

Year-end Report January–December 2020

1 July–31 December 2020*

- Lending to the public fell 2% to SEK 30,858 million, up 2% in constant currencies.
- As previously communicated, the half-year included nonrecurring costs of SEK 70 million related to the transformation journey.
- Operating income fell 6% to SEK 1,658 million.
- C/I before credit losses was 42.2% (38.1), excluding nonrecurring costs to 38.4%.
- Operating profit before credit losses fell 13% to SEK 958 million, excluding nonrecurring costs the decline was 5%.
- The credit loss ratio was 2.5% (2.4), excluding nonrecurring costs of SEK 35 million in H2 2019 the comparative figure was 2.2%.
- Operating profit fell 22% to SEK 568 million, excluding nonrecurring costs the decline was 16%.

1 January–31 December 2020*

- Lending to the public fell 2% to SEK 30,858 million, up 2% in constant currencies.
- 2020 included nonrecurring costs of SEK 145 million, of which SEK 70 million in H2 related to the transformation journey and SEK 75 million for the extra credit provision made in the half-year.
- Operating income fell 2% to SEK 3,407 million.
- C/I before credit losses was 40.1% (38.7), excluding nonrecurring costs to 38.3%.
- The credit loss ratio was 2.7% (2.3), and 2.5% (2.0) excluding nonrecurring costs.
- Operating profit fell 19% to SEK 1,186 million, excluding nonrecurring costs the decline was 9%.

“Ambitious agenda for 2021 and several new partners”

Nils Carlsson, 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 of about 6 million private customers and 658 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 reports.” Definitions of performance measures are provided on page 25. In this section, changes and comparative figures refer to the same period in the preceding year. This applies to all other sections of text in this interim report, profit/loss items and cash flow that are compared with the same period in the preceding year. The exception is for financial position for which the comparative figure refers to 31 December 2019.

Statement by the CEO

Ambitious agenda for 2021 and several new partners

The fourth quarter marked the start of Resurs transformation journey to ensure the long-term competitiveness, sustainability and profitability of the bank. Resurs Bank will be a more data-driven and tech-oriented financial player in 2021. One of the first steps was to raise our sights and review our work methods to better capitalise on the synergies that are now being created through the new Nordic organisation. The more data-driven and agile work method of product development in autonomous teams that was implemented in the autumn immediately generated results in the form of a new version of our bank app, which has been developed in house, and now makes it even easier for our customers to manage their commitments with Resurs. Another part of the transformation journey is more intense focus on sustainability, and a business-driven Nordic Sustainability Manager was recruited in the second half of the year with the task of pursuing and developing our Nordic sustainability agenda.

The review of the balance sheet conducted in connection with the start of the transformation journey identified an impairment requirement of SEK 48 million, of which SEK 38 million referred to previously capitalised IT investments. The transformation journey also resulted in personnel changes and reductions, which cost SEK 22 million. Nonrecurring costs for the second half of the year totalled SEK 70 million. These measures are creating the conditions necessary for ensuring that important business-driven IT projects and solutions can be carried out in the next few years.

Several new partners and positive signs in Norway

The total lending declined 2 per cent year-on-year. The restrictive credit assessment that Resurs introduced in Q1 2020 remained fully in place and restricted growth. At the same time, the proactive measures are in line with the sustainable credit lending that is fundamental to Resurs's operations and ensure that customers do not borrow more than their personal financial situation permits. We continued to see no changed to our customers' payment patterns. Excluding the Norwegian market and sale of the NPL portfolio, the increase in lending in constant currencies was 11 per cent. The Norwegian market remained challenging, at the same time as there were signs that the efforts made to develop more attractive offerings have been positively received.

Demand in Payment Solutions varied greatly between different industries and markets, which was an effect of the restrictions imposed to reduce the spread of contagion in retail stores. However, a broad diversification in Nordic retail gave us important resilience and an ability to offset industries with falling demand with other industries that performed relatively better. During the year, we continued to develop our e-commerce offering and in 2020 we entered into partnerships with 75 new e-commerce players. During the second half of the year, a new partnership was also initiated with Uno-X in Denmark and the company's nationwide chain of 248 unmanned petrol stations. We could also welcome back HiFi-klubben, with more than 20 stores in Norway and Sweden, after a couple of years with a competitor.

High confidence in the capital market

In line with our strategy of long-term diversified financing, we extended our ABS financing with JP Morgan Chase Bank during the second half of the year. We applied the same strategy to the management of our non-performing loans, selling receivables for a gross amount of slightly more than SEK 500 million. The sale reduced our capital requirements and positively impacted liquidity, but ultimately had a neutral effect on earnings. Being able to carry out these transactions, given the market conditions, shows the confidence that the capital market has in Resurs.

I am impressed by how quickly the business has been able to change and adapt to meet both external challenges and internal change processes in these exceptional times. This gives us self-confidence now as we look ahead and switch focus in order to strengthen Resurs's competitiveness and deliver growth in the long term with an even clearer sustainability approach. We will become a more data-driven and tech-oriented financial company by offering the most innovative services and products in the Nordic market that create business and customer value as well as value for shareholders.



Nils Carlsson,
CEO, Resurs Bank AB

FULL-YEAR 2020

+11%

Growth in lending in constant currencies excl. Norway and NPL sales

38.3%

C/I ratio excl. nonrecurring costs

288%

Liquidity Coverage Ratio
(Regulatory requirement 100%)

17.4%

Total capital ratio
(Regulatory requirement 11.7%)

Performance measures

<i>SEKm unless otherwise specified</i>	Jul-Dec 2020	Jul-Dec 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Operating income	1,658	1,768	-6%	3,407	3,478	-2%
Operating profit*	568	728	-22%	1,186	1,463	-19%
Net profit for the period	397	568	-30%	880	1,137	-23%
C/I before credit losses, %*	42.2	38.1		40.1	38.7	
Common Equity Tier 1 ratio, %	15.1	13.6		15.1	13.6	
Total capital ratio, %	17.4	16.3		17.4	16.3	
Lending to the public	30,858	31,345	-2%	30,858	31,345	-2%
NIM, %*	8.9	9.5		9.1	9.7	
Risk-adjusted NBI margin, %*	8.2	9.1		8.2	9.5	
NBI margin, %*	10.7	11.5		11.0	11.7	
Credit loss ratio, %*	2.5	2.4		2.7	2.3	
Return on equity excl. intangible assets (RoTE), %*	15.7	27.4		18.2	28.1	

* 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 these 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 2020, July–December

Operating income

The Group's operating income declined 6 per cent in line with the trend in lending to SEK 1,658 million (1,768). The relatively lower income was mainly due to the decline in Norway, and mix effects in Payment Solutions where many of Resurs's retail finance partners managed relatively well during the pandemic, with unchanged, and in some cases higher, demand. At the same time, these partnerships involve lower margins, which negatively impacted the overall NBI margin. Net interest income fell 6 per cent to SEK 1,377 million (1,466), with interest income amounting to SEK 1,570 million (1,681) and interest expense to SEK -194 (-214). Fee & commission income amounted to SEK 212 million (248) and fee & commission expense to SEK -34 million (-32), resulting in a total net commission for the banking operations of SEK 178 million (216). The lower net commission was due in its entirety to the effects of COVID-19, attributable to lower credit card income, loan commission and lower factoring income.

Net income from financial transactions was SEK -8 million (-29) and was charged with a nonrecurring cost of SEK 10 million for impairment of a small unlisted limited company. Other operating income, primarily comprising remuneration from lending operations, amounted to SEK 111 million (115).

Operating expenses

The Group's expenses before credit losses for the second half of 2020 increased year-on-year to SEK -700 million (-673). The half-year was charged with nonrecurring costs of SEK 60 million related to the transformation journey, of which SEK 22 million was costs related to personnel reductions and SEK 38 million to capitalised IT investments. Excluding nonrecurring costs, costs declined 5 per cent to SEK 640 million due to continuing good cost control. Viewed in relation to the operations' income, the cost level before credit losses amounted to 38.4 per cent (38.1) excluding nonrecurring costs.

