Nordic Credit Rating

FINANCIAL INSTITUTION

Norway
22 Nov. 2023

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 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.

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.

POTENTIAL POSITIVE RATING DRIVERS

- Improved macroeconomic conditions with less uncertainty regarding credit risk; and
- Improved capital and earnings, with a Tier 1 capital ratio sustainably above 25%.

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 Tier 1 capital ratio to below 18%; and
- Risk-adjusted earnings metrics sustainably below 2.0% of REA.

Figure 1. Jæren Sparebank key credit metrics, 2019–2025e

(%)	2019	2020	2021	2022	2023e	2024e	2025e
Net interest margin	1.8	1.5	1.5	1.8	2.2	2.1	2.0
Loan losses/net loans	-0.01	0.15	-0.02	0.02	0.03	0.15	0.08
Pre-provision income/REA	2.6	2.1	2.1	2.8	3.7	3.7	3.6
Cost-to-income ratio	44.5	46.8	46.5	48.7	41.6	41.5	41.4
Return on ordinary equity	8.9	6.1	7.8	8.9	10.2	9.5	9.6
Loan growth	1.5	3.1	5.8	3.4	3.5	4.5	5.5
CET1 ratio	18.8	18.4	19.5	19.7	20.0	20.0	20.1
Tier 1 ratio	20.2	19.8	20.7	21.0	21.8	21.8	21.8

Based on NCR estimates and company data. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology.

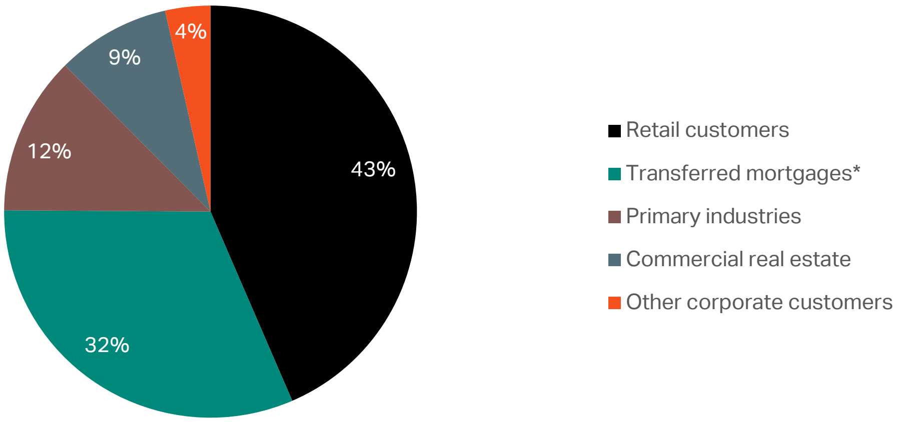
ISSUER PROFILE

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 in 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 form Norway's third-largest metropolitan area.

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, 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 mortgages via Eika Boligkreditt, Norway's fourth-largest issuer of covered bonds.

Figure 2. Jæren Sparebank gross loans by sector, including transferred loans, 30 Sep. 2023



Source: company. *Net loans transferred to Eika Boligkreditt.

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.

Savings banks are resilient to lower economic activity

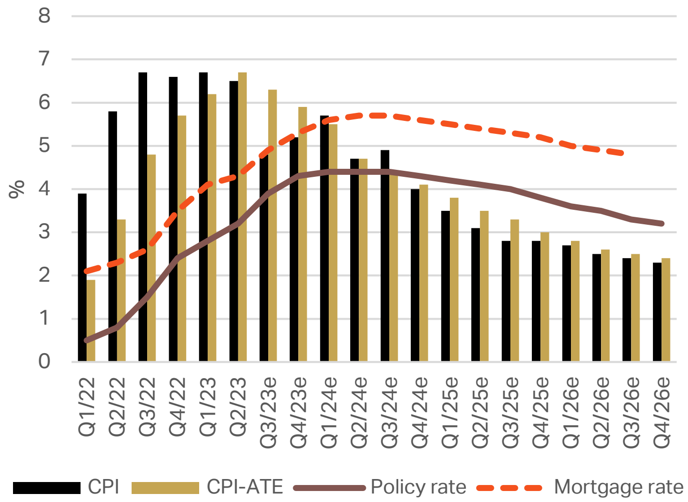
National factors 'a'

The economy is slowing in 2023 as Norway adapts to higher living costs, combined with rising interest rates. Higher interest rates have boosted banks' lending margins, and credit spreads on corporate loan books have increased. Strong public finances support our outlook for the wider banking sector, and the Norwegian government has implemented an energy price relief system for households.

