

Jæren Sparebank

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'A-' long-term issuer rating on Norway-based Jæren Sparebank reflects the bank's strong capital position, low risk appetite and the favourable position in its local operating market. The bank has a cooperation agreement with the Eika alliance, which we view as positive, as it provides product diversity, shared IT costs and the opportunity to finance residential retail mortgages through Eika Boligkreditt. We expect the bank's core earnings to improve over the next few years, due to higher interest rates leading to increased net interest margins. We also expect costs to be stable over the next few years, with lower costs associated with the new IT system offsetting inflation in other areas. This results in improved earnings metrics in our projections, despite higher projected credit losses.

The rating is constrained by the bank's concentrated exposure to real estate and agriculture in the region of South Jæren in the county of Rogaland, on the west coast of Norway. Rogaland's key role in Norway's oil and gas production makes the region's economy more volatile than the national average, but has also created a strong economy with low unemployment.

STABLE OUTLOOK

The outlook is stable, reflecting our view that the weakening economic climate will be offset by improvements in capital and earnings metrics as interest rates increase, despite higher projected credit losses. We believe the bank's low risk appetite, strong liquidity position, improved earnings and stable cost position provide resilience to a moderate slowdown in the economy.

POTENTIAL POSITIVE RATING DRIVERS

- Improved capital and earnings, with a common equity Tier 1 (CET1) capital ratio sustainably above 22% and pre-provision income sustainably above 3.0% of the consolidated risk exposure amount (REA).

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that negatively affects the bank's asset quality.
- A sustained reduction in the CET1 capital ratio to below 18% and risk-adjusted earnings metrics sustainably below 2.0% of REA.

Figure 1. Jæren Sparebank key credit metrics, 2018–2024e

%	2018	2019	2020	2021	2022e	2023e	2024e
Net interest margin	1.6	1.8	1.5	1.5	1.8	1.9	2.0
Loan losses/net loans	0.01	-0.01	0.15	-0.02	0.02	0.16	0.17
Pre-provision income/REA	2.1	2.6	2.1	1.8	2.1	2.5	2.6
Return on equity	7.6	8.9	6.1	7.8	9.6	9.4	9.8
Loan growth	3.1	1.5	3.1	5.8	3.5	3.0	4.0
CET1 ratio*	16.2	17.9	18.4	18.1	19.2	19.2	19.2
Tier 1 ratio*	17.7	19.3	19.8	19.4	20.5	20.5	20.4

Based on NCR estimates and company data. e–estimate. REA–risk exposure amount. All metrics adjusted in line with NCR methodology. *Capital ratios are consolidated.

ISSUER PROFILE

Jæren Sparebank was formed in 2015 from the merger of Klepp Sparebank and Time Sparebank, which dated back to 1923 and 1911, respectively. Today, Jæren Sparebank's main office is located in Bryne, while the bank also has offices located at Klepp, Varhaug and Ålgård. The bank operates as an independent savings bank and has equity capital certificates that trade on the Oslo Stock Exchange.

Jæren Sparebank operates in Rogaland County, with a focus on the Southern Jæren region, which consists of the municipalities of Klepp, Time, Hå and Gjesdal, where the bank opened a new branch in January 2022. The Southern Jæren region has a population of around 75,000, a strong projected growth rate and very low unemployment levels. These markets are within commuting distance of the Northern Jæren cities of Stavanger and Sandnes, which are vital markets in Norway's oil industry and Norway's third-largest municipality.

The bank is a part of the Eika alliance, an association of over 50 small and medium-sized Norwegian savings banks. The association provides product diversity, shared IT costs and the opportunity to finance residential mortgages via Eika Boligkreditt, Norway's fourth-largest issuer of covered bonds, with outstanding bonds of over NOK 100bn.

