

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Jæren Sparebank 'A-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'A-' long-term issuer rating on Norway-based [Jæren Sparebank](#). The outlook is stable. At the same time NCR affirmed the 'N2' short-term rating. At the same time NCR affirmed its 'A-' issue ratings on Jæren Sparebank's senior unsecured bonds, affirmed its 'BBB+' issue ratings to its tier 2 bonds and affirmed its 'BBB-' issue ratings to its additional tier 1 bonds.

Rating rationale

The long-term issuer rating on 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 development costs and the opportunity to finance residential retail mortgages through Eika Boligkreditt. We expect the bank's core earnings to improve for the full year 2023, due to higher interest rates leading to increased net interest margins, and believe improved cost efficiency will support earnings in the years ahead. We expect these improvements to offset an anticipated increase in loan losses due to a slowdown in the overall economy.

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.

We have raised our assessment of Jæren Sparebank's earnings due to stronger income generation and improved cost efficiency. We have also raised our assessment of loan performance due to lower expected losses through the cycle than earlier anticipated.

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 have increased, 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.

We could raise the rating to reflect improved macroeconomic conditions with less uncertainty regarding credit risk, or to reflect improved capital and earnings, with a Tier 1 capital ratio sustainably above 25%.

We could lower the rating to reflect a material deterioration in the local operating environment that negatively affects the bank's asset quality, a sustained reduction in the Tier 1 capital ratio to below 18%, or to reflect risk-adjusted earnings metrics sustainably below 2.0% of REA.

Rating list	To	From
Long-term issuer credit rating:	A-	A-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A-	A-
Tier 2 issue rating:	BBB+	BBB+
Additional Tier 1 issue rating:	BBB-	BBB-

Figure 1. Jæren Sparebank rating scorecard

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

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	A-
Tier 2	BBB+	BBB+
Additional Tier 1	BBB-	BBB-

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 24 Nov. 2022.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 18 Feb. 2022 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test or cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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