Looking ahead, we believe further rate increases will become more of a drag on banks' performance than they have thus far. Low lending and deposit growth should increase competition, limiting further margin improvements as policy rates increase. As a result, earnings are unlikely to fully compensate for higher loss provisions and continued cost inflation. Construction and commercial real estate account for significant amounts of corporate lending. The construction sector has seen a particularly sharp decline in activity over the past 18 months, and central bank projections are not optimistic about future business prospects. Higher required rates of return and rising building costs have led to an increase in mothballed projects and a rise in redundancies in the sector. We expect to see increasing loss provisions for construction lending and a decline in lending to the sector by year-end.

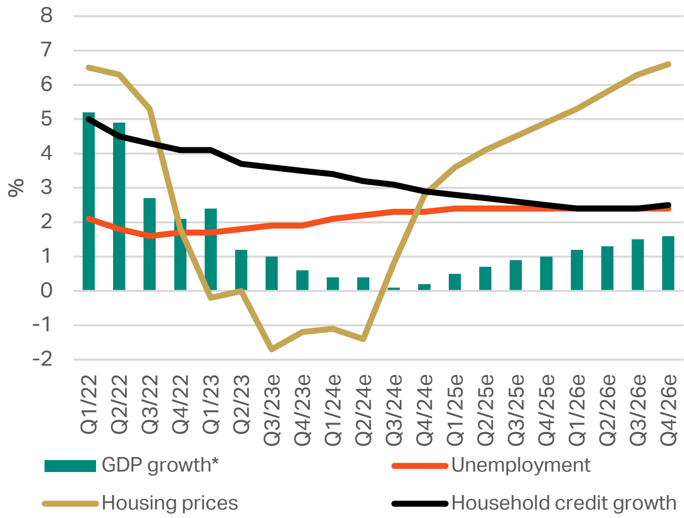
We believe that continued high interest rates and a weaker economy will lead to higher loan-loss provisions over the next 12 months, but that levels will vary significantly between individual banks. Norwegian savings banks are well capitalised and have strong pre-provision profitability, which makes them resilient to increased credit losses.

Figure 3. Norwegian inflation and interest rates, 2022–2026e



Source: Norges Bank. e-estimate. CPI-consumer price index. ATE excluding energy, tax-adj.

Figure 4. Norwegian macroeconomic indicators, 2022–2026e



Source: Norges Bank. e-estimate. *Mainland Norway.

Regional economy focused on energy and farming

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

The municipalities in Southern Jæren account for approximately 60,000 of Rogaland County's population of 490,000. 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 1.7%, the region's unemployment is slightly lower than the national average of 1.8%, according to the 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 industry, which is reflected in the share of agricultural exposures in the bank's loan portfolio.

Figure 5. Jæren Sparebank's core markets (municipalities with branch offices)

Municipality	Population, 1 Jan 2023	Expected population change 2023-2050 (%)	Unemployment Sep. 2023 (%)	Unemployment Sep. 2022 (%)
Hå	19,450	11.5	1.6	1.2
Klepp	20,565	18.5	1.6	1.3
Time	19,685	21.9	1.4	1.1
Gjesdal	12,280	18.2	1.7	1.2
Total	71,980	17.5	1.6	1.2
Rogaland	490,158	9.9	1.7	1.5
Norway	5,474,886	10.1	1.8	1.6

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

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 market, and its ability to transfer loans to Eika Boligkreditt. The bank has a 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 are in line with larger Nordic savings banks and above average compared with 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 has also established a green bond framework and offers 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 the environmental footprint of banks' products and solutions. The cooperation with the Eika alliance provides additional resources for future development in this area.

Capital accumulation is expected to outpace growth

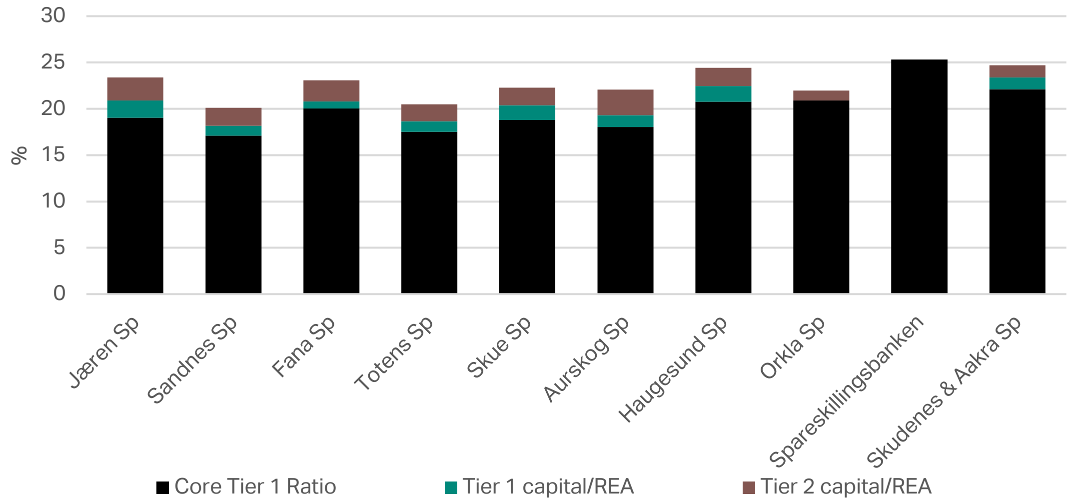
Capital 'a+'

