

Preliminary annual results for 2020:

Solid banking in a challenging year

Sparebanken Møre leaves behind a year of high activity and strengthened market position. The preliminary financial figures for 2020 show an annual profit after tax of NOK 567 million, compared with NOK 711 million for 2019.

Despite a challenging year, the Bank has strengthened its competitiveness throughout the year. Especially in the fourth quarter, the activity has been high and growth rates have increased. The Bank ended the year well.

“The year 2020 was a year for the history books, both from a social perspective and also for the Bank. Abilities we know will be important also in the future, have been tested and I am very pleased that we have held a steady course throughout this period with good banking, high levels of activity and, not least, adaptable employees who have made considerable efforts on behalf of our customers,” says CEO Trond Lars Nydal of Sparebanken Møre.

Good availability

The total lending volume at the end of the year was NOK 66.9 billion, which reflects annual growth of 4.4 per cent.

“The growth was particularly strong in prioritised market areas where we saw a good increase in new customers and an increasing volume of business. Experience clearly shows that the importance of having a local, nearby bank and a personal adviser has grown over the past year. The feedback we are getting on this is unambiguous, both from retail customers and from corporate customers,” says Nydal.

Availability and expertise are top priority areas for the Bank, which opened a new branch at Digernes in Ålesund Municipality in November. Last year, Sparebanken Møre’s customer service centre was also named Norway’s best in the banking category, for the second year in a row. Recently a survey of banks’ frontline support for SME customers was carried out by the analyst company Cicero, in which Sparebanken Møre was defined as the fastest to reach.

“We will be there when our customers need us, and this is even more important in challenging times. We work really hard on availability and user-friendly digital solutions and receiving confirmation that we are successful is very satisfying,” says Nydal.

Among Norway’s most trusty banks

The Bank’s most important source of funding is deposits, which grew by 6 per cent in 2020. A high deposit-to-loan ratio, a Common Equity Tier 1 capital ratio of 17.5 per cent and total assets of NOK 79.5 billion make the Bank an important and solid source of capital for people and business in Nordvestlandet.

In December, the Financial Supervisory Authority of Norway (FSA) set a full range of MREL requirements for Sparebanken Møre, which means that the FSA regards the Bank as very important for economic stability in Nordvestlandet. In January 2021, Moody’s also upgraded Sparebanken Møre’s deposit and issuer rating to A1 from A2, both with a stable outlook.

“The A1 rating from Moody’s confirms that we are among the Norwegian banks with the highest credit rating, which contributes to security for customers, equity certificate holders and debt capital investors,” says Nydal.

Sparebanken Møre established its first Green Bond Framework in 2020, as part of the Bank's commitment to, and strategy for, sustainability. The Green Bond Framework includes both Sparebanken Møre and its wholly owned subsidiary Møre Boligkreditt AS.

High activity level and good cost control

Net interest income ended the year at 1.57 per cent of average total assets compared with 1.79 per cent for 2019. The lending and deposit margins for 2020 were heavily influenced by the interest rate changes implemented in the second and third quarters, where lending rates were reduced before deposit rates. This significantly impacted both net interest income and margins for the year.

Total costs amounted to NOK 630 million, a reduction of NOK 16 million compared with the year before. The cost income ratio was 41.6 per cent, which represents an increase of 1.4 percentage points compared with 2019.

The income statement for 2020 was charged NOK 149 million in losses on loans and guarantees and, together with the reduction in interest income, this is the main reason why the Bank's return on equity ended the year at 8.6 per cent compared with 11.7 per cent for 2019.

"The losses were mainly in the oil related sector. However, the quality of our loan portfolio is good, and we have witnessed an impressive ability to adapt in the corporate sector in the past year. Both the level of default and losses remain at low levels, in both the corporate and the retail markets," says Nydal.

He adds that the levels of activity in the region are high and that the growth in customers is increasing. The Bank gained around 600 new corporate customers in 2020, the highest number ever measured. The majority of these are companies in the SME segment.

