ANNUAL REPORT
2018

Resurs
Bank

BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO hereby present the Annual Report and consolidated financial statements for Resurs Bank AB (publ), Corporate Identity Number 516401-0208, for the financial year 1 January 2018 to 31 December 2018.

OWNERSHIP STRUCTURE

Resurs Bank AB is a wholly owned subsidiary of Resurs Holding AB, Corporate Identity Number 556898-2291, which has been listed on Nasdaq Stockholm since April 2016.

COMPANY OVERVIEW

The Resurs Bank Group is a leader in the consumer credit market in the Nordic region, offering payment solutions and consumer loans. Resurs has established itself as a leading partner for sales-driven payment and loyalty solutions in retail and e-commerce, and has built a customer base of more than 5.9 million private customers in the Nordics. Resurs Bank has had a banking licence since 2001 and is under the supervision of the Swedish Financial Supervisory Authority. Resurs Group primarily operates in Sweden, Norway, Denmark and Finland. In November 2018, the merger between Resurs Bank AB and the subsidiary yA Bank AS was registered with retroactive effect from 1 January 2018.

Resurs Bank has divided its operations into two business segments based on the products and services offered: Payment Solutions and Consumer Loans. Payment Solutions delivers finance, payment and loyalty solutions that drive retail sales, as well as credit cards to the public. Consumer Loans focuses primarily on direct lending to private individuals.

Income

The Group's operating income increased 12 per cent to SEK 3,293 million (2,928), primarily due to growth in lending. The NBI margin in the banking operations amounted to 12.8 per cent (12.9 per cent) with the decline due to higher volumes with a slightly lower NBI margin. The NBI margin is calculated by dividing operating income by the average balance of lending to the public. Net interest income increased 13 per cent to SEK 2,726 million (2,406), with interest income amounting to SEK 3,057 million (2,679) and interest expense to SEK -331 (-274) Fee & commission income amounted to SEK 445 million (407) and fee & commission expense to SEK -57 million (-63), resulting in a total net commission for the banking operations of SEK 388 million (344).

Net income from financial transactions was SEK -41 million (-17). The change relates to value fluctuations in investments in interest-bearing securities as well as exchange-rate differences in assets, liabilities and derivatives in foreign currencies. A deviation of SEK -24 million was primarily attributable to the general turmoil in the capital markets, which entailed a lower valuation in the Group's investments in interest-bearing securities. Other operating income amounted to SEK 221 million (196).

Expenses

The Group's expenses before credit losses increased 13 per cent to SEK -1,321 million (-1,173). Year-on-year expenses increased in absolute terms as a result of, for example, intensified marketing activities and IT investments. The Group was charged with costs of approximately SEK 10 million as a direct result of the merger between Resurs Bank AB and its subsidiary Resurs yA Bank AS. Viewed in relation to the operations' income, the cost level including merger costs amounted to 40.1 per cent (40.1 per cent).

Credit losses totalled SEK -536 million (-413) and the credit loss ratio was 2.1 per cent (1.8 per cent). The increase was primarily because provisions for all new lending have been made since year-end according to the new reporting standard IFRS 9 and lending growth has remained high throughout the period. The risk-adjusted NBI margin was 10.7 per cent (11.1 per cent). The decline was mainly due to the net expense from financial transactions and lower NBI margin in Consumer Loans. The risk-adjusted NBI margin is calculated in the same way as the NBI margin, except that credit losses are also deducted from operating income.

Profit

Operating profit increased 7 per cent to SEK 1,437 million (1,342). Net profit for the year amounted to SEK 1,105 million (1,036). Tax expense for the year amounted to SEK -332 million (-306), corresponding to 23.1 per cent (22.8 per cent) in relation to operating profit.

SEGMENT REPORTING

Payment Solutions

The Payment Solutions segment is comprised of retail finance, factoring and credit cards. In retail finance, Resurs is the leading partner for sales-driving finance, payment and loyalty solutions to chain stores and e-commerce companies across the Nordic region. Credit cards includes Resurs's own credit card, Supreme Card.

Lending to the public at 31 December 2018 totalled SEK 10,508 million (9,419), corresponding to a 12-per-cent year-on-year increase, or 10 per cent in constant currencies. Growth was mainly driven by higher volumes from existing retail finance partners.

Operating income for the year totalled SEK 1,427 million (1,270), a 12 per cent year-on-year increase. Operating income less credit losses amounted to SEK 1,240 million (1,116), up 11 per cent year-on-year. The risk-adjusted NBI margin rose to 12.5 per cent (12.3 per cent) compared with the preceding year.

SEKm	Jan–Dec 2018	Jan–Dec 2017	Change
Lending to the public at end of the period	10,508	9,419	12%
Operating income	1,427	1,270	12%
Operating income less credit losses	1,240	1,116	11%
Risk-adjusted NBI margin, %	12.5	12.3	
NBI margin, %	14.4	14.0	
Credit loss ratio, %	1.9	1.7	

Consumer Loans

Customers in the Consumer Loans segment are offered unsecured loans, also known as consumer loans. Consumer loans are normally used to finance larger purchases, extend existing loans or to finance general consumption. Consumer Loans also helps consumers to consolidate their loans with other banks, in order to reduce their monthly payments or interest expense.