Our capital assessment considers the bank's consolidated capital position, including its proportionate holdings of Eika Gruppen and Eika Boligkreditt. In 2023, the systematic risk buffer requirement has increased from 3% to 4.5% and the countercyclical buffer from 2% to 2.5%. Jæren Sparebank's common equity Tier 1 (CET1) ratio was 18.6% as of 30 Sept. 2023 (19.4% including 50% of profits year to date), well above both the new minimum requirement of 14.4% and the internal consolidated CET1 minimum target of 15.6%. We believe that the CET1 ratio will be around 20% and the Tier 1 ratio close to 22% through 2025. We consider NOK 204m in additional Tier 1 instruments, with NOK 54m included in the consolidation, as loss-absorbing, which supports our capital assessment. Additionally, the bank has NOK 200m in Tier 2 instruments outstanding to support a total capital ratio of 22.8% as of 30 Sept. 2023 (23.6% including 50% of profits year to date). The bank had a consolidated leverage ratio of 8.6% as of 30 Sept. 2023, excluding year-to-date net profits, the same as at year-end 2022, compared with a regulatory requirement of 5%.

When the CRD IV is implemented in Norway (by 2026 at the earliest), we expect lower risk weights will meaningfully increase Jæren Sparebank's capital ratios. Based on current figures, this represents an improvement of 2.8pp. A potential reclassification of farmhouses in the corporate agriculture segment will lower capital ratios by increasing risk weights to 100% from 35% on the risk exposure amount. Despite the bank's high exposure towards the agriculture segment, the large size of the farms means that farmhouses will be a smaller part of the exposure than in other regions. Thus, we expect a reclassification to have a moderate negative impact of about 1pp.

We expect Jæren Sparebank to expand its on-balance-sheet loan book by 3.5%–5.5% in 2024 and 2025. As a result of a higher net interest margin, reduced operating costs after implementing the new IT platform and moderate loan losses, we expect a return on equity of between 9% and 10% through 2025. In addition, we expect the bank to pay out 65% of net profit in dividends and gifts until 2025. The potential to reduce these payouts provide capital flexibility, especially given the bank's lower historical pay-out ratio.

Figure 6. Jæren Sparebank vs domestic peer group capital ratios and loan growth, 30 Jun. 2023



Source: bank reports.

Strong liquidity and ample access to funding

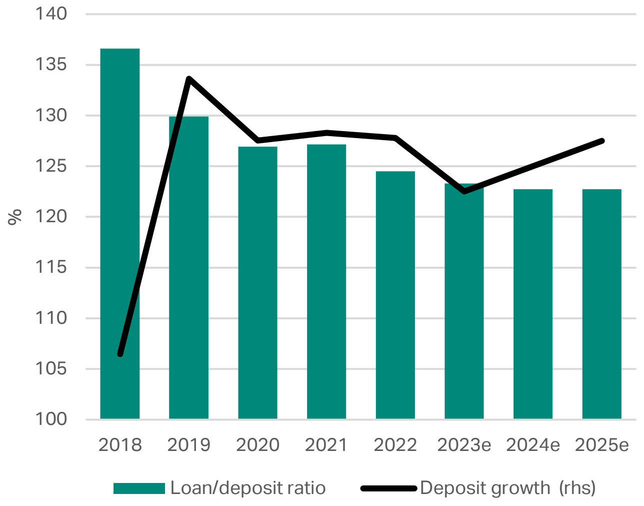
Funding and liquidity 'a'

Jæren Sparebank's funding and liquidity position is relatively strong, with a stable retail deposit base and demonstrated access to capital markets. A stronger deposit growth relative to lending growth in recent years has driven the loan-to-deposit ratio down to 124% as of 30 Sep. 2023 from 137% at year-end 2018. We expect it to remain stable going forward, as we believe the lower deposit growth will be counteracted by lower credit growth. The bank maintains strong liquidity buffers, at about 30% of customer deposits, and has access to a NOK 250m credit line from DNB. As of 30 Sep. 2023, the liquidity coverage ratio was 239%, well above its internal limit of 110% and historical average of around 168%. The bank's net stable funding ratio was 140% as of 30 Sep. 2023, well above the internal limit. We expect Jæren Sparebank to maintain strong regulatory measures, given internal limits.