Credit losses totalled SEK -390 million (-367) and the credit loss ratio was 2.5 per cent (2.4 per cent). Excluding nonrecurring effects of SEK 35 million in H2 2019, the comparative figures are SEK -332 million and 2.2 per cent, respectively. Excluding nonrecurring effects, credit losses for the half-year increased both in absolute terms and as a percentage of lending, which was mainly an effect of the previously higher growth in lending. The bank has not yet seen any changed payment patterns among its customers due to COVID-19. The risk-adjusted NBI margin totalled 8.2 per cent (9.1 percent). In addition to the effect of the previously higher growth in lending, the lower margin was mainly due to changes to the mix in Payment Solutions.

Profit

Operating profit fell to SEK 568 million (728), and excluding nonrecurring costs amounted to SEK 638 million. Net profit for the period fell 30 per cent to SEK 397 million (568). Tax expense for the period amounted to SEK -171 million (-160). During the half-year, the Swedish Tax Agency rejected a deduction for calculated tax of nearly SEK 31 million attributable to the operations of the Norwegian branch due to the merger between the former yA Bank and Resurs Bank in December 2018. Resurs does not share the Agency's opinion and has appealed the decision. For precautionary reasons, earnings were still charged SEK 31 million in the second half of the year.

-2%

Operating income for the year

38.3%

C/I ratio before credit losses

SEK 1,186 million

Operating profit for the year

Full-year 2020, January–December

Operating income and expenses

The Group's operating income declined 2 per cent in line with the trend in lending to SEK 3,407 million (3,478). The relatively lower income was mainly due to the continued decline in Norway, and mix effects in Payment Solutions. Net interest income fell 1 per cent to SEK 2,844 million (2,887), with interest income amounting to SEK 3,251 million (3,304) and interest expense to SEK -407 (-417). Fee & commission income amounted to SEK 425 million (469) and fee & commission expense to SEK -64 million (-60), resulting in a total net commission for the banking operations of SEK 361 million (408). The lower net commission was due in its entirety to the effects of COVID-19, attributable to lower credit card income, loan commission and lower factoring income.

Viewed in relation to the operations' income, the cost level excluding nonrecurring costs continued to improve and amounted to 38.3 per cent (38.7 per cent). Credit losses totalled SEK -854 million (-669) and the credit loss ratio was 2.7 per cent (2.3 per cent). Excluding nonrecurring costs, credit losses totalled SEK 779 million (634) and the credit loss ratio was 2.5 per cent (2.1 per cent). Credit losses increased both in absolute terms and as a percentage of lending, which was an effect of the previously higher growth in lending. The risk-adjusted NBI margin was 8.2 per cent (9.5 per cent), and excluding nonrecurring costs the margin amounted to 8.5 per cent (9.6 per cent).

Profit

Operating profit totalled SEK 1,186 million (1,463), with the decline primarily attributable to higher credit losses. Net profit for the period fell 23 per cent to SEK 880 million (1,136). Tax expense for the period amounted to SEK -306 million (-326).

COVID-19

An extra forward-looking credit provision of SEK 75 million was made in the first half-year to meet potential higher credit losses, in addition to the model-based reserves, in accordance with IFRS 9. It remains difficult to assess the effects of COVID-19 on Resurs's operations. The company has not yet noted any negative trend in customers' payment patterns. We continue to believe that the risk of default could be negatively affected from the, which has been taken into consideration in the extra credit provision. Uncertainty about the future declined, but remains high as regards rising unemployment and the risk of lower solvency, but the overall assessment is that no additional credit loss reserves need to be made at present due to COVID-19.

Resurs took action at an early stage of COVID-19 to introduce temporary austerity measures in credit lending in Consumer Loans in order to ensure continued high control of the risk level, which reduced the risk in new lending in all markets, with the associated declining volumes. In addition to this, new lending in Finland was primarily negatively affected by interest limitation and direct marketing regulations that were temporarily introduced in early Q3 2020. The direct effect on the Group's earnings was mainly related to the decline in the travel industry, which in turn has negatively impacted and is expected to continue to impact credit card commission and currency exchange fees negatively, while lower factoring activity resulted in lower commissions.

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Financial position on 31 December 2020*

Comparative figures for this section refer to 31 December 2019, except for cash flow for which the comparative figure refers to the same period in the preceding year.

The Group has a strong financial position and on 31 December 2020 the capital base amounted to SEK 5,367 million (5,071) in the consolidated situation, comprising the Parent Company, Resurs Holding, and the Resurs Bank Group. The total capital ratio was 17.4 per cent (16.3 per cent) and the Common Equity Tier 1 ratio was 15.1 per cent (13.6 per cent).

Due to COVID-19, the authorities decided in spring 2020 to reduce the regulatory minimum capital requirement in the countercyclical capital buffer. This entails a total reduction of about 1.8 percentage points to 0.2 per cent for Resurs.

Lending to the public amounted to SEK 30,858 million (31,345) on 31 December 2020, representing a decrease of 2 per cent and excluding currency effects an increase of 2 per cent. The specification of lending on 31 December 2020 was as follows: Sweden 49 per cent, Norway 21 per cent, Denmark 13 per cent and Finland 17 per cent. The weaker lending performance was the result of lower lending in Norway, NPL sale that negatively impacted lending by about 1 per cent and a weaker NOK.

In addition to capital from shareholders and bond investors, the operations are financed by deposits from the public. The Group is working actively on various sources of financing to create and maintain a diversified financing for the long term.

On 31 December 2020, deposits from the public totalled SEK 24,872 million (24,848). The bank has deposits in SEK, NOK and EUR. Financing through issued securities totalled SEK 6,297 million (7,672). Liquidity remained healthy and the liquidity coverage ratio (LCR) was 288 per cent (264 per cent) in the consolidated situation. The minimum statutory LCR is 100 per cent. Lending to credit institutions on 31 December 2020 amounted to SEK 3,819 million (4,037). Holdings of treasury and other bills eligible for refinancing, as well as bonds and other interest-bearing securities, totalled SEK 2,953 million (2,615). Bonds of a nominal SEK 1,300 million were issued under Resurs Bank's MTN programme in 2020. In the autumn, the bank also extended its ABS financing with JP Morgan Chase Bank with a financial framework of SEK 2 billion. The bank has a high level of liquidity for meeting its future commitments.

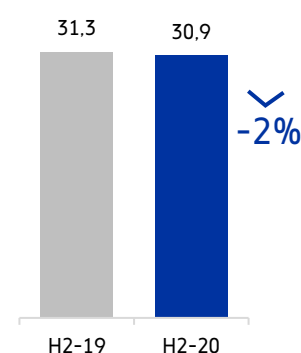
Intangible assets amounted to SEK 1,847 million (2,020), and primarily comprised the goodwill that arose in the acquisition of Finaref and Danaktiv in 2014 and yA Bank in 2015.

Cash flow from operating activities amounted to SEK 1,214 million (967) for the period and the net change in investment assets was SEK -397 million (-780). Cash flow from investing activities for the period totalled SEK -57 million (-81) and cash flow from financing activities was SEK -1,377 million (-405).

288%

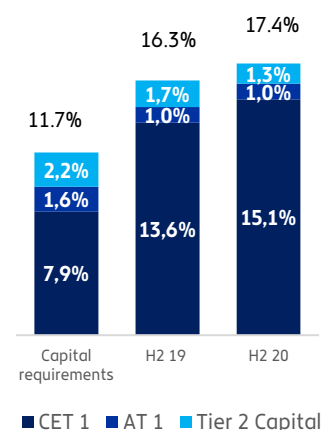
Liquidity Coverage Ratio
(Statutory requirement 100%)

Lending to the public



Trend in lending to the public in SEK billion.

Capital position, consolidated situation



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Payment Solutions

Stability despite a turbulent business environment

Second half of 2020, July–December

The coronavirus pandemic continued to impact the second half of the year, primarily in the form of another lockdown in Denmark and Norway, which had a negative effect on retail. However, Payment Solutions' broad diversification in Nordic retail provided important resilience and a strong ability to offset industries with falling demand with other industries where demand remained intact. Another positive development was that many of Resurs's retail finance partners managed relatively well with unchanged, and in some cases higher, demand. At the same time, these partnerships involve lower margins, which negatively impacted the overall NBI margin.