Figure 2. Jæren Sparebank's core markets

MUNICIPALITY	POPULATION, JAN 2022	EXPECTED POPULATION CHANGE, 2022–2050	UNEMPLOYMENT, OCT. 2022	UNEMPLOYMENT, OCT. 2021
Klepp	20,163	20.9%	1.3%	2.0%
Time	19,353	24.0%	1.0%	1.7%
Hå	19,296	12.4%	1.1%	1.7%
Gjesdal	12,131	19.7%	1.1%	1.9%
Rogaland	485,797	10.8%	1.5%	2.3%
Norway	5,425,270	11.1%	1.6%	2.2%

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

OPERATING ENVIRONMENT

Operating environment assessment 'a'

We consider a balance of national and regional factors in our assessment of the operating environment. Jæren Sparebank's operations are highly concentrated in Rogaland County, more specifically the Southern Jæren area consisting of Hå, Time and Klepp, and the county is exposed to the volatile oil and gas market. However, this exposure has resulted in a strong economy and a low unemployment rate in the region. Southern Jæren is also exposed to agriculture, which has relatively lower risk.

Lower economic activity in Norway, moderate recession possible in 2023

National factors 'a'

Despite the expectation of lower economic and housing market activity, we anticipate that Norwegian banks will benefit from increasing interest rates. We expect the economy to slow in 2023 as the country adapts to higher energy and living costs, combined with rising interest rates. However, strong public finances support our outlook for the wider banking sector, and the government has implemented an energy price relief system for households.

Norway's rate of inflation remains exceptionally high, at 7.5% in October 2022. Food price inflation somewhat lagged that of other Nordic countries initially in 2022 due to differences in price-setting mechanisms, but is expected to catch up. Norway has an exceptionally low level of unemployment, at only 1.6%. The Norwegian central bank was relatively quick in raising interest rates, reflecting the temporary nature of the low rates in the wake of the pandemic. We expect the central bank to continue with modest rate increases into 2023.

Norway is at less risk of a recession than European peers, in our view, but economic activity is slowing and this is highly likely to continue in 2023. In particular, the housing and commercial real-estate markets are cooling down after a period of very strong price appreciation. As we expect both prices

and volumes to continue to decline into 2023, lending growth for regional banks should decrease, as mortgage-related lending remains the primary exposure in the banking sector.

Jæren region is a growth market with very low unemployment

Regional, sectoral, and cross-border factors
'bbb+'

The municipalities in Southern Jæren account for approximately 60,000 of Rogaland County's population of 485,000. Population growth in the region has been in line with the Norwegian average over the past 10 years, at around 1.1% per year, and the government projects the region's growth to follow the national average through 2050. At 1.5%, the region's unemployment is lower than the national average of 1.6%, according to Norwegian Labour and Welfare Administration.

The economy of Jæren Sparebank's operating region is highly dependent on the oil and gas industry, and the largest employer in Rogaland is Equinor, 67% of which is owned by the Norwegian government. Around 65% of industry workers are employed in the oil and gas sector (2019), increasing the impact of oil price volatility on the region. In recent years, the renewable energy sector has become more important, especially the development of wind power in the Jæren area. Rogaland County is also one of the largest distributors of hydropower in Norway. In addition, the Jæren area is key to the country's farming and agriculture industry, which is reflected in the share of agricultural exposures in the bank's loan portfolio.

RISK APPETITE

Risk appetite assessment
'a'

Jæren Sparebank's risk profile assessment reflects the bank's strong capital and liquidity buffers, large share of low-risk exposure to the residential mortgage and agriculture markets, and its ability to transfer loans to Eika Boligkreditt. The bank has a high regional concentration in Rogaland County, but the county has a low unemployment rate.

Low risk appetite and adequate limit setting

Risk governance 'a-'

In our view, Jæren Sparebank's risk governance framework, risk appetite, limit monitoring, and risk reporting is in line with larger Nordic savings banks and is considered above average compared to savings bank peers. Furthermore, the bank has well-defined guidelines to support anti-money laundering (AML) in its daily operations, which reduces the risk of related losses and fines which have been levied on some banks by the Norwegian regulator.

The bank is improving its sustainability efforts and reporting. Thus far, it has established credit-related guidelines to assess climate and sustainability risks for its corporate and agricultural customers. It is also establishing a green bond framework and offering incentivised green loans for residential mortgages, farming and electric vehicles. It is environmentally certified by Miljøfyrtårn/Eco-Lighthouse, which provides criteria and structure to minimise banks' environmental footprint, products and solutions. The cooperation with the Eika alliance provides additional resources for future development in this area.

