

NCR comments: Resurs Bank AB 2019Q2 report

Our 'BBB-' issuer and issue ratings for Resurs Bank AB are unchanged following its mid-year 2019 results.

Loan growth continues to exceed capital and earnings metrics

The bank's 14% Q-on-Q growth in net loans can be compared to the 7.7% increase in net interest income (NII) and 6.8% in operating income year-to-date. Annualized preprovision earnings to risk-weighted assets (PPI/RWA) remained strong at 6.7% per mid-year 2019 (7.3% in 2018) and the cost income ratio fell below the Resurs Holding target of 40% to 39.3% for the Resurs Bank group.

In addition, the growth in the balance sheet exceeded the growth in common equity Tier 1 (CET1), resulting in a reduction in the CET1 ratio to 13.1% from 13.8% a year ago. The total capital base has been propped up during the year with an increase in Tier 2 capital instruments, resulting in a 15.0% capital ratio.

The above measures are similar to NCR projections for 2019 of 15% loan growth, 6.9% PPI/RWA and 13.2% CET1 ratio (see NCR's May 2019 report on Resurs [here](#)).

Consumer loans continue to drive growth despite a slowdown in Norway

The Consumer Loans segment continues to drive lending growth (16% Q-on-Q and 9.9% YTD) compared to Payment Services (11% Q-on-Q and 6.1% YTD). Resurs attributes most of the growth volume to the Swedish market, with the highest growth rate coming in Finland. In Norway, Resurs and its peers continue to adapt to regulatory changes, and the increased transparency of the national debt register, which are affecting both margins and growth prospects. Resurs implemented a cost freeze in Norway and raised interest rates in an effort to preserve profitability in the market.

Credit losses for consumer loans increase

Credit losses increased marginally to 2.1% of loans from 2.0% YTD-on-YTD. However, this figure masks the differences in credit loss growth in Consumer Loans (43% Q-on-Q increase) and Payment Services (-17%). Resurs attributes the higher consumer loan losses to changes in Norway.

This commentary does not reflect a rating action.

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Attachments

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