Nordic Credit Rating

PRESS RELEASE

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NCR comments: Sparbanken Rekarne AB 2020Q2 report

Our 'A-' issuer and issue ratings on Sparbanken Rekarne are unchanged following the publication of the bank's second-quarter results.

Stable core revenues, increased IT costs, and modest credit losses
Sparbanken Rekarne continued a slow reduction in its on-balance-sheet loans during the second quarter, lowering lending by 1.6% (about SEK 200m), while increasing loans transferred to Swedbank Mortgage by 1.8% (about SEK 130m). The bank recorded a high volume of new deposits during the second quarter (about SEK 900m), which, together with the reduction in lending, helped to reduce its loan-to-deposit ratio to 99% from 113% in the first quarter. Following first-quarter declines in the market value of customers' investment and insurance assets, total business volumes rebounded to SEK 45.6bn, a level slightly higher than that recorded at end-2019.

Core revenues improved quarter on quarter, despite lower financial and one-off items. Expenses increased due in large part to rising IT costs related to 50% owner Swedbank AB making investments to shared IT systems to cope with a higher proportion of employees working from home.

Credit losses remained low during the second quarter at 6bps of total lending, almost entirely driven by changes in macroeconomic assumptions. Net non-performing loans (IFRS 9 stage 3) were stable at SEK 12.5 m (10bps of net loans), exceeding expectations given the impact of COVID-19 on the Swedish economy. The bank maintained a strong 11.1% return on equity during the second quarter.

Capital ratios stable, 2019 dividend payment cancelled
Sparbanken Rekarne's capital ratios remained stable during the second quarter; the common equity Tier 1 ratio was 16.4% (compared with 15.6% at end-2019) and the total capital ratio was 18.5% (17.6%). Capital levels improved in the second quarter, offset by higher risk-weighted assets due to increased liquidity placements with Swedbank. Sparbanken Rekarne has decided to cancel its 2019 dividend to support its capital position.

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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