Jæren Sparebank had NOK3.3bn in outstanding senior bonds as of 30 Sept. 2023. The debt maturity profile is evenly distributed, with senior unsecured maturities spread out over 2024 to 2028. Our forecast expects the bank to refinance through new bond issuances at maturity.

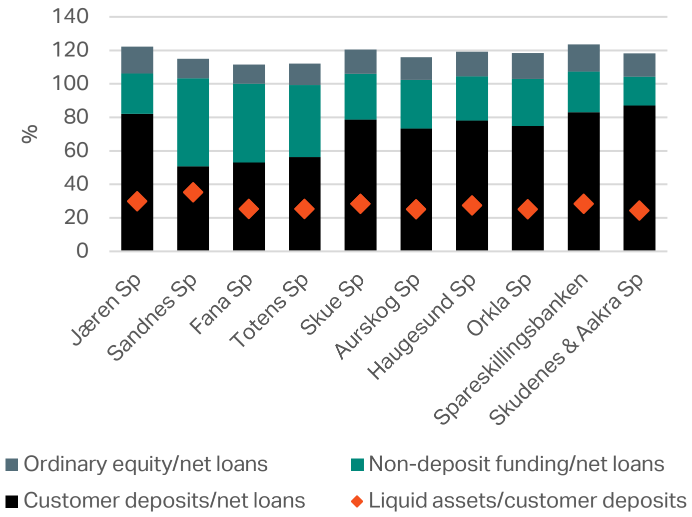
Another important source of funding for Jæren Sparebank is its cooperation with Eika Boligkreditt. Eika Boligkreditt is a stable and important source of funding for the bank and provides access to more affordable funding with longer terms to maturity than it can achieve by itself. Jæren Sparebank increased its transfer ratio to Eika Boligkreditt to 42.1% as of 30 Sept. 2023 (from 40.9% as of 30 Sep. 2022) and has additional eligible mortgages to increase the ratio to its internal limit of 45%.

Figure 7. Jæren Sparebank deposit metrics, 2018–2025e



Source: company. e-estimate.

Figure 8. Norwegian savings banks' funding profile, 30 Jun. 2023



Source: bank reports.

Loan book dominated by mortgage loans

Credit risk 'bbb'

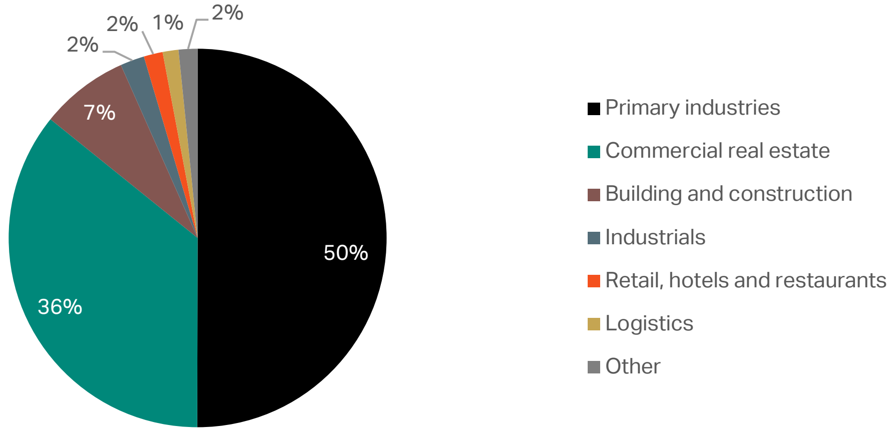
Jæren Sparebank's loan portfolio mainly consists of retail mortgage loans (75% including transferred loans). The bank has a regional focus, of which lending in southern Rogaland accounts for more than 95% of both retail and corporate lending. Housing prices in the region have performed better than the national average as interest rates have risen. According to Statistics Norway, housing prices in Stavanger have increased by 2.5% in the last 12 months as of the third quarter 2023 compared with the national average of a 1.3% decline. The housing price growth over the past decade has strengthened the bank's collateral, and prices have continued to increase in 2023.

The bank had gross loan growth of 5.7% over the last 12 months, and saw 1.6% gross loan growth in the third quarter of 2023 (including transferred loans). Loan growth on the bank's own balance sheet has been somewhat lower, a trend that will continue, we believe. Our forecast includes loan growth on the bank's balance sheet of between 3.5% and 5.5% and growth on transferred loans of between 5% and 6%.

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 industry regulation mitigate much of the oil industry-related risk in the bank's loan book. The exposure to farming exposes the bank to significant climate events and flooding in the region's lakes and waterways, as evidenced by the very dry summer in 2018, which affected farming operations and crops.