At 31 December 2018, lending to the public increased 19 per cent to SEK 17,449 million (14,650). In constant currencies the increase was 17 per cent. Percentage growth was strongest in Finland, while Sweden increased the most in absolute terms.

Operating income increased 13 per cent to SEK 1,866 million (1,659). Operating income less credit losses rose 8 per cent to SEK 1,517 million (1,399).

The risk-adjusted NBI margin was 9.5 per cent (10.3 per cent). The decline was mainly due to the mix changes in the portfolio and the credit loss ratio increasing to 2.2 per cent (1.9 per cent). The increase was primarily attributable to the new reporting standard IFRS 9.

SEKm	Jan–Dec 2018	Jan–Dec 2017	Change
Lending to the public at end of the period	17,449	14,650	19%
Operating income	1,866	1,659	13%
Operating income less credit losses	1,517	1,399	8%
Risk-adjusted NBI margin, %	9.5	10.3	
NBI margin, %	11.7	12.3	
Credit loss ratio, %	2.2	1.9	

BALANCE SHEET AND CASH FLOW

Financial position

On 1 January 2018 the Group made adjustments according to IFRS 9, the new accounting standard for financial instruments. The new impairment requirements according to IFRS 9 entail a nonrecurring effect of SEK 439 million regarding total reserves and provisions for items in and off the balance sheet. Equity declined by SEK 339 million after consideration of tax. Resurs has applied the transition rules published by the EU that permit the phase-in of the effect on the capital adequacy ratios.

At 31 December 2018, the Group's financial position was strong, with a capital base of SEK 4,281 million (3,905) in the consolidated situation, comprising the Parent Company, Resurs Holding AB, and the Resurs Bank AB Group. Taking into account the transitional rules for IFRS 9, the total capital ratio was 14.7 per cent (15.5 per cent) and the Common Equity Tier 1 ratio was 13.4 per cent (13.6 per cent).

At 31 December 2018, lending to the public increased 16 per cent to SEK 27,957 million (24,069). The restated comparative figure on 1 January 2018 was SEK 23,648 million, which entails an increase of 18 per cent for the period and 17 per cent excluding currency effects. This strong growth was driven by both segments and all geographic markets and is well in line with the Group's financial target of lending growth of more than 10 per cent. There were some smaller divestments of debt collection portfolios during the year. A couple of portfolios were divested in December 2018 for total value of approximately SEK 150 million. At 31 December 2018 a receivable of SEK 97 million was recognised under other assets; this referred to the proceeds of the sale of one of these portfolios. This receivable was settled at the beginning of January.

In addition to capital from shareholders, the operations are financed by deposits from the public, the issued MTN bonds and the securitisation of certain loan receivables (ABS financing). The Group's strategy is to actively work with various sources of financing in order to use the most suitable source of financing at any given time. A deposit offering was launched in Germany during the year. With deposits in EUR, the Group took a further step towards even more diversified financing.

Deposits from the public on 31 December 2018 rose 15 per cent to SEK 20,934 million (18,147). Financing through issued securities totalled SEK 7,832 million (5,597). Liquidity remains healthy, although somewhat reduced. Due to the merger completed between Resurs Bank AB and the subsidiary yA Bank AS, the Group's liquidity could be used more efficiently and the liquidity coverage ratio (LCR) was 146 per cent (201 per cent) in the consolidated situation after changes were completed. The minimum statutory LCR ratio is 100 per cent. Lending to credit institutions at 31 December 2018 amounted to SEK 3,670 million (2,624). Holdings of treasury and other bills eligible for refinancing, as well as bonds and other interest-bearing securities, totalled SEK 1,848 million (2,169).

Intangible assets amounted to SEK 1,946 million (1,846), and primarily comprise the goodwill that arose in the acquisition of Finaref and Danaktiv in 2014 and yA Bank in 2015.

Statement of cash flows

Cash flow from operating activities amounted to SEK -323 million (-2,089) for the year. Cash flow from deposits amounted to SEK 2,699 million (-310) and the net change in investment assets totalled SEK 338 million (191). Cash flow from investing activities for the year totalled SEK -127 million (-85) and cash flow from financing activities was SEK 1,472 million (1,802). During the year, outstanding bonds issued under Resurs Bank's MTN programme have been expanded by SEK 1,400 million and ABS financing expanded by SEK 800 million.

SEASONAL EFFECTS

Resurs's operations are, to a certain extent, influenced by seasonal variations since the propensity to borrow and consume increases in June ahead of the holidays, and in December ahead of the Christmas shopping period.