Capital ratio improvement due to SME rebate phase-in, and stable forecast

Capital 'a+'

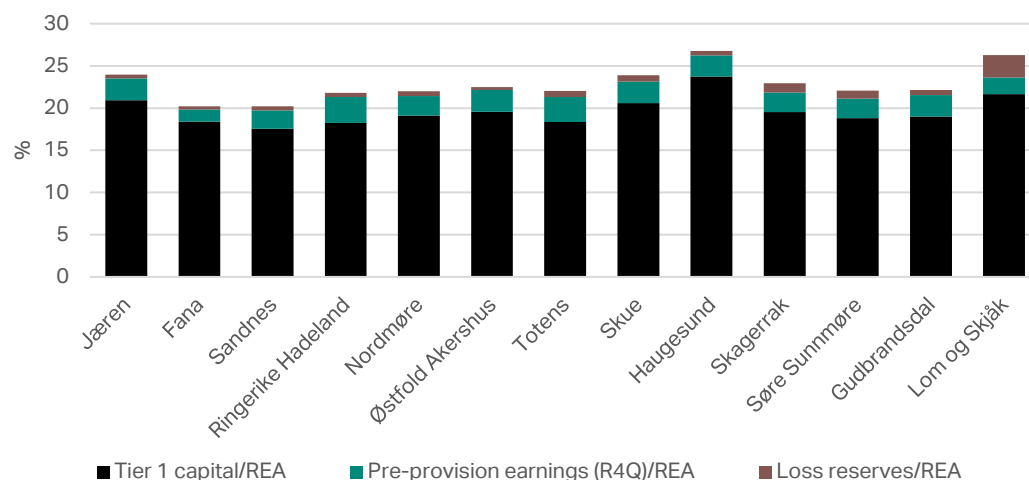
Our capital assessment considers the bank's consolidated capital position, including its proportionate holdings of Eika Gruppen and Eika Boligkreditt. Jæren Sparebank's common equity Tier 1 (CET1) ratio was 18.2% as of 30 Sept. 2022 (18.9% including 50% of profits year to date) and we believe it will improve and remain above 19% through 2024. Improved capital ratios in 2022 reflect the inclusion of the SME rebate. We consider NOK 149m in additional Tier 1 instruments, with NOK 49m included in the consolidation, as loss-absorbing, which supports our capital assessment. We expect the Tier 1 ratio to remain above 20% through 2024 versus 19.6% at 30 Sept. 2022 (20.5% including 50% of year-to-date profits). The bank had a leverage ratio of 8.2% as of 30 Sept. 2022, excluding year-to-date net profits (9.9% at year-end 2021), compared with a regulatory requirement of 5%.

The CET1 ratio was well above both the minimum requirement of 13.4% and the internal CET1 target of 17.0% as of 30 Sept. 2022. In addition, the projected ratio is also much stronger than the CET1 requirement of 15.9% from 31 Mar. 2023, including an additional 1.5% systemic risk buffer (4.5% in total from year-end 2022) and an additional 1% countercyclical buffer (2.5% from 31 Mar. 2023).

We expect Jæren Sparebank to expand its on-balance-sheet loan book by 3.0%–4.0% in 2023 and 2024. As a result of rising interest rates, we see the bank's net interest margin improving to 2.0% towards

2024 (2.4% of net loans). We believe this will result in a return on equity of between 9.0% and 10.0% through 2024. In addition, we expect the bank to deliver a stable dividend pay-out ratio of 60% until 2024. The potential to reduce this dividend provides capital flexibility, especially given the bank's lower historical pay-out ratio.

Figure 3. Jæren Sparebank and domestic peers' capital ratios and buffers, 30 Jun. 2022



Source: bank reports. R4Q—rolling four quarters. Capital ratios and REA are unconsolidated.

