

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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JBF Sparebank assigned 'A-' long-term issuer rating; Outlook stable

Nordic Credit Rating said today that it had assigned a 'A-' long-term issuer rating to Norway-based [JBF Sparebank](#). The outlook is stable. An 'N2' short-term issuer rating was also assigned, as were a 'A-' senior unsecured issue rating, a 'BBB+' Tier 2 issue rating, and a 'BBB-' additional Tier 1 issue rating.

Rating rationale

The long-term issuer rating reflects JBF Sparebank'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 also 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 stable outlook reflects 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.

We could raise the rating to reflect improved capital and earnings (Tier 1 capital sustainably above 22%), improved earnings (pre-provision earnings sustainably above 2.5% and cost to income sustainably below 45%), and an improved market position.

We could lower the rating to reflect 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%, or risk-adjusted earnings metrics sustainably below 1.5% of risk exposure amount.

Rating list

Long-term issuer credit rating:

Outlook:

Short-term issuer credit rating:

Senior unsecured issue rating:

Tier 2 issue rating:

Additional Tier 1 issue rating:

Rating

A-

Stable

N2

A-

BBB+

BBB-

Figure 1. 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 2. Capital structure ratings

Seniority	Rating
Senior unsecured	A-
Tier 2	BBB+
Additional Tier 1	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 08 May. 2024.
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:	<p>NCR's Financial Institutions Rating Methodology published on 14 Feb. 2024 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024</p> <p>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).</p>
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, 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
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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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