The use of Supreme Card was lower due to cancelled travel and restaurant visits. A number of measures were continuously carried out during the year to reduce the effects, for example, redirecting communication to focus more on purchases for staycations and home improvements, together with greater flexibility for partial loan payments.

During the year, Resurs's e-commerce offering continued to be developed, which was well received by the market among both existing and new partners. In 2020, partnerships were signed with 75 new e-commerce players. During the second half of the year, a new partnership was also initiated with Uno-X in Denmark and the company's nationwide chain of 248 unmanned petrol stations. The new loyalty card solution now offered to Uno-X's customers allows them to use MobilePay via Uno-X's app to pay for petrol quickly and easily. It was also gratifying that a former partner, HiFi-klubben, with more than 20 stores in Norway and Sweden, has returned to Resurs after a couple of years with a competitor.

The launch of Gekås Ullared's new loyalty card produced by Resurs is scheduled for February 2021 but almost 10,000 new users signed up for the new card in the fourth quarter alone. The partnership with Mekonomen Group continued with the broad roll-out of Resurs Checkout, whose push function makes it easier for customer to pay directly via the mobile.

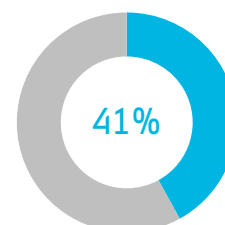
Lending to the public on 31 December 2020 declined 4 per cent to SEK 10,994 million (11,426), and in constant currencies lending declined 1 per cent year-on-year. Weaker lending was mainly due to COVID-19 and a continued declining trend in Norway.

Operating income amounted to SEK 676 million (778), down 13 per cent compared with the year-earlier period. The lower earnings were attributable mainly to the negative performance in Norway, mix effects with larger partners growing quicker due to the pandemic as well as lower fee & commission income primarily attributable to COVID-19. Operating income less credit losses amounted to SEK 562 million (653). The risk-adjusted NBI margin was 10.3 per cent (11.6 per cent), mainly due to changes in the customer mix.

Full-year 2020, January–December

Lending to the public on 31 December 2020 declined 4 per cent to SEK 10,994 million (11,426). Operating income amounted to SEK 1,409 million (1,531), down 8 per cent compared with the year-earlier period. Operating income less credit losses amounted to SEK 1,147 million (1,319). The risk-adjusted NBI margin declined to 10.2 per cent (12.0 per cent), attributable primarily to changes in the customer mix and a higher credit loss ratio. Credit losses increased both in absolute terms and as a percentage of lending, which was mainly an effect of the extra credit provision made in the first quarter as a result of the expected future effects of COVID-19.

Percentage of operating income Jan–Dec 2020

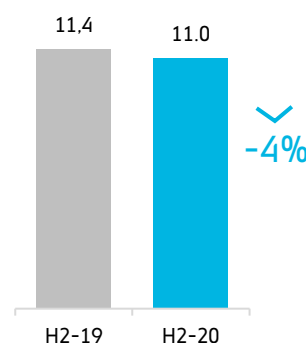


About Payment Solutions

The Payment Solutions segment comprises the retail finance, credit cards and factoring areas. 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 2020	Jul-Dec 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Lending to the public at end of the period	10,994	11,426	-4%	10,994	11,426	-4%
Operating income	676	778	-13%	1,409	1,531	-8%
Operating income less credit losses	562	653	-14%	1,147	1,319	-13%
Risk-adjusted NBI margin, %	10.3	11.6		10.2	12.0	
Credit loss ratio, %	2.1	2.2		2.3	1.9	

Consumer Loans

Demand at more normal levels contributed to stable half-year

Second half of 2020, July–December

Demand for consumer credit loans was stable in all markets, except for in Finland, during the half-year. The temporary rules on direct marketing that Finland introduced earlier in July 2020 probably contributed to reducing demand. In the Swedish market, demand was essentially back at normal levels since the summer and an offer of borrowing up to SEK 500,000 was made available in all Swedish sales channels at the end of the second half of the year.

Growth in the Norwegian market remained low with the introduction of new legislation and the Gjeldsregisteret in 2019 contributing to changing the market. At the same time, signs were seen at the end of the year that the efforts Resurs has made to develop more attractive offerings were positively received when they reached the market via new sales channels.

The more restrictive credit assessment that Resurs introduced at the start of the year continued in all markets and slowed growth. However, sustainable credit lending is fundamental to Resurs and is a prerequisite for ensuring that customers do not borrow more than their personal financial situation permits. During the year, Resurs became a partner of Alektrum Group's Shoppa Lagom initiative that aims to spread awareness and raise issues that help more people in society keep their finances balanced. By focusing on sustainable credit lending, Resurs is laying the foundation for smart and secure loans, and thereby sustainable business for all parties involved.

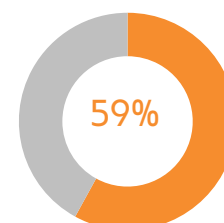
The New Nordic organisation established in the autumn is an important part of the transformation journey that Resurs embarked on during the half-year. Positive effects were noted relatively quickly in the form of a more efficient coordination at the Nordic level to capitalise on the all of the know-how found in the sales organisation.

Lending to the public on 31 December 2020 amounted to SEK 19,865 million (19,919), a 4 per cent increase in constant currencies. Operating income declined 1 per cent in the period to SEK 982 million (990). Operating income less credit losses amounted to SEK 706 million (748), and the risk-adjusted NBI margin was 7.1 per cent (7.7 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 with lower credit risk. Credit losses for the half-year increased both in absolute terms and as a percentage of lending, which was mainly an effect of the historically high growth in lending and nonrecurring effects that positively impacted the year-earlier period.

Full-year 2020, January–December

Lending to the public on 31 December 2020 amounted to SEK 19,865 million (19,919). The strongest performance in percent was Finland, followed by Sweden and Denmark. Operating income for the period increased 3 per cent to SEK 1,999 million (1,946). Operating income less credit losses totalled SEK 1,406 million (1,489), and the risk-adjusted NBI margin amounted to 7.1 per cent (8.0 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 with lower credit risk. Credit losses increased both in absolute terms and as a percentage of lending, which was mainly an effect of the extra credit provision made in the first quarter as a result of the expected future effects of COVID-19 and historically high growth in lending.

Percentage of operating income Jan–Dec 2020

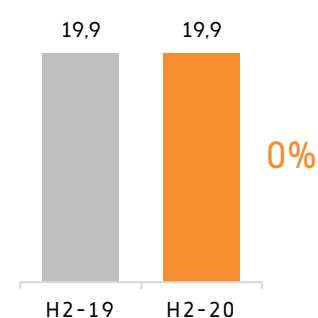


About Consumer Loans

Consumer Loans' customers are offered unsecured loans.

Consumer Loans also helps consumers to consolidate their loans with other banks, in order to reduce their monthly payments or interest expense.

Lending to the public



Trend in lending to the public in SEK billion.

Performance measures – Consumer Loans

SEKm unless otherwise specified	Jul-Dec 2020	Jul-Dec 2019	Change	Jan-Jun 2020	Jan-Dec 2019	Change
Lending to the public at end of the period	19,865	19,919	0%	19,865	19,919	0%
Operating income	982	990	-1%	1,999	1,946	3%
Operating income less credit losses	706	748	-6%	1,406	1,489	-6%
Risk-adjusted NBI margin, %	7.1	7.7		7.1	8.0	
Credit loss ratio, %	2.8	2.5		3.0	2.4	

Significant events

January–December 2020

Resurs sold non-performing loans to leading international investor

In December 2020, Resurs Bank entered into an agreement with a leading international credit management company in non-performing loans to sell parts of Resurs's non-performing loans for a gross carrying amount of just over SEK 500 million. The sale had a positive impact on Resurs Bank's capital requirements and liquidity and ultimately had a neutral effect on earnings.

Resurs Bank extended its ABS financing – a sign of strength and trust

In line with Resurs's strategy of long-term diversified financing, Resurs Holding's subsidiary Resurs Bank is extending its existing ABS financing. The financing framework is for SEK 2 billion and is being carried out with JP Morgan Chase Bank.