EMPLOYEES

In 2018, the average number of employees in the Nordic region was 704 (661). Most of Resurs's business activities are conducted by employees at Resurs Bank's head office, which includes centralised accounting, legal, risk management, marketing, HR and IT functions. In addition to the aforementioned centralised functions, Resurs has employees who address customer and business-related matters at a national level. The company employs the services of external suppliers for certain support functions, including marketing and IT/operations. In terms of IT/operations, the external supplier manages IT services including storage/data centres, support services and telecommunication.

Variable remuneration earned in 2018 is linked to quantitative goals. The Group has ensured that all goals related to variable remuneration for 2018 can be reliably measured. In the interest of preventing employees with authority over credit decisions from exercising influence on the Group's risk level, the Group has noted that employees who can independently make decisions in credit matters cannot have targets linked exclusively to sales that they can influence through credit decisions. In the Group's assessment, the level of risk applied must be well in proportion to the Group's earnings capacity. The Group annually conducts an analysis aimed at identifying employees whose duties have a significant influence on the company's risk profile.

In 2018, variable remuneration was paid in excess of SEK 0.1 million to employees in companies acquired at the end of 2015 who can influence the bank's risk level. Accordingly, the Group needs to make deferred payments for variable remuneration that are spread evenly over 3 years, with the last payment in 2020.

REMUNERATION OF RESURS'S SENIOR EXECUTIVES

The Board has established a remuneration policy in accordance with Swedish Financial Supervisory Authority's FFFS 2011:1 Regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management, recently updated through FFFS 2014:22.

The Board has instituted a Remuneration Committee, which is responsible for preparing significant remuneration decisions, and the bank has a control function which, when appropriate and at least annually, independently reviews how the bank's management of remuneration matters corresponds to the regulatory framework.

The Chairman and members of the Board are paid the fees resolved by the Annual General Meeting. Remuneration of the CEO and Deputy CEOs and the Heads of the bank's control functions is determined by the Board.

Remuneration comprises a basic salary, other benefits and pension. Senior executives are not paid a bonus or variable remuneration.

Pensions

The bank's pension obligations for senior executives are primarily covered by defined contribution pension plans.

Termination conditions and benefits

In the event of termination of employment by the Bank, the CEO and Deputy CEOs are entitled to salary during the notice period, which is 18 months for the CEO and 12 and 8 months for the Deputy CEOs. The notice period for other senior executives is 6-8 months. No termination benefits are paid.

ENVIRONMENT

Environmental resources are used responsibly and conservatively through the Group's entire operations. The Group strives to conduct its operations in an environmentally sustainable way by, for example, enhancing efficiency and investing in sustainable products and services. For 2018, Resurs Holding has prepared a Sustainability Report that can be found in Resurs Holding's Annual Report. This report also encompasses Resurs Bank.

RISKS AND UNCERTAINTIES

Different types of risks arise in the Group's business operations. The risks can be actualised in different ways for each Group company.

The following main risk categories have been identified:

- Credit risks (including those attributable to the credit portfolio, credit-related concentration risks and counterparty risks)
- Market risks (interest rate, currency and other exchange risks)
- Liquidity risks
- Operational risks (including process risks, personnel risks, IT and systemic risks and external risks)
- Other business risks (including strategic risks, business risks, cyclical risks and reputational risks)

The Group estimates credit risks, liquidity risks and operational risks as the most significant risks that arise within the framework of its banking operations. For additional information on the Group's risk management, refer to Note G3 Risk management.

The Group's banking operations are subject to extensive regulations concerning capital adequacy and liquidity requirements, which are primarily governed by the regulatory package that comprises CRD IV and CRR, which jointly implement the Basel III agreement within the European Union (collectively known as the "Basel III regulatory framework").

The Basel III regulatory framework includes certain capital requirements that are intended to be adjustable over time and that are dependent on such factors as the presence of cyclical and structural systemic risks. At all times, the Group must fulfil the specified capital and liquidity requirements, and have access to sufficient capital and liquidity.

The Group monitors changes related to capital and liquidity requirements and takes these into consideration regarding the Group's financial targets.

Risk management

The Group is exposed to a number of risks that are typical for companies within the industry that are of a similar size and that operate within the same geographical markets. The Group companies have a low risk tolerance and employ a cautious approach concerning the risks that arise in their operations.

The Group companies manage risks through such methods as issuing policies under a hierarchy comprising three levels. The Board of each company within the Group has adopted a number of policies that, along with the external regulatory framework, comprise the basis for the Group's control environment and management of a host of risks that arise in its operations. The policies also outline the delegation of authorities within specific areas of risk. Someone is appointed in each organisation to take responsibility for each policy and monitor compliance, manage reporting and propose necessary adjustments to the policies.

Guidelines comprising the level under policies are determined by the CEO or the person responsible for the specific risk area in each Group company. In general, these guidelines include relevant information to help employees manage and identify solutions for issues that arise. On the operational level, company managers establish the procedures that apply for specific groups of employees. The procedures are more detailed and intended for risk management in the daily operations.

