Press release
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NCR comments: Sparbanken Rekarne 2019Q2 report

Our ‘A-’ issuer and issue ratings for Sparbanken Rekarne (SpR) are unchanged following the publication of its mid-year results.

Continued growth in volumes and core revenues
Growth in lending remains high (10.8% YTD) as the bank continues to increase on-balance-sheet lending to customers with loans previously transferred to Swedbank Mortgage. In total, total loans, including transferred loans, grew only 0.5%, but the shift had a positive impact on SpR’s core revenues given higher margins for loans on SpR’s own balance sheet.

The larger loan book and the impact of Riksbanken’s Dec. 2019 rate resulted in a 20% Y-on-Y increase in net interest income. Contrarily, lower commissions on transferred loans contributed to a 17% decline in fee and commission income. Changes in commission agreements with Folksam and Swedbank Mortgage also contributed to lower fee income.

Combined NII and fee income grew SEK 2.5m (1.6%) Y-on-Y while total revenues increased SEK 6.4 m (3.6%) vs H1/18, including one-off gains on the partial sale of Portfolio Försäkra and the sale of Rekarne Mäklareteam. The one-off sales have allowed the bank to increase on-balance-sheet lending while maintaining capital ratios.

However, pre-provision earnings were held back by a SEK 10.7m increase in administration expenses. The bank highlights higher IT and consulting costs as the primary contributors. Despite a Y-on-Y increase, credit losses remain very low at 3bps of total lending. In total, SpR reported profits of SEK 63.6m during H1/19 (compared to SEK 63.0m for H1/18) for a strong 13.6% return on equity YTD.

Capital ratios decline as loan book grows
The bank reported a CET1 ratio of 15.5% and a total capital ratio of 17.7% as of June 2019, including 70% of YTD net profit (16.3% and 18.7% at end 2018). The bank is owned 50% by Swedbank and does not directly own shares in Swedbank, thus it is not affected by the YTD decline in Swedbank’ s share price (see “Swedbank’s controversy spills over to Swedish savings banks”, 29 Mar. 2019).

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Attachments

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