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PRESS RELEASE

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# NCR comments: SpareBank 1 Østfold Akershus Q4 2020 report

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

SB1 Østfold Akershus' net interest margin was up by 8bps from the previous quarter at 1.67%. This counteracts the effect on net interest income of increased loan transfers to covered bond company SpareBank 1 Næringskreditt; on-balance-sheet lending was down 0.4% in the fourth quarter, or up 1.8% including transferred loans. Demand for mortgage loans remained strong, with high activity levels in the housing market, while demand for corporate lending was subdued. Net commission income was up by 1% quarter on quarter and 27% year on year, driven mainly by higher fees from transferred loans, which were positively affected by lower financing costs, and real estate brokerage. The bank's cost-income ratio in the third quarter stood at 47%, while operating expenses were up by 7% year on year due to growth in real estate brokerage and wage increases

**Low loan losses**
SB1 Østfold Akershus reported net reversals of loan losses of NOK 12m in the third quarter and NOK 20m in loan losses in the full year (0.06% of lending). There are no indications of increased risk in the loan book and Stage 3 non-performing loans as a percentage of on-balance-sheet lending stood at only 0.11%. Accordingly, in the fourth quarter, the bank reversed NOK 13m of a NOK 23m COVID-19-related loan loss provision taken in the first quarter.

**Strong capital ratio**
The bank reported a 10.8% return on equity for the third quarter and 10.5% for 2020, which was above its 10% target level for the full year. The board of directors has proposed a dividend of NOK 43m in respect of 2020, which equates to 12.5% of equity holders' share of profit.

SB1 Østfold Akershus' common equity Tier 1 ratio was 18.5% at a consolidated level, up from 17.5% in the third quarter and significantly above its 15% target. The increase was mainly due to a lower payout ratio than assumed in the previous quarter (50%). Increased risk weight on loans to property development projects (150%) had 50bps negative effect on the CET1 ratio relatively to the previous quarter.

This commentary does not constitute a rating action.

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## About Us

Nordic Credit Rating AS is a credit rating agency headquartered in Oslo with a branch in Stockholm. The company provides credit ratings to companies and financial institutions in the Nordic region, and bases its analysis on local insights. Nordic Credit Rating is registered with the European Securities and Markets Authority (ESMA).

## Attachments

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