The Group uses three lines of defence in managing operational risks. The first line of defence is the Group's operational personnel, who are familiar with the business and the operational risks that may arise. The second line of defence comprises the control functions of each company – compliance and risk control – which impartially and independently monitor the Group's operations and regularly report on significant shortcomings and risks to each Board of Directors, the CEO and certain Board committees. The internal audit function regularly reviews the Group's operations, which includes reviewing activities in the first and second lines of defence to determine whether the first two lines of defence are being adequately managed from a risk perspective. The Internal Audit function reports regularly to the Board.

The Group's approach to corporate governance and internal control is described in greater detail in the following section on Corporate Governance.

PARENT COMPANY'S OPERATIONS

Resurs Bank AB (publ) is the Parent Company of the Group, which in addition to Resurs Bank includes two additional companies: RCL1 Ltd and Resurs Norden AB. yA Bank AS was merged retroactively from 1 January 2018. In connection with the merger, a merger gain of SEK 352 million was recognised against equity and pertains to accrued gains, exchange-rate differences on net investments and hedges from the acquisition of yA Bank AS. Resurs Bank has three branch offices, with operations in three countries: Denmark, Norway and Finland. In 2018, the Parent Company's operating income amounted to SEK 3,301 million (2,410) and operating profit was SEK 1,267 million (970). Lending operations are conducted by the Parent Company and, up until the merger took place on 30 November 2018, also in yA Bank AS. For additional commentary on earnings, see the introductory description of the Group.

SIGNIFICANT EVENTS DURING THE YEAR

Resurs Bank expanded and extended ABS financing

The ABS financing was expanded in January 2018, and a new 18-month revolving period commenced. For Resurs Bank, this means that external financing increased from SEK 2.1 billion to SEK 2.9 billion.

Resurs Bank AB and yA Bank AB in intra-Group merger

The Boards of Resurs Bank AB (publ) ("Resurs Bank") and the Norwegian wholly owned subsidiary yA Bank AS ("yA Bank") decided on 3 April 2018 to approve a joint merger plan and merger statement for a cross-border merger between the companies. The merger will take place by Resurs Bank absorbing yA Bank. Following the completion of the merger, the operations in Norway will be conducted by Resurs Bank's Norwegian branch.

Resurs Bank planning to sell delinquent receivables

In November 2018, Resurs Bank entered into forward flow agreements with credit management companies Alektum, Axactor and Lowell enabling them to recover some of Resurs Bank's delinquent receivables in Sweden and Norway that are more than 120 days overdue. The first transfer is expected to take place in January 2019.

New financial capital targets for Resurs Holding after merger completed between Resurs Bank AB and its wholly owned subsidiary yA Bank AS

In November 2018, the merger between Resurs Bank AB and Resurs Bank's Norwegian wholly owned subsidiary yA Bank AS was registered. The completion of the merger means that Resurs Bank's regulatory capital requirement is lowered by approximately 1 percentage point due to lower buffer requirements and Pillar II requirements. For this reason, the Board of Resurs Holding decided to adjust Resurs Holding's financial capital targets and the total capital ratio has been lowered from more than 15 per cent to more than 14 per cent and the Common Equity Tier 1 ratio has been lowered from more than 12.5 per cent to more than 11.5 per cent.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

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

ANTICIPATED FUTURE PERFORMANCE

Resurs offers sales-driving finance solutions for retailers and consumer loans in the Nordic region. Resurs has continuously expanded its operations and its loan portfolio increased from SEK 9.1 billion in December 2013 to SEK 28.0 billion in December 2018. Resurs has established a stable loan portfolio and continues to have potential for substantial future growth in the years to come.

CORPORATE GOVERNANCE REPORT

Proper corporate governance practices are fundamental in maintaining the market's confidence in the company and creating added value for our stakeholders. As part of this effort and in order to prevent any conflicts of interest, roles and responsibilities are clearly defined and delegated among shareholders, the Board of Directors, management and other stakeholders. A detailed presentation of corporate governance at Resurs Bank Aktiebolag (publ) ("Resurs Bank") is provided on the following pages.

Corporate governance

Resurs Bank is a Swedish public limited liability company. The company's corporate governance practices are predominately based on Swedish law, the Swedish Financial Supervisory Authority's regulations, the company's Articles of Association and internal rules and policies. Resurs Bank is a wholly owned subsidiary of Resurs Holding and is thus included in Resurs Holding's corporate governance model. For a comprehensive description of this model, refer to Resurs Holding's Corporate Governance Report available at http://www.resursholding.se.

General meeting of shareholders

The general meeting of shareholders is the company's highest decision-making body. The Articles of Association do not contain any specific provisions that affect decision-making at general meetings. The Articles of Association do not include any specific provisions concerning the election or dismissal of Board members, or concerning amendments to the Articles of Association, nor do they stipulate any limitations on how many votes each shareholder can cast at a general meeting of shareholders. The Board does not currently hold any authority granted by a general meeting of shareholders to make a decision on Resurs Bank issuing any new shares or acquiring any own shares.