As of 30 Sep. 2023, the bank had NOK 6.4bn in transferred loans to Eika Boligkreditt, 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.

Figure 9. Jæren Sparebank gross corporate loans by sector, 30 Jun. 2023



Source: company.

Jæren Sparebank has meaningful exposure to commercial real estate, albeit smaller than most Norwegian savings banks due to its significant exposure to agriculture. We also regard construction as a high-risk sector. We are increasingly concerned about these sectors, due to rising interest and building costs, and the risk of falling property prices in Norway. However, the activity level in the region has so far remained high.

The high concentration of local real-estate collateral represents a potential weakness due to the risk of significant climate events or flooding along the region's coastal areas. We consider it positive that the bank is conducting evaluations of its exposure to physical climate risk and incorporating climate risk assessments into its credit processes.

Low market risk, moderate exposure to other risk

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.

Jæren Sparebank has strategic ownership positions in Eika Gruppen (5.2% at year-end 2022) and Eika Boligkreditt (6.0%), 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 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.

COMPETITIVE POSITION

Competitive position assessment 'bbb-'

Jæren Sparebank has a local focus and a strong position in its core markets. The bank is the leader for private customers in the region, with a market share of about 30%. 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. In the corporate segment, Jæren Sparebank is mostly concentrated around agriculture, which makes up 18% of the loan portfolio and reflects the bank's market share exceeding 40% within agriculture in the region. The bank's main local competition comes from SpareBank 1 SR-bank, DNB and Sparebanken Vest. Jæren Sparebank has improved its market share somewhat recent years and we do not expect the merger between SR-Bank and SpareBank 1 Sørøst to impact market dynamics in the region.

Jæren Sparebank 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 for the full-year 2023 due to higher interest rates boosting net interest margins. We also believe that 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.

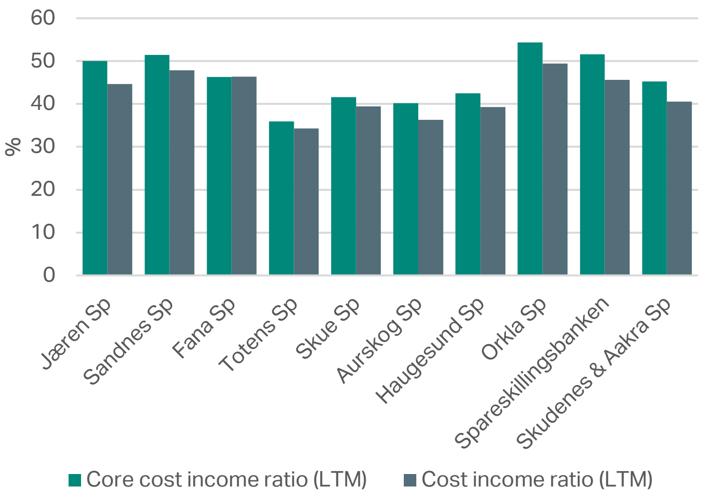
Earnings likely to remain strong

Earnings 'a+'

Rising interest rates significantly elevated Jæren Sparebank's net interest margin in 2022 and so far in 2023, following years of margin pressure from low interest rates and competition for mortgage loans. Looking ahead, we believe that margins will peak in 2023 as funding costs have increased due to increased competition and lower credit growth. Another important source of income for the bank is dividends from the Eika Gruppen and Eika Boligkreditt, which we expect to be lower than in recent years due to lower insurance earnings.

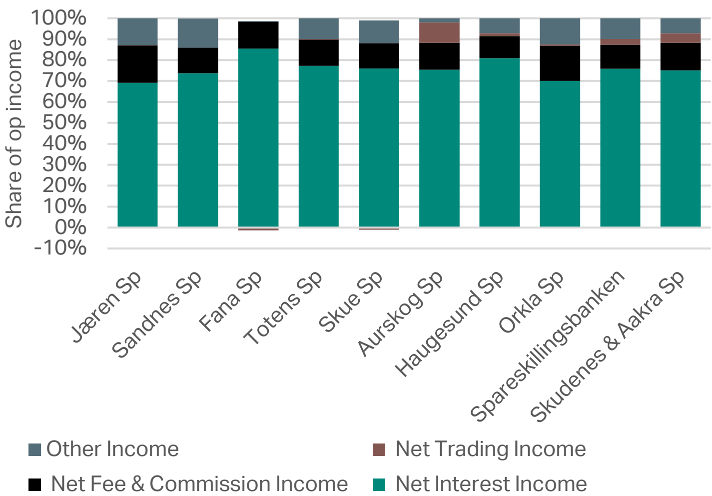
Jæren Sparebank was among the first banks in Eika Gruppen to implement its new core banking system in 2022 and costs were negatively affected by the transition to the new provider in the same year. The bank is already seeing lower IT-related costs in 2023 and expects significant cost reductions in the years ahead. The combination of improved income and increased cost efficiency from 2024 leads us to project a core cost-to-income ratio of about 46% in 2024 and 2025, compared with a historical average of 52%. This will also result in core risk-adjusted pre-provision income (PPI) to REA in excess of 2.9% over our forecast horizon.

