

NCR comments: SpareBank 1 Østfold Akershus Q3 2020 report

Our 'A' issuer and issue ratings on SpareBank 1 Østfold Akershus (SB1 Østfold Akershus) are unchanged following the publication of its third-quarter 2020 results.

Profitability back on track

SB1 Østfold Akershus' net interest income was unchanged from the previous quarter and down by 7% year on year. The net interest margin was down by 5bps from the previous quarter at 1.59%, 19bps lower than at end-2019. We expect no significant rebound in margins while interest rates remain low. Lending growth in the last 12 months was 9.0%, or 6.0% excluding loans transferred to covered bond companies. Net commission income was up by 16% quarter on quarter and 23% year on year, driven mainly by higher fees from transferred loans, which was positively affected by lower financing costs, and real estate brokerage. The cost-income ratio was 40% and operating expenses were stable both quarter on quarter and year on year.

Loan losses low

SB1 Østfold Akershus reported loan losses of NOK 2m in the third quarter and NOK 32m in the year to date (0.14% of lending, annualised). There are no indications of increased risk in the loan book and only 0.3% of the loan book is at Stage 3 (as defined by International Financial Reporting Standards). New model assumptions could allow a NOK 23m reduction in provisions. However, due to economic uncertainty, the bank has not made any such reduction.

Capital ratio strong

SB1 Østfold Akershus reported a 11.3% return on equity for the third quarter and 10.3% in the year to date, above its 10% target for the full year.

The bank's common equity Tier 1 ratio was 17.5% at a consolidated level, marginally down from 17.6% in the second quarter and significantly above its 15% target.

This commentary does not constitute a rating action.

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Attachments

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