The transformation journey towards greater competitiveness and growth has begun

Resurs's transformation journey began in October 2020 by creating a more efficient Nordic organisation and at the same time making investments in IT projects and technology solutions. As a result of the changed organisational structure, Resurs reduced its personnel by about 70 positions, which is expected to generate annual net savings of about SEK 43 million and entailed nonrecurring costs of SEK 22 million in Q4 2020.

Gekås Ullared chose Resurs Bank as partner

Gekås Ullared, one of the Nordic region's most successful retailers, chose Resurs Bank as a partner for taking the next step in card and payment solutions. The partnership has commenced and the transition to a new card and payment solution will take place in Q1 2021.

Resurs received an update from the rating company Nordic Credit Rating

In September 2020, Resurs Bank received an update from the rating company Nordic Credit Rating (NCR). The credit rating of BBB- was confirmed and the outlook was revised from negative to stable as Resurs, with lower credit losses and an improved net interest margin in Q2 2020, outperformed NCR's expectations.

Resurs becomes the first partner of Alektrum Group's Shoppa Lagom initiative

In September 2020, Resurs became the business world's first company to support, and become a partner of, Alektrum Group's *Shoppa Lagom* initiative that aims to spread awareness and raise issues that help more people in society keep their finances balanced.

New CEO starts at Resurs

Nils Carlsson became CEO of Resurs in June.

Extra credit provision in Resurs Bank

Resurs Bank made an extra credit provision of SEK 75 million in Q1 2020 due to COVID-19, in accordance with IFRS 9.

Resurs Bank denied deduction of nearly SEK 31 million in remeasurement effects attributable to IFRS 9 in Norway due to merger of yA Bank AS

In August 2020, the Swedish Tax Agency denied a deduction of nearly SEK 31 million in estimated tax attributable to the operations of the Norwegian branch of Resurs Bank, as a result of the merger of the former yA Bank and Resurs Bank in December 2018. Resurs Bank intends to appeal the decision. For precautionary reasons, the tax expense was charged to earnings for Q3 2020.

After the end of the period

Resurs continues its transformation journey and carries out impairment

In connection with its transformation journey, the company conducted a review of its balance sheet and identified an impairment requirement of SEK 48 million, of which SEK 38 million related to capitalised IT investments. The impairment affected operating profit for the second half of 2020 but had no effect on liquidity and only a marginal effect on the capital base.

Some of Resurs's retail finance partners:



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 risk management. In general, there were no significant changes regarding risk and capital management during the period. The Group's risk management capabilities were affected to a certain extent during the pandemic but the impact was limited due to robust processes. The Group managed the risk of a loss of personnel in critical functions by introducing different zones and remote working. More employees working from home set higher requirements on information security and following up the Group's control framework. A more detailed description of the bank's risks, liquidity and capital management is presented in Note G2 Liquidity, Note G3 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 siviiliike (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). Resurs Bank also operates in deposits via cross-border operations in Germany.

Employees

There were 658 full-time employees within the Group on 31 December 2020, down 69 since 30 June and down 28 since the end of 2019. The decline since 30 June was due to employment of temporary summer staff ending and to the reduction in the number of employees in Resurs Bank in all countries. This took place through retirement and redundancies.

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Number of employees



The Board's assurance

This year-end 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, 8 February 2021

Nils Carlsson, CEO

Board of Directors,

Martin Bengtsson, Chairman of the Board

Johanna Berlinde

Fredrik Carlsson

Susanne Ehnåge

Lars Nordstrand

Marita Odélius Engström

Kristina Patek

Mikael Wintzell

Summary financial statements – Group

Condensed income statement

SEK thousand	Note	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Interest income	G5	1,570,282	1,680,765	3,251,234	3,304,179
Interest expense	G5	-193,620	-214,372	-406,828	-416,768
Fee & commission income		211,847	247,684	425,214	468,686
Fee & commission expense		-33,548	-31,897	-63,635	-60,442
Net income/expense from financial transactions		-7,903	-29,120	-14,175	-41,346
Other operating income	G6	110,896	115,273	215,660	223,537
Total operating income		1,657,954	1,768,333	3,407,470	3,477,846
General administrative expenses	G7	-554,832	-571,143	-1,120,614	-1,116,920
Depreciation, amortisation and impairment of intangible and tangible fixed assets		-89,866	-38,951	-138,433	-78,869
Other operating expenses		-55,250	-62,865	-107,903	-149,361
Total expenses before credit losses		-699,948	-672,959	-1,366,950	-1,345,150
Earnings before credit losses		958,006	1,095,374	2,040,520	2,132,696
Credit losses, net	G8	-390,096	-366,993	-854,372	-669,454
Operating profit/loss		567,910	728,381	1,186,148	1,463,242
Income tax expense		-170,723	-159,942	-306,277	-326,260
Net profit for the period		397,187	568,439	879,871	1,136,982
Attributable to Resurs Bank AB shareholders		397,187	568,439	879,871	1,136,982

Statement of comprehensive income

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net profit for the period	397,187	568,439	879,871	1,136,982
Other comprehensive income that will be reclassified to profit/loss				
Translation differences for the period, foreign operations	-2,359	-32,632	-102,333	33,915
Total comprehensive income for the period	394,828	535,807	777,538	1,170,897
Attributable to Resurs Bank AB shareholders	394,828	535,807	777,538	1,170,897

Condensed statement of financial position

SEK thousand	Note	31 Dec 2020	31 Dec 2019
Assets			
Cash and balances at central banks		208,520	220,799
Treasury and other bills eligible for refinancing		2,283,253	1,712,900
Lending to credit institutions		3,818,574	4,037,487
Lending to the public	G9	30,858,341	31,344,787
Bonds and other interest-bearing securities		669,570	902,120
Shares and participating interests		7,287	17,421
Intangible fixed assets		1,846,678	2,020,278
Tangible assets		107,518	122,471
Other assets		221,704	191,472
Prepaid expenses and accrued income		166,900	237,579
TOTAL ASSETS		40,188,345	40,807,314
Liabilities, provisions and equity			
Liabilities and provisions			
Liabilities to credit institutions		107,400	94,900
Deposits and borrowing from the public		24,871,535	24,848,282
Other liabilities		748,168	815,241
Accrued expenses and deferred income		199,452	191,196
Other provisions	G10	20,438	19,818
Issued securities		6,297,472	7,672,347
Subordinated debt		798,702	797,890
Total liabilities and provisions		33,043,167	34,439,674
Equity			
Share capital		500,000	500,000
Other paid-in capital		2,175,000	2,175,000
Translation reserve		-35,552	66,781
Retained earnings incl. profit for the year		4,505,730	3,625,859
Total equity		7,145,178	6,367,640
TOTAL LIABILITIES, PROVISIONS AND EQUITY		40,188,345	40,807,314

See Note G11 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 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
Initial equity at 1 January 2020	500,000	2,175,000	66,781	3,625,859	6,367,640
Net profit for the year				879,871	879,871
Other comprehensive income for the year			-102,333		-102,333
Equity at 31 December 2020	500,000	2,175,000	-35,552	4,505,730	7,145,178

All equity is attributable to Parent Company shareholders.