Relatively diverse funding and strong liquidity buffers

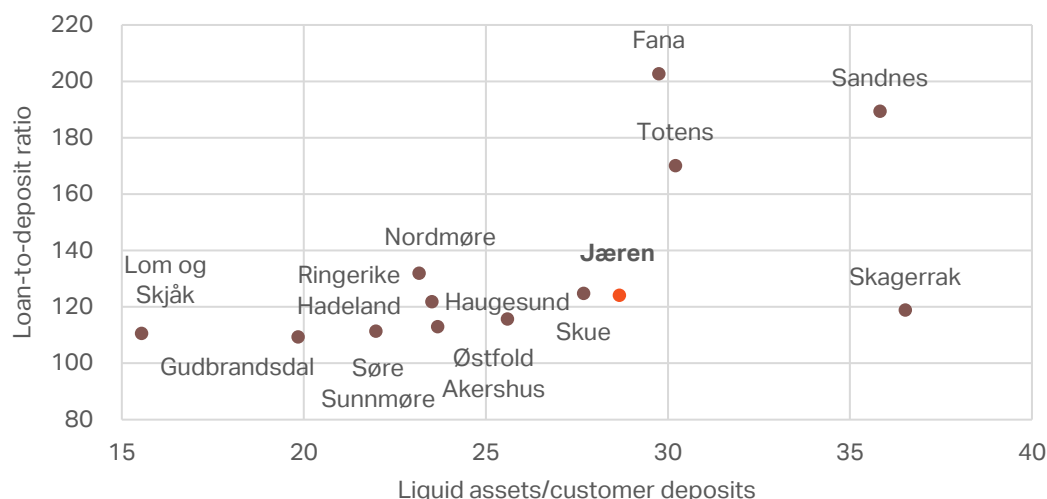
Funding and liquidity 'a'

Jæren Sparebank's funding and liquidity position is relatively strong, with a stable retail deposit base and demonstrated access to capital markets. A minor decrease in lending and strong deposit growth in recent years has driven the loan-to-deposit ratio down to 123% as of 30 Sept. 2022, from 137% at year-end 2018. The bank maintains strong liquidity buffers, at nearly 24% of customer deposits, and has access to a NOK 300m credit line from DNB. As of 30 Sept. 2022, the liquidity coverage ratio was 311%, well above its internal limit and historical average of around 200%. The bank's net stable funding was 143% at the end of 2021, in line with recent reported levels and well above the internal limit. We expect Jæren Sparebank to maintain strong regulatory measures, given internal limits.

Jæren Sparebank had NOK3.3bn in outstanding in senior bonds as of 30 Sept. 2022. The debt maturity profile is evenly distributed, with senior unsecured maturities spread out over 2023 to 2027. Our forecast expects the bank to refinance through new bond issuances at maturity and we note that the bank repurchased NOK 50m of its NOK 360m bond, which matures in February 2023.

Another important source of funding for Jæren Sparebank is its cooperation with Eika Boligkreditt. Eika Boligkreditt is a stable and important source of funding for the bank and provides access to more affordable funding with longer terms to maturity than it can achieve by itself. Jæren Sparebank increased its transfer ratio to Eika Boligkreditt to 40.9% as of 30 Sept. 2022 (from 39.3% at year-end 2021) and is approaching its 45% internal limit.

Figure 4. Jæren Sparebank funding metrics vs savings bank peers (%), 30 Jun. 2022



Source: bank reports.

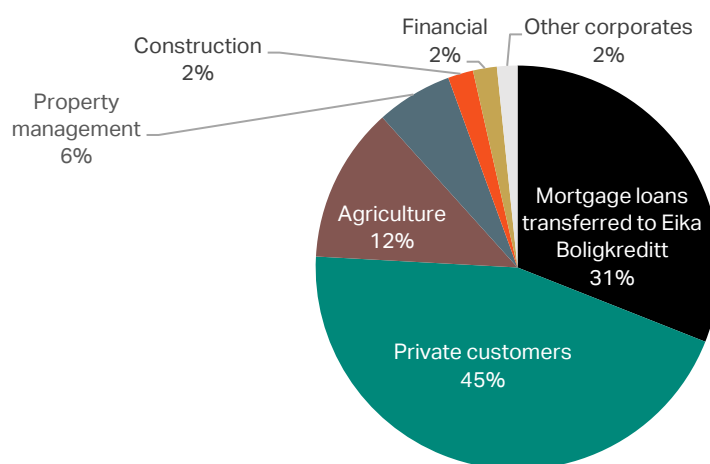
Credit risk

Credit risk 'bbb'

The bank's loan portfolio is also highly regionally focused, with 96% of its lending extended to borrowers in Rogaland County. About 80% of Jæren Sparebank's exposures are to private and agricultural customers and secured on housing and agricultural properties, adding to the concentration on its local market and linking collateral to declining property values. Housing prices and real-estate values in Rogaland are falling in line with the Norwegian market as interest rates rise, but the region has historically maintained low unemployment despite periods of volatility relating to the oil and gas industry. Housing price growth over the past decade has strengthened the bank's collateral.

