border complexity	33.3%	●	○	○	○	○

ILPR Classification Score	100-85.0	84.9-60.0	59.9-25.0	24.9-1.0
Implied notches	3	2	1	0
Adjustment		n/a		
Final notches		1		

6.3.1 Programme Strategic Relevance

The programme is relevant to Landkreditt's funding strategy, refinancing NOK 9.9bn of residential mortgages that support the group's retail banking activities. With NOK 8.6bn of covered bonds outstanding, the programme represents around one-sixth of Landkreditt Bank's funding reflecting its importance to Landkreditt's funding platform. The programme has been maintained since 2010 and currently has no own holdings. Management commitment is further demonstrated through quarterly investor reporting and transparency that exceeds regulatory requirements. This is moderated by the fact that Landkreditt participates in Finans Norge but is not a member of the European Covered Bond Council. Also, the programme represents around 0.5% of Norway's mortgage covered bond market, reflecting its modest national market share.

Established funding tool with strong commitment

6.3.2 Operational & Issuance Stability

The programme benefits from a regular issuance pattern, active management and a reasonably diversified maturity profile. Interest-rate risk is largely mitigated through structural arrangements, while foreign-exchange risk is absent because both assets and liabilities are denominated in NOK. The soft-bullet structure and 12-month maturity extension provide additional refinancing protection. These strengths are balanced by predominantly sub-benchmark issuance, limited benchmark activity and refinancing concentration. Additionally, the cover pool's longer weighted-average life relative to liabilities creates a notable asset-liability maturity mismatch.

Consistent issuance record

6.3.3 Resolution Transferability & Continuity

The programme benefits from a robust legal structure based on a specialised Norwegian covered bond issuer, supporting payment continuity and effective asset segregation in a resolution scenario. Cover assets remain ring-fenced from the parent bank's insolvency estate and available to covered bondholders, while public administration enables continued programme operation if required. The cover pool is homogeneous and comprises entirely CRR Article 129-compliant, first-lien Norwegian residential mortgages. Its NOK 8.63bn balance represents only 0.2% of the domestic residential mortgage market, while the largest 10 exposures account for 130bps, supporting manageability and transferability under stress. The issuer, parent bank, programme and resolution authorities are all located in Norway, limiting cross-border and regulatory complexity.

Mortgage Company based structure with limited complexity

7. Second Recourse Assessment

The qualitative second recourse assessment evaluates the likelihood of timely payment following a transition from the first to second recourse. It provides up to three additional notches of uplift under the Payment Continuity Enhancement (PCE) assessment, on top of the issuer rating after the application of the five-notch first recourse uplift.

Up to three notches under the Payment Continuity Enhancement

Current overcollateralisation of 16.4% as of June 2026 is sufficient to support the AAA rating. Our cover pool analysis shows that only 5% overcollateralisation is required to support the three-notch uplift. The requirement is driven primarily by interest rate and maturity mismatches, with cover pool credit risk a secondary driver. The programme is most sensitive to sharply declining interest rates, falling -1% under the assigned rating stress, combined with prepayment rates of 3% reverting to 15% after three years.

7.1 Going concern after issuer insolvency

The Norwegian covered bond framework ensures that cover assets are legally segregated, identifiable at all times and separated from both the issuer's general estate and other cover pools under the Financial Institutions Act. The assets cannot be pledged or attached, while restrictions on creditor set-off mitigate claw-back risk. Covered bondholders and eligible derivative counterparties retain exclusive, equal and proportionate preferential claims over the dedicated cover pool, ranking ahead of ordinary creditors and supporting timely payment during public administration, provided the pool remains compliant.

Robust insolvency protection for bondholders

Covered bonds do not automatically accelerate or become subject to bail-in following issuer resolution, while cover-pool derivatives cannot be terminated solely because of resolution. Commingling exposure is limited, although collections remain with Landkreditt before transfer to the cover pool. The statutory cover register supports identification and enforceability of the assigned assets and associated derivative agreements.

7.2 Payment Continuity Enhancement (PCE)

The programme benefits from a three-notch uplift under the PCE reflecting the likelihood of timely payments once payment obligations shift from the first to the second recourse. Our PCE assessment results in a three notch uplift.

