



Year-end Report January–December 2019

1 July–31 December 2019*

- Lending to the public rose 12% to SEK 31,345 million
- Operating income increased 4% to SEK 1,768 million
- Operating profit was impacted by an extra credit provision of SEK 35 million due to the to the information we received through the Norwegian Gjeldsregistret and declined 2% to SEK 728. Excluding this effect operating profit would have increased 3% to SEK 763 million.
- C/I before credit losses was 38.1% (39.6%)
- The credit loss ratio was 2.4% (2.0%). 0.2% of the credit loss ratio refers to the extra credit provision, as commented on in the statement by the CEO.

1 January–31 December 2019*

- Lending to the public rose 12% to SEK 31,345 million
- Operating income increased 6% to SEK 3,478 million
- Operating profit was impacted by an extra credit provision of SEK 35 million due to the to the information we received through the Norwegian Gjeldsregistret and increased 2% to SEK 1,463 million. Excluding the effect of the operating profit would have increased 4% to SEK 1,498 million.
- C/I before credit losses was 38.7% (40.1%)
- The credit loss ratio was 2.3% (2.1%). 0.2% of the credit loss ratio refers to the extra credit provision.

“Yet another successful year of stable and profitable growth.”

Kenneth Nilsson, CEO, Resurs Bank AB

ABOUT RESURS BANK

Resurs is a Nordic niche bank that offers leading payment and financing solutions for the retail industry and its customers. We help companies and private individuals with lending, saving and payments. With more than 40 years of experience in the retail sector, we make shopping online and in stores quick, easy and secure. We focus on the customer experience and make good things happen and the hard feel easier. We have a customer base about 6 million private customers and 686 employees in the Nordics. When we use the term “Group” in this report, we are referring to the Resurs Bank Group.

* Certain performance measures provided in this section have not been prepared in accordance with IFRS or the capital adequacy rules, meaning that they are alternative performance measures. Calculations and reconciliation against information in the financial statements of these performance measures are provided on the website under “Financial information.” Definitions of performance measures are provided on page 25. The figures in parentheses refer to 31 December 2018 in terms of financial position, and to the year-earlier period in terms of profit/loss items.

Statement by the CEO

Yet another successful year of stable and profitable growth

Resurs ended 2019 with continued profitable growth and a strong trend in underlying earnings. Overall, we presented our best ever full-year earnings, despite a lower margin. Resurs continued to capture market shares in the second half of the year and delivered stable earnings with healthy growth in lending. Lending at year-end amounted to SEK 31.3 billion, corresponding to a 12 per cent increase compared with 2018. The Parent Company Resurs Holding supplemented the capital structure in the latter part of the year with an oversubscribed issue of Additional Tier 1 Capital of SEK 300 million. In December, the Board of Resurs decided to strengthen the financial capital target for the total capital ratio, raising it from 14 per cent to more than 15 per cent. All in all, these initiatives not only strengthen Resurs in meeting the higher regulatory buffer requirements, but the Additional Tier 1 Capital also means that we are well-positioned to continue to deliver profitable growth based on responsible credit lending.

Year distinguished by continued innovation and more strategic partnerships

Payment Solutions continued to report healthy and profitable growth during the year, primarily driven by increased volumes from our retail finance partners. The margin for the second half of the year was impacted by the customer mix and higher credit losses in Norway. A number of new collaborations with retail finance partners were initiated throughout the Nordic region during the year, in parallel with Resurs receiving renewed trust as a strategic partner from a large number of existing retail finance partners, such as Mio and Bauhaus.

Responsible credit lending in a challenging Norwegian market

Consumer Loans reported overall healthy lending growth for the year. The Norwegian market remains a challenge since the effect of the new statutory requirements and the implementation of the Gjeldsregistret changed the market conditions. Higher credit losses are probably to be expected, but we believe these will only affect a portion of our Norwegian credit portfolio and be of a temporary nature. Work was carried out to qualify as far as possible the over-indebtedness in the Norwegian market that was not possible to verify before Gjeldsregistret was introduced. The current IFRS 9 models are not sufficiently quick to identify future credit losses since the models are based on historical figures. In order to manage the increase in credit losses right away, an extra credit provision of SEK 35 million was made in the fourth quarter, alongside the model-based reserves that are made on an ongoing basis. I am proud of the conservative credit model that we follow for both assessment and the reserve ratio.

Looking ahead, we see many opportunities as the Norwegian market stabilises to design an offering that meets both the new rules of play and that delivers customer and business value.

Full focus on responsible business

Our dedication to Resurs's most material sustainability topics – including responsible credit lending, anti-corruption, equality and diversity – is not only an important prerequisite for growth and profitability but also for earning the trust of the market.

It is also gratifying that we were recognised in several different ways during the year, for example, for our work on shaping an equal opportunity workplace for which we were rewarded by holding our place on the AllBright Foundation's green list of Swedish listed companies with gender equal management. Towards the end of the year, Resurs was named 2020 Career Company of the Year¹, which recognises employers who offer development opportunities for younger employees and, not least, ranked our transparency surrounding how we combat corruption among the top² of Swedish companies.

We can look back on another successful year in which Resurs continued to grow faster than the market and capture market shares. Our success lies in our extensive experience of retail, leading technological developments and a robust business model that combined with responsible business presents a strong combination that is difficult to beat. It is also a combination that means we are well positioned to seize all the opportunities offered by not only a new year but also a brand new decade!

Kenneth Nilsson

CEO, Resurs Bank AB

¹ For more information, visit karriarforetagen.se/karriarforetag-2020/

² "Sustainable Company" survey carried out by DI, Aktuell Hållbarhet and Lund University School of Economics and Management

LENDING

SEK **31,345** MILLION

LENDING GROWTH

+12%

C/I RATIO

+38.7%

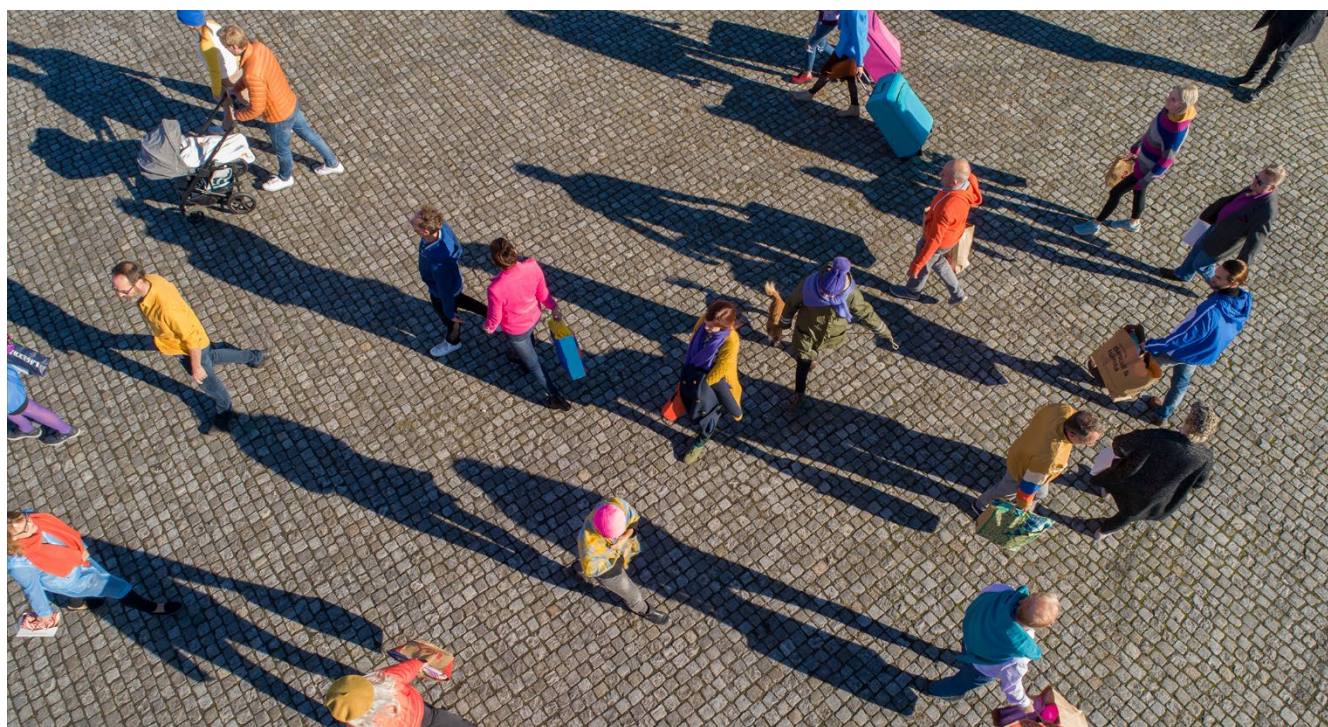


Kenneth Nilsson
CEO, Resurs Bank AB

Performance measures

<i>SEKm unless otherwise specified</i>	Jul-Dec 2019	Jul-Dec 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Operating income	1,768	1,692	4%	3,478	3,293	6%
Operating profit	728	743	-2%	1,463	1,437	2%
Net profit for the period	568	570	0%	1,137	1,105	3%
C/I before credit losses, %*	38.1	39.6		38.7	40.1	
Common Equity Tier 1 ratio, %	13.6	13.4		13.6	13.4	
Total capital ratio, %	16.3	14.7		16.3	14.7	
Lending to the public	31,345	27,957	12%	31,345	27,957	12%
NIM, %*	9.5	10.3		9.7	10.6	
Risk-adjusted NBI margin, %*	9.1	10.4		9.5	10.7	
NBI margin, %*	11.5	12.4		11.7	12.8	
Credit loss ratio, %*	2.4	2.0		2.3	2.1	
Return on equity excl. intangible assets (RoTE), %*	27.4	31.3		28.1	31.0	

* Alternative performance measures are performance measures used by management and analysts to assess the Group's performance and are not defined in International Financial Reporting Standards (IFRS) or in the capital adequacy rules. Management believes that the performance measures make it easier for investors to analyse the Group's performance. Calculations and reconciliation against information in the financial statements of the performance measures are provided on the website under "Financial information." Definitions of all performance measures are provided on page 25.



Group results*

Second half of 2019, July–December

Operating income

The Group's operating income increased 4 per cent to SEK 1,768 million (1,692). Net interest income increased 4 per cent to SEK 1,466 million (1,407), with interest income amounting to SEK 1,681 million (1,580) and interest expense to SEK -214 (-173). Fee & commission income amounted to SEK 248 million (231) and fee & commission expense to SEK -32 million (-31), resulting in a total net commission of SEK 216 million (201).

Net expense from financial transactions amounted to SEK -29 million (-25), primarily comprising changes in value of investments in interest-bearing securities, equities and exchange-rate differences. Other operating income, primarily comprising remuneration from lending operations, amounted to SEK 115 million (110).

Operating expenses

The Group's expenses before credit losses increased SEK 3 million to SEK -673 million (-670). Personnel expenses rose SEK 6 million to SEK -276 million (-270) compared with the year-earlier period. General administrative costs excluding personnel expenses increased SEK 15 million to SEK -295 million (-280), and depreciation, amortisation and impairment of intangible and tangible assets rose SEK 14 million to SEK -39 million (-25). IFRS 16 resulted in an increase of SEK 13 million in depreciation, amortisation and impairment for the period at the same time as general administrative costs fell. Other operating expenses fell SEK 31 million to SEK -63 million (-94). Viewed in relation to the operations' income, the cost level amounted to 38.1 per cent (39.6 per cent).