The oil and gas industry is a major employer in the region. While the bank is not a direct lender to oil and gas companies, a number of the bank's exposures are to suppliers or individuals working in the industry, exposing the bank to volatility in this sector. However, strong social safety nets and agricultural industry regulation mitigate much of the oil industry-related risk in the bank's loan book. The exposure to farmers exposes the bank to significant climate events and flooding in the region's lakes or waterways, as evidenced by the very dry summer in 2018, which affected farming operations and crops.

Figure 5. Jæren Sparebank net lending by segment, including transferred loans, 30 Sept. 2022



Source: company.

The bank had loan growth of 4.3% over the last 12 months, but saw declining loan volumes on its own balance sheet in the third quarter. Our forecast includes loan growth on the bank's balance sheet of between 3% and 4%. Jæren Sparebank has increased the share of residential mortgage loans transferred to Eika Boligkreditt during 2022 in response to increased funding costs and is likely to

continue to do so until interest rates stabilise, which we expect in 2023. As of 30 Sept. 2022, the bank had NOK 6.0bn in transferred loans, which provides commission income. The bank does not offload its risk for these loans, however, and is expected to take back nonperforming loans from Eika Boligkreditt to maintain a clean cover pool. Where repatriation of loans is not possible, which has yet to occur, Jæren Sparebank guarantees 1% of transferred loans and covers 80% of any net loss occurred by Eika Boligkreditt, with charges netted from commission payments for transferred loans.

Other risks

Other risks 'a'

We do not believe market risk is a material factor for Jæren Sparebank, given the lack of a trading portfolio, and its low limits on interest rate risk and currency risk. The bank uses interest rate derivatives for hedging purposes.

Jæren Sparebank has strategic ownership positions in Eika Gruppen (4.9% at year-end 2021) and Eika Boligkreditt (5.9%), which provide access to the Norwegian covered-bond market, insurance, asset management, a real-estate agency and credit products, and ensure a strong voice alongside the other savings bank owners. This ownership also contributes to the bank's earnings through dividend payments, as well as commission paid on transferred loans and savings. In addition, the bank owns 40% of real-estate brokerage business Aktiv Eiendomsmegling Jæren AS. The remaining shares are owned by Sandnes Sparebank.

COMPETITIVE POSITION

Competitive position assessment 'bbb-'

Jæren Sparebank has a local focus and a strong position in its core markets. The bank is the market leader for private customers in the region, with a market share of 27%. This is distributed between a market share of 36% in Klepp, 38% in Time, and 20% in Hå. Competitors with national coverage have reduced their branches and coverage in Jæren Sparebank's core markets, leading the bank to open a branch in Gjesdal in January 2022. The new branch has a current market share of 6% in Gjesdal, but is growing due to its local presence. In the corporate segment, Jæren Sparebank is mostly concentrated around agriculture, which makes up 18% of the loan portfolio and reflects the bank's 43% market share within agriculture in the region. The bank's main local competition comes from Sparebank 1 SR-bank, Sparebanken Vest and Sparebanken Sør, which are regional banks that cover a broader area of Norway.

The bank is the third largest in the Eika alliance, which expands the bank's customer offerings beyond what it could provide itself and diversifies revenues. Via Eika, the bank provides customers with insurance, debit and credit products, asset management and a real-estate agency.

As the bank is so concentrated around its core markets, we consider Jæren Sparebank's meaningful role in and contributions to its local market as a positive rating factor. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility in its local communities. The bank also funds social and cultural activities to support its local community.

Jæren Sparebank also distributes customer cash dividends according to the size of customers' loan and deposit balances throughout the year. The bank views this as a strategic way of securing long-term value creation. It generates loyal customers and, to some degree, makes it more difficult for other banks to capture market share from Jæren Sparebank. We therefore believe this arrangement further strengthens the bank's local competitive position.

PERFORMANCE INDICATORS

Performance indicators assessment 'a-'

We expect Jæren Sparebank's core earnings to improve in the coming years due to higher interest rates increasing net interest margins. We also believe the bank's costs will remain stable over our projected period. We therefore expect these improvements to offset an anticipated increase in loan losses due to a slowdown in the overall economy.