Figure 10. Norwegian savings banks' cost efficiency metrics, 30 Jun. 2023



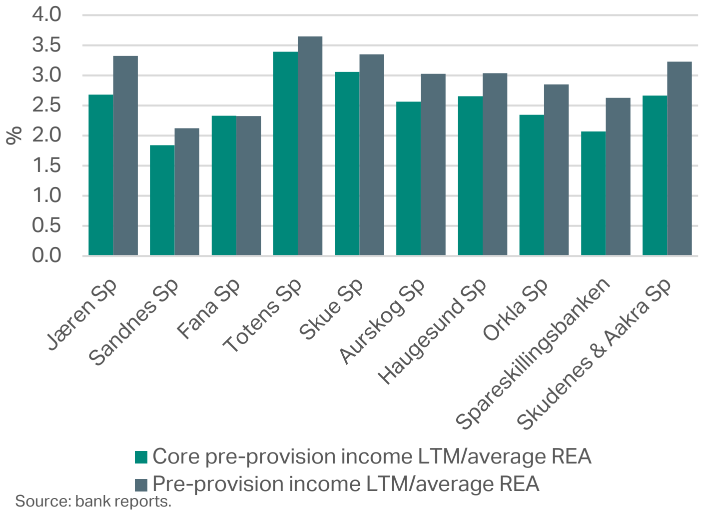
Source: bank reports.

Figure 11. Norwegian savings banks' split between income groups, 30 Jun. 2023 LTM



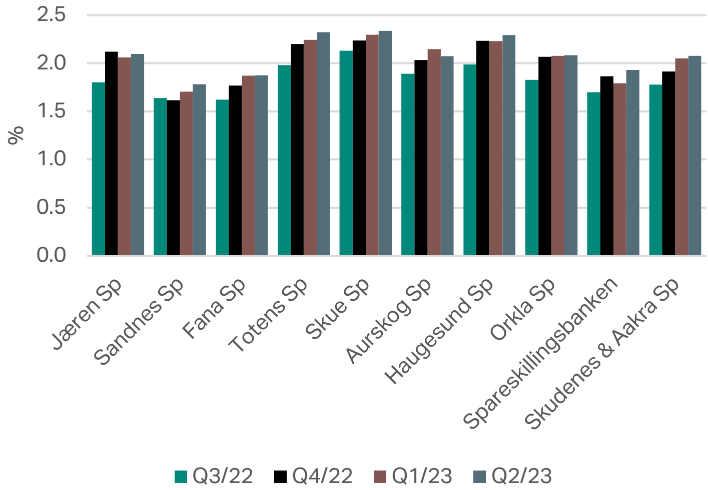
Source: bank reports.

Figure 12. Norwegian savings banks' PPI to REA, 30 Jun. 2023 LTM



Source: bank reports.

Figure 13. Norwegian savings banks' annualised net interest margin



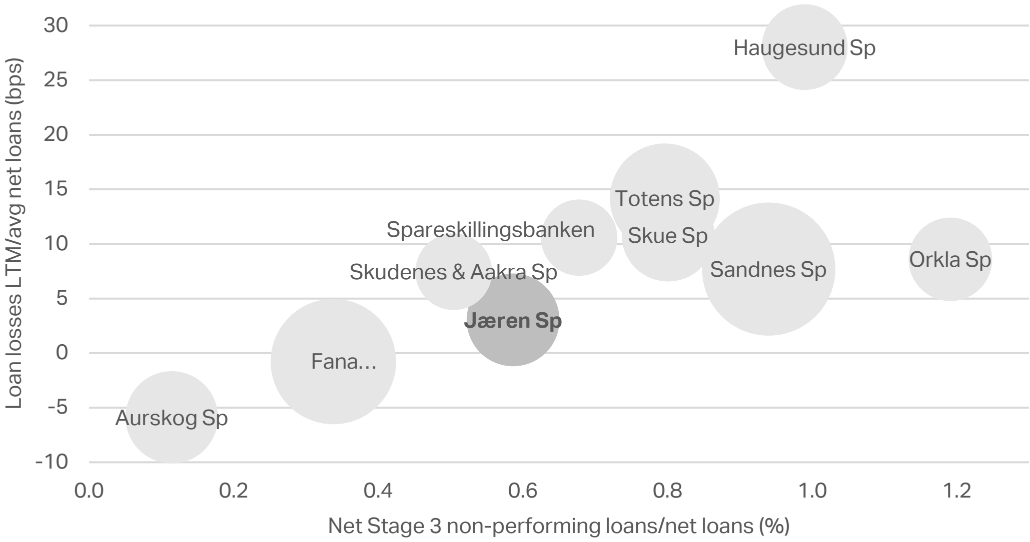
Source: bank reports.

