

NCR comments: Resurs Bank AB (publ) 2020Q2 report

Our 'BBB-' issuer and issue ratings on Resurs Bank AB (publ) (Resurs Bank) are unchanged following the mid-year 2020 results. Our rating outlook on the bank is negative, reflecting continued uncertainty due to the COVID-19 pandemic.

Normalised market conditions

Lending in the first half-year increased by 2% year-on-year, while growth adjusted for currency effects in the period was 6%. Management says that market conditions have returned to pre-COVID-19 levels, and we believe that our 10% annual lending growth forecast for 2020 is within sight (see Resurs Bank AB (publ) Rating Update [Resurs Bank AB \(publ\) Rating Update](#), published 3 Apr. 2020). The bank's Consumer Loans division continued to drive lending growth at 4% (9% adjusted). However, lending volumes were down in Norway, due to the country's new debt register and new legislation.

Volumes in the Payment Services division were down 2% (or flat on an adjusted basis); growth in the building materials and electronics sectors was offset by lower demand in the travel industry and restaurant sector. The bank has currently suspended its target growth rate of more than 10%.

Resurs Bank's net interest margin was 8.3% at mid-year, in line with the 2019 level and close to our forecast for 2020 (7.5%). We expect some margin pressure, partly due to lower returns on the liquidity portfolio and partly due to more focus on low-risk loans. Operating expenses appear to be under control, with the cost-income ratio at 38.1% compared with 39.3% in the corresponding period last year.

Credit losses stood at 3.0% of lending including SEK 75m in extraordinary provisions announced in Resurs Holding's report for the first quarter. Loan losses for the second quarter stood at 2.6%. Management expects moderate loan losses in the third quarter but a higher figure in the fourth quarter. Stage 2 loans were in fact down from the first quarter while stage 3 loans were flat relative to lending. Our loan-loss estimate for full-year 2020 is 3.1%.

Strong balance sheet

Resurs Bank saw an inflow of deposits from the public in the second quarter and, due to moderate loan growth, issued no new bonds in the period. Resurs Holding reported a common equity Tier 1 (CET1) ratio of 14.3% as of mid-2020 compared with 13.6% at end-2019. This is adjusted for an expected SEK 195m dividend payment in the second half of 2020. On the basis of signals from supervisory authorities, management does not expect to pay a dividend in 2021 in view of the likely results for 2020. The target CET1 ratio is above 11.5%, but Nordic Credit Rating expects moderate lending growth to lead to an increase in the CET1 ratio in the short term.

This commentary does not constitute a rating action.

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Attachments

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