Earnings

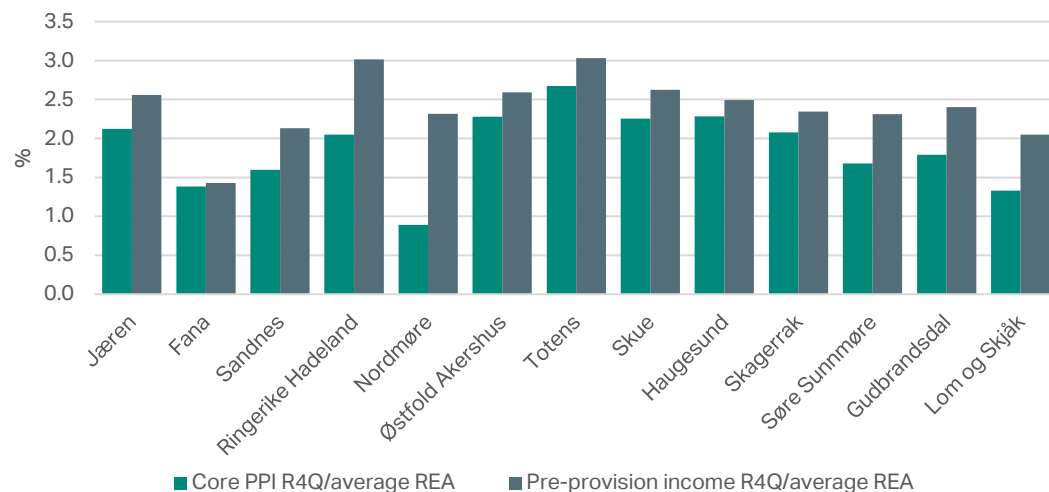
Earnings 'a'

We expect rising interest rates to significantly improve Jæren Sparebank's net interest margins following years of margin pressure due to low interest rates and competition for mortgage loans. We therefore believe the net interest margin will increase to 2% in 2024. In addition, we expect rising

interest rates to improve margins on loans transferred to Eika Boligkreditt from 2023, despite falling during 2022 due to the rapid rise in interest rates. Another important source of income for the bank is dividends from the Eika Gruppen and Eika Boligkreditt, which we expect to improve somewhat over the next few years for similar reasons.

We forecast Jæren Sparebank's costs to fall in 2023, due to lower costs associated with the new IT system implemented in 2022. The combination of improved income and a stable cost base leads us to project a core cost-to-income ratio of 43–45% in 2023 and 2024, compared with 51% in 2021. This will also result in an improvement in core risk-adjusted pre-provision income (PPI) to REA to 2.1%–2.3% in 2023 and 2024.

Figure 6. Norwegian savings banks' PPI to REA, LTM to 30 Jun. 2022

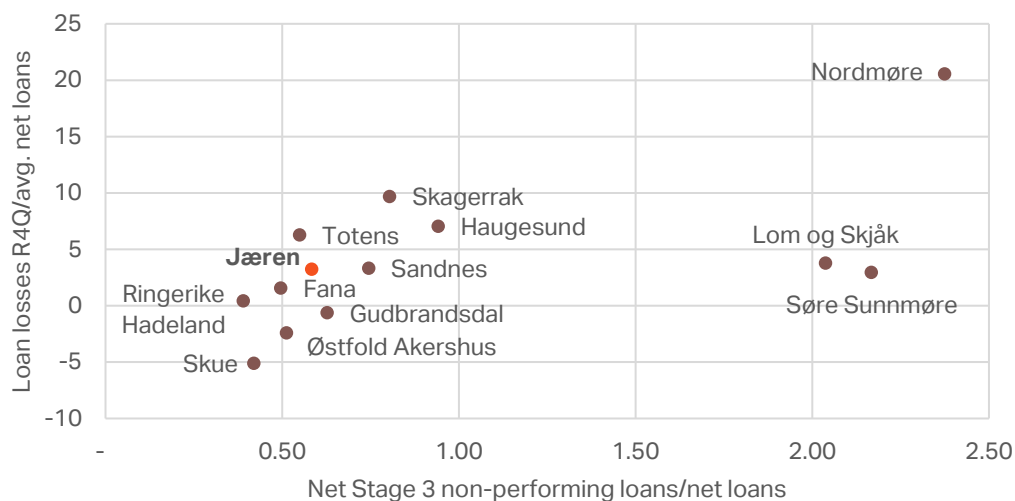


Loss performance

Loss performance 'a-'