Three notches from payment continuity enhancement

Score	69	100	75	50	25	1
Continuity Protection	Weight					
Liquidity risk mitigants	40.0%	○	○	●	○	○
Derivatives	20.0%	●	○	○	○	○
Enhancements post-insolvency	20.0%	●	○	○	○	○
Climate risk / ESG	20.0%	○	●	○	○	○
Asset & Risk Controls	Weight					
Asset quality	25.0%	○	●	○	○	○
Asset valuation	25.0%	○	○	●	○	○
Market risk	25.0%	○	○	●	○	○
Oversight	25.0%	○	●	○	○	○

▼

PCE Classification Score	100-85.0	84.9-60.0	59.9-35.0	34.9-15.0	14.9-1
Implied notches	4	3	2	1	0
Adjustment			+1		
Final notches			3		

7.2.1 Continuity Protection

The programme's continuity protection assessment reflects liquidity safeguards, the absence of derivatives, post-insolvency enhancements, and climate and ESG considerations.

Adequate safeguards support covered bond payment continuity

Liquidity protection is supported by a statutory 180-day liquidity reserve, CRR-compliant residential mortgages, high-quality substitute assets, and rule-based 12-month maturity extensions applicable to all covered bonds.

The absence of derivatives eliminates counterparty, replacement, collateral-posting and derivative-related liquidity risks.

Post-insolvency protection is supported by broad administrator powers to issue new bonds, obtain bridge financing, sell assets and manage liquidity, while the 5% minimum overcollateralisation requirement and provisions for programme costs remain effective after insolvency.

Climate and ESG considerations benefit from Landkreditt's ICMA-aligned Green Bond Framework, an outstanding NOK 400m green covered bond, annual impact and allocation reporting, and a dedicated Green Bond Register. These strengths are balanced by the absence of a pass-through structure, limited secondary-market liquidity for Norwegian residential mortgages, and a non-recurring pattern of green covered bond issuance.

7.2.2 Asset & Risk Controls

The programme's asset and risk controls benefit from strong asset eligibility standards, prudent collateral requirements, comprehensive market-risk management and robust oversight.

High asset quality with effective oversight

Asset quality is supported by cover assets restricted to eligible statutory categories, with Landkreditt Boligkreditt further limiting the pool to well-secured Norwegian residential mortgages. Residential loans are subject to a maximum statutory LTV of 80%, reduced to 60% for recreational properties, while single-borrower concentrations are generally capped at 5% for overcollateralisation purposes. Non-performing loans are excluded from overcollateralisation calculations and must be repurchased when no longer eligible.

Asset valuation is supported by independent assessments, quarterly revaluations using Eiendomsverdi's automated valuation model, and prudent value requirements. Market-risk controls include mandatory management of interest-rate, liquidity and currency risks, parallel interest-rate shocks of at least 100 basis points and quarterly regulatory reporting.

Oversight benefits from Finanstilsynet's approval and supervision, an independent cover-pool monitor, eligibility for Norges Bank and Eurosystem collateral operations, a preferential 10% CRR risk weight and Level 1 HQLA treatment. These strengths are balanced by the absence of maximum loan-maturity or repayment-structure restrictions, nominal rather than NPV-based coverage calculations, and the use of market-oriented prudent values rather than a long-term mortgage-lending-value approach.

7.3 Cover pool support analysis

The cover pool analysis confirms the ability to support a full three-notch uplift available under the qualitative Payment Continuity Enhancement assessment. This also holds under a hypothetical two-notch downgrade of the issuer rating to BBB.

Our cash flow analysis shows that the programme is most sensitive to a scenario combining interest rates down to -1% with low prepayment rates up to 3%.

7.3.1 Cover pool overview

As of Q2 2026, LKBol's cover pool consisted almost entirely of Norwegian residential mortgage loans, with an outstanding balance of approximately NOK 9.9 billion across 4,062 loans. In addition, the cover pool benefits from liquid assets of NOK 116.0 million held in SSAs and Norwegian Credit institutions.