Loan-loss provisions projected to increase in line with those of domestic peer group

Loss performance 'a'

Jæren Sparebank booked loan losses of NOK 0.9m in the first three quarters of 2023, compared with NOK 2.8m in net reversals in 2022. We project an increase in loan losses as the economy slows during 2023–2025, but note that the bank maintains a NOK 5.5m general reserve beyond model-calculated write-downs in stage 1 and stage 2. The bank's stage 3 loans are slightly below average compared with its domestic peer group. We expect they will increase in line with an economic slowdown and continue to remain within the range of its domestic peer group.

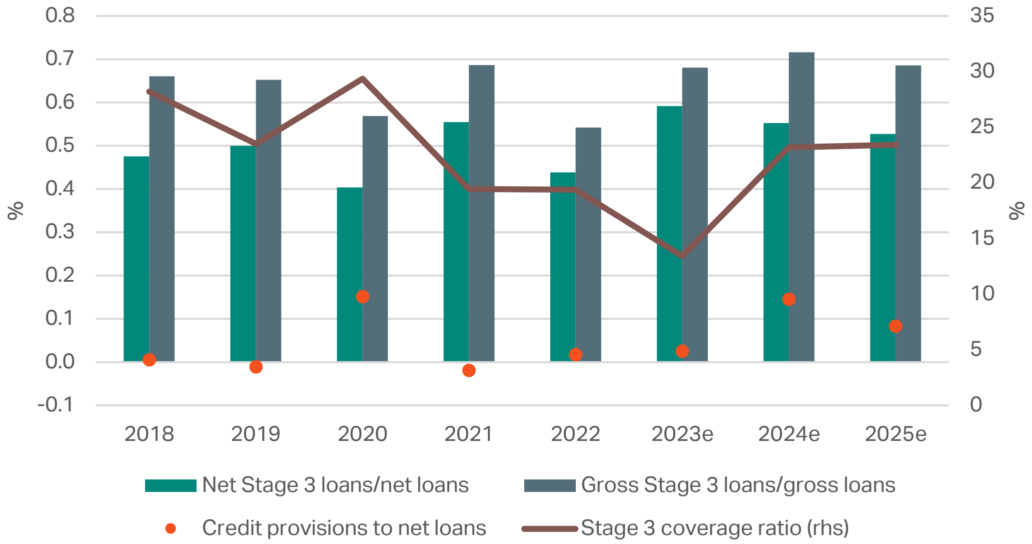
Figure 14. Norwegian savings banks' asset quality metrics (%), 30 Jun. 2023



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

While mortgage insolvencies are rare in Norway, an inability to pay amortisations can cause loans to be classified as non-performing. In the commercial real-estate sector, we expect an increase in both insolvencies, as well as more temporary debt-servicing difficulties. Consequently, we expect both an increase in the share of stage 2 and 3 loans to total loans, and an increase in loss reserves as share of net loans in our forecast. The bank, however, is well positioned to meet this.

Figure 15. Jæren Sparebank asset quality metrics, 2018-2025e



Source: company. e-estimate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Moderately positive aggregate ESG impact

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

Figure 16. 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. 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 17. Jæren Sparebank ownership structure, 30 Sep. 2023

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%
Skandinaviska Enskilda Banken AB	4.2%
Kommunal landspensjonskasse gjensidig forsikringsselskap	2.2%
Salte Investering AS	2.0%
Elgar Capital AS	1.2%
Lamholmen Invest AS	1.2%
Catilina Invest AS	0.9%
Other	15.9%
Total	100.0%

Source: company.

ISSUE RATINGS

Our rating on Jæren Sparebank's unsecured senior debt is in line with the 'A-' issuer rating. The bank has outstanding Tier 2 instruments and additional Tier 1 instruments, 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-'.

METHODOLOGIES USED

(i) Financial Institutions Rating Methodology, 18 Feb. 2022.
(ii) Rating Principles, 24 May 2022.
(iii) Group and Government Support Rating Methodology, 18 Feb. 2022.

RELEVANT RESEARCH

(i) High interest rates generate strong first-half earnings for Swedish savings banks, 26 Oct. 2023.
(ii) Nordic consumer banks' earnings compensate elevated credit losses, 11 Sep. 2023.
(iii) Mid-sized Norwegian savings banks navigate economic challenges, 28 Aug. 2023.
(iv) Norwegian mid-size savings banks stand strong in turbulent 2022, 24 Mar. 2023.
(v) Norwegian savings banks carry positive momentum into 2023, 24 Jan. 2023.