Jæren Sparebank reversed NOK 2.8m in previous loss reserves in the first three quarters of 2022, compared with NOK 2.4m in net reversals in 2021. We project an increase in loan losses in 2023 and 2024 as the economy slows, but note that the bank maintains a NOK 9.5m general reserve from the COVID-19 pandemic that serves as a buffer for new reserves. We also anticipate that the bank's stage 3 loans will increase in line with an economic slowdown and project net stage 3 loans increasing towards 1% of net loans by 2024 in our base case. However, we expect the bank to continue to remain within the range of its domestic peer group.

Figure 7. Norwegian savings banks' asset quality metrics (%), 30 Jun. 2022



Moderately positive
aggregate ESG impact

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Environmental, social and governance (ESG) factors are considered throughout our analysis, where material to the credit assessment (see Figure 8). On aggregate, we view the bank's ESG profile as having a moderately positive impact on its creditworthiness.

Figure 8. Jæren Sparebank priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Physical climate risk to collateral	Climate-related damage to real-estate and agricultural collateral (closely linked to supervision of insurance). Longer-term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Social engagement in local community	Close connection to narrow regional markets provides a benefit.	Competitive position (++) Earnings (+) Funding & liquidity (+)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient control of customers.	Risk governance (0)
Control of sustainability issues	Risk of overlooking sustainability impacts in the bank's underwriting, operations, and customer base.	Risk governance (0) Credit risk (0)

*Defined on a 5-step scale ranging from double minus (--) to double plus (++), with (--) representing the most negative impact and (++) the most positive. See [ESG factors in financial institution ratings](#).

ADJUSTMENT FACTORS

Support analysis

Support analysis neutral

We view Jæren Sparebank's ownership as supportive of our standalone credit assessment, but do not make adjustments to reflect this support. The two foundations that control 63.2% of the bank's equity capital certificates (ECCs) have stated the purpose of their ownership to be the long-term and stable ownership of the bank. This is to ensure a solid, locally focused savings bank in the region. We believe both foundations have available liquidity to participate in a future ECC issuance. In addition, both foundations distribute profits to support the local community in the respective areas. This further strengthens Jæren Sparebank's local presence.

Figure 9. Jæren Sparebank's ownership structure, 31 Oct. 2022

Owner	Share of ECCs
Sparebankstiftinga Jæren – Time og Hå	50.9%
Sparebankstiftinga Jæren – Klepp	12.3%
Eika Egenkapitalbevis VPF	4.9%
Sandnes Sparebank	4.3%
AF Capital Management AS	4.2%
KLP	2.3%
Salte Investering AS	2.0%
Lamholmen Invest AS	1.4%
Elgar Capital AS	1.1%
Catilina Invest AS	0.9%
Other	15.8%
Total	100.0%

Source: company.

ISSUE RATINGS

Our rating on Jæren Sparebank's unsecured senior debt is in line with the 'A-' issuer rating. We expect to assign 'A-' ratings to future issues under the bank's medium-term note programme. The bank has an outstanding Tier 2 instrument and an additional Tier 1 instrument, which we rate one and three notches below the issuer rating, respectively. Consequently, the Tier 2 instrument is rated 'BBB+', while the Tier 1 instrument is rated 'BBB-'.