Board of Directors

Following the general meeting of shareholders, the Board is the company's highest decision-making body and its highest executive body. The work of the Board is primarily governed by the Swedish Companies Act. The Board's work is also governed by the rules of procedure that are established annually by the Board. The rules of procedure govern such matters as the delegation of tasks and responsibilities among the Board, the Chairman of the Board and the CEO, and detail the procedures for the CEO's financial reporting. The Board also adopts rules of procedure for the Board's Committees. The Board's tasks include establishing strategies, business plans and budgets, submitting interim reports and financial statements and adopting policies. The Board must also monitor the company's financial performance, ensure the quality of the financial reporting and reporting by the control functions, and evaluate the company's operations based on the established targets and policies adopted by the Board. Finally, the Board also decides on major investments and organisational and operational changes in the company.

CEO and other senior executives

The CEO is subordinate to the Board of Directors and is responsible for the company's operational management and its day-to-day business. The delegation of duties among the Board and the CEO is outlined in the Board's rules of procedure and the CEO's instructions. The CEO is also responsible for preparing reports and compiling information from management ahead of Board meetings and makes presentations at the Board meetings.

Pursuant to the internal policies on financial reporting, the CEO is responsible for financial reporting at Resurs Bank and must thus ensure that the Board has sufficient information in order to be able to regularly assess the company and the banking group's financial position. Accordingly, the CEO continuously keeps the Board informed of the performance of the business, earnings and financial position, trends in liquidity and credit risk, key business developments, as well as any other event, circumstance or condition that could be assumed to be of significance for the company's shareholders. Furthermore, the CEO is to lead the executive management and execute the decisions made by the Board.

Internal control

The Board's responsibility for internal control is primarily governed by the Swedish Companies Act, the Annual Accounts Act (1995:1554), and the applicable elements of the Swedish Financial Supervisory Authority's regulations and general recommendations. The procedures for internal control, risk assessment, control activities and monitoring regarding its financial reporting were designed to ensure reliable overall financial reporting and external financial reporting pursuant to IFRS, prevailing laws and regulations, and other requirements that must be complied with by companies listed on the Nasdaq Stockholm. These efforts involve the Board, Group Management and other personnel.

Control environment

The Board has adopted a number of policies, which, along with the external regulatory framework, comprise the basis for Resurs Bank's control environment. All employees are responsible for complying with the adopted policies. The Board has adopted policies that govern the responsibilities of the CEO and the Board. The Board's rules of procedures stipulate that due to the consolidated situation, which included Resurs Bank together with Resurs Holding, the Board is to ensure the presence of a risk control function (second line of defence), a compliance function (second line of defence) and an internal audit function (third line of defence), all of which are organisationally separated from one another. The control functions must regularly report on significant weaknesses and risks to the Board and CEO. The reports are to follow up on previously reported weaknesses and risks and account for each newly identified significant weakness and risk. The Board and the CEO are to take the appropriate actions based on the control functions' reports as soon as possible. The Board and the CEO are to ensure that Resurs Bank has procedures in place to regularly follow up the actions it has taken based on the reports made by the control functions. Responsibility for maintaining an effective control environment and a regular focus on risk assessment and internal control regarding financial reporting is delegated to the CEO. However, responsibility ultimately lies with the Board. The CEO must regularly provide the Board with a written CEO report, including general commentary on significant events. As operative personnel in the first line of defence, managers at various levels within the Group are responsible for identifying and addressing identified risks.

The Audit Committee continuously ensures the quality of Resurs Bank's financial reporting, while the Corporate Governance Committee of Resurs Holding ensures the quality of Resurs Bank's corporate governance, internal control, compliance, risk control and internal audit functions.

Risk assessment and control activities

Resurs Bank has implemented risk assessment for errors in the accounting and the financial reporting. The most significant items and processes in which the risk of material errors may typically exist include income-statement and balance-sheet items, lending to the public, intangible assets and financial instruments. Resurs Bank continuously monitors the effectiveness of the control of these items and processes.

Monitoring, evaluation and reporting

The Board continuously evaluates the information it receives. The Board regularly receives reports from the business areas concerning Resurs Bank's financial position and reports from the Audit Committee regarding their observations, recommendations, and proposals on actions and decisions. The internal audit function, compliance function and risk control function regularly report their observations and proposals for actions to the CEO, the Board and certain Board Committees. The internal and external regulatory frameworks that govern financial reporting are communicated internally by way of policies that are published on the Group's intranet.

