JBF Sparebank

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

PRIMARY ANALYST
Christian Yssen
+4740019900
christian.yssen@nordiccreditrating.com

SECONDARY CONTACTS
Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

RATING RATIONALE

Our 'A-' long-term issuer rating on Norway-based JBF Sparebank reflects the bank's low risk appetite, strong capital position, good access to funding, and low-risk loan portfolio. The bank has a cooperation agreement with the Eika Alliance banking association, which we view as positive, as it provides product diversity, shared development costs and the opportunity to finance residential retail mortgages through jointly owned covered-bond company Eika Boligkreditt AS. We view the bank's cooperation with Eika Boligkreditt as critical, as about half of all retail lending is transferred.

We expect JBF Sparebank to report strong earnings in the 2024–2026 period, despite pressure on net interest margins and commission income from Eika Boligkreditt due to peaking interest rates and increasing competition. We expect improved cost efficiency to support earnings. Strong pre-provision profit should help to offset any increase in late-cycle loan losses.

The rating is constrained by strong competition and low market share in all operating regions. It is also constrained by JBF Sparebank's concentrated exposure to real estate and lack of scale, which affects the bank's ability to shoulder an increasing regulatory burden.

STABLE OUTLOOK

The outlook is stable, reflecting our view that Norway's weakening economic climate will not result in a material increase in loan losses for the bank. It also reflects strong capital and earnings metrics due to high interest rates and cost efficiency improvements. We believe the bank's low risk appetite, strong liquidity position, improved earnings, and stable cost position will prove resilient to a moderate slowdown in the economy.

POTENTIAL POSITIVE RATING DRIVERS

- Improved capital and earnings, with a Tier 1 capital ratio sustainably above 22%; and
- improved earnings, with pre-provision earnings sustainably above 2.5% and cost to income sustainably below 45%; and
- an improved market position.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the Norwegian housing market that negatively affects asset quality.
- A lasting reduction in the Tier 1 capital ratio to below 18%.
- Risk-adjusted earnings metrics sustainably below 1.5% of risk exposure amount (REA).

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.4	1.4	1.5	2.0	2.0	1.9	1.8
Loan losses/net loans	-0.05	-0.02	0.01	-0.01	0.04	0.04	0.03
Pre-provision income/REA	1.6	1.7	1.2	2.0	2.1	2.0	1.9
Cost-to-income	64.4	53.1	61.9	51.2	46.0	46.1	48.5
Return on ordinary equity	6.6	7.8	5.4	8.0	7.9	7.4	6.6
Loan growth	4.2	1.3	5.5	6.1	6.5	6.0	5.0
CET1 ratio	17.0	16.8	17.3	19.3	19.9	20.4	21.0
Tier 1 ratio	18.8	18.4	18.9	20.8	21.3	21.8	22.3

Source: company and NCR. e–estimate. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology.

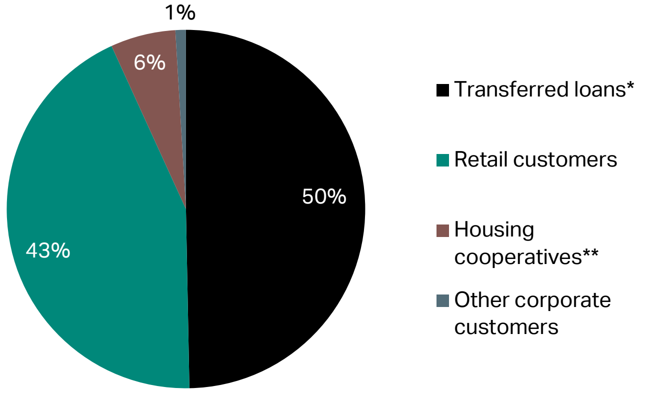
ISSUER PROFILE

JBF Sparebank is a mid-size Norwegian savings bank, originally established in 1885 by and for employees in the railway industry. Railway workers constitute the core customer base, but the bank is now open to all retail customers. JBF Sparebank cooperates with the mutual insurance company JBF Forsikring Gjensidig, with joint management and a joint board of directors. However, NCR's rating applies only to JBF Sparebank. Besides efficiency gains, the cooperation creates cross-selling opportunities as most of the bank's core customers are also customers of the insurance company through insurance schemes.

JBF Sparebank has headquarters in Oslo and branches in eight other cities in Norway. Its customer base is mostly retail and geographically diverse. The bank has NOK 21bn in total business volumes (including NOK 9bn in transferred mortgages). Retail mortgage lending and loans to housing cooperatives account for 99% of the loan book.

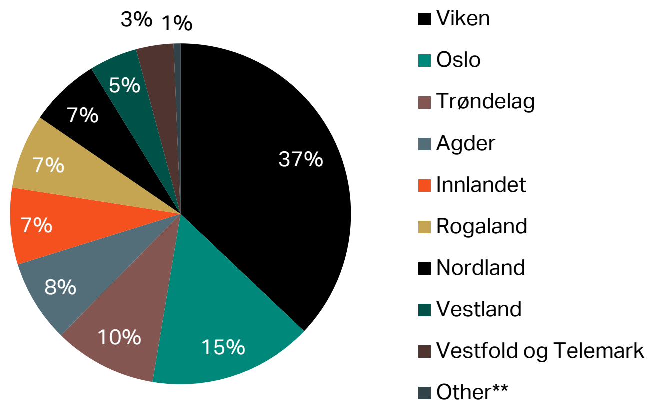
JBF Sparebank is a member of the Eika Alliance, an association of over 50 small and medium-sized Norwegian savings banks. The association provides product diversity and helps to improve cost efficiency through the sharing of IT costs and joint efforts in risk management and compliance. It also provides the opportunity to finance residential mortgage loans via Eika Boligkreditt.