Credit losses totalled SEK -367 million (-280) and the credit loss ratio was 2.4 per cent (2.0 per cent). Credit losses excluding the extra credit provision amounted to SEK -332 million and the credit loss ratio was 2.2 per cent. The latter period of the year includes the extra credit provision of SEK 35 million regarding increased credit losses in parts of the Norwegian market. The risk-adjusted NBI margin totalled 9.1 per cent (10.4 per cent). The risk-adjusted NBI margin excluding the extra credit provision was 9.3 per cent. The lower margin was mainly due to the performance of the Norwegian consumer loan market, certain price pressure and lower margins due to higher average loans.

Profit

Operating profit declined 2 per cent to SEK 728 million (743). Operating profit excluding the extra credit provision increased 3 per cent to SEK 763 million. Net profit for the period amounted to SEK 568 million (570). Tax expense for the period amounted to SEK -160 million (-173).

NET INTEREST INCOME

+4%

C/I RATIO

38.1%

Full-Year 2019, January–December

Operating income and expenses

The Group's operating income increased 6 per cent to SEK 3,478 million (3,293), primarily due to growth in lending. Net interest income increased 6 per cent to SEK 2,887 million (2,726), with interest income amounting to SEK 3,304 million (3,057) and interest expense to SEK -417 (-331). Fee & commission income amounted to SEK 469 million (445) and fee & commission expense to SEK -60 million (-57). This resulted in a total net commission of SEK 408 million (388). The Group's expenses before credit losses increased 2 per cent to SEK -1,345 million (-1,321). Viewed in relation to the operations' income, the cost level continued to improve and amounted to 38.7 per cent (40.1 per cent).

Credit losses totalled SEK -669 million (-536) and the credit loss ratio was 2.3 per cent (2.1 per cent). The latter period of the year includes an extra credit provision of SEK 35 million regarding increased credit losses in parts of the Norwegian market. Credit losses excluding the extra credit provision amounted to SEK -634 million and the credit loss ratio was 2.1 per cent.

Profit

Operating profit increased 2 per cent to SEK 1,463 million (1,437). Operating profit excluding the extra credit provision increased 4 per cent to SEK 1,498 million. Tax expense for the year amounted to SEK -326 million (-332). Net profit for the year amounted to SEK 1,137 million (1,105).

OPERATING INCOME

+6%

Financial position 31 December 2019*

Comparative figures for this section refer to 31 December 2018, except for cash flow for which comparative figures refer to the same period in the preceding year.

On 31 December 2019, the Group's financial position was strong, with a capital base of SEK 5,071 million (4,281) in the consolidated situation, comprising the Parent Company, Resurs Holding, and the Resurs Bank Group. The total capital ratio was 16.3 per cent (14.7 per cent) and the Common Equity Tier 1 ratio was 13.6 per cent (13.4 per cent). During the period, Resurs Bank and the consolidated situation changed the method for calculating operational risk from the basic indicator method to the standardised method, which strengthened the capital ratio in the second half of 2019 by 0.5 of a percentage point. In December, Resurs Holding AB issued Additional Tier 1 Capital of a nominal SEK 300 million, which strengthened the total capital ratio by approximately 1.0 percentage point. The Board of Resurs Holding AB decided in December to strengthen the financial capital target for the total capital ratio, raising it from 14 per cent to more than 15 per cent. This strengthening meets the regulatory buffer requirement by a good margin.

Lending to the public on 31 December 2019 totalled SEK 31,345 million (27,957), corresponding to a 12 per cent annual increase and a 11 per cent annual increase excluding currency effects. This solid growth was driven by both the banking segment and is in line with the Group's financial target of lending growth of more than 10 per cent.

In addition to capital from shareholders and bond investors, the operations are financed by deposits from the public. The Group's strategy is to actively work with various sources of financing in order to use the most suitable source of financing at any given time and to create diversified financing in the long term.

Deposits from the public on 31 December 2019 rose 19 per cent to SEK 24,848 million (20,934). Financing through issued securities totalled SEK 7,672 million (7,832). Liquidity remained healthy and the liquidity coverage ratio (LCR) was 264 per cent (146 per cent) in the consolidated situation. The minimum statutory LCR ratio is 100 per cent. Lending to credit institutions on 31 December 2019 amounted to SEK 4,037 million (3,670). Holdings of treasury and other bills eligible for refinancing, as well as bonds and other interest-bearing securities, totalled SEK 2,615 million (1,848).

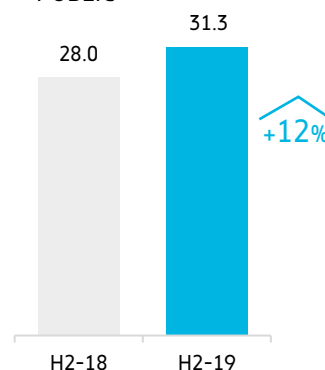
Cash flow from operating activities amounted to SEK 967 million (-323) for the year. Cash flow from deposits amounted to SEK 3,708 million (2,699) and the net change in investment assets totalled SEK -780 million (338). Cash flow from investing activities for the year totalled SEK -81 million (-127) and cash flow from financing activities SEK -405 million (1,472). Since year-end, bonds of a nominal SEK 1,600 million have been issued under Resurs Bank's MTN programme, of which SEK 300 million were Tier 2 bonds.

Intangible assets amounted to SEK 2,020 million (1,946), and primarily comprise the goodwill that arose in the acquisition of Finaref and Danaktiv in 2014 and yA Bank in 2015.

TOTAL CAPITAL RATIO

16.3%

LENDING TO THE PUBLIC



Trend in lending to the public in SEK billion.

LIQUIDITY COVERAGE RATIO

264%

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Payment Solutions

Strong offering and innovative technological developments attracted new and closer partnerships

Second half of 2019, July–December

Resurs's targeted efforts to develop innovative solutions that increase sales and customer loyalty generated healthy profitable growth in Payment Solutions' Nordic markets during the quarter. This growth was primarily driven by higher volumes from Resurs's retail finance partners.

Interest in Resurs's central e-commerce checkout combined with retailers' local management of inventories and sales, Click & Collect, and in the new push function Resurs Checkout for flexible purchasing decisions, increased steadily during the year. A new and upgraded version of Resurs's partner portal was also launched in the autumn, enabling retailers to quickly and easily capture all sales statistics in real time regardless of sales channel. In a bid to promote a move towards more circular business models, Resurs launched a tailored subscription service during the quarter that targets the specific customer needs of several retail finance partners. The number of retail finance partners also steadily increased throughout the Nordic region during the year. A large number of retail finance partners also decided to expand their strategic partnerships with Resurs, such as Bauhaus and Mio.

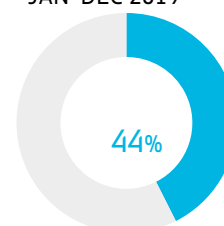
There was a high pace in Resurs's technological development for digitising payments and mobile platforms to help the consumer make purchases and payments. For example, Resurs Checkout continued to be integrated in more POS systems. Furthermore, technological developments using AI added a high level of tangible value during the year, for instance in Credit Cards where tailored customer offerings identified inactive card users who would otherwise, in all likelihood, be about to end their commitment with Resurs. Digitisation of invoice handling also increased in factoring, with the business continuing to perform positively during the year.

Lending to the public on 31 December 2019 increased 9 per cent to SEK 11,426 million (10,508). Growth was mainly driven by higher volumes from existing retail finance partners. Operating income totalled SEK 778 million (735), up 6 per cent year-on-year. Operating income less credit losses amounted to SEK 653 million (655). The risk-adjusted NBI margin was 11.6 per cent (12.7 per cent), mainly due to changes in the customer mix. Credit losses for the period increased both in absolute terms and as a share of lending, driven by both an increased loan portfolio and developments in the Norwegian market.

Full-year 2019, January–December

Lending to the public on 31 December 2019 increased 9 per cent to SEK 11,426 million (10,508). Operating income increased 7 per cent to SEK 1,531 million (1,427) as an effect of higher business volumes. Operating income less credit losses amounted to SEK 1,319 million (1,240). The risk-adjusted NBI margin was 12.0 per cent (12.5). Credit losses in absolute terms increased year-on-year as a result of higher lending. Measured as a share of lending, credit losses were in line with the preceding year. The negative development in the Norwegian market was offset by the positive trend in credit losses in Sweden.

PERCENTAGE OF
OPERATING INCOME
JAN-DEC 2019

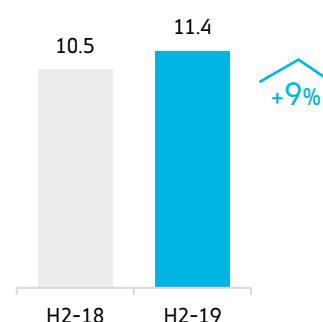


ABOUT PAYMENT SOLUTIONS

The Payment Solutions segment is comprised of retail finance, credit cards and factoring. Within retail finance, Resurs is the leading partner for sales-driving finance, payment and loyalty solutions in the Nordic region.

Credit cards includes the Resurs credit cards (with Supreme Card being the foremost) as well as cards that enable retail finance partners to promote their own brands.

LENDING TO THE PUBLIC



Trend in lending to the public in SEK billion.

Performance measures – Payment Solutions

SEKm unless otherwise specified	Jul-Dec 2019	Jul-Dec 2018	Change	Jul-Dec 2019	Jan-Dec 2018	Change
Lending to the public at end of the period	11,426	10,508	9%	11,426	10,508	9%
Operating income	778	735	6%	1,531	1,427	7%
Operating income less credit losses	653	655	0%	1,319	1,240	6%
Risk-adjusted NBI margin, %	11.6	12.7		12.0	12.5	
Credit loss ratio, %	2.2	1.6		1.9	1.9	

Consumer Loans

Stable growth in lending despite challenging Norwegian market

Second half of 2019, July–December

Overall, Consumer Loans reported continued healthy growth in lending in the period, particularly with the Finnish market distinguishing itself by reporting its best ever growth. The average loan in the Nordic region is steadily increasing and was at slightly more than SEK 100,000 in the period. This leads to a lower NBI margin but also entails a lower credit risk. New functionality is continuously added to the credit engine, which has played an important role in the development towards higher average loans, so as to offer an automatic application process, and the share of automated responses is now stable at almost 100 per cent. In turn, the share of loans granted that were signed electronically increased during the period to to approximately 90 per cent in the Nordic region.

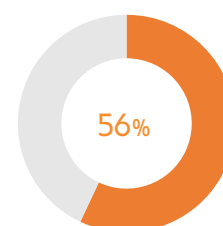
The Norwegian market remains challenging since the effect of the new statutory requirements and the implementation of the Gjeldsregistret service changed market conditions. A likely consequence of the changes is higher credit losses in the Norwegian market, which is why an additional reserve was made in the period. The assessment is that the increased credit losses will only affect one part of Resurs's Norwegian credit portfolio and that the effect will probably materialise in 2020, mainly in the first half of the year. Looking ahead, there are many opportunities as the Norwegian market stabilises to design an offering that meets both the new rules of play and that delivers customer and business value.

Lending to the public on 31 December 2019 increased 14 per cent to SEK 19,919 million (17,449), a 13 per cent increase in constant currencies. The strongest performance in percent was the Finnish market, followed by Sweden and Denmark. Operating income for the period increased by 3 per cent to SEK 990 million (957). Operating income less credit losses amounted to SEK 748 million (758), and the risk-adjusted NBI margin was 7.7 per cent (8.9 per cent). The trend in the risk-adjusted NBI margin was mainly due to the performance of the Norwegian market and lower margins due to higher average loans. Credit losses for the period increased both in absolute terms and as a share of lending, driven by both a increased loan portfolio and the trend in the Norwegian market.

Full-year 2019, January–December

Lending to the public on 31 December 2019 rose 14 per cent to SEK 19,919 million (17,449). Operating income for the period increased 4 per cent to SEK 1,946 million (1,866). Operating income less credit losses declined 2 per cent to SEK 1,489 million (1,517), and the risk-adjusted NBI margin amounted to 8.0 per cent (9.5 per cent). The trend in the risk-adjusted NBI margin was mainly due to the performance of the Norwegian market and lower margins due to higher average loans. Credit losses increased both in absolute terms and as a share of lending, driven by both a increased loan portfolio and developments in the Norwegian market.