The mortgage portfolio is granular, with an average loan size of approximately NOK 2.5mn and low borrower concentration. The ten largest exposures account for less than 1.3% of total mortgage balances. About 96.4% of the mortgage loans finance owner occupied properties and all are secured by a first-lien. The portfolio exhibits a conservative weighted-average indexed loan-to-value ratio of 42.9%, while almost two-thirds of exposures have indexed LTVs below 50%. Asset quality remains strong. Non-performing loans are continuously removed from the cover pool, resulting in Nil NPLs.

The mortgage book is relatively lower seasoned, with a weighted-average seasoning of 3.0 years and a weighted-average remaining term of 26.5 years. Almost 70% of the pool has seasoning lower than 3 years. The interest-rate profile is long-term floating rate loans, accounting for 100%. Floating-rate loans amplify borrowers' sensitivity to short-term interest rate volatility. About 11.9% of the loans are Bullet/Interest only loans. Geographically, the portfolio is diversified across Norway, with Akershus and Oslo region comprising almost 62% of the total outstanding. The weighted current interest rate is 4.76%.

7.3.2 Covered bonds overview

The LKBol's OMF programme totalled NOK 8.6 billion as of June 2026. It benefits from regular issuances, comprising both smaller NOK-denominated issuances with original maturities ranging from 5 to 10 years (average 4.2 years). Currency and interest rate risks are largely mitigated by the exclusive use of NOK-denominated floating-rate liabilities, which are well matched by NOK-denominated floating-rate assets.

7.3.3 Cover pool analysis

For the granular residential mortgage loans we applied a portfolio approximation approach using a parametric default distribution. We calculated a lifetime mean default rate of 9.3% and a Distressed Default Rate of 11.5% accordingly. We have made assumptions with respect to geographical split of mortgages for the reference portfolio, which we have assumed based on Norwegian population statistics. This impacts our regional modifier as shown in the Figure 3 below. Borrower Modifier does not have any impact on DDR. The Regional Modifier, Usage Modifier and Interest type modifier increase the DDR, while the moderate pool seasoning reduces the DDR. Overall, the result is a higher DDR compared to country level DDR.

Cover assets

Reporting date	Jun 2026	Jun 2025
Cover Assets (NOK bn)	10.1	5.1
Of which mortgage loans (%)	98.9	96.3
Substitute assets (%)	1.1	3.7

Mortgage general information

Reporting date	Jun 2026	Jun 2025
No. of loans	4,062	2,563
Avg. loan (NOK mn)	2.5	1.9
Top 10 borrowers (%)	1.3	1.9
LTV (indexed) (%)	42.9	40.5
NPLs (%)	-	-
Floating rate (%)	100.0	100.0

Repayment Type

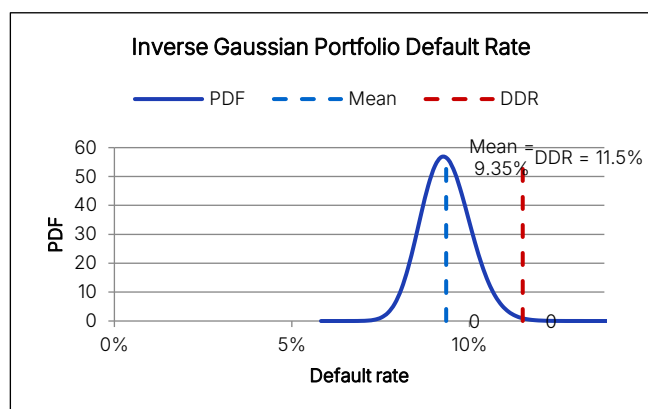
Amortising (%)	66.0	62.7
Bullet/IO (%)	11.9	15.6
Others (%)	22.1	21.7

Mortgage asset location (%)