Figure 2. Gross loans by sector, including transferred loans, 31 Dec. 2023



Source: company. *net loans transferred to Eika Boligkreditt, **syndicated loans through Boligbanken ASA.

Figure 3. Gross loans by county*, excluding transferred loans, 31 Dec. 2023



Source: company. *County classification as of 2023. **Troms og Finnmark and Møre og Romsdal.

OPERATING ENVIRONMENT

Operating environment assessment 'a'

We consider both national and regional factors in our assessment of the operating environment. JBF Sparebank has diverse operations across Norway, despite a significant proportion of lending in the greater Oslo region. We believe the Norwegian economy will remain moderately weak through 2024, with reduced economic activity caused by recent high inflation and sharp interest rate increases. Nevertheless, we believe the wider banking sector is well positioned to cope.

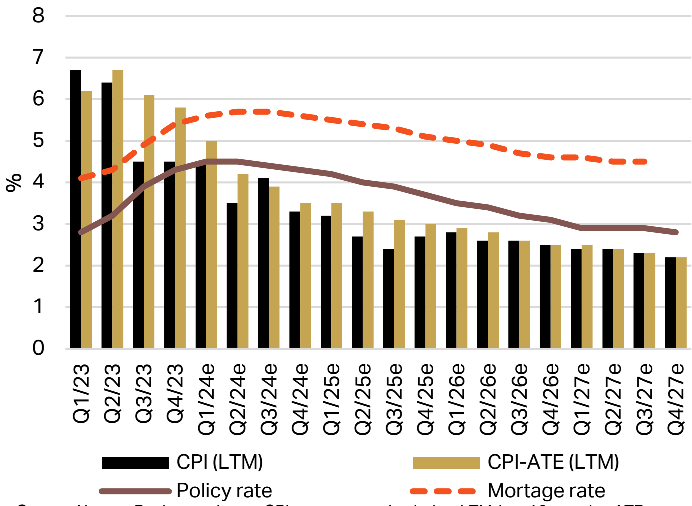
Norwegian savings banks resilient to reduced economic activity

National factors 'a'

Rising interest rates have significantly increased Norwegian savings banks' net interest margins over the past two years. Together with strong lending growth, this has boosted earnings across the sector. However, we believe that core earnings growth in the sector will slow down this year due to greater competition and increased, albeit moderate, loan losses. Among NCR-rated Norwegian savings banks, we expect a marginal decline in core profit in 2024 but anticipate that normalisation of non-core revenues will contribute to an 8% increase in pre-tax profit. We also believe that interest margins could prove more resilient than we previously anticipated due to continuing high interest rates.

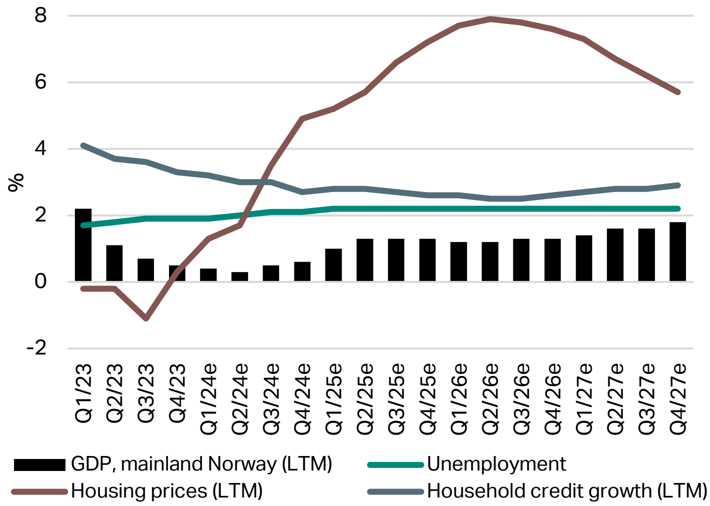
As intended, high interest rates are helping to slow the economy. We believe that high interest rates and weak economic conditions will lead to higher loan-loss provisions among domestic savings banks over the next 12 months, but that levels will vary significantly between individual banks. Norway's savings banks are well capitalised and have strong pre-provision profitability, which makes them relatively resilient to increased credit losses.

Figure 4. Norwegian inflation and interest rates, 2023–2027e



Source: Norges Bank. e-estimate. CPI-consumer price index. LTM-last 12 months. ATE-adjusted for tax changes and excluding energy products.

Figure 5. Norwegian economic indicators, 2023–2027e



Source: Norges Bank. e-estimate.

Nationwide retail mortgage focus

Regional, sectoral, and cross-border factors 'a-'

JBF Sparebank's lending is mortgage-oriented and geographically diverse, with exposure to most of Norway's counties, unlike other domestic savings banks of similar size. Because of the bank's strong connections with the railway industry, lending tends to have some concentration in areas with good railway networks.

More than half of JBF Sparebank's retail lending, including transferred loans, is located in Oslo and the neighbouring counties of Buskerud and Akershus, as well as Trøndelag in central Norway. These counties are projected to have the highest population growth in Norway over the next 25 years. Oslo, Akershus and Buskerud have slightly higher unemployment than the national average, but this is offset by Oslo's strong labour market and good public transport links. Trøndelag county has among the lowest unemployment rates in the country. We expect the national unemployment rate to increase marginally due to low GDP growth.