Cash flow statement (Indirect method)

SEK thousand	Jan-Dec 2020	Jan-Dec 2019
Operating activities		
Operating profit	1,186,148	1,463,242
- of which, interest received	3,253,276	3,300,151
- of which, interest paid	-423,216	-392,448
Adjustments for non-cash items in operating profit	1,003,906	813,099
Tax paid	-293,826	-274,933
Cash flow from operating activities before changes in operating assets and liabilities	1,896,228	2,001,408
Changes in operating assets and liabilities		
Lending to the public	-1,545,166	-3,694,769
Other assets	622,301	-92,909
Liabilities to credit institutions	12,500	-55,000
Deposits and borrowing from the public	674,496	3,707,516
Acquisition of investment assets ¹⁾	-4,681,782	-3,054,628
Divestment of investment assets ¹⁾	4,285,241	2,274,204
Other liabilities	-49,556	-118,437
Cash flow from operating activities	1,214,262	967,385
Investing activities		
Acquisition of intangible and tangible fixed assets	-61,017	-81,841
Divestment of intangible and tangible fixed assets	4,395	977
Cash flow from investing activities	-56,622	-80,864
Financing activities		
Dividends paid		-690,000
Shareholder's contributions		200,000
Issued securities	-1,377,406	-213,887
Subordinated debt		298,950
Cash flow from financing activities	-1,377,406	-404,937
Cash flow for the year	-219,766	481,584
Cash & cash equivalents at beginning of the year ²⁾	4,258,286	3,733,330
Exchange rate differences	-11,426	43,372
Cash & cash equivalents at end of the year ²⁾	4,027,094	4,258,286
Adjustment for non-cash items in operating profit		
Credit losses	854,372	669,454
Depreciation, amortisation and impairment of intangible and tangible fixed assets	138,433	78,869
Profit/loss tangible assets	-739	-270
Profit/loss on investment assets	-2,709	-2,289
Change in provisions	1,701	-3,086
Adjustment to interest paid/received	-6,643	29,184
Currency effects	6,148	35,709
Depreciation, amortisation and impairment of shares	10,000	
Other items that do not affect liquidity	3,343	5,528
Sum non-cash items in operating profit	1,003,906	813,099

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 2020	Cash-flow	Non cash flow items Accrued acquisition costs	Exchange rate	31 Dec 2020
Issued securities	7,672,347	-1,377,406	2,531		6,297,472
Subordinated debt	797,890		812		798,702
Total	8,470,237	-1,377,406	3,343	0	7,096,174

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.

No new IFRS or IFRIC interpretations, effective as from 1 January 2020, have had any material impact on the Group.

For detailed accounting principles for the Group, see the Annual report for 2019.

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 2-32 comprises an integrated component of this financial report.

G2. 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 24,694 million (24,647), whereof in Sweden SEK 11,535 million (11,391), in Norway SEK 6,441 million (6,601) and in Germany SEK 6,718 million (6,655). The lending to the public/deposits from the public ratio for the consolidated situation is 125 per cent (127 per cent).

Resurs Bank has a funding programme for issuing bonds, the programme amounts to SEK 9,000 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. At 31 December 2020 the program has nine outstanding issues at a nominal amount of SEK 4,900 million (5,450). Of the nine issues, seven are senior unsecured bonds and two issues are a subordinated loan of SEK 600 million (600). 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 (300).

In September 2020, Resurs Bank received an update from the rating company Nordic Credit Rating (NCR). Resurs Bank's credit rating of BBB- was confirmed and the outlook was revised to stable from negative as Resurs Bank outperformed NCR's expectations due to lower credit losses and an improved net interest margin in the second quarter 2020. 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. Resurs Bank signed an agreement on 19 November 2020 to extend the existing ABS financing, starts in December 2020. This financing has been arranged with JP Morgan Chase Bank. 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 2020 a total of approximately SEK 2.5 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 2.0 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 1,400 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 800 million. There are also other liquidity requirements regulating and controlling the business.

The liquidity reserve, totalling SEK 1,860 million (1,918), 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 5,127 million (4,982) for the consolidated situation. Accordingly, total liquidity amounted to SEK 6,986 million (6,900) corresponds to 28 per cent (28 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 2020, the ratio for the consolidated situation is 288 per cent (264 per cent). For the period January to December 2020, the average LCR measures 267 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 2020	31 Dec 2019
Liquidity reserve as per FFFS 2010:7 definition		
Securities issued by sovereigns	176,381	184,378
Securities issued by municipalities	958,037	830,219
Lending to credit institutions	55,000	
Bonds and other interest-bearing securities	670,374	903,264
Summary Liquidity reserve as per FFFS 2010:7	1,859,792	1,917,861
Other liquidity portfolio		
Cash and balances at central banks	208,520	220,799
Securities issued by municipalities	1,150,181	699,902
Lending to credit institutions	3,767,951	4,061,272
Total other liquidity portfolio	5,126,652	4,981,973
Total liquidity portfolio	6,986,444	6,899,834
Other liquidity-creating measures		
Unutilised credit facilities	47,730	52,895

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

31/12/2020

SEK thousand	Total	SEK	EUR	DKK	NOK
Level 1 assets					
Cash and balances with central banks	179,039		119,552		59,487
Securities or guaranteed by sovereigns, central banks, MDBs and international org.	176,381		117,636	28,696	30,049
Securities issued by municipalities and PSEs	1,908,211	1,609,889	73,853		224,469
Extremely high quality covered bonds	390,740	117,923	191,293		81,524
Level 2 assets					
High quality covered bonds	279,634	201,043			78,591
Total liquid assets	2,934,005	1,928,855	502,334	28,696	474,120

31/12/2019

SEK thousand	Total	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

Additional information on the Group's management of liquidity risks is available in the Group's 2019 Annual report.

SEK thousand	31 Dec 2020	31 Dec 2019
Total liquid assets	2,934,005	2,811,196
Net liquidity outflow	995,751	1,025,759
LCR measure	288%	264%

G3. 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 and after being lowered by the supervisory authorities in spring 2020 amounted to 0.2 per cent. Only Norwegian exposures have a buffer requirement remaining, which is currently 1.0 per cent of risk-weighted Norwegian assets.

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 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 2020	31 Dec 2019
Common Equity Tier 1 capital		
Equity		
Equity, Group	7,145,178	6,367,640
Equity according to balance sheet	7,145,178	6,367,640
Proposed dividend	-536,000	-420,000
Predicted dividend	-360,000	
Additional Tier 1 instruments classified as equity in the consolidated situation	300,000	300,000
Additional/deducted equity in the consolidated situation	20,371	10,530
Equity, consolidated situation	6,569,549	6,258,170
Adjustments according to transition rules IFRS 9:		
Initial revaluation effect	237,119	287,930
Less:		
Additional value adjustments	-3,073	-2,743
Intangible fixed assets	-1,846,678	-2,020,278
Additional Tier 1 instruments classified as equity	-300,000	-300,000
Shares in subsidiaries	-145	-120
Total Common Equity Tier 1 capital	4,656,772	4,222,959
Tier 1 capital		
Common Equity Tier 1 capital	4,656,772	4,222,959
Additional Tier 1 instruments	300,000	300,000
Total Tier 1 capital	4,956,772	4,522,959
Tier 2 capital		
Dated subordinated loans	409,914	548,003
Total Tier 2 capital	409,914	548,003
Total capital base	5,366,686	5,070,962

Capital requirement

SEK thousand	31 Dec 2020		31 Dec 2019	
	Risk-weighted exposure amount	Capital requirement ¹⁾	Risk-weighted exposure amount	Capital requirement ¹⁾
Exposures to institutions	776,530	62,122	830,818	66,465
Exposures to corporates	291,518	23,321	412,282	32,983
Retail exposures	20,883,338	1,670,667	21,171,101	1,693,688
Exposures in default	3,044,468	243,557	3,095,205	247,616
Exposures in the form of covered bonds	66,890	5,351	90,122	7,210
Equity exposures	211,279	16,903	96,404	7,712
Other items	453,174	36,255	513,701	41,096
Total credit risks	25,727,197	2,058,176	26,209,633	2,096,770
Credit valuation adjustment risk	25,265	2,021	30,589	2,447
Market risk				
Currency risk	0	0	0	0
Operational risk	5,089,268	407,141	4,849,713	387,977
Total riskweighted exposure and total capital requirement	30,841,730	2,467,338	31,089,935	2,487,194

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

In addition to the treatment of Pillar 1 risks above, 1.0 % (1.0) of the consolidated situation's risk-weighted assets are allocated for Pillar 2 requirements as at 31 December 2020.

Capital ratio and capital buffers

	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 ratio, %	15.1	13.6
Tier 1 ratio, %	16.1	14.6
Total capital ratio, %	17.4	16.3
Common Equity Tier 1 capital requirement incl. buffer requirement, %	7.2	9.0
- of which, capital conservation buffer requirement, %	2.5	2.5
- of which, countercyclical buffer requirement, %	0.2	2.0
Common Equity Tier 1 capital available for use as buffer, %	9.4	8.3

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.