PERCENTAGE OF
OPERATING INCOME
JAN-DEC 2019

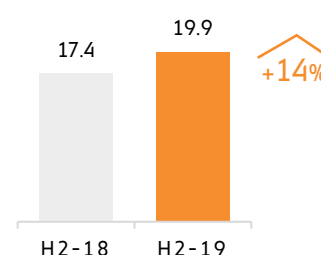


ABOUT CONSUMER LOANS

Consumer Loans' customers are offered unsecured loans, also known as consumer loans. Consumer loans are normally used to finance larger purchases, extend existing loans or to finance general consumption.

Consumer Loans also helps consumers to consolidate their loans with other banks, in order to reduce their monthly payments or interest expense. Resurs currently holds approximately SEK 19.9 billion in outstanding consumer loans.

LENDING TO THE PUBLIC



Trend in lending to the public in SEK billion.

Performance measures – Consumer Loans

SEKm unless otherwise specified	Jul-Dec 2019	Jul-Dec 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Lending to the public at end of the period	19,919	17,449	14%	19,919	17,449	14%
Operating income	990	957	3%	1,946	1,866	4%
Operating income less credit losses	748	758	-1%	1,489	1,517	-2%
Risk-adjusted NBI margin, %	7.7	8.9		8.0	9.5	
Credit loss ratio, %	2.5	2.3		2.4	2.2	

Significant events

January–December 2019

Resurs Holding issued Additional Tier 1 Capital and provided a shareholders' contribution to Resurs Bank

In December, Resurs Holding AB, the owner of Resurs Bank AB with a credit rating of BBB- (NCR), issued Additional Tier 1 Capital of SEK 300 million. The instrument has a perpetual maturity, with the first possibility of redemption after five years and a temporary write-down structure. The notes pay a floating rate coupon of 3 months STIBOR + 5.50 per cent and is listed on Nasdaq Stockholm. Resurs Holding also made an unconditional shareholders' contribution of SEK 200 million to Resurs Bank.

New Board Chairman of Resurs

The Extraordinary General Meeting held on 2 October 2019 elected Board member Martin Bengtsson as Chairman of the Board, in accordance with the Nomination Committee's proposal, after former Chairman Jan Samuelson declined re-election at the Annual General Meeting. Board member Christian Frick also left the Board.

Resurs recruited a new CFO

Jonas Olin was recruited as the new CFO Of Resurs. He will take office in April 2020 and become a member of Group Management. Christina Kassberg is serving as Interim CFO during the period between Peter Rosén leaving the company on 31 October 2019 and Jonas Olin taking up his new role in April 2020.

Strengthened capital position due to Resurs changing its method for measuring operational risk

The Board of Directors of Resurs decided in September 2019 to change the method for measuring operational risk when calculating its capital requirements. This decision meant that Resurs changed its method for calculating operational risk from the basic indicator method to the standardised method, which strengthened the capital position by 0.5 of a percentage point.

Resurs became a new payment solutions partner for Svensk Handel's members

In August 2019, Svensk Handel chose Resurs as its partner for payment solution offers for its members for stores, e-commerce and omni-retail.

Bauhaus decided to continue its partnership with Resurs

Resurs and BAUHAUS have enjoyed a successful partnership for many years and in June 2019 BAUHAUS decided to continue its collaboration with Resurs Bank. In addition to pursuing the partnership further, Resurs's engagement for providing Bauhaus's e-commerce solutions was also expanded.

Resurs Bank extends its ABS financing

The ABS financing was expanded in June 2019, and a new 18-month revolving period commenced.

Resurs Bank was awarded an investment grade rating from Nordic Credit Rating (BBB-, stable outlook)

In May 2019, Resurs Bank was awarded an investment grade rating of BBB-, stable outlook from Nordic Credit Rating.

Mio chose Resurs to take its omni-retail to the next level

Following an extensive procurement process involving the largest providers in the market, Mio decided in May 2019 to continue with Resurs as its strategic partner to take its omni-retail to the next level.

Resurs Bank began commercial partnership with Dicopay and enters new customer segment

Resurs Bank began commercial partnership with Dicopay and enters new customer segment. In March 2019, Resurs entered into a commercial partnership with Dicopay and also became a part-owner of the company. With this partnership, Resurs is entering into a new customer segment and can now offer Resurs Checkout to a new group of small businesses.

Resurs Bank issued subordinated Tier 2 bonds of SEK 300 million

In March 2019, Resurs Bank issued subordinated Tier 2 bonds of SEK 300 million. These subordinated bonds were issued under Resurs Bank's MTN programme and have a tenor of ten years. There is the option of prematurely redeeming the bonds after five years.

Resurs Bank invested in newly established Kivra Oy

Resurs was one of the first to offer its Swedish customers the option of receiving post via Kivra's digital mailbox. In February 2019, Resurs further strengthened its partnership by investing in Kivra's new Finnish joint venture.

SOME OF RESURS'S RETAIL FINANCE PARTNERS:

net on net

BAUHAUS

Mio

TICKET

Magasin

memira
ögonkliniker

Mekonomen

Husqvarna

BILTEMA

Miles & More

BabySam

ELGIGANTEN

ellos

Specsavers

JYSK

After the end of the period

There were no significant events after the end of the period.

Other information

Risk and capital management

The Group's ability to manage risks and conduct effective capital planning is fundamental to its profitability. The business faces various forms of risk including credit risks, market risks, liquidity risks and operational risks. The Board has established operational policies with the aim of balancing the Group's risk taking, and to limit and control risks. All policies are updated as necessary and revised at least once annually. The Board and CEO are ultimately responsible for the Group's risk management. In general, there have been no significant changes regarding risk and capital management during the period. A more detailed description of the bank's risks, liquidity and capital management is presented in Note G3 Liquidity, Note G4 Capital Adequacy, and in the most recent annual report.

Information on operations

Resurs Bank AB conducts banking operations in the Nordic countries. Operations are primarily consumer-oriented and are licensed by the Swedish Financial Supervisory Authority. Consumer lending is subdivided into retail finance loans, consumer loans, MasterCard and Visa credit cards, and deposits. Retail finance loans are offered to finance both traditional in-store purchases and online purchases. Operations in Finland are conducted through branch office Resurs Bank AB Suomen sivuliike (Helsinki), in Denmark through branch office Resurs Bank filial af Resurs Bank (Vallensbæk Strand) and in Norway through branch office Resurs Bank AB NUF (Oslo).

Employees

There were 686 full-time employees within the Group at 31 December 2019, down 21 since 30 June and down 15 since the end of 2018. The decline since 30 June was primarily due to temporary staff for the summer who left the company. The decline compared with the previous year was due to the reduction in the number of employees in both Norway and Denmark. This took place through retirement and not replacing people who left the company.

NUMBER OF EMPLOYEES

686

The Board's assurance

This interim report has not been audited.

The Board of Directors and the CEO certify that this interim report provides a fair review of the Group's and the Parent Company's operations, financial position and results and describes the significant risks and uncertainties faced by the Parent Company and Group companies.

Helsingborg, 3 February 2020

Kenneth Nilsson, CEO

Board of Directors,

Martin Bengtsson, Chairman of the Board

Johanna Berlinde

Mariana Burenstam Linder

Fredrik Carlsson

Anders Dahlvig

Lars Nordstrand

Marita Odélius Engström

Mikael Wintzell

Summary financial statements – Group

Condensed income statement

SEK thousand	Note	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest income	G6	1,680,765	1,579,779	3,304,179	3,056,886
Interest expense	G6	-214,372	-173,161	-416,768	-331,232
Fee & commission income		247,684	231,370	468,686	444,808
Fee & commission expense		-31,897	-30,562	-60,442	-57,090
Net income/expense from financial transactions		-29,120	-25,041	-41,346	-40,868
Other operating income	G7	115,273	109,970	223,537	220,716
Total operating income		1,768,333	1,692,355	3,477,846	3,293,220
General administrative expenses	G8	-571,143	-550,787	-1,116,920	-1,096,889
Depreciation, amortisation and impairment of intangible and tangible fixed assets		-38,951	-24,646	-78,869	-44,292
Other operating expenses		-62,865	-94,167	-149,361	-179,976
Total expenses before credit losses		-672,959	-669,600	-1,345,150	-1,321,157
Earnings before credit losses		1,095,374	1,022,755	2,132,696	1,972,063
Credit losses, net	G9	-366,993	-279,646	-669,454	-535,554
Operating profit/loss		728,381	743,109	1,463,242	1,436,509
Income tax expense		-159,942	-173,086	-326,260	-331,843
Net profit for the period		568,439	570,023	1,136,982	1,104,666
Attributable to Resurs Bank AB shareholders		568,439	570,023	1,136,982	1,104,666

Statement of comprehensive income

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net profit for the period	568,439	570,023	1,136,982	1,104,666
Other comprehensive income that will be reclassified to profit/loss				
Translation differences for the period, foreign operations	-32,632	-123,953	33,915	85,879
Hedge accounting ¹⁾		37,953		-49,424
Hedge accounting - tax ¹⁾		-8,350		10,873
Total comprehensive income for the period	535,807	475,673	1,170,897	1,151,994
Attributable to Resurs Bank AB shareholders	535,807	475,673	1,170,897	1,151,994

¹⁾ Refers to a hedge of a net investment in foreign operation and consists of equity at the time for acquisition, given capital contributions and profit since the acquisition. Goodwill are not subject to hedge accounting. Fair value changes of the hedging instruments impact taxable earnings and, in the Group, this tax effect is recognised in comprehensive income for the period.

The hedging of net investments in foreign operations above was terminated in connection with the merger of this business in November 2018.

Condensed statement of financial position

SEK thousand	Note	31 Dec 2019	31 Dec 2018
Assets			
Cash and balances at central banks		220,799	63,215
Treasury and other bills eligible for refinancing		1,712,900	878,558
Lending to credit institutions		4,037,487	3,670,115
Lending to the public	G10	31,344,787	27,956,576
Bonds and other interest-bearing securities		902,120	969,699
Shares and participating interests		17,421	1,002
Intangible fixed assets		2,020,278	1,945,773
Tangible assets		122,471	51,326
Other assets		191,472	334,036
Prepaid expenses and accrued income		237,579	249,619
TOTAL ASSETS		40,807,314	36,119,919
Liabilities, provisions and equity			
Liabilities and provisions			
Liabilities to credit institutions		94,900	149,900
Deposits and borrowing from the public		24,848,282	20,933,807
Other liabilities		815,241	829,840
Accrued expenses and deferred income		191,196	166,810
Other provisions	G11	19,818	22,462
Issued securities		7,672,347	7,832,186
Subordinated debt		797,890	498,171
Total liabilities and provisions		34,439,674	30,433,176
Equity			
Share capital		500,000	500,000
Other paid-in capital		2,175,000	1,975,000
Translation reserve		66,781	32,866
Retained earnings incl. profit for the year		3,625,859	3,178,877
Total equity		6,367,640	5,686,743
TOTAL LIABILITIES, PROVISIONS AND EQUITY		40,807,314	36,119,919

See Note G12 for information on pledged assets, contingent liabilities and commitments.