Figure 6. Markets*

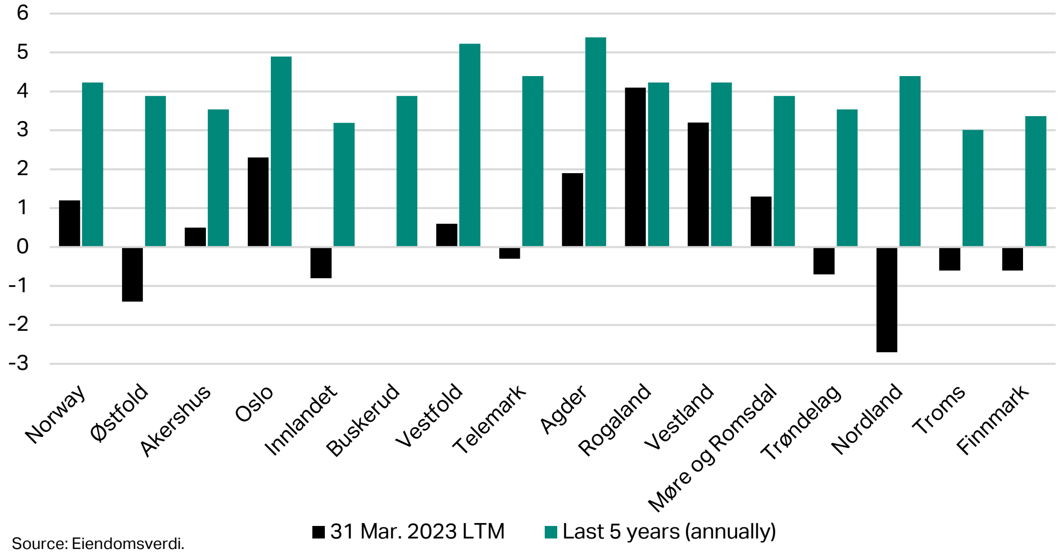
Municipality	Population, 1 Jan. 2024	Expected population change (%), 2024–2050	Unemployment (%), Mar. 2024	Unemployment (%), Mar. 2023
Viken	1,299,911	18.5	2.4	2.1
Oslo	714,800	15.6	2.6	2.2
Trøndelag	482,461	10.3	1.7	1.5
Agder	315,615	11.5	2.1	1.8
Innlandet	373,641	4.3	1.9	1.7
Rogaland	493,278	10.8	1.8	1.7
Nordland	241,068	-1.6	1.6	1.3
Vestland	647,967	8.2	1.9	1.7
Vestfold og Telemark	430,874	9.4	2.6	2.4
Troms og Finnmark	243,714	3.2	1.7	1.4
Møre og Romsdal	267,840	3.6	1.8	1.7
Norway	5,511,169	11.1	2.0	1.8

Source: Statistics Norway, Norwegian Labour and Welfare Administration. *based on county classification as of 2023.

Housing prices in Norway have been relatively stable over the past two years overall, despite regional fluctuations. In the year to 31 Mar. 2024, annual domestic housing prices rose by 1.2% compared with a five-year annual average of 4.2%. We see a risk that property values could decline by year-end as the economy slows, but widely anticipated interest rate cuts later in the year should keep prices buoyant.

We also expect a significant decline in building permits for new dwellings to support housing prices, especially in the Oslo region.

Figure 7. Norwegian annual housing prices by county, 31 Mar. 2019-31 Mar. 2024



Source: Eiendomsverdi.

RISK APPETITE

Risk appetite assessment 'a'

Our risk profile assessment reflects JBF Sparebank's strong capital and liquidity buffers, large proportion of low-risk exposure to residential mortgage lending, and ability to transfer loans to Eika Boligkreditt. The bank's risk governance and internal risk reporting are adequate, in view of its risk profile and complexity.

Risk governance proportional to complexity

Risk governance 'a-'

In our view, JBF Sparebank's risk governance framework, limit monitoring and risk reporting are largely in line with those of its mid-size savings bank peers. The bank has a low risk appetite and complexity, which is demonstrated by its high proportion of low-risk residential mortgages. The low complexity supports our view that the bank's risk management is proportional to its risk profile. The bank has well-defined guidelines to support anti-money laundering measures in its daily operations, thereby reducing the risk of related losses and fines.

JBF Sparebank's cooperation with the Eika Alliance provides additional resources for future sustainability. The bank has obtained environmental certification from the Miljøfyrtårn (Eco-Lighthouse) environmental certification scheme, which provides criteria and a structure for products and solutions to minimise banks' environmental footprint. Parts of the bank's mortgage portfolio are financed through Eika Boligkreditt, which has established a framework for green bonds.

Improvements in already solid capital ratios projected

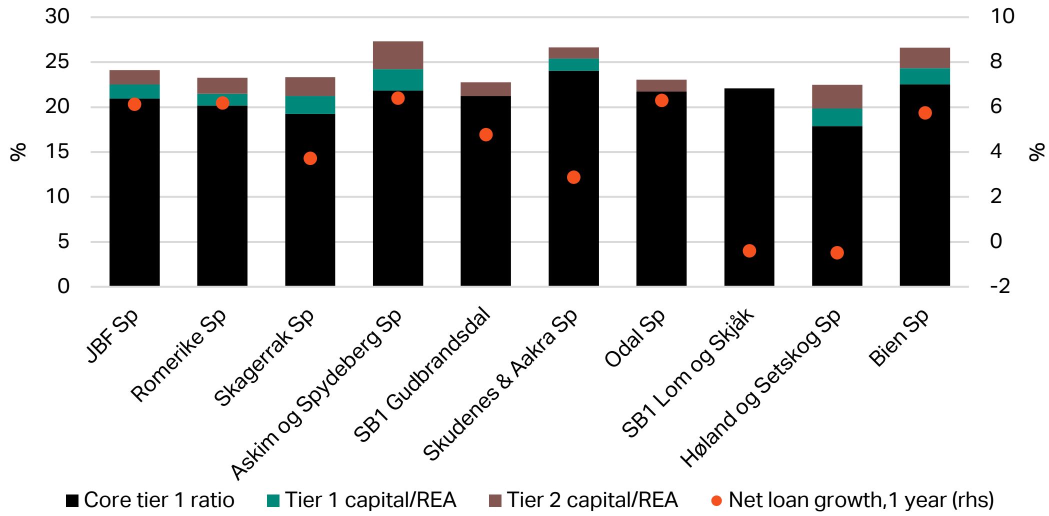
Capital 'a'

Our capital assessment takes into consideration JBF Sparebank's consolidated capital position, including its proportionate holdings in Eika Gruppen and Eika Boligkreditt. At end-2023, the bank's consolidated CET1 ratio was 19.3% and its Tier 1 ratio 20.8%. The bank's consolidated leverage ratio is robust, at 7.6%. We expect JBF Sparebank to expand its REA by 4.5–6.0% annually over the next three years. In addition, we expect a return on equity of around 7% through 2026 due to improved earnings, reduced operating costs after implementation of a new IT platform, and moderate loan losses. We also expect the bank's capital ratios to increase moderately (see Figure 1) due to a modest 13% dividend payout ratio as a result of low levels of ownership of the bank's equity capital certificates (ECCs).