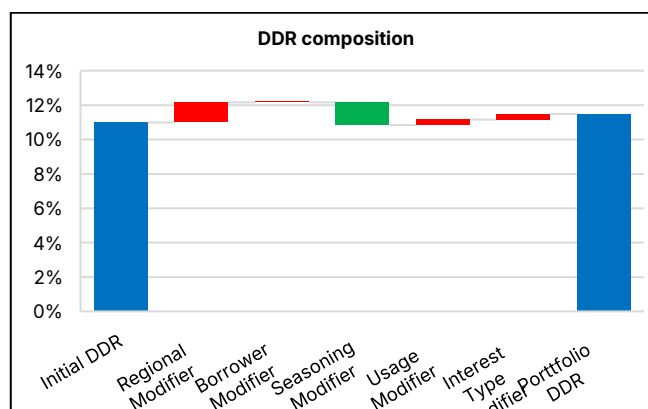
Reporting date	Jun 2026	Jun 2025
Akershus	32.0	34.9
Oslo	29.6	28.9
Rogaland	5.5	4.3
Vestland	5.5	4.3
Østfold	5.0	6.5
Others	29.6	28.9

Covered Bonds

Reporting date	Jun 2026	Jun 2025
Covered Bonds(NOK bn)	8.6	4.4
NOK (%; post hedge)	100.0	100.0
NOK (%; pre hedge)	100.0	100.0
Fixed (%; pre hedge)	0.0	0.0
Floating (%; pre hedge)	100.0	100.0
Fixed (%; post hedge)	0.0	0.0
Floating (%; post hedge)	100.0	100.0

Figure 2: Default Rate Distribution (mortgage)

Source: Scope Ratings

Figure 3: Composition of Distressed Default Rate

Source: Scope Ratings

The recovery rate has been calculated at 95% under the base case and 69.5% under the distressed AAA scenario. The Distressed Recovery Rate reflects the application of a 25% haircut to the base recovery rate for standard residential, amortising, owner-occupied first-lien mortgage loans and a 40% haircut for all other exposures.

7.3.4 Cash Flow Risk Analysis

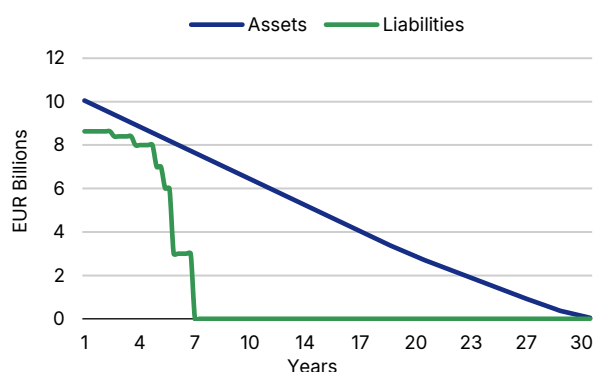
LKBol's OMF programme rating can reach AAA based on the uplift under first recourse and second recourse. As such we have calculated a 5% overcollateralisation that can support an additional one notch uplift under the second recourse to support the programme's AAA rating.

This level of OC is driven by a high-quality cover pool, limited market risks, and prudent management.

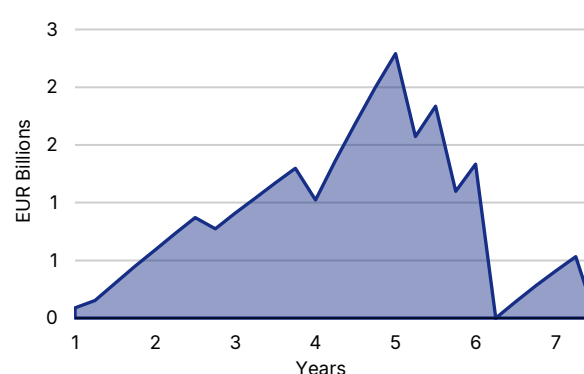
The programme is primarily exposed to scenarios combining low prepayment rates with declining interest-rate stresses. This is because prepayments are assumed to be reinvested in a cash account earning negative rates. Under the most severe stress scenario, cash balances can build up to NOK 2bn, particularly during the period from years 2 to 4. Additionally the mismatch between asset and liability cash flows introduce the risk of asset sales. Under the most severe stress scenario, two asset sales are required at the end of 5.25 years at a discount of about 14.8% and the other at the end of 6.5 years at a discount of 14.0%.

