

NCR Comments: SpareBank1 Østfold Akershus 2019Q2 report

Our 'A' issuer and issue ratings for SpareBank 1 Østfold Akershus are unchanged following the publication of its mid-year results.

Improved core earnings

Net interest income and net fee income improved quarter-on-quarter and year-to-date and profits were supported by one-off gains from revaluations of real estate in SpareBank 1 Group. In total, the bank reported a strong 14.7% return on equity during the first half of 2019 and 12.4% for the quarter.

Slow lending growth continues

Low volume growth continued into the second quarter, with year-to-date lending to private customers and business customers growing 0.9% and 1.5%, respectively. In total, lending has grown 4.0% over the last 12 months (3.9% including loans transferred to Sparebank 1 Boligkreditt), which is below our expectation of 7.5% for 2019. Due to increased competition and margin pressure from national banks for private customers, the bank has revised growth expectations for private loans while retaining its business loan growth targets.

Net loan recoveries, but non-performing loans increase

The bank reported a small reversal during the quarter and year-to-date losses of NOK 3.2m (0.02%) are mostly driven by stage 1 reservations for new lending. However, the bank reports that non-performing loans (NPL) increased to 0.60% of gross lending from 0.33% per Q1/19. Including transferred loans NPLs were 0.41% (0.22%).

Capital ratio

Slower growth and strong earnings improved the bank's CET1 ratio to 16.2% (15.8% at Q1/19) at the consolidated level, including 50% of mid-year net profit.

This commentary does not reflect a rating action.

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About Us

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Attachments

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