JBF Sparebank's CET1 requirement is 16.2%, reflecting a 1.5pp increase in the systemic risk buffer to 4.5% at end-2023, a Pillar 2 requirement of 1.7%, and an increased internal management buffer of 1.2% (1% previously). The Tier 1 ratio requirement is 18%, including the internal management buffer.

A new standard method for calculation of capital requirements for credit risk (CRR3) is set to come into force in Norway from 1 Jan. 2025. The new method is more risk-sensitive and likely to reduce capital requirements significantly for small and medium savings banks. We expect this will improve JBF Sparebank's capital ratios by more than those of the average savings bank due to the bank's relatively high proportion of low loan-to-value mortgage lending. We believe the new method will improve savings banks' competitiveness by reducing the current disparity in capital requirements with larger banks using the internal ratings-based approach. However, uncertainty remains about possible regulatory steps to offset the relaxation of capital requirements. We have not taken the impending change in the standard method into account in our forecasts and assessments.

Figure 8. Norwegian savings bank capital ratios and loan growth*, 2023



Source: bank reports. *Unconsolidated parent bank capital ratios.

Funding supported by loyal retail customer base, access to capital markets and Eika Boligkreditt

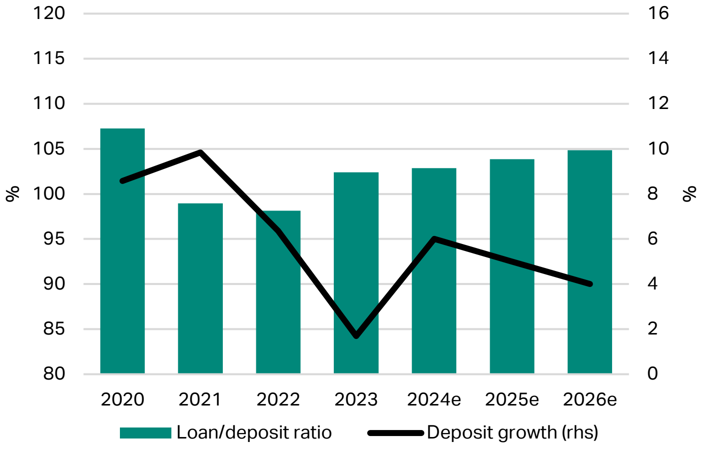
Funding and liquidity 'a'

JBF Sparebank's funding is diverse, with a relatively strong and stable retail deposit base. Stronger deposit growth relative to lending growth in 2019-2022 drove the loan-to-deposit ratio down to 102% at end-2023 from 112% at end-2018. However, lending growth was significantly higher in 2023, with the loan-to-deposit ratio up from 98% at end-2022. We believe credit growth will continue to exceed deposit growth over the next few years, requiring access to capital market financing. The bank maintains strong liquidity buffers, at slightly below 30% of customer deposits. The liquidity coverage ratio was 252% at end-2023, well above the internal limit of 110% and above the historical average of around 240%. At the same time, the bank's net stable funding ratio was 152%, well above the internal limit of 107%. We expect JBF Sparebank to maintain strong regulatory liquidity ratios.

An important source of funding for JBF Sparebank is its cooperation with covered-bond company Eika Boligkreditt, which provides access to more affordable funding with longer terms to maturity than the bank could obtain by itself. As of end-2023, JBF Sparebank had increased its ratio of retail lending transfers to Eika Boligkreditt to 49.7% from 43.9% at end-2020. This is the highest transfer ratio among all mid-size Norwegian savings banks. In addition, the bank has a significant buffer of loans that can be transferred to the covered-bond company as a liquidity reserve, if necessary.

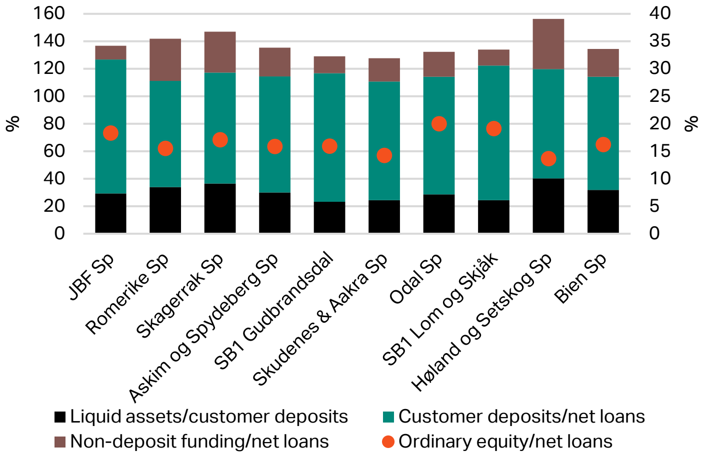
JBF Sparebank had NOK 917m in outstanding senior bonds as of 31 Dec. 2023. The bank's debt maturity profile is relatively short, with senior unsecured maturities spread out over 2024–2026. However, this is balanced by stable deposit funding. The bank has also demonstrated its ability to issue capital instruments and has NOK 75m in hybrid capital and a subordinated bond of NOK 75m.