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 when the updates to CRR come into effect.

SEK thousand	31 Dec 2020	31 Dec 2019
Tier 1 capital	4,956,772	4,522,959
Leverage ratio exposure	41,174,564	42,031,894
Leverage ratio, %	12.0	10.8

G4. Segment reporting

The CEO of Resurs Holding 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, Consumer Loans and Insurance. The CEO evaluates segment development based on net operating income less credit losses, net.

operating income less credit losses, net. The Insurance segment is evaluated at the operating profit/loss level, as this is part of the segment's responsibility. 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 2020

SEK thousand	Payment Solutions	Consumer Loans	Total Group
Interest income	540,813	1,029,469	1,570,282
Interest expense	-72,330	-121,290	-193,620
Provision income	160,662	51,185	211,847
Provision expenses	-33,548		-33,548
Net income/expense from financial transactions	-2,632	-5,271	-7,903
Other operating income	83,342	27,554	110,896
Summa rörelseintäkter	676,307	981,647	1,657,954
of which, internal			0
Credit losses, net	-114,508	-275,588	-390,096
Operating income less credit losses	561,799	706,059	1,267,858

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
Summa rörelseintäkter	778,087	990,246	1,768,333
of which, internal			0
Credit losses, net	-124,789	-242,204	-366,993
Operating income less credit losses	653,298	748,042	1,401,340

Jan-Dec 2020

SEK thousand	Payment Solutions	Consumer Loans	Total Group
Interest income	1,131,989	2,119,245	3,251,234
Interest expense	-139,324	-267,504	-406,828
Provision income	322,695	102,519	425,214
Provision expenses	-63,635		-63,635
Net income/expense from financial transactions	-5,282	-8,893	-14,175
Other operating income	162,144	53,516	215,660
Summa rörelseintäkter	1,408,587	1,998,883	3,407,470
of which, internal			0
Credit losses, net	-261,335	-593,037	-854,372
Operating income less credit losses	1,147,252	1,405,846	2,553,098

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
Summa rörelseintäkter	1,531,421	1,946,425	3,477,846
of which, internal			0
Credit losses, net	-212,520	-456,934	-669,454
Operating income less credit losses	1,318,901	1,489,491	2,808,392

Lending to the public

SEK thousand	Payment Solutions	Consumer Loans	Total Group
31 Dec 2020	10,993,623	19,864,718	30,858,341
31 Dec 2019	11,425,811	19,918,976	31,344,787

G5. Net interest income/expense

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Interest income				
Lending to the public	1,568,215	1,676,839	3,243,099	3,297,322
Interest-bearing securities	2,067	3,926	8,135	6,857
Total interest income	1,570,282	1,680,765	3,251,234	3,304,179
Interest expense				
Liabilities to credit institutions	-1,740	-4,340	-3,874	-8,157
Deposits and borrowing from the public	-140,720	-153,258	-296,181	-297,370
Issued securities	-34,040	-39,960	-72,279	-80,182
Subordinated debt	-16,310	-16,166	-33,107	-29,430
Other liabilities	-810	-648	-1,387	-1,629
Total interest expense	-193,620	-214,372	-406,828	-416,768
Net interest income/expense	1,376,662	1,466,393	2,844,406	2,887,411

G6. Other operating income

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Other income, lending to the public	75,470	89,180	157,950	174,787
Other operating income	35,426	26,093	57,710	48,750
Total operating income	110,896	115,273	215,660	223,537

G7. General administrative expenses

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Personnel expenses	-278,593	-276,065	-560,083	-550,051
Postage, communication and notification expenses	-66,389	-68,283	-131,748	-132,061
IT expenses	-91,211	-90,621	-194,512	-176,261
Cost of premises ¹⁾	-10,924	-9,945	-20,610	-19,097
Consultant expenses	-29,722	-29,846	-58,459	-61,601
Other	-77,993	-96,383	-155,202	-177,849
Total general administrative expenses	-554,832	-571,143	-1,120,614	-1,116,920

G8. Credit losses, net

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Provision of credit reserves				
Stage 1	-3,092	660	-45,323	-3,746
Stage 2	25,841	-47,914	-30,086	-105,351
Stage 3	5,330	-126,423	-169,394	-150,186
Total	28,079	-173,677	-244,803	-259,283
Provision of credit reserves off balance (unutilised limit)				
Stage 1	-229	-2,939	-6,148	-2,272
Stage 2	1,624	5,030	1,804	4,318
Stage 3				
Total	1,395	2,091	-4,344	2,046
Write-offs of stated credit losses for the period	-424,049	-212,291	-641,923	-437,791
Recoveries of previously confirmed credit losses	4,479	16,884	36,698	25,574
Total	-419,570	-195,407	-605,225	-412,217
Credit losses	-390,096	-366,993	-854,372	-669,454
off which lending to the public	-391,491	-369,084	-850,028	-671,500

G9. Lending to the public

SEK thousand	31 Dec 2020	31 Dec 2019
Retail sector	33,495,835	33,751,565
Corporate sector	343,966	471,861
Total lending to the public, gross	33,839,801	34,223,426
Stage 1	25,013,470	23,687,686
Stage 2	3,521,766	5,259,501
Stage 3	5,304,565	5,276,239
Total lending to the public, gross	33,839,801	34,223,426
Less provision for anticipated credit losses		
Stage 1	-209,382	-174,603
Stage 2	-428,880	-421,930
Stage 3	-2,343,198	-2,282,106
Total anticipated credit losses	-2,981,460	-2,878,639
Stage 1	24,804,088	23,513,083
Stage 2	3,092,886	4,837,571
Stage 3	2,961,367	2,994,133
Total net lending to the public	30,858,341	31,344,787

G10. Other provisions

SEK thousand	31 Dec 2020	31 Dec 2019
Reporting value at the beginning of the year	19,818	22,462
Provision made during the year	4,290	-2,248
Exchange rate differences	-3,670	-396
Total	20,438	19,818
Provision of credit reserves, unutilised limit, Stage 1	17,337	11,925
Provision of credit reserves, unutilised limit, Stage 2		1,719
Other provisions	3,101	6,174
Reported value at the end of the year	20,438	19,818

G11. Pledged assets, contingent liabilities and commitments

SEK thousand	31 Dec 2020	31 Dec 2019
Collateral pledged for own liabilities		
Lending to credit institutions	139,538	161,910
Lending to the public ¹⁾	2,455,141	3,556,373
Restricted bank deposits ²⁾	32,286	30,887
Total collateral pledged for own liabilities	2,626,965	3,749,170
Contingent liabilities	0	0
Other commitments		
Unutilised credit facilities granted	23,891,248	27,546,215
Total other commitments	23,891,248	27,546,215

¹⁾ Refers to securitisation.

²⁾ As at 31 December 2020 SEK 29,481 thousand (27,366) refers to the requirement account at the Bank of Finland.

G12. 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 Sempër 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.

Companies with significant influence through direct or indirect ownership of the Resurs Group also have controlling or significant influence of NetOnNet AB, with which the Resurs Group conducted significant transactions during the period.

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 Sempër 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.