Five-year summary, Group

INCOME STATEMENT

SEK thousand	2018	2017	2016	2015	2014
Interest income	3,056,886	2,679,207	2,439,122	1,979,344	1,666,842
Interest expense	-331,232	-273,556	-242,688	-219,781	-343,442
Other income/Other expense	567,566	522,709	482,133	463,418	470,153
Total operating income	3,293,220	2,928,360	2,678,567	2,222,981	1,793,553
General administrative expenses	-1,096,889	-970,702	-977,846	-859,106	-754,044
Depreciation, amortisation and impairment of non-current assets	-44,292	-30,466	-26,108	-12,079	-7,892
Other operating expense	-179,976	-171,983	-160,639	-144,666	-139,278
Total expense before credit losses	-1,321,157	-1,173,151	-1,164,593	-1,015,851	-901,214
Profit before credit losses	1,972,063	1,755,209	1,513,974	1,207,130	892,339
Credit losses, net	-535,554	-413,454	-376,693	-373,766	-351,184
Operating profit	1,436,509	1,341,755	1,137,281	833,364	541,155
Apprоprations			43	-58,484	-23,460
Income tax	-331,843	-305,507	-232,478	-201,353	-126,992
Profit for the year	1,104,666	1,036,248	904,846	573,527	390,703

STATEMENT OF FINANCIAL POSITION

SEK thousand	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Assets					
Cash and balances with central banks	63,215	61,539	56,173	50,761	
Treasury and other bills eligible for refinancing	878,558	712,224	741,407	766,902	611,484
Lending to credit institutions	3,670,115	2,624,053	3,032,667	2,222,060	3,595,175
Lending to the public	27,956,576	24,069,278	21,204,764	18,198,658	13,923,973
Bonds and other interest-bearing securities	969,699	1,456,954	1,641,459	1,182,276	968,455
Shares and participations	1,002	979	1,039	955	
Derivatives	190,175	40,974	68,438	163,798	38,573
Intangible assets	1,945,773	1,846,399	1,850,269	1,744,585	667,317
Property, plant and equipment	51,326	39,625	41,366	35,997	26,708
Other assets	393,480	112,383	109,627	112,265	168,924
Total assets	36,119,919	30,964,408	28,747,209	24,478,257	20,000,609
Liabilities, provisions and equity					
Liabilities to credit institutions	149,900		1,700	141,260	1,026
Deposits and borrowing from the public	20,933,807	18,146,975	18,725,600	16,560,540	16,111,307
Derivatives	12,353	101,745	63,028		91,059
Other liabilities	1,006,759	1,014,883	981,200	996,665	852,518
Issued securities	7,832,186	5,597,271	3,316,130	2,181,340	
Subordinated debt	498,171	540,044	242,160	238,224	200,000
Equity	5,686,743	5,563,490	5,417,391	4,360,228	2,744,699
Total liabilities, provisions and equity	36,119,919	30,964,408	28,747,209	24,478,257	20,000,609

KEY RATIOS

	2018	2017	2016	2015	2014
Credit loss ratio, (%) [1)]	40.1	40.1	43.5	45.7	50.2
Return on equity excl. intangible assets, (RoTE), % [1)]	31.0	28.5	24.8	24.4	21.9
Equity/Assets ratio, % [1)]	15.7	18.0	18.8	17.8	13.7
Business volume, SEKm	48,890	42,216	39,930	34,759	30,035
Net interest margin, % [1)]	8.2	8.1	7.4	7.9	7.7
Core Tier 1 ratio, % [2)]	13.4	13.6	13.2	13.1	13.7
Total capital ratio, % [2)]	14.7	15.5	14.1	14.2	15.0
Change, lending to the public, % [1)]	16.2	13.5	13.5	30.7	52.4
Reserve ratio, %, according to IAS 39 [1)]		50.7	52.0	52.6	55.8
Reserve ratio, %, according to IFRS 9, stage 1 [1)]	0.7				
Reserve ratio, %, according to IFRS 9, stage 2 [1)]	9.2				
Reserve ratio, %, according to IFRS 9, stage 3 [1)]	45.3				
Credit loss ratio, % [1)]	2.1	1.8	1.7	2.3	3.1
Average number of employees	703	661	603	555	476
Return on assets, % [1)]	3.3	3.5	3.0	2.6	2.3

[1)] Alternative performance measurements, which management and analysts use in the analysis and evaluation of the Group, are not defined or specified according to (International Financial Reporting Standars). Management believes that inclusion of these measures provides information to the readers that enable comparability between periods and they facilitate both management and analysts in the analysis. Calculations and reconciliation against information in the financial statements of theses performance measures are provided on the website under "Financial reports".
[2)] Key ratios in accordance to the capital adequacy requirements and which refer to the consolidated situation. The consolidated situation comprise the parent company Resurs Holding AB and its subsidiaries Resurs Bank AB Group.