Figure 9. Deposit metrics, 2020-2026e



Source: company. e-estimate.

Figure 10. Norwegian savings bank funding profiles, 31 Dec. 2023



Source: bank reports.

Retail mortgage exposure across Norway

Credit risk 'a-'

JBF Sparebank's lending grew by 8.3% in 2023, or 7.7% including loans transferred to Eika Boligkreditt. This was higher than the 3.1% growth in household lending in the same year. Our loan growth forecast for the 2024–2026 period assumes 5-6.5% growth in on-balance-sheet mortgage lending, and 4-5.5% in off-balance-sheet mortgage lending.

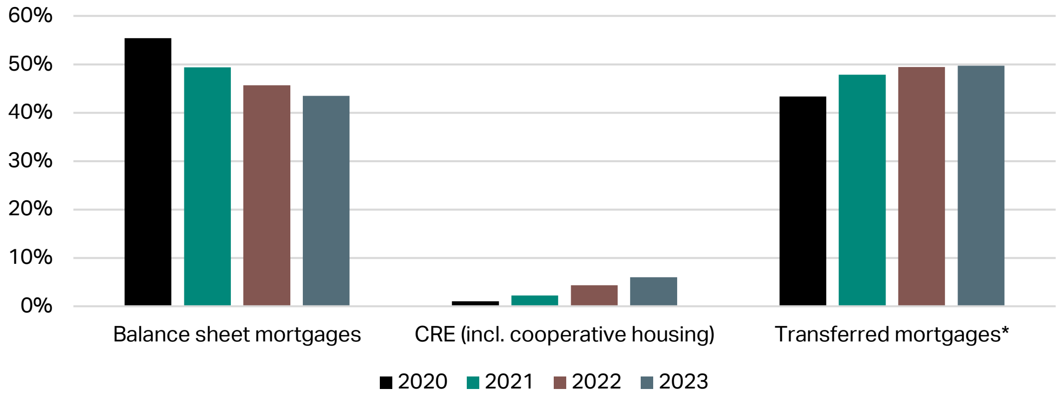
Most of JBF Sparebank's lending is related to residential real estate located throughout Norway. Some 93% of the credit portfolio (including transferred loans) consists of residential mortgage lending, while corporate lending is largely composed of syndicated loans to housing cooperatives through Boligbanken ASA, with which the bank has a cooperation agreement. As a result, more than 99% of JBF Sparebank's lending is secured by residential real estate. Other lending to corporate customers, including construction and primary industries, accounts for less than 2% of on-balance-sheet lending.

The housing market has traditionally been highly sensitive to interest rates, largely due to elevated prices and loan-to-value ratios, but historical losses arising from housing loans are extremely low. Forecasts suggest that robust demand for housing, coupled with limited new construction activity, could drive a substantial rise in prices from mid-2024 (see Figure 5). A decade of housing price growth has bolstered the bank's collateral, with prices maintaining an upward trend throughout 2023. Notably, most loans are backed by robust collateral, offsetting the risk of a substantial decline in housing prices.

At end-2023, JBF Sparebank had transferred NOK 9.1bn in loans to Eika Boligkreditt. Such transfers generate commission income. The bank also takes a share of the covered-bond company's profit through its minority shareholding. However, the bank does not offload the risk associated with transferred loans, and we expect it to take back all non-performing loans to enable Eika Boligkreditt to maintain a clean cover pool. When repatriation of loans is not possible, which has never occured, the bank guarantees 1% of transferred loans and covers 80% of any net loss incurred by Eika Boligkreditt, with charges netted from commission payments on any loans transferred.

JBF Sparebank's syndicated loans to housing cooperatives issued via Boligbanken are well-collateralised with low loan-to-value ratios. Such loans have a risk profile similar to residential mortgage loans and carry the same 35% risk-weight in the calculation of the bank's REA. Syndication allows JBF Sparebank to participate in low-risk big-ticket real estate lending, effectively reducing concentration risk. Since the cooperation agreement with Boligbanken was signed in 2021, the bank has increased its ratio of transferred mortgage lending to fund syndicated loans on its own balance sheet.

Figure 11. Loan portfolio composition, 2020-2023



Source: company. CRE-commercial real estate. *to Eika Boligkreditt.

Wide diversity creates operational vulnerability

Other risks 'a-'

Limited access to skilled personnel is a risk factor for a mid-size bank operating across Norway. We believe this is a key personnel risk factor for JBF Sparebank and have aligned our "other risk" assessment with our risk governance assessment. We do not believe market risk is a material factor for JBF Sparebank, given the lack of a trading portfolio and its low limits on interest rate risk and currency risk.

JBF Sparebank has strategic ownership positions in Eika Gruppen (3.34%) and Eika Boligkreditt (8.84%), which provide access to the Norwegian covered-bond market, insurance, asset management, a real-estate agency and credit products, and ensure a strong a voice alongside 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.

COMPETITIVE POSITION

Competitive position assessment 'bb'

JBF Sparebank is a niche bank with focus on customers with ties to the railway industry. The group's insurance company provides insurance agreements to members of railway associations on better terms than they could obtain elsewhere. A strong overlap of insurance and banking customers characterises JBF Sparebank's core customer segment and plenty of potential exists for future growth. We believe the bank's connection to the railway industry and the synergies provided by the insurance company create greater customer loyalty than at its larger national competitors.

Despite JBF Sparebank's national presence, the bank has a weak position in all core markets. Other national banks with similar geographical footprints are substantially larger, while smaller regional savings banks have stronger connections to their local communities. At a national level, the bank has only a limited presence, accounting for about 0.5% of total household deposits and 1.0% of total mortgage lending (including loans transferred to Eika Boligkreditt).