Statement of changes in equity

SEK thousand	Share capital	Other paid-in capital	Translation reserve	Retained earnings incl. profit for the year	Total equity
Initial equity at 1 January 2018 according to IAS 39	500,000	1,975,000	-14,462	3,102,952	5,563,490
Impact of revaluation of credit loss reserves due to IFRS 9 implementation				-438,681	-438,681
Impact of revaluation of credit loss reserves due to IFRS 9 implementation - tax effect				99,940	99,940
Equity at 1 January 2018 according to IFRS 9	500,000	1,975,000	-14,462	2,764,211	5,224,749
Initial equity at 1 January 2018	500,000	1,975,000	-14,462	2,764,211	5,224,749
<i>Owner transactions</i>					
Dividends paid according to General Meeting				-360,000	-360,000
Dividends according to Extraordinary General Meeting				-330,000	-330,000
Net profit for the year				1,104,666	1,104,666
Other comprehensive income for the year			47,328		47,328
Equity at 31 December 2018	500,000	1,975,000	32,866	3,178,877	5,686,743
Initial equity at 1 January 2019	500,000	1,975,000	32,866	3,178,877	5,686,743
<i>Owner transactions</i>					
Unconditional shareholder's contribution		200,000			200,000
Dividends paid according to General Meeting				-330,000	-330,000
Dividends according to Extraordinary General Meeting				-360,000	-360,000
Net profit for the year				1,136,982	1,136,982
Other comprehensive income for the year			33,915		33,915
Equity at 31 December 2019	500,000	2,175,000	66,781	3,625,859	6,367,640

All equity is attributable to Parent Company shareholders.

Cash flow statement (indirect method)

SEK thousand	Jan-Dec 2019	Jan-Dec 2018
Operating activities		
Operating profit	1,463,242	1,436,509
- of which, interest received	3,300,151	3,055,298
- of which, interest paid	-392,448	-327,870
Adjustments for non-cash items in operating profit	813,099	602,688
Tax paid	-274,933	-422,676
Cash flow from operating activities before changes in operating assets and liabilities	2,001,408	1,616,521
Changes in operating assets and liabilities		
Lending to the public	-3,694,769	-4,477,411
Other assets	-92,909	-668,018
Liabilities to credit institutions	-55,000	149,900
Deposits and borrowing from the public	3,707,516	2,698,519
Acquisition of investment assets	-3,054,628	-1,315,481
Divestment of investment assets	2,274,204	1,653,265
Other liabilities	-118,437	19,975
Cash flow from operating activities	967,385	-322,730
Investing activities		
Acquisition of intangible and tangible fixed assets	-81,841	-129,254
Divestment of intangible and tangible fixed assets	977	1,873
Cash flow from investing activities	-80,864	-127,381
Financing activities		
Dividends paid	-690,000	-690,000
Shareholder's contributions	200,000	
Issued securities	-213,887	2,205,138
Subordinated debt	298,950	-42,664
Cash flow from financing activities	-404,937	1,472,474
Cash flow for the year	481,584	1,022,363
Cash & cash equivalents at beginning of the year	3,733,330	2,685,592
Exchange rate differences	43,372	25,375
Cash & cash equivalents at end of the year	4,258,286	3,733,330
Adjustment for non-cash items in operating profit		
Credit losses	669,454	535,554
Depreciation, amortisation and impairment of intangible and tangible fixed assets	78,869	44,292
Profit/loss tangible assets	-270	244
Profit/loss on investment assets	-2,289	-4,830
Change in provisions	-3,086	-1,793
Adjustment to interest paid/received	29,184	5,993
Currency effects	35,709	17,850
Other items that do not affect liquidity	5,528	5,377
Sum non-cash items in operating profit	813,099	602,688

¹⁾ Investment assets are comprised of bonds and other interest-bearing securities, Treasury and other bills eligible for refinancing, shares and participating interest.

²⁾ Liquid assets are comprised of lending to credit institutions and cash and balances at central banks.

SEK thousand	1 Jan 2019	Cash-flow	Non cash flow items Accrued acquisition costs	Exchange rate differences	31 Dec 2019
Issued securities	7,832,186	-213,887	4,758	49,290	7,672,347
Subordinated debt	498,171	298,950	769		797,890
Total	8,330,357	85,063	5,527	49,290	8,470,237

Notes to the condensed financial statements

G1. Accounting principles

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and with applicable provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, the Swedish Financial Supervisory Authority's regulations and general guidelines on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

In addition to IFRS 16, no new IFRS or IFRIC interpretations have entered into force since January 1, 2019. IFRS 16 replaces IAS 17 from 1 January 2019. Under the new standard, existing leases and right-of-use agreements are to be capitalised as assets and liabilities in the statement of financial position, with the associated effect that the cost in profit or loss is divided between depreciation in operating profit and interest expense in net financial items. The Group will be primarily affected by the right-of-use assets attributable to leases for premises and vehicle leases. For further information regarding current leases, see the Annual Report for 2018. Regarding the effect of IFRS 16, see note G2.

When the financial statements for 2019 were prepared, the company decided to change the designation of "category" to "stage" for the three-step model based on changes in the credit quality of the financial assets, in accordance with IFRS 9.

G2. Effect of IFRS 16, Leasing

The Group will be primarily affected by the right-of-use assets attributable to leases for premises and vehicle leases. The right-of-use asset has initially been measured at an amount corresponding to the lease liability, adjusted for any prepaid or accrued lease fees related to the lease agreement.

The right-of-use asset is reported in the item Property, plant and equipment and the lease liability is reported in the item Other liabilities in the statement of financial position.

The liability for unutilised lease obligations on 1 January 2019 amounts SEK 97 million and for unutilised right-of-use assets SEK 93 million. Equity has not been affected by the transition to IFRS 16.

Refer to Note G9 for credit losses, Note G10 for lending to the public and Note G13 for other provisions.

Tier 1 capital comprises Common Equity Tier 1 capital and other Tier 1 capital. In December 2019, Resurs Holding AB issued Additional Tier 1 Capital of a nominal SEK 300 million. This Additional Tier 1 Capital is subordinated debt that meets some of the requirements to be eligible as Tier 1 capital when calculating the amount of the capital base. The accounting principle chosen means that the Additional Tier 1 Capital is to be classified as equity and payment to holders of these instruments, such as interest, is recognised in equity.

For detailed accounting principles for the Group, see the Annual report for 2018.

The regulatory consolidation (known as "consolidated situation") comprises the Resurs Bank AB Group and its Parent Company Resurs Holding AB.

The interim information on pages 2-33 comprises an integrated component of this financial report.

The average margin loan rate as at 1 January 2019 is 1.3 per cent.

As at 31 December 2019, the liability for unutilised lease obligations amounts to SEK 78 million and for unutilised right-of-use assets SEK 82 million. The income statement has been affected by the fact that the lease payments (General administrative expenses) have been distributed between interest expense, SEK 1,236 thousand and depreciation amounting SEK 26,581 thousand. The tax effect has a positive impact of SEK 136 thousand. The total impact on the financial result is SEK 454 thousand. As at 31 December 2019 the average margin loan rate amounted to 1.2 per cent.

IFRS 16 is not assessed as having a material impact on the Group's financial result and performance measures.

G3. Financing - Consolidated situation

A core component of financing efforts is maintaining a well-diversified financing structure with access to several sources of financing. Access to a number of sources of financing means that it is possible to use the most appropriate source of financing at any particular time.

The main type of financing remains deposits from the public. This type of financing has been offered to customers in Sweden, Norway and Germany. Deposits, which are analysed on a regular basis, totalled SEK 24,647 million (20,773), whereof in Sweden SEK 11,391 million (14,056), in Norway SEK 6,601 million (6,337) and in Germany SEK 6,655 million (381). The lending to the public/deposits from the public ratio for the consolidated situation is 127 per cent (135 per cent).

Resurs Bank has a funding programme for issuing bonds, the programme amounts to SEK 8,000 million (8,000). Within the programme, Resurs Bank has been working successfully to issue bonds on a regular basis and sees itself as an established issuer on the market. Resurs Bank has primarily issued bonds in Sweden but also in Norway. At 31 December 2019 the program has eleven outstanding issues at a nominal amount of SEK 5,450 million (4,250). Of the eleven issues, nine are senior unsecured bonds and two issues are a subordinated loan of SEK 600 million (300).

Resurs Bank has, outside the programme, issued subordinated loan of SEK 200 million (200). Resurs Holding issued Additional Tier 1 Capital of a nominal SEK 300 million (0).

In May 2019, Resurs Bank was awarded BBB-with stable prospects of the rating company Nordic Credit Rating. Access to Nordic Credit Ratings analyses can be found on the website www.nordiccreditrating.com.

Resurs Bank has completed a securitisation of loan receivables, a form of structured financing, referred to as Asset Backed Securities (ABS). This took place by transferring loan receivables to Resurs Bank's wholly owned subsidiaries Resurs Consumer Loans 1 Limited. The acquisition of loan receivables by Resurs Consumer Loans was financed by an international financial institution. In June 2019, an agreement was signed to extend the existing financing and Resurs Bank has for a period of 18 months (revolving period), the right to continue sale of certain additional loan receivables to Resurs Consumer Loans. At 31 December 2019 a total of approximately SEK 3.6 billion in loan receivables had been transferred to Resurs Consumer Loans. Resurs Bank and Resurs Consumer Loans have provided security for the assets that form part of the securitisation. At the balance sheet date, the external financing amounted to SEK 2.9 billion (2.9) of the ABS financing.

Liquidity - Consolidated situation

Liquidity risk includes the risk of not being able to meet liquidity commitments without significantly higher costs. The consolidated situation, must maintain a liquidity reserve and have access to an unutilised liquidity margin in the event of irregular or unexpected liquidity flows.

The Group's liquidity risk is managed through policies that specify limits, responsibilities and monitoring and include a contingency plan. The purpose of the contingency plan is to make preparations for various courses of action should the liquidity situation trend unfavourably. The contingency plan includes, among other things, risk indicators and action plans. The Group's liquidity risk is controlled and audited by independent functions.

Liquidity comprises both a liquidity reserve and another liquidity portfolio that is monitored on a daily basis. The main liquidity risk is deemed to arise in the event multiple depositors simultaneously withdraw their deposited funds. An internal model is used to set minimum requirements for the amount of the liquidity reserve, calculated based on deposit volumes, the proportion covered by deposit insurance and relationship to depositors. The model also takes into account the future maturities of issued securities. The Board has stipulated that the liquidity reserve may never fall below SEK 1,300 million. Apart from the liquidity reserve, there is an intraday liquidity requirement of at least 4 per cent of deposits from the public, a minimum SEK 700 million. There are also other liquidity requirements regulating and controlling the business.

The liquidity reserve, totalling SEK 1,918 million (1,899), is in accordance with Swedish Financial Supervisory Authority regulations on liquidity risk management (FFFS 2010:7) and applicable amendments thereto for the consolidated situation. Accordingly, assets are segregated, unutilised and of high quality. The liquidity reserve largely comprises assets with the highest credit quality rating.

In addition to the liquidity reserve, the consolidated situation has other liquid assets primarily comprised of cash balances with other banks. These assets are of high credit quality and total SEK 4,982 million (3,688) for the consolidated situation. Accordingly, total liquidity amounted to SEK 6,900 million (5,588) corresponds to 28 per cent (27 per cent) of deposits from the public. The Group also has unutilised credit facilities of NOK 50 million (50).

Liquidity Coverage Ratio (LCR) for the consolidated situation is reported to the authorities on a monthly basis. The LCR shows the ratio between high qualitative assets and net outflow during a 30-day stressed period. A ratio of 100 per cent means the assets managed the stress test scenario and is also the authority's limit. As at 31 December 2019, the ratio for the consolidated situation is 264 per cent (146 per cent). For the period January to December 2019, the average LCR measures 200 per cent for the consolidated situation.

All valuations of interest-bearing securities were made at market values that take into account accrued interest.