INCOME STATEMENT

SEK thousand	2018	2017	2016	2015	2014
Interest income	3,056,191	2,089,649	1,942,865	1,894,772	1,162,746
Lease income	21,119	29,490	33,175	38,610	54,474
Interest expense	-331,240	-164,152	-157,474	-206,999	-343,259
Other income/Other expense	554,541	454,782	409,168	483,504	422,111
Total operating income	3,300,611	2,409,769	2,227,734	2,209,887	1,296,072
General administrative expenses	-1,168,508	-920,741	-867,812	-799,097	-614,712
Depreciation, amortisation and impairment of assets	-147,657	-70,056	-75,628	-72,598	-49,436
Other operating expenses	-179,976	-129,089	-132,149	-140,629	-119,401
Total expenses before credit losses	-1,496,141	-1,119,886	-1,075,589	-1,012,324	-783,549
Profit before credit losses	1,804,470	1,289,883	1,152,145	1,197,563	512,523
Credit losses, net	-537,748	-319,726	-308,402	-367,519	-209,127
Operating profit	1,266,722	970,157	843,743	830,044	303,396
Appropriations		200,000	208,997	-218,753	-75,628
Income tax	-305,682	-274,709	-211,940	-155,550	-58,126
Profit for the year	961,040	895,448	840,800	455,741	169,642

The Group's card expenses have been recognised since 2015 on the row Fee and commission expense under Total operating income. This change was applied retrospectively to comparative figures. Card expenses amounted SEK 50.5 millkion in 2018, SEK 48.3 million in 2017, SEK 39.0 million in 2016, SEK 38.2 million in 2015; and SEK34.2 in 2014.

BALANCE SHEET

SEK thousand	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Assets					
Cash and balances with central banks	63,215				
Treasury and other bills eligible for refinancing	878,558	712,224	741,407	766,902	611,484
Lending to credit institutions	3,539,013	1,827,757	2,288,850	1,764,061	4,009,609
Lending to the public	27,998,470	18,395,356	16,482,363	14,641,440	12,532,920
Bonds and other interest-bearing securities	969,699	848,858	849,388	762,250	968,455
Shares and participations in associated company	1,002				
Shares and participations in group company	50,099	1,863,905	1,751,861	1,686,447	1,246,700
Derivatives	190,175	40,974	68,438	163,798	38,573
Intangible assets	1,634,097	552,577	585,315	618,626	50,928
Property, plant and equipment	83,160	74,700	82,582	94,395	103,272
Other assets	396,570	104,725	106,352	96,338	89,376
Total assets	35,804,058	24,421,076	22,956,556	20,594,257	19,651,317
Liabilities, provisions and equity					
Liabilities to credit institutions	149,900		1,700	141,260	
Deposits and borrowing from the public	20,933,807	12,816,921	13,806,018	13,119,240	16,111,307
Derivatives	12,353	101,745	63,028		91,059
Other liabilities	3,826,113	2,943,059	2,870,106	2,149,223	638,927
Issued securities	4,934,508	2,946,666	798,467	399,100	
Subordinated debt	498,171	500,000	200,000	200,000	200,000
Untaxed reserves	216,340	216,340	416,340	625,337	465,068
Equity	5,232,866	4,896,345	4,800,897	3,960,097	2,144,956
Total liabilities, provisions and equity	35,804,058	24,421,076	22,956,556	20,594,257	19,651,317

KEY RATIOS

	2018	2017	2016	2015	2014
Business volume, SEKm	48,964	31,250	30,332	27,821	28,722
Net interest margin, % [1]	8.2	8.3	7.7	8.4	4.9
Core Tier 1 ratio, %	12.9	19.1	20.3	21.6	16.3
Total capital ratio, %	14.2	21.1	21.1	22.7	17.7
Change, loans to the public, % [1]	18.3	11.6	11.6	16.8	38.6
Reserve ratio, %, according to IAS 39		52.0	53.0	54.6	54.4
Reserve ratio, %, according to IFRS 9, stage 1	0.7				
Reserve ratio, %, according to IFRS 9, stage 2	9.2				
Reserve ratio, %, according to IFRS 9, stage 3	45.3				
Credit loss ratio, %	2.1	1.8	1.8	2.7	1.9
Average number of employees	703	609	557	547	400
Return on assets, % [1]	2.9	3.8	3.5	2.3	1.0

[1] When calculating the key ratios, average balance sheet items have been used for the period 1 January to 31 December 2018. In the items as of 1 Januari 2018, both the IFRS 9 adjustment and the merger of the subsidiarie yA Bank AS are included. When calculating the average total assets, the opening value of SEK 31,187,030 thousand has been used and for Lending to the public a value of SEK 23,666,756 thousand has been used.

DEFINITIONS

BUSINESS VOLUME
Customer-related deposits and lending.

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

CREDIT LOSS RATIO, % [1]
Net credit losses in relation to the average balance of loans to the public.

EQUITY/ASSETS RATIO, % [1]
Equity, including profit for the year and 78% of untaxed reserves, as a percentage of the balance sheet total.

LENDING TO THE PUBLIC [1]
Total lending to the public less reserves for expected credit losses.