JBF Sparebank's membership in the Eika Alliance expands the bank's customer offerings beyond what it could provide itself and diversifies revenues. The alliance enables the bank to offer debit and credit products, asset management services, and real-estate agency solutions.

PERFORMANCE INDICATORS

Performance indicators assessment 'a'

We expect JBF Sparebank's profitability to be higher through 2026 than before 2023, despite some margin pressure. We also expect improved cost efficiency to support earnings over the next few years. We believe that loan losses and loan-loss provisions will increase due to a slowdown in the wider economy but remain at relatively low levels.

Strong earnings likely as cost efficiency improves

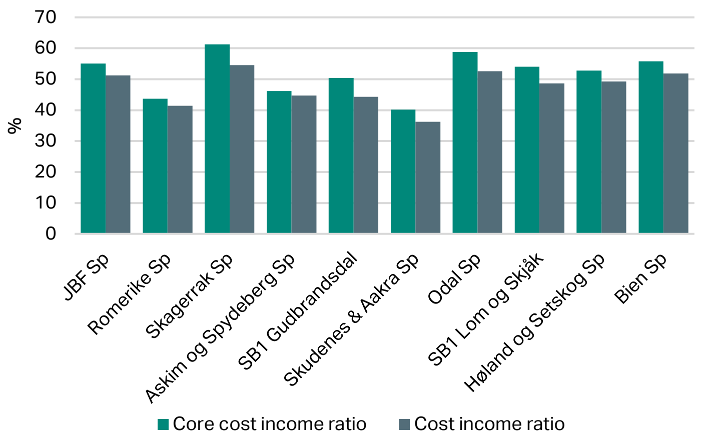
Earnings 'a-'

Net interest income accounted for 69% of operating income in 2023. JBF Sparebank reported a sharp increase in its net interest margin to 2.0% in 2023 from 1.5% in 2022, due to higher interest rates boosting the deposit margin and income from interest rate-related instruments. We believe that the bank's margins peaked earlier this year but that they will remain above recent historical levels over our forecast period. We expect margins to decline slightly due to increased competition for lending and deposits and lower interest rates from 2025 and beyond.

JBF Sparebank has a strong focus on banking and relatively little income from sources other than net interest income and commission income from transferred mortgages. We expect modest growth in commission income from Eika Boligkreditt as interest rate cuts affect mortgage lending margins.

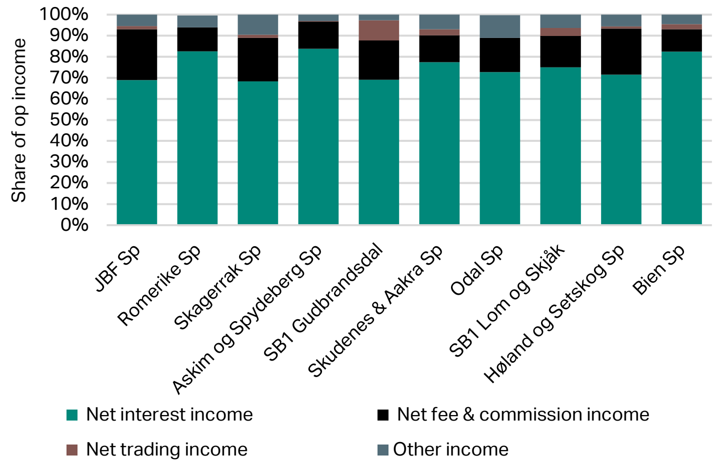
JBF Sparebank's cost efficiency benefits from its shared location and cooperation with the insurance company. The bank's cost-to-income ratio was 51% in 2023, down from 64% in 2022. Improved interest income has been the most significant contributor to increased cost efficiency, especially over the past two years. The bank incurred a total of NOK 25m in conversion costs in 2022 and 2023 as it implemented a new core banking system in February 2023. It expects significant IT cost reductions as a result. A likely combination of increased net interest income and increased cost efficiency leads us to project a lower cost-to-income ratio (46%) in 2024 and 2025. It is also likely to result in pre-provision income (PPI) to consolidated REA above 2% in both years.

Figure 12. Norwegian savings bank cost efficiency metrics, 2023



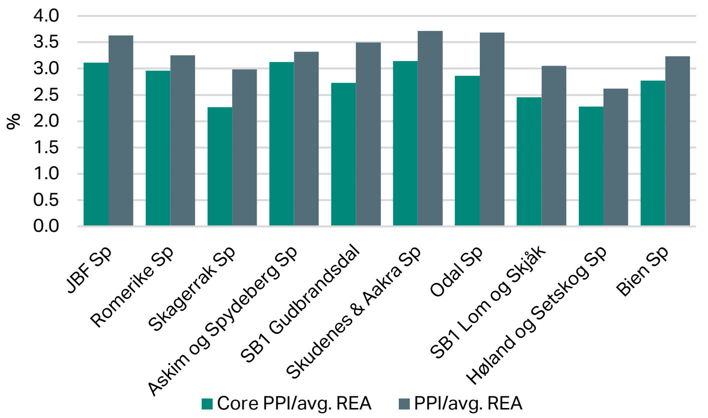
Source: bank reports. Core represents net interest income and net fee & commission income.

Figure 13. Norwegian savings bank income breakdown, 2023



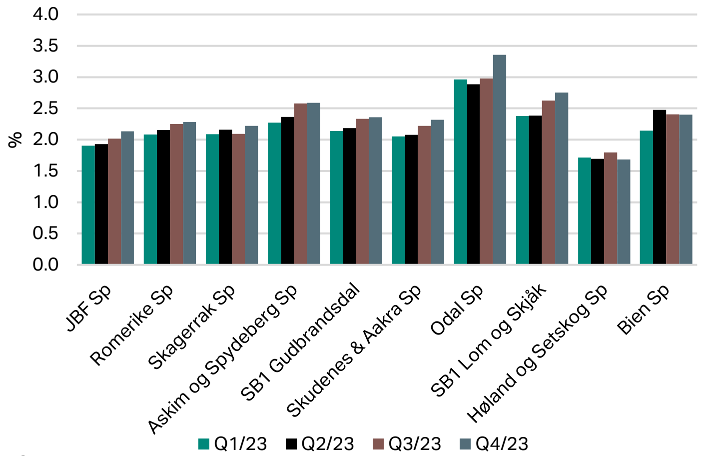
Source: bank reports.