Figure 10. Jæren Sparebank key financial data, 2017–Q3 2022 YTD

Key credit metrics (%)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q3 2022 YTD
INCOME COMPOSITION						
Net interest income/op. revenue	65.7	69.6	69.8	64.7	64.2	66.6
Net fee income/op. revenue	21.8	22.9	21.1	23.8	26.6	19.7
Net trading income/op. revenue	5.4	0.2	1.0	0.7	-0.8	-3.4
Net other income/op. revenue	7.1	7.3	8.1	10.9	9.9	17.0
EARNINGS						
Net interest margin	1.6	1.6	1.8	1.5	1.5	1.7
Pre-provision income/REA	2.2	2.1	2.6	2.1	1.8	2.2
Return on ordinary equity	8.0	7.6	8.9	6.1	7.8	9.7
Return on assets	0.9	0.9	1.1	0.8	1.0	1.2
Cost-to-income ratio	49.1	49.6	44.5	46.8	46.5	46.2
Cost-to-income ratio, ex. trading	51.9	49.7	44.9	47.1	46.1	44.7
CAPITAL						
CET1 ratio	16.7	16.9	18.8	18.4	18.1	18.1
Tier 1 ratio	17.6	18.2	20.2	19.8	19.4	19.4
Capital ratio	19.0	20.9	22.9	22.3	21.9	21.9
REA/assets	54.7	53.9	50.7	65.5	65.1	60.8
Dividend payout ratio	21.2	24.8	30.6	24.1	33.1	68.7
Leverage ratio	9.0	9.5	0.0	10.0	9.9	8.2
GROWTH						
Asset growth	4.9	2.6	3.4	4.3	5.0	4.8
Loan growth	3.1	3.1	1.5	3.1	5.8	1.8
Deposit growth	2.1	1.3	6.7	5.5	5.7	5.1
LOSS PERFORMANCE						
Credit provisions to net loans	0.10	0.01	-0.01	0.15	-0.02	-0.03
Impaired loans to gross loans	0.19	0.28	0.43	0.32	0.18	0.17
Net impaired loans to gross loans	-0.23	0.02	0.20	-0.02	-0.11	-0.10
Net problem loans to equity	-1.75	0.14	1.29	-0.15	-0.69	-0.62
Non-performing loan coverage ratio	220.93	92.49	52.38	107.34	161.80	161.90
Stage 3 loans/gross loans	0.68	0.66	0.65	0.57	0.69	0.58
Net stage 3 loans/net loans	0.49	0.48	0.50	0.40	0.55	0.47
FUNDING & LIQUIDITY						
Loan/deposit ratio	134.2	136.6	129.9	126.9	127.1	123.1
Net stable funding ratio	143.0	137.0	138.0	141.0	143.0	0.0
Liquidity coverage ratio	150.0	162.0	179.0	139.0	139.0	0.0

Key financials (NOKm)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q3 2022 YTD
BALANCE SHEET						
Total assets	13,675	14,033	14,515	15,135	15,888	16,655
Total tangible assets	13,644	14,005	14,492	15,117	15,874	16,645
Total financial assets	13,547	13,928	14,391	15,022	15,753	16,514
Net loans and advances to customers	11,412	11,768	11,944	12,314	13,032	13,270
Total securities	1,587	1,672	1,717	2,040	2,081	2,163
Customer deposits	8,505	8,615	9,195	9,701	10,250	10,776
Issued securities	3,469	3,484	3,312	3,206	3,405	3,495
of which covered bonds	-	-	-	-	-	-
of which other senior debt	3,238	3,283	3,112	3,006	3,205	3,295
of which subordinated debt	231	200	200	200	200	200
Total equity	1,527	1,768	1,888	1,983	2,105	2,229
Total ordinary equity	1,526	1,665	1,785	1,880	2,001	2,125
CAPITAL						
Common equity tier 1	1,247	1,277	1,384	1,823	1,871	1,831
Tier 1	1,320	1,377	1,484	1,962	2,010	1,970
Total capital	1,422	1,577	1,684	2,212	2,259	2,219
REA	7,480	7,563	7,353	9,916	10,335	10,131
INCOME STATEMENT						
Operating revenues	320	312	356	337	350	309
Pre-provision operating profit	163	158	198	179	187	166
Impairments	11	1	-1	18	-2	-3
Net Income	120	121	154	112	151	151

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

Figure 11. Jæren Sparebank rating scorecard

Subfactors	Impact	Score
National factors	10.0%	a
Regional, cross border, sector	10.0%	bbb+
Operating environment	20.0%	a-
Capital	17.5%	a+
Funding and liquidity	15.0%	a
Risk governance	5.0%	a-
Credit risk	10.0%	bbb
Market risk	-	-
Other risks	2.5%	a
Risk appetite	50.0%	a
Market position	15.0%	bbb-
Earnings	7.5%	a
Loss performance	7.5%	a-
Performance indicators	15.0%	a-
Indicative credit assessment		a-
Transitions		Neutral
Peer comparisons		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		a-
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		A-
Outlook		Stable
Short-term rating		N2

Figure 12. Capital structure ratings

Seniority	Rating
Senior unsecured	A-
Tier 2	BBB+
Additional Tier 1	BBB-

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