Dividend proposal

In a letter to the Financial Supervisory Authority of Norway dated 20 January 2021, the Ministry of Finance expressed an expectation that Norwegian banks, which after a careful assessment and based on ESRB's recommendations find a basis for distributions, keep overall distributions within a maximum of 30 per cent of the cumulative annual result for the years 2019 and 2020 up to 30 September 2021.

"Although the Bank's dividend policy implies a cash dividend for 2020 of NOK 13.50 per equity certificate, the Board has on the basis of the current extraordinary situation and the authorities' expectations found it appropriate to propose to the annual General Meeting a cash dividend per equity certificate of NOK 4.50 for the 2020 financial year. The corresponding provision for dividend funds for the local community will amount to NOK 45 million. The total dividend for 2019 and 2020 will thus amount to 30 per cent of the cumulative annual result for the years 2019 and 2020," says Nydal.

The Board will also propose to the General Meeting that the Board is issued authorisation to make an additional payment of up to NOK 9.00 per EC for distribution as cash dividend and allocate up to NOK 91 million as dividend funds to the local community for the 2020 financial year.

"Sparebanken Møre has two groups of owners: equity certificate holders and local communities. The Bank's dividend strategy specifies that owners must be treated equally. By proposing a further payout after 30 September, the total dividend for the 2020 financial year will be in line with the Bank's dividend policy and at the same time ensure that a significant amount is phased back into good initiatives within culture, sports, local communities, infrastructure, competence and business development in Nordvestlandet," says Nydal.

Financial targets unchanged

Labour market developments in Møre og Romsdal indicate that the total output of goods and services in the county stabilised during the fourth quarter of 2020. According to NAV, registered unemployment amounted to 2.9 per cent of the workforce at the end of December. By comparison, the unemployment rate for the country as a whole was 3.8 per cent. However, there is a risk of some

rise in unemployment and the number of bankruptcies increasing due to prolonged activity-reducing infection control measures.

“A number of industries are facing serious economic situations. This is particularly true for tourism-related sectors such as the hotel and restaurant industry, personal services, and the maritime industry and its suppliers. Challenges will also remain in oil-related industries,” says Nydal.

Sparebanken Møre expects lending growth for the Bank in 2021 to be slightly higher than the growth in 2020. The growth in deposits is expected to remain high.

“Although the activity-reducing measures due to the coronavirus pandemic are expected to impact the market in 2021 as well, our targets of a return on equity in excess of 11 per cent and a cost income ratio of less than 40 per cent remain unchanged. We have a strong organisation with highly competent employees, and we have taken steps to achieve the targets. We are looking forward to further strengthening our market position in 2021,” says CEO Trond Lars Nydal of Sparebanken Møre.

Key figures – Q4 2020 *(comparable figures for Q4 2019 in brackets)*

- Net interest income: NOK 314 million/1.58 per cent (NOK 339 million/1.79 per cent)
- Profit before losses: NOK 229 million (NOK 246 million)
- Profit after tax: NOK 147 million (NOK 190 million)
- Return on equity: 9.1 per cent (11.8 per cent)
- Cost income ratio: 40.6 per cent (40.6 per cent)

Key figures – 2020 accounts *(comparable figures for 2019 in brackets)*

- Net interest income: NOK 1,228 million/1.57 per cent (NOK 1,314 million/1.79 per cent)
- Profit before losses: NOK 883 million (NOK 961 million)
- Profit after tax: NOK 567 million (NOK 711 million)
- Return on equity: 8.6 per cent (11.7 per cent)
- Cost income ratio: 41.6 per cent (40.2 per cent)
- Common Equity Tier 1 capital (CET1): 17.5 per cent (17.7 per cent)
- Lending growth in the past 12 months: 4.4 per cent (6.1 per cent)
- Deposit growth in the past 12 months: 6.0 per cent (6.9 per cent)
- Earnings per equity certificate (Group): NOK 27.10 (NOK 34.50)

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