

Results for Q1 2020:

Well-equipped for changed market conditions

Sparebanken Møre's capital situation at the end of the first quarter was good. Extensive expertise combined with proximity to our customers, make the Bank well-equipped to support our region, Nordvestlandet, through a challenging period.

"The coronavirus situation made this a very extraordinary quarter. Proximity to our customers has never been more important and we are fully focused on doing everything we can to support both customers and local communities through good advice and specific measures. Despite somewhat lower results, the figures for the first quarter confirm that the Bank is financially sound and well-equipped for the changed market conditions," says CEO Trond Lars Nydal in Sparebanken Møre.

Profit after tax was NOK 117 million after the first three months of the year, which represents a reduction of NOK 45 million compared with the same quarter last year. This was mainly due to the change in value of the Bank's bond and fixed-rate portfolios. The return on equity was 7.1 per cent.

Strong capital

The Bank's Common Equity Tier 1 capital ratio was 16.9 per cent, well above the regulatory capital requirements. The Bank has maintained a high and stable deposit-to-loan ratio during the quarter, as well as a good liquidity buffer and long-term financing.

"Sparebanken Møre is, and will remain to be, a solid bank. This provides confidence, stability and capacity for both the Bank and our customers, which is especially important given the current situation. We know that this uncertain situation may persist for some time, but the Bank is equipped to withstand rising non-performance and losses, and at the same time have the capacity for good lending growth," says Nydal.

Increased losses

The Bank is still seeing lending growth, even though it slowed in the retail market during the first quarter. Growth in the corporate market remained high throughout the quarter. Total lending growth in the last 12 months was 6.3 per cent, while the growth in deposits was 6.7 per cent.

The Bank strengthened its net interest income compared with the same period last year, while other operating income was sharply reduced during the quarter, mainly due to the change in value of the bond and fixed-rate portfolios. Costs in the quarter were NOK 10 million higher than in the same period last year. Recognised losses increased in the quarter, and totalled NOK 36 million.

"It is difficult to predict the consequences of the coronavirus situation, but we have a solid portfolio and are monitoring our exposures closely. Nonetheless, we expect a higher level of losses overall this year due to the coronavirus situation," says Nydal.

Strong internal commitment

The Bank implemented a number of measures during the quarter to help retail customers, businesses and local communities which have been impacted by these challenging times. Payment holidays, interest rate adjustments and, not least, good counselling have been important tools for the Bank's more than 200 advisers.

"As the region's largest Bank, we have an important role to play in this situation and our employees have put in a considerable effort in order to contribute. They have been closely involved and demonstrated a strong willingness creating good solutions. For this I am both grateful and proud," says Nydal.

The Bank has also implemented a number of measures in local communities, including support schemes for teams and voluntary organisations that have had to cancel events due to the coronavirus. Another very welcome measure was grants for tablet computers for nursing and care homes in every municipality in which the Bank has a branch. This has helped families maintain next-of-kin contact at a time when physical visits are not possible.

Future prospects

Given the current situation, the overall output and demand in Møre og Romsdal will probably decline this year. This is due to the government's activity reducing measures aimed at countering the coronavirus, as well as the sharp fall in oil prices. The drop in economic activity has resulted in a steep rise in the number of furloughed workers and, at the end of March, unemployment in Møre og Romsdal amounted to 10.0 per cent of the labour force. By comparison, the unemployment rate in the country as a whole was 10.7 per cent.

"Much of the rise in unemployment will probably be short-term in nature. A significant part of the business sector could get back to normal once the strictest infection control measures have been lifted. In this case, activity will gradually pick up in the second half of the year and during 2021," says Nydal.

The Bank's lending growth is expected to remain below 5 per cent in 2020.

Key figures for Q1 2020

- Profit before losses: NOK 187 million (NOK 224 million)
- Profit after tax: NOK 117 million (NOK 162 million)
- Return on equity: 7.1 per cent (11.0 per cent)
- Net interest income: NOK 342 million/1.80 per cent (NOK 304 million/1.69 per cent)
- Cost income ratio: 47.2 per cent (41.2 per cent)
- Common Equity Tier 1 capital (CET1): 16.9 per cent (15.9 per cent)
- Earnings per equity certificate (Group): NOK 5.46 (NOK 7.95)
- Lending growth in the last 12 months: 6.3 per cent (5.2 per cent)
- Deposit growth in the last 12 months: 6.7 per cent (4.6 per cent)

Comparable figures for the first quarter of 2019 in brackets.

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