Summary of liquidity – Consolidated situation

SEK thousand	31 Dec 2019	31 Dec 2018
Liquidity reserve as per FFFS 2010:7 definition		
Securities issued by sovereigns	184,378	49,117
Securities issued by municipalities	830,219	729,974
Lending to credit institutions		250,000
Bonds and other interest-bearing securities	903,264	870,196
Summary Liquidity reserve as per FFFS 2010:7	1,917,861	1,899,287
Other liquidity portfolio		
Cash and balances at central banks	220,799	63,215
Securities issued by municipalities	699,902	100,033
Lending to credit institutions	4,061,272	3,425,045
Bonds and other interest-bearing securities		100,043
Total other liquidity portfolio	4,981,973	3,688,336
Total liquidity portfolio	6,899,834	5,587,623
Other liquidity-creating measures		
Unutilised credit facilities	52,895	51,225

Stress tests are carried out on a regular basis to ensure that there is liquidity in place for circumstances that deviate from normal conditions. One recurring stress test is significant outflows of deposits from the public.

In evaluating liquid assets for LCR reporting, the following assessment of liquid asset quality is made before each value judgement in accordance with the EU Commission's delegated regulation (EU) 575/2013.

Liquid assets according to LCR

31/12/2019

SEK thousand	TOT	SEK	EUR	DKK	NOK
Level 1 assets					
Cash and balances with central banks	193,433		127,548		65,885
Securities or guaranteed by sovereigns, central banks, MDBs and international org.	184,378		120,318	30,211	33,849
Securities issued by municipalities and PSEs	1,530,121	1,273,617	76,652		179,852
Extremely high quality covered bonds	374,185		196,880		177,305
Level 2 assets					
High quality covered bonds	529,079	529,079			
Total liquid assets	2,811,196	1,802,696	521,398	30,211	456,891

31/12/2018

SEK thousand	TOT	SEK	EUR	DKK	NOK
Level 1 assets					
Cash and balances with central banks	63,215				63,215
Securities or guaranteed by sovereigns, central banks, MDBs and international org.	49,117		24,662	24,455	
Securities issued by municipalities and PSEs	729,974	556,093			173,881
Extremely high quality covered bonds	188,624	100,099	42,498		46,027
Level 2 assets					
High quality covered bonds	572,680	531,730			40,950
Total liquid assets	1,603,610	1,187,922	67,160	24,455	324,073

Additional information on the Group's management of liquidity risks is available in the Group's 2018 Annual report.

SEK thousand	31 Dec 2019	31 Dec 2018
Total liquid assets	2,811,196	1,603,610
Net liquidity outflow	1,025,759	1,031,174
LCR measure	264%	146%

G4. Capital adequacy - Consolidated situation

Capital requirements are calculated in accordance with European Parliament and Council Regulation EU 575/2013 (CRR) and Directive 2013/36 EU (CRD IV). The Directive was incorporated via the Swedish Capital Buffers Act (2014:966), and the Swedish Financial Supervisory Authority's (SFS) regulations regarding prudential requirements and capital buffers (FFFS 2014:12). The capital requirement calculation below comprises the statutory minimum capital requirement for credit risk, credit valuation adjustment risk, market risk and operational risk.

The combined buffer requirement for the consolidated situation comprises a capital conservation buffer and a countercyclical capital buffer. The capital conservation buffer requirement amounts to 2.5 per cent of the risk-weighted assets. The countercyclical capital buffer requirement is weighted according to geographical requirements, which amounts to 2.5 per cent of the risk-weighted assets for Swedish and Norwegian exposures. The countercyclical capital buffer requirements increased from 2 per cent to 2.5 per cent for Norwegian exposures from 31 December 2019. For Danish exposures a countercyclical capital buffer requirement of 1 per cent of risk-weighted assets is effective from 30 September 2019 and to 1.5 per cent from June 2020 and is proposed at 2 per cent from 30 December 2020. The Group currently does not need to take into a buffer requirement for its business areas in Finland.

The consolidated situation calculates the capital requirement for credit risk, credit valuation adjustment risk, market risk and operational risk.

Credit risk is calculated by applying the standardised method under which the asset items of the consolidated situation are weighted and divided between 17 different exposure classes. The total risk-weighted exposure amount is multiplied by 8 per cent to obtain the minimum capital requirement for credit risk. The capital requirement for operational risk is from 20 September 2019 calculated by the standardised method. Under this method, the capital requirement for operational risks is 12 per cent of the income indicator (meaning average operating income for the past three years). External rating companies are used to calculate the bank's capital base requirement for bonds and other interest-bearing securities.

Resurs Bank has applied to the Swedish Financial Supervisory Authority for permission to apply the transition rules decided at EU level in December 2017. Under the transition rules, a gradual phase-in of the effect of IFRS 9 on capital adequacy is permitted, regarding both the effect of the transition from IAS 39 as at 1 January 2018 and the effect on the reporting date that exceeds the amount when IFRS 9 is first applied to stage 1 and stage 2. The phase-in period is as follows:

2018: 5 %, 2019: 10 %, 2020: 15 %, 2021: 20 %, 2022: 25 %, 2023: 25 %

In December 2019, Resurs Holding AB issued Additional Tier 1 Capital of a nominal SEK 300 million. The notes have a perpetual tenor with a first call option after five years and a temporary write-down mechanism.

Capital base

SEK thousand	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 capital		
Equity		
Equity, Group	6,367,640	5,686,743
Equity according to balance sheet	6,367,640	5,686,743
Proposed dividend	-420,000	-390,000
Primärkapitalinstrument som tillkommer i eget kapital i den konsoliderade situationen	300,000	
Additional/deducted equity in the consolidated situation	10,530	248,463
Equity, consolidated situation	6,258,170	5,545,206
<i>Adjustments according to transition rules IFRS 9:</i>		
Initial revaluation effect	287,930	321,804
Less:		
Additional value adjustments	-2,743	-2,039
Intangible fixed assets	-2,020,278	-1,945,773
Additional Tier 1 instruments included in equity	-300,000	
Shares in subsidiaries	-120	-120
Total Common Equity Tier 1 capital	4,222,959	3,919,078
Tier 1 capital		
Common Equity Tier 1 capital	4,222,959	3,919,078
Additional Tier 1 instruments	300,000	
Total Tier 1 capital	4,522,959	3,919,078
Tier 2 capital		
Dated subordinated loans	548,003	362,227
Total Tier 2 capital	548,003	362,227
Total capital base	5,070,962	4,281,305

Capital requirement

SEK thousand	31 Dec 2019		31 Dec 2018	
	Risk-weighted exposure amount	Capital requirement ¹⁾	Risk-weighted exposure amount	Capital requirement ¹⁾
Exposures to institutions	830,818	66,465	748,532	59,883
Exposures to corporates	412,282	32,983	366,130	29,290
Retail exposures	21,171,101	1,693,688	19,027,139	1,522,171
Exposures in default	3,095,205	247,616	2,666,279	213,302
Exposures in the form of covered bonds	90,122	7,210	86,879	6,950
Exposures to institutions and companies with short-term credit rating			99,943	7,995
Equity exposures	96,404	7,712	80,001	6,400
Other items	513,701	41,096	545,212	43,618
Total credit risks	26,209,633	2,096,770	23,620,115	1,889,609
Credit valuation adjustment risk	30,589	2,447	45,050	3,604
Market risk				
Currency risk	0	0	0	0
Operational risk	4,849,713	387,977	5,552,748	444,220
Total riskweighted exposure and total capital requirement	31,089,935	2,487,194	29,217,913	2,337,433

¹⁾ Capital requirement information is provided for exposure classes that have exposures.

In addition to the treatment of Pillar 1 risks above, 1.0 per cent (1.0) of the consolidated situation's risk-weighted assets are allocated for Pillar 2 requirements as at 31 December 2019.

Capital ratio and capital buffers

	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 ratio, %	13.6	13.4
Tier 1 ratio, %	14.6	13.4
Total capital ratio, %	16.3	14.7
Common Equity Tier 1 capital requirement incl. buffer requirement, %	9.0	8.6
- of which, capital conservation buffer requirement, %	2.5	2.5
- of which, countercyclical buffer requirement, %	2.0	1.6
Common Equity Tier 1 capital available for use as buffer, %	7.3	6.7

Leverage ratio

The leverage ratio is a non-risk-sensitive capital requirement defined in Regulation (EU) no 575/2013 of the European Parliament and of the Council. The ratio states the amount of equity in relation to the bank's total assets including items that are not recognised in the balance sheet and is calculated by the Tier 1 capital as a percentage of the total exposure measure.

The consolidated situation currently only has a reporting requirement to the Swedish Financial Supervisory Authority, but will have a quantitative requirement of 3 per cent in 2021 when the updates to CRR come into effect.

SEK thousand	31 Dec 2019	31 Dec 2018
Tier 1 capital	4,522,959	3,919,078
Leverage ratio exposure	42,031,894	37,406,727
Leverage ratio, %	10.8	10.5

G5. Segment reporting

The CEO for Resurs Bank AB is the chief operating decision maker for the Group. Management has established segments based on the information that is dealt with by the Board of Directors and used as supporting information for allocating resources and evaluating results. The CEO assesses the performance of Payment Solutions and Consumer Loans.

The CEO evaluates segment development based on net operating income less credit losses, net. Segment reporting is based on the same principles as those used for the consolidated financial statements. Assets monitored by the CEO refer to Lending to the public.

Jul-Dec 2019

SEK thousand	Payment Solutions	Consumer Loans	Total Group
Interest income	602,509	1,078,256	1,680,765
Interest expense	-58,042	-156,330	-214,372
Provision income	191,370	56,314	247,684
Provision expenses	-31,897		-31,897
Net income/expense from financial transactions	-12,634	-16,486	-29,120
Other operating income	86,781	28,492	115,273
Total operating income	778,087	990,246	1,768,333
<i>of which, internal</i>			0
Credit losses, net	-124,789	-242,204	-366,993
Operating income less credit losses	653,298	748,042	1,401,340

Jul-Dec 2018

SEK thousand	Payment Solutions	Consumer Loans	Total Group
Interest income	579,220	1,000,559	1,579,779
Interest expense	-54,019	-119,142	-173,161
Provision income	168,225	63,145	231,370
Provision expenses	-30,562		-30,562
Net income/expense from financial transactions	-12,607	-12,434	-25,041
Other operating income	84,911	25,059	109,970
Total operating income	735,168	957,187	1,692,355
<i>of which, internal</i>			0
Credit losses, net	-80,187	-199,459	-279,646
Operating income less credit losses	654,981	757,728	1,412,709

Jan-Dec 2019

SEK thousand	Payment Solutions	Consumer Loans	Total Group
Interest income	1,200,330	2,103,849	3,304,179
Interest expense	-115,791	-300,977	-416,768
Provision income	357,070	111,616	468,686
Provision expenses	-60,442		-60,442
Net income/expense from financial transactions	-17,842	-23,504	-41,346
Other operating income	168,096	55,441	223,537
Total operating income	1,531,421	1,946,425	3,477,846
<i>of which, internal</i>			0
Credit losses, net	-212,520	-456,934	-669,454
Operating income less credit losses	1,318,901	1,489,491	2,808,392

Jan-Dec 2018

SEK thousand	Payment Solutions	Consumer Loans	Total Group
Interest income	1,121,384	1,935,502	3,056,886
Interest expense	-107,507	-223,725	-331,232
Provision income	325,477	119,331	444,808
Provision expenses	-57,090		-57,090
Net income/expense from financial transactions	-21,179	-19,689	-40,868
Other operating income	165,775	54,941	220,716
Total operating income	1,426,860	1,866,360	3,293,220
<i>of which, internal</i>			0
Credit losses, net	-186,442	-349,112	-535,554
Operating income less credit losses	1,240,418	1,517,248	2,757,666

Lending to the public

SEK thousand	Payment Solutions	Consumer Loans	Total Group
31 Dec 2019	11,425,811	19,918,976	31,344,787
31 Dec 2018	10,507,819	17,448,757	27,956,576