Transactions with Parent Company

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Interest expense	-31	-35	-61	-135
Other operating income	2,310	2,185	4,620	4,351
General administrative expenses	-9,171	-7,786	-19,351	-16,095

SEK thousand	31 Dec 2020	31 Dec 2019
Other liabilities	-1,922	-1,751
Deposits and borrowing from the public	-177,869	-200,808

Transactions with other Group Companies

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Interest expense	-4,276	-4,679	-8,805	-8,879
Fee & commission income	117,159	129,265	239,090	245,369
Other operating income	7,168	6,686	14,337	13,412
General administrative expenses	-1,031	-1,168	-1,812	-1,972

SEK thousand	31 Dec 2020	31 Dec 2019
Other assets	7,901	16,193
Deposits and borrowing from the public	-1,471	-238,442
Other liabilities		-19,894
Subordinated debt	-200,000	-200,000

Transactions with other companies with significant influence

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Processing fees	-37,732	-36,637	-68,763	-256,616
Interest expense – deposits and borrowing from the public	-219	-2,450	-437	-4,956
Fee & commission income				18,525
General administrative expenses	-671	-754	-1,391	-13,845

SEK thousand	31 Dec 2020	31 Dec 2019
Lending to public	82	26
Other assets		
Deposits and borrowing from the public	-159,195	-207,362
Other liabilities	-18,387	-15,542

Transactions with key persons

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Interest expense – deposits and borrowing from the public	-24	-37	-48	-87

SEK thousand	31 Dec 2020	31 Dec 2019
Lending to public	8	68
Deposits and borrowing from the public	-7,619	-11,907

G13. Financial instruments

SEK thousand	31 Dec 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Financial assets				
Cash and balances at central banks	208,520	208,520	220,799	220,799
Treasury and other bills eligible for refinancing	2,283,253	2,283,253	1,712,900	1,712,900
Lending to credit institutions	3,818,574	3,818,574	4,037,487	4,037,487
Lending to the public	30,858,341	31,390,974	31,344,787	31,900,633
Bonds and other interest-bearing securities	669,570	669,570	902,120	902,120
Shares and participating interests	7,287	7,287	17,421	17,421
Derivatives	113,272	113,272	110,707	110,707
Other assets	45,649	45,649	48,605	48,605
Accrued income	45,323	45,323	168,623	168,623
Total financial assets	38,049,789	38,582,422	38,563,449	39,119,295
Intangible fixed assets	1,846,678		2,020,278	
Tangible assets	107,518		122,471	
Other non-financial assets	184,360		101,116	
Total assets	40,188,345		40,807,314	

SEK thousand	31 Dec 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities				
Financial liabilities				
Liabilities to credit institutions	107,400	107,400	94,900	94,900
Deposits and borrowing from the public	24,871,535	24,872,097	24,848,282	24,848,813
Derivatives	3,659	3,659	24,567	24,567
Other liabilities	440,918	440,918	508,143	508,143
Accrued expenses	168,166	168,166	162,636	162,636
Issued securities	6,297,472	6,322,511	7,672,347	7,714,123
Subordinated debt	798,702	801,734	797,890	814,404
Total financial liabilities	32,687,852	32,716,485	34,108,765	34,167,586
Provisions	20,438		19,818	
Other non-financial liabilities	334,877		311,091	
Equity	7,145,178		6,367,640	
Total equity and liabilities	40,188,345		40,807,314	

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 2020			31 Dec 2019		
	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	2,283,253			1,712,900		
Bonds and other interest-bearing securities	669,570			902,120		
Shares and participating interests			7,287			17,421
Derivatives		113,272			110,707	
Total	2,952,823	113,272	7,287	2,615,020	110,707	17,421
Financial liabilities at fair value through profit or loss:						
Derivatives		-3,659			-24,567	
Total	0	-3,659	0	0	-24,567	0

Changes in level 3

SEK thousand	Jan-Dec 2020	Jan-Dec 2019
Shares and participating interests		
Opening balance	17,421	1,002
Investments during the period		16,966
Disposal during the period		-514
Depreciation	-10,000	
Exchange-rate fluctuations	-134	-33
Closing balance	7,287	17,421

Determination of fair value of financial instruments

Level 1

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

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).

Level 3

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

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.

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 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.

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

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

Transfer between levels

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

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.

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.

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

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 2020 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 113 million (111) while liabilities total SEK 4 million (25). Collateral corresponding to SEK 0 million (0) was provided and received SEK 107 million (95), that had a net effect of SEK 0 million (0) and liabilities to credit institutions total SEK 107 million (95).

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.

Nonrecurring costs ¹⁾

Items deemed to be of a one-off nature, meaning individual transactions, to facilitate the comparison of profit between periods, items are identified and recognised separately since they are considered to reduce comparability.

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 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Interest income	1,569,985	1,680,077	3,250,491	3,301,845
Lease income	2,322	6,084	6,320	16,252
Interest expense	-193,182	-213,802	-405,887	-415,535
Fee & commission income	211,847	247,684	425,214	468,686
Fee & commission expense	-33,548	-31,897	-63,635	-60,442
Net income/expense from financial transactions	-7,911	-29,120	-14,197	-41,346
Other operating income	110,902	115,279	215,672	223,549
Total operating income	1,660,415	1,774,305	3,413,978	3,493,009
General administrative expenses	-583,901	-611,272	-1,178,587	-1,196,995
Depreciation, amortisation and impairment of intangible and tangible fixed assets	-63,454	-71,948	-131,513	-148,347
Other operating expenses	-55,250	-62,865	-107,903	-149,361
Total expenses before credit losses	-702,605	-746,085	-1,418,003	-1,494,703
Earnings before credit losses	957,810	1,028,220	1,995,975	1,998,306
Credit losses, net	-390,121	-367,055	-854,566	-669,662
Operating profit/loss	567,689	661,165	1,141,409	1,328,644
Income tax expense	-179,439	-154,951	-314,481	-316,254
Net profit for the period	388,250	506,214	826,928	1,012,390
Attributable to Resurs Bank AB shareholders	388,250	506,214	826,928	1,012,390

Statement of comprehensive income

SEK thousand	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net profit for the period	388,250	506,214	826,928	1,012,390
Other comprehensive income that will be reclassified to profit/loss				
Translation differences for the period, foreign operations	-1,660	-29,861	-90,373	32,925
Comprehensive income for the period	386,590	476,353	736,555	1,045,315
Attributable to Resurs Bank AB shareholders	386,590	476,353	736,555	1,045,315

Balance sheet

SEK thousand	31 Dec 2020	31 Dec 2019
Assets		
Cash and balances at central banks	208,520	220,799
Treasury and other bills eligible for refinancing	2,283,253	1,712,900
Lending to credit institutions	3,701,645	3,894,680
Lending to the public	30,900,538	31,399,252
Bonds and other interest-bearing securities	669,570	902,120
Shares and participating interests	7,287	17,421
Shares and participating interests, in Group companies	50,099	50,099
Intangible fixed assets	1,365,443	1,572,416
Tangible assets	50,200	57,612
Other assets	221,966	192,086
Prepaid expenses and accrued income	171,131	242,035
TOTAL ASSETS	39,629,652	40,261,420
Liabilities, provisions and equity		
Liabilities and provisions		
Liabilities to credit institutions	107,400	94,900
Deposits and borrowing from the public	24,873,110	24,849,862
Other liabilities	2,592,002	3,530,916
Accrued expenses and deferred income	199,452	191,157
Other provisions	20,438	19,818
Issued securities	4,297,472	4,772,356
Subordinated debt	798,702	797,890
Total liabilities and provisions	32,888,576	34,256,899
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	-22,900	67,473
Retained earnings	5,208,208	4,195,818
Net profit for the year	826,928	1,012,390
Total equity	6,524,736	5,788,181
TOTAL LIABILITIES, PROVISIONS AND EQUITY	39,629,652	40,261,420

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 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
Initial equity at 1 January 2020	500,000	12,500	67,473	4,195,818	1,012,390	5,788,181
Appropriation of profits according to resolution by Annual General Meeting				1,012,390	-1,012,390	0
Net profit for the year					826,928	826,928
Other comprehensive income for the year			-90,373			-90,373
Equity at 31 December 2020	500,000	12,500	-22,900	5,208,208	826,928	6,524,736

Cash flow statement (Indirect method)