Asset liability mismatches (post hedge)

Reporting date	Bonds	Assets
WAL (in years)	4.2	20.1
Main currency (NOK in %)	100.0	100.0
Floating (in %)	100.0	100.0

Figure 4: Unstressed CF Profile

Source: Scope Ratings

Figure 5: Cash Account (IR Stress down/prepayments down)

Source: Scope Ratings

8. Sensitivity analysis

LKBol'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

Programme sensitivities reflect hypothetical issuer downgrade

stable covered bond programme risk profile, a two-notch downgrade would only increase the rating-supporting OC to 6.0%.

As a consequence, the rating may be downgraded upon: i) an issuer rating downgrade by more than two notches; ii) a deterioration in the first recourse uplift by more than two notches, iii) a deterioration in the second recourse uplift that would reduce the potential credit support from the cover pool and iv) available or committed OC below rating-supporting or legal minimum.

9. Environmental, social and governance (ESG) impact analysis

Governance factors are key for the analysis of Norwegian covered bonds, and as such drive our first recourse and second recourse analysis.

Climate stress scenarios show rating resilience

We complement our analysis with a sensitivity analysis of climate-change risks¹. None had an impact on the rating or was deemed relevant to adjust the ratings supporting overcollateralisation.

Climate Risk Scenario	Base	Orderly transition	Disorderly transition	Hot house
Distressed Default Rate	11.5%	12.1%	11.6%	11.6%
Distressed Recovery Rate	69.5%	68.1%	69.0%	69.4%

¹Climate risk credit impacts

10. Country and Currency risk considerations

The Kingdom of Norway is currently rated AAA with a stable outlook. Sovereign risk does not constrain the covered bond rating. Transfer and convertibility risks are considered limited given the sovereigns AAA rating, the country's stable institutional framework, EEA membership as well as its integration into European financial markets.

Country and currency risks are not a limiting factor

Country and currency risks are reflected across several elements of the analysis. These include qualitative assessments within the Institutional Framework and Payment Continuity Enhancement analyses where Norway's AAA category sovereign rating is considered. Country risk is also incorporated quantitatively through assumptions regarding market liquidity, asset-sale discounts and spread volatility under stressed conditions. A potential downgrade of Norway into the AA category will not have an impact to the ratings of LKBol's covered bonds.

We have no evidence that transfer risk (e.g. risk of capital controls), convertibility risk (e.g. risk of FX shortages), the risk of an institutional meltdown are pertinent risk factors for Norway.

11. Counterparty risk assessment

The programme is exposed to several counterparty roles performed within Landkreditt group, including origination, servicing and account banking. However, counterparty risk is not constraining the rating. The rated covered bonds benefit from a robust regulatory framework and strong supervision by the Norwegian FSA alongside Norges Bank oversight of the issuer. If a regulator were to intervene, we believe the strong alignment of interests between the bank and the covered bondholders would prevent any negative impact. We view positively the fact that collections are generally made via direct debit, allowing for a relatively swift redirection of payments if necessary.

Counterparty risks well controlled

Additionally, since LKBol does not use any derivatives, no swap counterparty exposure exists, which we treat positively. Exposures to account bank and credit institutions are governed by the statutory CQS requirement. Under Article 129 of the CRR, counterparty exposures must qualify for Credit Quality Step (CQS) 1 or 2 (equivalent to AAA to A-), which meets Scope's expectations for counterparties that support the highest ratings.

Counterparty risks are further mitigated by the Mortgage company based structure, under which the cover assets are held by a mortgage company, together with regulatory oversight, contractual replacement triggers and the strategic importance of the programme to the group.

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Related research

[Covered Bond Quarterly: Primary market growth stunted by structurally constrained collateral supply](#), July 2026

[Covered bonds outlook 2026: stable collateral performance, balanced bank outlook](#), January 2026

[Climate risk in covered bond ratings can have counterintuitive credit impacts](#), September 2025

[Quarterly Performance Report: Landkreditt Boligkreditt AS](#)

Applied methodology

[Covered Bonds Rating Methodology](#), July 2026

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