G6. Net interest income/expense

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest income				
Lending to credit institutions	688	1,322	2,334	3,296
Lending to the public	1,676,151	1,577,667	3,294,988	3,052,213
Interest-bearing securities	3,926	790	6,857	1,377
Total interest income	1,680,765	1,579,779	3,304,179	3,056,886
Interest expense				
Liabilities to credit institutions	-4,340	-4,949	-8,157	-7,228
Deposits and borrowing from the public	-153,258	-120,382	-297,370	-235,189
Issued securities	-39,960	-37,751	-80,182	-68,429
Subordinated debt	-16,166	-7,763	-29,430	-17,476
Other liabilities	-648	-2,316	-1,629	-2,910
Total interest expense	-214,372	-173,161	-416,768	-331,232
Net interest income/expense	1,466,393	1,406,618	2,887,411	2,725,654

G7. Other operating income

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Other income, lending to the public	89,180	89,834	174,787	170,069
Other operating income	26,093	20,136	48,750	50,647
Total operating income	115,273	109,970	223,537	220,716

G8. General administrative expenses

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Personnel expenses	-276,065	-270,323	-550,051	-537,959
Postage, communication and notification expenses	-68,283	-63,221	-132,061	-128,184
IT expenses	-90,621	-90,421	-176,261	-177,306
Cost of premises ¹⁾	-9,945	-18,758	-19,097	-35,916
Consultant expenses	-29,846	-35,867	-61,601	-73,888
Other	-96,383	-72,197	-177,849	-143,636
Total general administrative expenses	-571,143	-550,787	-1,116,920	-1,096,889

¹⁾ See note G2**G9. Credit losses, net**

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Provision of credit reserves				
Stage 1	660	4,035	-3,746	15,288
Stage 2	-47,914	42,925	-105,351	19,114
Stage 3	-126,423	-43,583	-150,186	-235,908
Total	-173,677	3,377	-259,283	-201,506
Provision of credit reserves off balance (unutilised limit)				
Stage 1	-2,939	4,086	-2,272	2,490
Stage 2	5,030	1,020	4,318	-416
Stage 3				
Total	2,091	5,106	2,046	2,074
Write-offs of stated credit losses for the period	-212,291	-296,832	-437,791	-354,487
Recoveries of previously confirmed credit losses	16,884	8,703	25,574	18,365
Total	-195,407	-288,129	-412,217	-336,122
Credit losses	-366,993	-279,646	-669,454	-535,554
off which lending to the public	-369,084	-284,752	-671,500	-537,628

G10. Lending to the public

SEK thousand	31 Dec 2019	31 Dec 2018
Retail sector	33,751,565	30,139,005
Corporate sector	471,861	405,607
Total lending to the public, gross	34,223,426	30,544,612
Stage 1	23,687,686	22,511,152
Stage 2	5,259,501	3,377,690
Stage 3	5,276,239	4,655,770
Total lending to the public, gross	34,223,426	30,544,612
Less provision for anticipated credit losses		
Stage 1	-174,603	-167,847
Stage 2	-421,930	-312,399
Stage 3	-2,282,106	-2,107,790
Total anticipated credit losses	-2,878,639	-2,588,036
Stage 1	23,513,083	22,343,305
Stage 2	4,837,571	3,065,291
Stage 3	2,994,133	2,547,980
Total net lending to the public	31,344,787	27,956,576

G11. Other provisions

SEK thousand	31 Dec 2019	31 Dec 2018
Reporting value at the beginning of the year	22,462	24,399
Provision made during the year	-2,248	-2,019
Exchange rate differences	-396	82
Total	19,818	22,462
Provision of credit reserves, unutilised limit, Stage 1	11,925	9,762
Provision of credit reserves, unutilised limit, Stage 2	1,719	6,016
Other provisions	6,174	6,684
Reported value at the end of the year	19,818	22,462

G12. Pledged assets, contingent liabilities and commitments

SEK thousand	31 Dec 2019	31 Dec 2018
Collateral pledged for own liabilities		
Lending to credit institutions	161,910	163,728
Lending to the public ¹⁾	3,556,373	3,617,840
Restricted bank deposits ²⁾	30,887	28,190
Total collateral pledged for own liabilities	3,749,170	3,809,758
Contingent liabilities		
Guarantees		311
Total contingent liabilities	0	311
Other commitments		
Unutilised credit facilities granted	27,546,215	27,533,519
Total other commitments	27,546,215	27,533,519

¹⁾ Refers to securitisation.

²⁾ As at 31 December 2019 SEK 27,366 thousand (26,701) refers to the requirement account at the Bank of Finland.

G13. Related-party transactions

Resurs Bank AB is a wholly owned subsidiary of Resurs Holding AB, corporate identity number 556898-2291, which is owned 28.9 per cent by Waldakt AB. Of the remaining owners, no single owner holds 20 per cent or more. Cidron Semper S.A.R.L (Nordic Capital) had positions on the Board of Resurs Bank and was included in the Note Related-party transactions up to and including 2 October 2019.

The former Board Chairman and one of the Board members declined re-election and stepped down from the Board in October 2019.

Companies with significant influence through direct or indirect ownership of

Transactions with Parent Company

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest expense	-35	-674	-135	-674
Other operating income	-6,517	2,348	-4,351	4,697
General administrative expenses	-7,786	-7,342	-16,095	-15,497

SEK thousand	31 Dec 2019	31 Dec 2018
Other liabilities	-1,751	-1,539
Deposits and borrowing from the public	-200,808	-160,673

Transactions with other Group Companies

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest expense	-4,679	-3,419	-8,879	-6,663
Fee & commission income	129,265	120,442	245,369	226,972
Other operating income	6,686	4,954	13,412	9,909
General administrative expenses	-1,168	-1,719	-1,972	-2,524

SEK thousand	31 Dec 2019	31 Dec 2018
Other assets	16,193	
Deposits and borrowing from the public	-238,442	-194,981
Other liabilities	-19,894	-9,309
Subordinated debt	-200,000	-200,000

Transactions with other companies with significant influence

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Processing fees	-36,637	-225,444	-256,616	-452,009
Interest expense – deposits and borrowing from the public	-2,450	-2,508	-4,956	-6,390
Fee & commission income		18,444	18,525	36,912
General administrative expenses	-754	-12,217	-13,845	-27,232

SEK thousand	31 Dec 2019	31 Dec 2018
Other assets		3,210
Deposits and borrowing from the public	-207,362	-953,166
Other liabilities	-15,542	-97,650

Transactions with key persons

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest expense – deposits and borrowing from the public	-37	-123	-87	-237

SEK thousand	31 Dec 2019	31 Dec 2018
Deposits and borrowing from the public	-11,907	-39,827

influence of NetOnNet AB, with which the Resurs Group conducted significant transactions during the period. Ellos Group AB was included in this category up to and including 30 June 2019. The table below includes transactions with Ellos Group AB until 30 June 2019. Cidron Semper S.A.R.L sold its holdings to Ellos Group AB at the start of July 2019. Normal business transactions were conducted between the Resurs Group and these related companies and are presented below.

Transaction costs in the table refer to market-rate compensation for the negotiation of credit to related companies' customers.

G14. Financial instruments

SEK thousand	31 Dec 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Financial assets				
Cash and balances at central banks	220,799	220,799	63,215	63,215
Treasury and other bills eligible for refinancing	1,712,900	1,712,900	878,558	878,558
Lending to credit institutions	4,037,487	4,037,487	3,670,115	3,670,115
Lending to the public	31,344,787	31,900,633	27,956,576	28,575,822
Bonds and other interest-bearing securities	902,120	902,120	969,699	969,699
Shares and participating interests	17,421	17,421	1,002	1,002
Derivatives	110,707	110,707	190,175	190,175
Other assets	48,605	48,605	35,993	35,993
Accrued income	168,623	168,623	195,607	195,607
Total financial assets	38,563,449	39,119,295	33,960,940	34,580,186
Intangible fixed assets	2,020,278		1,945,773	
Tangible assets	122,471		51,326	
Other non-financial assets	101,116		161,880	
Total assets	40,807,314		36,119,919	

SEK thousand	31 Dec 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities				
Financial liabilities				
Liabilities to credit institutions	94,900	94,900	149,900	149,900
Deposits and borrowing from the public	24,848,282	24,848,813	20,933,807	20,932,007
Derivatives	24,567	24,567	12,353	12,353
Other liabilities	508,143	508,143	588,885	588,885
Accrued expenses	162,636	162,636	138,711	138,711
Issued securities	7,672,347	7,714,123	7,832,186	7,860,533
Subordinated debt	797,890	814,404	498,171	507,601
Total financial liabilities	34,108,765	34,167,586	30,154,013	30,189,990
Provisions	19,818		22,462	
Other non-financial liabilities	311,091		256,701	
Equity	6,367,640		5,686,743	
Total equity and liabilities	40,807,314		36,119,919	

For current receivables, current liabilities and variable-rate deposits, the carrying amount reflects the fair value.

Financial instruments

Financial assets and liabilities at fair value

SEK thousand	31 Dec 2019			31 Dec 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss:						
Treasury and other bills eligible for refinancing	1,712,900			878,558		
Bonds and other interest-bearing securities	902,120			969,699		
Shares and participating interests			17,421			1,002
Derivatives		110,707			190,175	
Total	2,615,020	110,707	17,421	1,848,257	190,175	1,002
Financial liabilities at fair value through profit or loss:						
Derivatives		-24,567			-12,353	
Total	0	-24,567	0	0	-12,353	0

Changes in level 3

SEK thousand	Jan-Dec 2019	Jan-Dec 2018
Shares and participating interests		
Opening balance	1,002	979
Investments during the period	16,966	
Disposal	-514	
Exchange-rate fluctuations	-33	23
Closing balance	17,421	1,002

Determination of fair value of financial instruments

Level 1

Listed prices (unadjusted) on active markets for identical assets or liabilities.

Level 3

Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

Level 2

Inputs that are observable for the asset or liability other than listed prices included in Level 1, either directly (i.e., as price quotations) or indirectly (i.e., derived from price quotations).

Financial instruments measured at fair value for disclosure purposes

The carrying amount of variable rate deposits and borrowing from the public is deemed to reflect fair value.

Fair value of issued securities (MTN) is calculated based on the listing marketplace. Fair value has been classified as level 1.

For fixed rate deposits and borrowing from the public, fair value is calculated based on current market rates, with the initial credit spread for deposits kept constant. Fair value has been classified as level 2.

For issued securities (ABS), fair value is calculated by assuming that duration ends at the close of the revolving period. Fair value has been classified as level 3.

For subordinated debts to fellow subsidiary, Solid Försäkrings AB, fair value of issued amount is calculated by using the present value method. The fair value has been classified as level 2.

The fair value of the portion of lending that has been sent to debt recovery and purchased non-performing consumer loans is calculated by discounting calculated cash flows at the estimated market interest rate instead of at the original effective interest rate. Fair value has been classified as level 2.

Fair value of subordinated debt is calculated based on valuation at the listing marketplace. Fair value has been classified as level 1.

The carrying amount of current receivables and liabilities and variable rate loans is deemed to reflect fair value.

Transfer between levels

There has not been any transfer of financial instruments between the levels.

Financial assets and liabilities that are offset or subject to netting agreements

Derivative agreement has been made under the ISDA agreement. The amounts are not offset in the statement of financial position. Most of the derivatives at 31 December 2019 were covered by the ISDA Credit Support Annex, which means that collateral is obtained and provided in the form of bank deposits between the parties.

Assets for the derivative agreements total to SEK 111 million (190) while liabilities total SEK 25 million (12). Collateral corresponding to SEK 0 million (0) was provided and received SEK 95 million (150), that had a net effect of SEK 0 million (0) and liabilities to credit institutions total SEK 95 million (150).

Definitions

C/I before credit losses, % ¹⁾

Expenses before credit losses in relation to operating income.

Capital base ²⁾

The sum of Tier 1 capital and Tier 2 capital.