SEK thousand	Jan-Dec 2020	jan-dec 2019
Operating activities		
Operating profit	1,141,409	1,328,644
- of which, interest received	3,252,533	3,297,817
- of which, interest paid	-422,236	-391,254
Adjustments for non-cash items in operating profit	996,986	909,991
Tax paid	-293,840	-274,908
Cash flow from operating activities before changes in operating assets and liabilities	1,844,555	1,963,727
Changes in operating assets and liabilities		
Lending to the public	-1,533,092	-3,707,548
Other assets	612,990	-120,933
Liabilities to credit institutions	12,500	-55,000
Deposits and borrowing from the public	674,491	3,709,096
Acquisition of investment assets ¹⁾	-4,671,785	-3,071,594
Divestment of investment assets ¹⁾	4,285,241	2,291,170
Other liabilities	-920,571	-110,910
Cash flow from operating activities	304,329	898,008
Investing activities		
Acquisition of intangible and tangible fixed assets	-29,922	-31,492
Divestment of intangible and tangible fixed assets	9,113	8,302
Cash flow from investing activities	-20,809	-23,190
Financing activities		
Dividends paid		-690,000
Shareholder's contributions		200,000
Issued securities	-477,406	-213,887
Subordinated debt		298,950
Cash flow from financing activities	-477,406	-404,937
Cash flow for the year	-193,886	469,881
Cash & cash equivalents at beginning of the year ²⁾	4,115,479	3,602,228
Exchange rate differences	-11,428	43,370
Cash & cash equivalents at end of the year ²⁾	3,910,165	4,115,479
Adjustment for non-cash items in operating profit		
Credit losses	854,566	669,662
Depreciation, amortisation and impairment of intangible and tangible fixed assets	131,513	148,347
Profit/loss tangible assets	-739	-270
Profit/loss on investment assets	-2,709	-2,289
Change in provisions	1,701	-3,086
Adjustment to interest paid/received	-6,604	29,145
Currency effects	5,922	65,266
Depreciation, amortisation and impairment of shares	10,000	
Other items that do not affect liquidity	3,336	3,216
Sum non-cash items in operating profit	996,986	909,991

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.

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 24,873 million (24,850), whereof in Sweden SEK 11,714 million (11,594), in Norway SEK 6,441 million (6,601) and in Germany SEK 6,718 million (6,655). The lending to the public/deposits from the public ratio is 124 per cent (126 per cent).

Resurs Bank has a funding programme for issuing bonds, the programme amounts to SEK 9,000 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 nine outstanding issues at a nominal amount of SEK 4,900 million (5,450). Of the nine issues, seven are senior unsecured bonds and two issues are a subordinated loan of SEK 600 million (600). Resurs Bank has, outside the programme issued subordinated loan SEK 200 million (200).

In September 2020, Resurs Bank received an update from the rating company Nordic Credit Rating (NCR). Resurs Bank's credit rating of BBB- was confirmed and the outlook was revised to stable from negative as Resurs Bank outperformed NCR's expectations due to lower credit losses and an improved net interest margin in the second quarter 2020. 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. Resurs Bank signed an agreement on 19 November 2020 to extend the existing ABS financing, starts in December 2020. This financing has been arranged with JP Morgan Chase Bank. 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 2020 a total of approximately SEK 2.5 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 2.0 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 1,400 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 800 million. There are also other liquidity requirements regulating and controlling the business.

The liquidity reserve, totalling SEK 1,860 million (1,918), 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 5,005 million (4,815). Accordingly, total liquidity amounted to SEK 6,865 million (6,733). Total liquidity corresponded to 28 per cent (27 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 2020 the ratio for the consolidated situation is 288 per cent (264 per cent). For the period January to December 2020, the average LCR measures 267 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 2020	31 Dec 2019
Liquidity reserve as per FFFS 2010:7 definition		
Securities issued by sovereigns	176,381	184,378
Securities issued by municipalities	958,037	830,219
Lending to credit institutions	55,000	
Bonds and other interest-bearing securities	670,374	903,264
Summary Liquidity reserve as per FFFS 2010:7	1,859,792	1,917,861
Other liquidity portfolio		
Cash and balances at central banks	208,520	220,799
Securities issued by municipalities	1,150,181	699,902
Lending to credit institutions	3,646,645	3,894,680
Total other liquidity portfolio	5,005,346	4,815,381
Total liquidity portfolio	6,865,138	6,733,242
Other liquidity-creating measures		
Unutilised credit facilities	47,730	52,895

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

31/12/2020

SEK thousand	Total	SEK	EUR	DKK	NOK
Level 1 assets					
Cash and balances with central banks	179,039		119,552		59,487
Securities or guaranteed by sovereigns, central banks, MDBs and international org.	176,381		117,636	28,696	30,049
Securities issued by municipalities and PSEs	1,908,211	1,609,889	73,853		224,469
Extremely high quality covered bonds	390,740	117,923	191,293		81,524
Level 2 assets					
High quality covered bonds	279,634	201,043			78,591
Total liquid assets	2,934,005	1,928,855	502,334	28,696	474,120

31/12/2019

SEK thousand	Total	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

Additional information on the Group's management of liquidity risks is available in the Group's 2019 Annual report.

SEK thousand	31 Dec 2020	31 Dec 2019
Total liquid assets	2,934,005	2,811,196
Net liquidity outflow	995,751	1,025,759
LCR measure	288%	264%

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 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. The countercyclical capital buffer requirement is weighted according to geographical requirements and after being lowered by the supervisory authorities in spring 2020 amounted to 0.2 per cent. Only Norwegian exposures have a buffer requirement remaining, which is currently 1.0 per cent of risk-weighted Norwegian assets. The bank 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 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 2020	31 Dec 2019
Tier 1 capital		
Equity	6,524,736	5,788,181
Proposed dividend	-458,000	-375,000
Predicted dividend	-392,000	
Untaxed reserves (78% thereof)	168,745	168,745
Equity	5,843,481	5,581,926
Adjustments according to transition rules IFRS 9:		
Initial revaluation effect	237,119	287,930
Less:		
Additional value adjustments	-3,073	-2,743
Intangible assets	-1,365,443	-1,572,416
Total Common Equity Tier 1 capital	4,712,084	4,294,697
Total Tier 1 capital	4,712,084	4,294,697
Tier 2 capital		
Dated subordinated loans	611,845	651,121
Total Tier 2 capital	611,845	651,121
Total capital base	5,323,929	4,945,818

Capital requirement

SEK thousand	31 dec 2020		31 dec 2019	
	Risk-weighted exposure	Capital requirement ¹⁾	Risk-weighted exposure	Capital requirement ¹⁾
Exposures to institutions	752,268	60,181	797,499	63,800
Exposures to corporates	341,056	27,284	484,192	38,735
Retail exposures	20,883,338	1,670,667	21,171,101	1,693,688
Exposures in default	3,044,468	243,557	3,095,205	247,616
Exposures in the form of covered bonds	66,890	5,351	90,122	7,210
Equity exposures	57,379	4,591	67,503	5,400
Other items	322,683	25,816	363,776	29,102
Total credit risks	25,468,082	2,037,447	26,069,398	2,085,551
Credit valuation adjustment risk	25,265	2,021	30,589	2,447
Market risk				
Currency risk	0	0	0	0
Operational risk	5,089,268	407,141	4,849,713	387,977
Total riskweighted exposure and total capital requirement	30,582,615	2,446,609	30,949,700	2,475,975

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 2020.

Capital ratio and capital buffers

	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 ratio, %	15,4	13,9
Tier 1 ratio, %	15,4	13,9
Total capital ratio, %	17,4	16,0
Common Equity Tier 1 capital requirement incl. buffer requirement, %	7,2	9,0
- of which, capital conservation buffer requirement, %	2,5	2,5
- of which, countercyclical buffer requirement, %	0,2	2,0
Common Equity Tier 1 capital available for use as buffer, %	9,4	7,9

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 when the updates to CRR come into effect.

SEK thousand	31 Dec 2020	31 Dec 2019
Tier 1 capital	4,712,084	4,294,697
Leverage ratio exposure	40,942,256	41,806,849
Leverage ratio, %	11,5	10,3

P4. Pledged assets, contingent liabilities and commitments

SEK thousand	31 Dec 2020	31 Dec 2019
Collateral pledged for own liabilities		
Lending to credit institutions	90,000	90,000
Lending to the public ¹⁾	2,455,141	3,556,373
Restricted bank deposits ²⁾	32,286	30,887
Total collateral pledged for own liabilities	2,577,427	3,677,260
Contingent liabilities	0	0
Other commitments		
Unutilised credit facilities granted	23,891,248	27,546,215
Total Other commitments	23,891,248	27,546,215

¹⁾ Refers to securitisation.

²⁾ As of 31 December 2020, SEK 29,481 thousand (27,366) refers mainly to a reserve requirement account at Finlands Bank.

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