Figure 14. Norwegian savings banks PPI to REA*, 2023



Source: bank reports. PPI-pre-provision income. REA-risk exposure amount. *Unconsolidated REA for parent banks.

Figure 15. Norwegian savings banks annualised net interest margins, Q1 2023–Q4 2023



Source: bank reports.

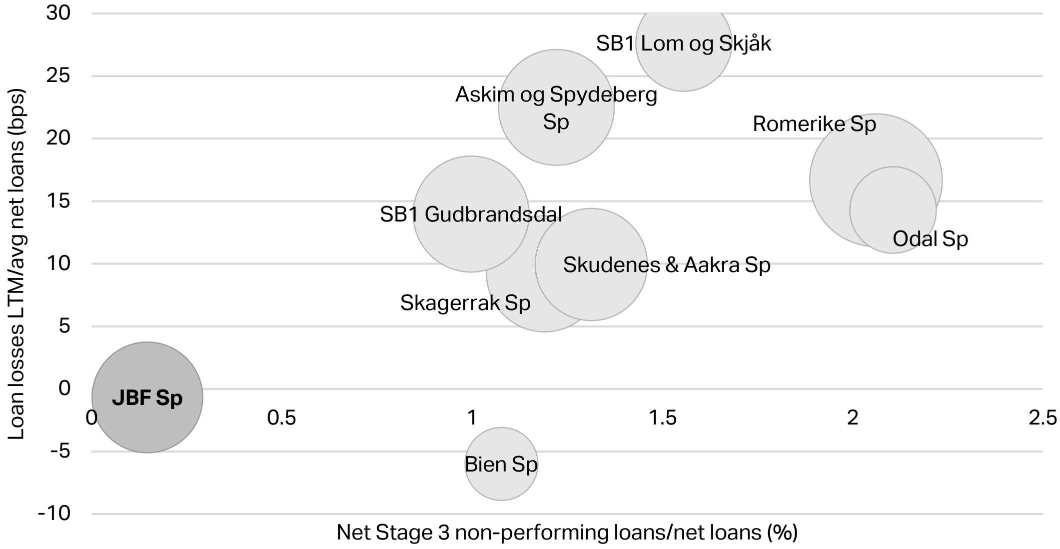
Loan losses likely to remain at low levels

Loss performance 'a+'

Over the past five years, JBF Sparebank booked net loan losses only in 2022 (NOK 0.6m). In 2023, the bank booked net reversals of NOK 0.6m, while recorded booked net reversals in 2019-2021 totalled NOK 4.8m. We project higher loan losses than historically due to slow economic growth. The bank's net Stage 3 loans to net loans are 0.15%, significantly below the median for its domestic peer group.

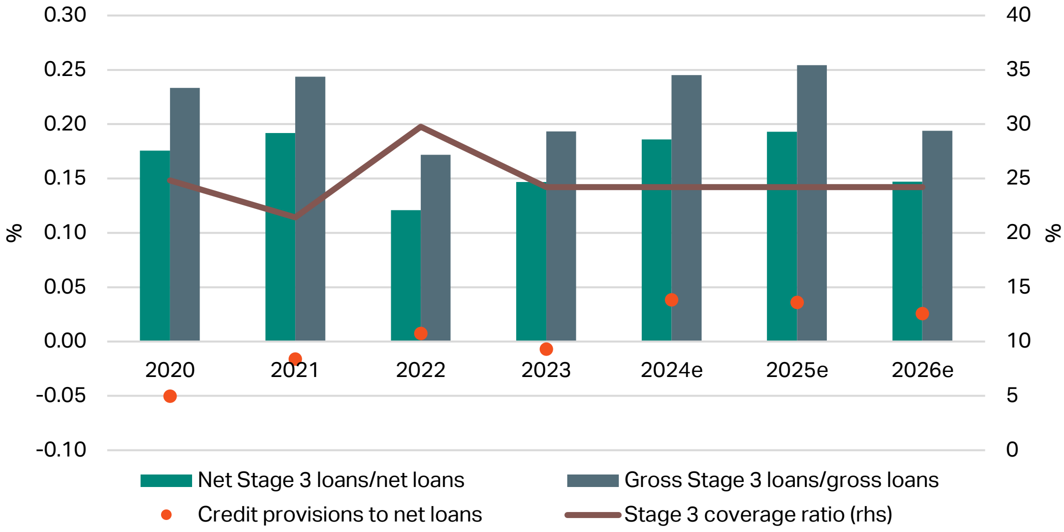
We expect non-performing loans to increase given the current economic slowdown but remain at low levels.

Figure 16. Norwegian savings banks asset quality metrics, 2023



Source: bank reports. Bubble sizes reflect net loan volumes.

Figure 17. Asset quality metrics, 2020–2026e



Source: company. e-estimate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Neutral aggregate ESG impact

ESG factors are considered throughout our analysis, where material to the credit assessment. In aggregate, we view JBF Sparebank's ESG profile as having a neutral impact on its creditworthiness.

Figure 18. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Physical climate risk to collateral	Climate-related damage to real-estate collateral. Longer-term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Social engagement in the community	Close connection to narrow niche provides a benefit.	Competitive position (+) Earnings (0) Funding & liquidity (0)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient reviews 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 do not adjust the rating on JBF Sparebank to reflect expectations of additional support. The bank is self-owned, but has access to the equity market through its ECCs. Some 16% of the bank's equity is owned by ECC holders, which are primarily organisations associated with the railway industry (JBF Forsikring Gjensidig and labour unions).