Common equity tier 1 capital ²⁾

Common Equity Tier 1 capital comprises share capital, paid-in capital, retained earnings and other reserves of the companies included in the consolidated situation.

Core tier 1 ratio ²⁾

Core Tier 1 capital in relation to risk-weighted amount as per the Swedish Financial Supervisory Authority's directive.

Credit loss ratio, % ¹⁾

Net credit losses in relation to the average balance of loans to the public.

Lending to the public, excl. exchange rate differences ¹⁾

Total lending to the public in local currency, excl. exchange rate differences.

NBI margin, % ¹⁾

Operating income in relation to the average balance of lending to the public.

Net interest income/expense ¹⁾

Interest income less interest expenses.

NIM, % ¹⁾

Interest income less interest expenses in relation to average balance of lending to the public.

Return on equity excl. Intangible fixed assets, (ROTE), % ¹⁾

Profit for the period as a percentage of average equity less intangible fixed assets.

Risk adjusted NBI-margin, % ¹⁾

NBI-margin adjusted for credit loss ratio.

Tier 1 capital ²⁾

Tier 1 capital comprises Common Equity Tier 1 capital and other Tier 1 capital.

Tier 2 capital ²⁾

Tier 2 capital comprises dated or perpetual subordinated loans.

Total capital ratio, % ²⁾

Total capital in relation to risk-weighted amount as per the Swedish Financial Supervisory Authority's directive.

¹⁾ Alternative performance measures used by management and analysts to assess the Group's performance and are not defined in International Financial Reporting Standards (IFRS) or in the capital adequacy rules. Management believes that the performance measures make it easier for investors to analyse the Group's performance. Calculations and reconciliation against information in the financial statements of these performance measures are provided on the website under "Financial reports."

²⁾ Key ratios according to capital adequacy rules, referring to the consolidated situation comprises the Resurs Bank AB Group and its Parent Company Resurs Holding AB.

Parent company

Income statement

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest income	1,680,077	1,901,759	3,301,845	3,056,191
Lease income	6,084	7,989	16,252	21,119
Interest expense	-213,802	-236,054	-415,535	-331,240
Fee & commission income	247,684	248,455	468,686	444,808
Fee & commission expense	-31,897	-36,068	-60,442	-57,090
Net income/expense from financial transactions	-29,120	-27,292	-41,346	-53,905
Other operating income	115,279	120,041	223,549	220,728
Total operating income	1,774,305	1,978,830	3,493,009	3,300,611
General administrative expenses	-611,272	-642,774	-1,196,995	-1,168,508
Depreciation, amortisation and impairment of intangible and tangible fixed assets	-71,948	-111,401	-148,347	-147,657
Other operating expenses	-62,865	-112,445	-149,361	-179,976
Total expenses before credit losses	-746,085	-866,620	-1,494,703	-1,496,141
Earnings before credit losses	1,028,220	1,112,210	1,998,306	1,804,470
Credit losses, net	-367,055	-341,891	-669,662	-537,748
Operating profit/loss	661,165	770,319	1,328,644	1,266,722
Income tax expense	-154,951	-208,403	-316,254	-305,682
Net profit for the period	506,214	561,916	1,012,390	961,040
Attributable to Resurs Bank AB shareholders	506,214	561,916	1,012,390	961,040

Statement of comprehensive income

SEK thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net profit for the period	506,214	561,916	1,012,390	961,040
Other comprehensive income that will be reclassified to profit/loss				
Translation differences for the period, foreign operations	-29,861	977	32,925	977
Comprehensive income for the period	476,353	562,893	1,045,315	962,017
Attributable to Resurs Bank AB shareholders	476,353	562,893	1,045,315	962,017

Balance sheet

SEK thousand	31 Dec 2019	31 Dec 2018
Assets		
Cash and balances at central banks	220,799	63,215
Treasury and other bills eligible for refinancing	1,712,900	878,558
Lending to credit institutions	3,894,680	3,539,013
Lending to the public	31,399,252	27,998,470
Bonds and other interest-bearing securities	902,120	969,699
Shares and participating interests	17,421	1,002
Shares and participating interests, in Group companies	50,099	50,099
Intangible fixed assets	1,572,416	1,634,097
Tangible assets	57,612	83,160
Other assets	192,086	334,804
Prepaid expenses and accrued income	242,035	251,941
TOTAL ASSETS	40,261,420	35,804,058
Liabilities, provisions and equity		
Liabilities and provisions		
Liabilities to credit institutions	94,900	149,900
Deposits and borrowing from the public	24,849,862	20,933,807
Other liabilities	3,530,916	3,649,319
Accrued expenses and deferred income	191,157	166,685
Other provisions	19,818	22,462
Issued securities	4,772,356	4,934,508
Subordinated debt	797,890	498,171
Total liabilities and provisions	34,256,899	30,354,852
Untaxed reserves	216,340	216,340
Equity		
Restricted equity		
Share capital	500,000	500,000
Statutory reserve	12,500	12,500
Unrestricted equity		
Fair value reserve	67,473	34,548
Retained earnings	4,195,818	3,724,778
Net profit for the year	1,012,390	961,040
Total equity	5,788,181	5,232,866
TOTAL LIABILITIES, PROVISIONS AND EQUITY	40,261,420	35,804,058

See Note P4 for information on pledged assets, contingent liabilities and commitments.

Statement of changes in equity

SEK thousand	Share capital	Share premium reserve	Translation reserve	Retained earnings	Profit/loss for the year	Total equity
Initial equity at 1 January 2018 according to IAS 39	500,000	12,500	33,571	3,454,826	895,448	4,896,345
Impact of revaluation of credit loss reserves due to IFRS 9 implementation				-325,744		-325,744
Impact of revaluation of credit loss reserves due to IFRS 9 implementation - tax effect				71,706		71,706
Equity at 1 January 2018 according to IFRS 9	500,000	12,500	33,571	3,200,788	895,448	4,642,307
Initial equity at 1 January 2018	500,000	12,500	33,571	3,200,788	895,448	4,642,307
<i>Owner transactions</i>						
Dividends paid according to General Meeting				-360,000		-360,000
Dividends according to Extraordinary General Meeting				-330,000		-330,000
Profit from merger			-50,983	403,245		352,262
Impact of revaluation of credit loss reserves due to IFRS 9 implementation, incl. tax effect				-84,703		-84,703
Appropriation of profits according to resolution by Annual General Meeting				895,448	-895,448	0
Net profit for the year					961,040	961,040
Other comprehensive income for the year			51,960			51,960
Equity at 31 December 2018	500,000	12,500	34,548	3,724,778	961,040	5,232,866
Initial equity at 1 January 2019	500,000	12,500	34,548	3,724,778	961,040	5,232,866
<i>Owner transactions</i>						
Unconditional shareholder's contributions				200,000		200,000
Dividends paid according to General Meeting				-330,000		-330,000
Dividends according to Extraordinary General Meeting				-360,000		-360,000
Appropriation of profits according to resolution by Annual General Meeting				961,040	-961,040	0
Net profit for the year					1,012,390	1,012,390
Other comprehensive income for the year			32,925			32,925
Equity at 31 December 2019	500,000	12,500	67,473	4,195,818	1,012,390	5,788,181

Cash flow statement (indirect method)

SEK thousand	Jan-Dec 2019	Jan-Dec 2018
Operating activities		
Operating profit	1,328,644	1,266,722
- of which, interest received	3,297,817	3,054,577
- of which, interest paid	-391,254	-325,018
Adjustments for non-cash items in operating profit	909,991	785,064
Tax paid	-274,908	-400,312
Cash flow from operating activities before changes in operating assets and liabilities	1,963,727	1,651,474
Changes in operating assets and liabilities		
Lending to the public	-3,707,548	-4,875,357
Other assets	-120,933	359,303
Liabilities to credit institutions	-55,000	149,900
Deposits and borrowing from the public	3,709,096	3,047,254
Acquisition of investment assets ¹⁾	-3,071,594	-1,315,480
Divestment of investment assets ¹⁾	2,291,170	1,653,265
Other liabilities	-110,910	-244,460
Cash flow from operating activities	898,008	425,899
Investing activities		
Acquisition of intangible and tangible fixed assets	-31,492	-76,681
Divestment of intangible and tangible fixed assets	8,302	5,992
Cash flow from investing activities	-23,190	-70,689
Financing activities		
Dividends paid	-690,000	-690,000
Shareholder's contributions	200,000	
Issued securities	-213,887	1,412,450
Subordinated debt	298,950	-42,664
Cash flow from financing activities	-404,937	679,786
Cash flow for the year	469,881	1,034,996
Cash & cash equivalents at beginning of the year ²⁾	3,602,228	1,827,757
Cash & cash equivalents taken over by merger		764,095
Exchange rate differences	43,370	-24,620
Cash & cash equivalents at end of the year ²⁾	4,115,479	3,602,228
Adjustment for non-cash items in operating profit		
Credit losses	669,662	537,748
Depreciation, amortisation and impairment of intangible and tangible fixed assets	148,347	147,657
Profit/loss tangible assets	-270	244
Profit/loss on investment assets	-2,289	-4,830
Change in provisions	-3,086	-1,792
Adjustment to interest paid/received	29,145	8,827
Currency effects	65,266	96,842
Other items that do not affect liquidity	3,216	368
Sum non-cash items in operating profit	909,991	785,064

¹⁾ Investment assets are comprised of bonds and other interest-bearing securities, treasury and other bills eligible for refinancing, subordinated debt and shares and participating interest.

²⁾ Liquid assets are comprised of lending to credit institutions and cash and balances at central banks.

P1. Accounting principles

The Parent Company's interim report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations and general guidelines on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25). The same accounting and valuation policies were applied as in the latest annual report.

IFRS 16 replaces IAS 17 from 1 January 2019. The new standard does not represent any major changes for Resurs Bank AB as a lessor. For Resurs Bank AB as a lessee there will be no change as the impact will only effect the Group. For further information about current leases, see Note P9 in the Annual Report.

P2. Financing

A core component of financing efforts is maintaining a well-diversified financing structure with access to several sources of financing. Access to a number of sources of financing means that it is possible to use the most appropriate source of financing at any particular time.

The main type of financing remains deposits from the public. This type of financing has been offered to customers in Sweden, Norway and Germany. Deposits, which are analysed on a regular basis, totalled SEK 24,850 million (20,934), whereof in Sweden SEK 11,594 million (14,216), in Norway SEK 6,601 million (6,337) and in Germany SEK 6,655 million (381). The lending to the public/deposits from the public ratio is 126 per cent (134 per cent).

Resurs Bank has a funding programme for issuing bonds, the programme amounts to SEK 8,000 million (8,000). Within the programme, Resurs Bank has been working successfully to issue bonds on a regular basis and sees itself as an established issuer on the market. Resurs Bank has primarily issued bonds in Sweden but also in Norway. The programme has eleven outstanding issues at a nominal amount of SEK 5,450 million (4,250). Of the eleven issues, nine are senior unsecured bonds and two issues are a subordinated loan of SEK 600 million (300).

Resurs Bank has, outside the programme issued subordinated loan SEK 200 million (200).

In May 2019, Resurs Bank was awarded BBB-with stable prospects of the rating company Nordic Credit Rating. Access to Nordic Credit Ratings analyses can be found on the website www.nordiccreditrating.com.

Resurs Bank has completed a securitisation of loan receivables, a form of structured financing, referred to as Asset Backed Securities (ABS). This took place by transferring loan receivables to Resurs Bank's wholly owned subsidiaries Resurs Consumer Loans 1 Limited. The acquisition of loan receivables by Resurs Consumer Loans was financed by an international financial institution. In June 2019, an agreement was signed to extend the existing financing and Resurs Bank has for a period of 18 months (revolving period) the right to continue sale of certain additional loan receivables to Resurs Consumer Loans. At 31 December 2019 a total of approximately SEK 3.6 billion in loan receivables had been transferred to Resurs Consumer Loans. Resurs Bank and Resurs Consumer Loans have provided security for the assets that form part of the securitisation. At the balance sheet date, the external financing amounted to SEK 2.9 billion (2.9) of the ABS financing.

