JBF Sparebank

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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

Nordic Credit Rating has affirmed its 'A-' long-term issuer rating on Norway-based savings bank JBF Sparebank. The outlook is stable. The 'N2' short-term issuer rating, 'A-' senior unsecured issue rating, 'BBB+' Tier 2 issue rating, and 'BBB-' Additional Tier 1 issue rating have also been affirmed.

Rating rationale

The affirmation reflects JBF Sparebank's low risk appetite, strong capital position, good access to funding, and high share of residential mortgage loans. The bank's cooperation agreement with the Eika Alliance banking association is beneficial, offering product diversity, shared development costs, and the opportunity to finance residential retail mortgages through the jointly owned covered-bond company Eika Boligkreditt. In our view, JBF Sparebank's cooperation with Eika Boligkreditt is critical, as the bank transfers about half of its retail lending to the company.

The bank benefits significantly from the implementation of the EU's Capital Requirements Regulations III (CRR3), given its portfolio of low loan-to-value residential mortgage loans. With modest growth expectations, we believe the Tier 1 ratio will remain above 25% through 2027, enhancing our view of capital. We have revised our earnings assessment due to improved net interest income and a long-term reduction in operating expenses following the implementation of a new IT platform. We expect JBF Sparebank to report robust earnings in the 2025–2027 period, despite pressure on net interest margins and commission income from Eika Boligkreditt due to peaking interest rates and increasing competition.

The rating is constrained by stiff competition and the bank's low market share. An additional constraint is JBF Sparebank's lack of scale, which curbs its ability to shoulder an increasing regulatory burden.

Stable outlook

The stable outlook reflects JBF Sparebank's strong capital and likely low credit losses due to a high share of residential real-estate collateral. It also factors in the bank's robust earnings and cost efficiency improvements in recent years, offset by a likely decline in net interest margins over the next few years. We forecast sustainable loan growth through 2027, with capital ratios improving and boosted further by the implementation of CRR3.

We could raise the rating to reflect the bank's strengthened market position and increased scale, combined with pre-provision earnings sustainably above 2.5% and a cost-to-income ratio sustainably below 45%.

We could lower the rating to reflect a material deterioration in the Norwegian housing market or weakened asset quality, a lasting reduction in the bank's Tier 1 capital ratio to below 18%, or risk-adjusted earnings metrics sustainably below 1.5% of the risk exposure amount.

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. JBF Sparebank rating scorecard

Subfactors	Impact	To	From
National factors	15.0%	a	a
Regional, cross border, sector	5.0%	a-	a-
Operating environment	20.0%	a	a
Risk governance	5.0%	a-	a-
Capital	17.5%	aa-	a
Funding and liquidity	15.0%	a	a
Credit risk	10.0%	a-	a-
Market risk	-	-	-
Other risks	2.5%	a-	a-
Risk appetite	50.0%	a	a
Competitive position	15.0%	bb	bb
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 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:	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 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, 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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