Figure 19. Ownership structure, 31 Dec. 2023

Owner	Share of ECCs
JBF Forsikring Gjensidig	47.0%
Norsk Jernbaneforbund	23.3%
Stiftelsen Jernbaneetatens Samfundsbygning	5.5%
Norsk Lokmotivmannsforbund	3.7%
Ingar Stubberud	2.0%
Other	18.5%
Total	100.0%

Source: company.

ISSUE RATINGS

Our rating on JBF Sparebank's unsecured senior debt is in line with the 'A-' long-term issuer rating. 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-'.

SHORT-TERM RATING

The 'N2' short-term issuer rating is the higher of two possible alternatives given the 'A-' long-term issuer rating. It reflects JBF Sparebank's access to central bank funding and our assessment that the bank's liquidity is adequate (average liquidity coverage ratio of 263% over the last four quarters).

METHODOLOGIES USED

(i) Financial Institutions Rating Methodology, 14 Feb. 2024.
(ii) Rating Principles, 14 Feb. 2024.
(iii) Group and Government Support Rating Methodology, 14 Feb. 2024.

RELEVANT RESEARCH

(i) The pressure is rising for Nordic consumer banks, 13 Mar. 2024.
(ii) Swedish savings banks face weaker earnings and low loan growth in 2024, 6 Feb. 2024
(iii) Norwegian savings banks face margin squeeze in 2024, 11 Dec. 2023
(iv) High interest rates generate strong first-half earnings for Swedish savings banks, 26 Oct. 2023.
(v) Mid-sized Norwegian savings banks navigate economic challenges, 28 Aug. 2023.

Figure 20. JBF Sparebank key financial data, 2020–2023

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023
INCOME COMPOSITION				
Net interest income to op. revenue	59.4	57.4	68.1	68.9
Net fee income to op. revenue	28.8	33.0	23.7	24.1
Net trading income to op. revenue	-0.6	-2.0	-3.1	1.6
Net other income to op. revenue	12.4	11.6	11.3	5.5
EARNINGS				
Net interest income to financial assets	1.4	1.4	1.5	2.0
Net interest income to net loans	1.8	1.8	2.1	2.6
Pre-provision income to REA	1.6	1.7	1.2	2.0
Core pre-provision income to REA (NII & NF&C)	1.1	1.3	1.0	1.7
Return on ordinary equity	6.6	7.8	5.4	8.0
Return on assets	0.7	0.9	0.7	1.1
Cost-to-income ratio	64.4	53.1	61.9	51.2
Core cost-to-income ratio (NII & NF&C)	73.0	58.7	67.4	55.0
CAPITAL				
CET1 ratio	17.0	16.8	17.3	19.3
Tier 1 ratio	18.8	18.4	18.9	20.8
Capital ratio	20.6	20.2	20.6	22.6
REA to assets	66.5	66.3	72.2	69.5
Dividend payout ratio		10.5	8.3	13.9
Leverage ratio	7.0	7.0	7.1	7.6
GROWTH				
Asset growth	7.9	9.4	4.0	1.4
Loan growth	4.2	1.3	5.5	6.1
Deposit growth	8.6	9.8	6.4	1.7
LOSS PERFORMANCE				
Credit provisions to net loans	-0.05	-0.02	0.01	-0.01
Stage 3 coverage ratio	24.85	21.42	29.76	24.22
Stage 3 loans to gross loans	0.23	0.24	0.17	0.19
Net stage 3 loans to net loans	0.18	0.19	0.12	0.15
Net stage 3 loans/ordinary equity	1.20	1.23	0.64	0.80
FUNDING & LIQUIDITY				
Loan to deposit ratio	107.3	98.9	98.1	102.4
Liquid assets to deposit ratio	28.2	35.8	34.2	29.2
Net stable funding ratio	148.0	147.0	135.0	152.0
Liquidity coverage ratio	160.0	422.0	209.0	252.0

Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023
BALANCE SHEET				
Total assets	10,294	11,258	11,712	11,880
Total tangible assets	10,294	11,258	11,712	11,880
Total financial assets	10,257	11,201	11,700	11,834
Net loans and advances to customers	8,119	8,226	8,677	9,207
Total securities	1,890	2,365	2,809	2,398
Customer deposits	7,569	8,314	8,843	8,993
Issued securities	1,288	1,452	1,142	992
of which other senior debt	1,213	1,377	1,066	917
of which subordinated debt	75	75	75	75
Total equity	1,265	1,359	1,706	1,760
of which ordinary equity	1,190	1,284	1,631	1,685
CAPITAL				
Common equity tier 1	1,167	1,258	1,463	1,589
Tier 1	1,284	1,377	1,599	1,718
Total capital	1,413	1,506	1,746	1,866
REA	6,847	7,468	8,461	8,254
INCOME STATEMENT				
Operating revenues	239	255	259	342
Pre-provision operating profit	85	119	99	167
Impairments	-4	-1	1	-1
Net Income	71	97	78	132

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

Figure 21. JBF Sparebank rating scorecard

Subfactors	Impact	Score
National factors	15.0%	a
Regional, cross border, sector	5.0%	a-
Operating environment	20.0%	a
Capital	17.5%	a
Funding and liquidity	15.0%	a
Risk governance	5.0%	a-
Credit risk	10.0%	a-
Market risk	-	-
Other risks	2.5%	a-
Risk appetite	50.0%	a
Competitive position	15.0%	bb
Earnings	7.5%	a-
Loss performance	7.5%	a+
Performance indicators	15.0%	a
Indicative credit assessment		**a-**
Transitions		Neutral
Peer calibration		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 22. Capital structure ratings

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

DISCLAIMER

NORDIC CREDIT RATING AS

nordiccreditrating.com