Liquidity

Liquidity risk includes the risk of not being able to meet liquidity commitments without significantly higher costs. The consolidated situation, must maintain a liquidity reserve and have access to an unutilised liquidity margin in the event of irregular or unexpected liquidity flows.

Liquidity risks are managed through policies that specify limits, responsibilities and monitoring and include a contingency plan. The purpose of the contingency plan is to make preparations for various courses of action should the liquidity situation trend unfavourably. The contingency plan includes, among other things, risk indicators and action plans. The Bank's liquidity risk is controlled and audited by independent functions.

Liquidity comprises both a liquidity reserve and another liquidity portfolio that is monitored on a daily basis. The main liquidity risk is deemed to arise in the event multiple depositors simultaneously withdraw their deposited funds. An internal model is used to set minimum requirements for the amount of the liquidity reserve, calculated based on deposit volumes, the proportion covered by deposit insurance and relationship to depositors. The model also takes into account the future maturities of issued securities. The Board has stipulated that the liquidity reserve may never fall below SEK 1,300 million. Apart from the liquidity reserve, there is an intraday liquidity requirement of at least 4 per cent of deposits from the public, or a minimum SEK 700 million. There are also other liquidity requirements regulating and controlling the business.

The liquidity reserve, totalling SEK 1,918 million (1,899), is in accordance with Swedish Financial Supervisory Authority regulations on liquidity risk management (FFFS 2010:7) and applicable amendments thereto for Resurs Bank. Accordingly, assets are segregated, unutilised and of high quality. The liquidity reserve largely comprises assets with the highest credit quality rating.

In addition to the liquidity reserve, Resurs Bank has other liquid assets primarily comprised of cash balances with other banks. These assets are of high credit quality and total SEK 4,815 million (3,552). Accordingly, total liquidity amounted to SEK 6,734 million (5,452). Total liquidity corresponded to 27 per cent (26 per cent) of deposits from the public. The Bank also has unutilised credit facilities of NOK 50 million (50).

Liquidity Coverage Ratio (LCR) for the consolidated situation is reported to the authorities on a monthly basis. The LCR shows the ratio between high qualitative assets and net outflow during a 30-day stressed period. A ratio of 100 per cent means the assets managed the stress test scenario and is also the authority's limit. As at 31 December 2019 the ratio for the consolidated situation is 264 per cent (146 per cent). For the period January to December 2019, the average LCR measures 201 per cent.

All valuations of interest-bearing securities were made at market values that take into account accrued interest.

Summary of liquidity

SEK thousand	31 Dec 2019	31 Dec 2018
Liquidity reserve as per FFFS 2010:7 definition		
Securities issued by sovereigns	184,378	49,117
Securities issued by municipalities	830,219	729,974
Lending to credit institutions		250,000
Bonds and other interest-bearing securities	903,264	870,196
Summary Liquidity reserve as per FFFS 2010:7	1,917,861	1,899,287
Other liquidity portfolio		
Cash and balances at central banks	220,799	63,215
Securities issued by municipalities	699,902	100,033
Lending to credit institutions	3,894,680	3,289,013
Bonds and other interest-bearing securities		100,043
Total other liquidity portfolio	4,815,381	3,552,304
Total liquidity portfolio	6,733,242	5,451,591
Other liquidity-creating measures		
Unutilised credit facilities	52,895	51,225

Stress tests are carried out on a regular basis to ensure that there is liquidity in place for circumstances that deviate from normal conditions. One recurring stress test is significant outflows of deposits from the public.

In evaluating liquid assets for LCR reporting, the following assessment of liquid asset quality is made before each value judgement in accordance with the EU Commission's delegated regulation (EU) 575/2013.

Liquid assets according to LCR

31/12/2019

SEK thousand	TOT	SEK	EUR	DKK	NOK
Level 1 assets					
Cash and balances with central banks	193,433		127,548		65,885
Securities or guaranteed by sovereigns, central banks, MDBs and international org.	184,378		120,318	30,211	33,849
Securities issued by municipalities and PSEs	1,530,121	1,273,617	76,652		179,852
Extremely high quality covered bonds	374,185		196,880		177,305
Level 2 assets					
High quality covered bonds	529,079	529,079			
Total liquid assets	2,811,196	1,802,696	521,398	30,211	456,891

31/12/2018

SEK thousand	TOT	SEK	EUR	DKK	NOK
Level 1 assets					
Cash and balances with central banks	63,215				63,215
Securities or guaranteed by sovereigns, central banks, MDBs and international org.	49,117		24,662	24,455	
Securities issued by municipalities and PSEs	729,974	556,093			173,881
Extremely high quality covered bonds	188,624	100,099	42,498		46,027
Level 2 assets					
High quality covered bonds	572,680	531,730			40,950
Total liquid assets	1,603,610	1,187,922	67,160	24,455	324,073

Additional information on the Group's management of liquidity risks is available in the Group's 2018 Annual report.

SEK thousand	31 Dec 2019	31 Dec 2018
Total liquid assets	2,811,196	1,603,610
Net liquidity outflow	1,025,759	1,031,174
LCR measure	264%	146%

P3. Capital adequacy

Capital requirements are calculated in accordance with European Parliament and Council Regulation EU 575/2013 (CRR) and Directive 2013/36 EU (CRD IV). The Directive was incorporated via the Swedish Capital Buffers Act (2014:966), and the Swedish Financial Supervisory Authority's (SFS) regulations regarding prudential requirements and capital buffers (FFFS 2014:12). The capital requirement calculation below comprises the statutory minimum capital requirement for credit risk, credit valuation adjustment risk, market risk and operational risk.

The combined buffer requirement for Resurs Bank AB comprises a capital conservation buffer and a countercyclical capital buffer. The capital conservation buffer requirement amounts to 2.5 per cent of the risk-weighted assets. The countercyclical capital buffer requirement is weighted according to geographical requirements, which amounts to 2.5 per cent of the risk-weighted assets for Swedish and Norwegian exposures. The countercyclical capital buffer requirements increased from 2 per cent to 2.5 per cent from 31 December 2019 for Norwegian exposures. For Danish exposures a countercyclical capital buffer requirement of 1 per cent of risk-weighted assets is effective from 30 of September and will increase to 1.5 per cent from 30 June 2020 and is expected to increase to 2 per cent from 31 December 2020. The Group currently does not need to take into a buffer requirement for its business areas in Finland.

The consolidated situation calculates the capital requirement for credit risk, credit valuation adjustment risk, market risk and operational risk. Credit risk is calculated by applying the standardised method under which the asset items of the consolidated situation are weighted and divided between 17 different exposure classes. The total risk-weighted exposure amount is multiplied by 8 per cent to obtain the minimum capital requirement for credit risk. The capital requirement for operational risk is from 20 September 2019 calculated by the standardised method. Under this method, the capital requirement for operational risks is 12 per cent of the income indicator (meaning average operating income for the past three years). External rating companies are used to calculate the bank's capital base requirement for bonds and other interest-bearing securities.

Resurs Bank has applied to the Swedish Financial Supervisory Authority for permission to apply the transition rules decided at EU level in December 2017. Under the transition rules, a gradual phase-in of the effect of IFRS 9 on capital adequacy is permitted, regarding both the effect of the transition from IAS 39 as at 1 January 2018 and the effect on the reporting date that exceeds the amount when IFRS 9 is first applied to stage 1 and stage 2. The phase-in period is as follows: 2018: 5 %, 2019: 10 %, 2020: 15 %, 2021: 20 %, 2022: 25 %, 2023: 25 %

Capital base

SEK thousand	31 Dec 2019	31 Dec 2018
Tier 1 capital		
Equity	5,788,181	5,232,866
Proposed dividend	-375,000	-330,000
Untaxed reserves (78% thereof)	168,745	168,745
Equity	5,581,926	5,071,611
<i>Adjustments according to transition rules IFRS 9:</i>		
Initial revaluation effect	287,930	321,804
Less:		
Additional value adjustments	-2,743	-2,039
Intangible assets	-1,572,416	-1,634,097
Total Common Equity Tier 1 capital	4,294,697	3,757,279
Total Tier 1 capital	4,294,697	3,757,279
Tier 2 capital		
Dated subordinated loans	651,121	391,380
Total Tier 2 capital	651,121	391,380
Total capital base	4,945,818	4,148,659

Capital requirement

SEK thousand	31 Dec 2019		31 Dec 2018	
	Risk-weighted exposure amount	Capital requirement ¹⁾	Risk-weighted exposure amount	Capital requirement ¹⁾
Exposures to institutions	797,499	63,800	721,325	57,706
Exposures to corporates	484,192	38,735	439,859	35,189
Retail exposures	21,171,101	1,693,688	19,027,139	1,522,171
Exposures in default	3,095,205	247,616	2,666,279	213,302
Exposures in the form of covered bonds	90,122	7,210	86,879	6,950
Exposures in the form of units or shares in collective investment undertakings (funds)			99,943	7,995
Equity exposures	67,503	5,400	51,100	4,088
Other items	363,776	29,102	481,705	38,537
Total credit risks	26,069,398	2,085,551	23,574,229	1,885,938
Credit valuation adjustment risk	30,589	2,447	45,050	3,604
Market risk				
Currency risk	0	0	0	0
Operational risk	4,849,713	387,977	5,552,748	444,220
Total riskweighted exposure and total capital requirement	30,949,700	2,475,975	29,172,027	2,333,762

1) Capital requirement information is provided for exposure classes that have exposures.

In addition to the treatment of Pillar 1 risks above, 1.0 per cent (1.0) of the consolidated situation's risk-weighted assets are allocated for Pillar 2 requirements as at 31 December 2019.

Capital ratio and capital buffers

	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 ratio, %	13.9	12.9
Tier 1 ratio, %	13.9	12.9
Total capital ratio, %	16.0	14.2
Common Equity Tier 1 capital requirement incl. buffer requirement, %	9.0	8.6
- of which, capital conservation buffer requirement, %	2.5	2.5
- of which, countercyclical buffer requirement, %	2.0	1.6
Common Equity Tier 1 capital available for use as buffer, %	7.9	6.2

Leverage ratio

The leverage ratio is a non-risk-sensitive capital requirement defined in Regulation (EU) no 575/2013 of the European Parliament and of the Council. The ratio states the amount of equity in relation to the bank's total assets including items that are not recognised in the balance sheet and is calculated by the Tier 1 capital as a percentage of the

total exposure measure. The bank currently has a reporting requirement to the Swedish Financial Supervisory Authority, but will have a quantitative requirement of 3 per cent in 2021 when the updates to CRR come into effect.

SEK thousand	31 Dec 2019	31 Dec 2018
Tier 1 capital	4,294,697	3,757,279
Leverage ratio exposure	41,806,849	37,300,088
Leverage ratio, %	10.3	10.1

P4. Pledged assets, contingent liabilities and commitments

SEK thousand	31 Dec 2019	31 Dec 2018
Collateral pledged for own liabilities		
Lending to credit institutions	90,000	90,000
Lending to the public ¹⁾	3,556,373	3,617,840
Restricted bank deposits ²⁾	30,887	28,190
Total collateral pledged for own liabilities	3,677,260	3,736,030
Contingent liabilities		
Guarantees		311
Total contingent liabilities	0	311
Other commitments		
Unutilised credit facilities granted	27,546,215	27,533,519
Total Other commitments	27,546,215	27,533,519

¹⁾ Refers to securitisation.

²⁾ As of 31 December 2019, SEK 27,366 thousand (26,701) refers mainly to a reserve requirement account at Finlands Bank.

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