Figure 18. Jæren Sparebank key financial data, 2018–Q3 2023 YTD

Key credit metrics (%)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Q3 2023 YTD
INCOME COMPOSITION						
Net interest income to op. revenue	69.6	69.8	64.7	64.2	69.6	72.5
Net fee income to op. revenue	22.9	21.1	23.8	26.6	19.0	17.3
Net trading income to op. revenue	0.2	1.0	0.7	-0.8	-1.5	1.6
Net other income to op. revenue	7.3	8.1	10.9	9.9	12.9	8.6
EARNINGS						
Net interest income to financial assets	1.6	1.8	1.5	1.5	1.8	2.2
Net interest income to net loans	1.9	2.1	1.8	1.8	2.2	2.7
Pre-provision income to REA	2.1	2.6	2.1	2.1	2.8	3.8
Core pre-provision income to REA (NII & NF&C)	1.8	2.2	1.6	1.7	2.2	3.1
Return on ordinary equity	7.6	8.9	6.1	7.8	8.9	11.5
Return on assets	0.9	1.1	0.8	1.0	1.1	1.5
Cost-to-income ratio	49.6	44.5	46.8	46.5	48.7	40.4
Core cost-to-income ratio (NII & NF&C)	53.6	49.0	52.9	51.2	54.9	44.9
CAPITAL						
CET1 ratio	16.9	18.8	18.4	19.5	19.7	19.0
Tier 1 ratio	18.2	20.2	19.8	20.7	21.0	20.9
Capital ratio	20.9	22.9	22.3	23.3	23.6	23.4
REA to assets	53.9	50.7	65.5	49.5	46.5	46.2
Dividend payout ratio	24.8	30.6	24.1	33.1	68.6	63.3
Leverage ratio	9.5	9.8	10.0	9.9	8.6	8.6
GROWTH						
Asset growth	2.6	3.4	4.3	5.0	5.2	3.7
Loan growth	3.1	1.5	3.1	5.8	3.4	3.1
Deposit growth	1.3	6.7	5.5	5.7	5.6	3.8
LOSS PERFORMANCE						
Credit provisions to net loans	0.01	-0.01	0.15	-0.02	0.02	0.01
Stage 3 coverage ratio	28.21	23.51	29.36	19.45	19.38	7.47
Stage 3 loans to gross loans	0.66	0.65	0.57	0.69	0.54	0.64
Net stage 3 loans to net loans	0.48	0.50	0.40	0.55	0.44	0.60
Net stage 3 loans/ordinary equity	3.36	3.35	2.64	3.61	2.68	3.67
FUNDING & LIQUIDITY						
Loan to deposit ratio	136.6	129.9	126.9	127.1	124.5	123.6
Liquid assets to deposit ratio	25.1	26.6	27.9	26.5	28.7	29.6
Net stable funding ratio	137.0	138.0	141.0	143.0	139.0	139.8
Liquidity coverage ratio	162.0	179.0	139.0	139.0	219.0	239.0

Key financials (NOKm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Q3 2023 YTD
BALANCE SHEET						
Total assets	14,033	14,515	15,135	15,888	16,710	17,325
Total tangible assets	14,005	14,492	15,117	15,874	16,701	17,320
Total financial assets	13,928	14,391	15,022	15,753	16,575	17,204
Net loans and advances to customers	11,768	11,944	12,314	13,032	13,471	13,885
Total securities	1,672	1,717	2,040	2,081	2,313	2,629
Customer deposits	8,615	9,195	9,701	10,250	10,820	11,232
Issued securities	3,484	3,312	3,206	3,405	3,501	3,506
of which other senior debt	3,283	3,112	3,006	3,205	3,300	3,305
of which subordinated debt	200	200	200	200	200	201
Total equity	1,768	1,888	1,983	2,105	2,307	2,415
of which ordinary equity	1,665	1,785	1,880	2,001	2,201	2,260
CAPITAL						
Common equity tier 1	1,277	1,384	1,823	1,529	1,534	1,521
Tier 1	1,377	1,484	1,962	1,629	1,634	1,671
Total capital	1,577	1,684	2,212	1,829	1,834	1,871
REA	7,563	7,353	9,916	7,858	7,775	8,011
INCOME STATEMENT						
Operating revenues	312	356	337	350	422	376
Pre-provision operating profit	158	198	179	187	216	224
Impairments	1	-1	18	-2	2	1
Net Income	121	154	112	151	187	192

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

Figure 19. 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
Competitive 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 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 20. Capital structure ratings

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

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