LENDING TO THE PUBLIC, EXCL. EXCHANGE-RATE DIFFERENCES [1]
Total lending to the public in local currency, excl. exchange rate differences.

NET INTEREST MARGIN, % [1]
Net interest income in relation to average balance sheet total.

NONRECURRING COSTS [1]
Items deemed to be of a one-off nature, meaning individual transactions that are not a part of normal business activities. To facilitate the

RESERVE RATIO, % [1]
According to IAS 39
Reserve for anticipated credit losses in relation to lending to the public, gross.

According to IFRS 9
Reserve for expected credit losses per stage in relation to lending to the public, gross per stage.

RETURN ON ASSETS % [1]
Net income in relation to average balance sheet total.

RETURN ON EQUITY EXCL. INTANGIBLE ASSETS, (RoTE), % [1]
Profit for the period as a percentage of average equity, less intangible assets.

TIER 1 CAPITAL [2]
Tier 1 capital comprises Common Equity Tier 1 capital and other Tier 1 capital.

TIER 2 CAPITAL [2]
Tier 2 capital comprises dated or perpetual subordinated loans.

TOTAL CAPITAL RATIO, % [2]
Total capital in relation to risk-weighted amount as per the Swedish Financial Supervisory Authority´s directive.

[1] Alternative performance measures
[2] Key ratios according to capital adequacy rules

PROPOSED APPROPRIATION OF PROFIT

	31/12/2018
Retained earnings	3,759,326,128
Profit for the year	961,040,098
Total	4,720,366,226
The Board of Directors propose that these earnings be appropriated as follows (SEK):	
Dividends to shareholders (SEK 660.00 per share)	330,000,000
Carried forward	4,390,366,226
Total	4,720,366,226

The Board believes that the proposed dividend is justifiable with respect to the requirements that the nature, scope and risks of the operations impose on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and financial position.

Statements and notes - Group

INCOME STATEMENT, GROUP

SEK thousand	Note	2018	2017
Interest income	G7	3,056,886	2,679,207
Interest expense	G7	-331,232	-273,556
Fee and commission income	G8	444,808	406,753
Fee and commission expense	G8	-57,090	-63,130
Net income/expense from financial transactions	G9	-40,868	-17,326
Other operating income	G10	220,716	196,412
Total operating income		3,293,220	2,928,360
General administrative expenses	G12,G13	-1,096,889	-970,702
Depreciation, amortisation and impairment of tangible and intangible assets	G14	-44,292	-30,466
Other operating expenses	G15	-179,976	-171,983
Total expenses before credit losses		-1,321,157	-1,173,151
Profit before credit losses		1,972,063	1,755,209
Credit losses, net	G16	-535,554	-413,454
Operating profit		1,436,509	1,341,755
Income tax	G17	-331,843	-305,507
Profit for the year		1,104,666	1,036,248
Profit for the year attributable to Resurs Bank AB shareholders		1,104,666	1,036,248

STATEMENT OF COMPREHENSIVE INCOME, GROUP

SEK thousand		2018	2017
Profit for the year		1,104,666	1,036,248
Other comprehensive income that will be reclassified to profit/loss			
Translation differences for the year, foreign operations	G35	85,879	-107,070
Hedge accounting [1)]		-49,424	21,693
Hedge accounting- tax [1)]		10,873	-4,772
Comprehensive income for the year		1,151,994	946,099
Comprehensive income for the year attributable to Resurs Bank AB shareholders		1,151,994	946,099

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

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

STATEMENT OF FINANCIAL POSITION, GROUP

SEK thousand	Note	31/12/2018	1 Jan 2018 revaluated 1)	31/12/2017
Assets				
Cash and balances with central banks		63,215	61,539	61,539
Treasury and other bills eligible for refinancing	G18	878,558	712,224	712,224
Lending to credit institutions	G19	3,670,115	2,624,053	2,624,053
Lending to the public	G20	27,956,576	23,648,306	24,069,278
Bonds and other interest-bearing securities	G21	969,699	1,456,954	1,456,954
Shares and participations	G22	1,002	979	979
Derivatives	G23	190,175	40,974	40,974
Goodwill	G24	1,707,190	1,683,053	1,683,053
Other intangible assets	G24	238,583	163,346	163,346
Property, plant and equipment	G25	51,326	39,625	39,625
Other assets	G26	136,285	22,435	22,435
Current tax assets		81,675	62,902	
Deferred tax asset	G17	22,539	44,915	7,877
Prepaid expenses and accrued income	G27	152,981	82,071	82,071
Total assets		36,119,919	30,643,376	30,964,408
Liabilities, provisions and equity				
Liabilities and provisions				
Liabilities to credit institutions	G28	149,900		
Deposits and borrowing from the public	G29	20,933,807	18,146,975	18,146,975
Other liabilities	G30	620,294	564,455	564,455
Derivatives	G23	12,353	101,745	101,745
Accrued expenses and deferred income	G31	166,810	141,237	141,237
Current tax liabilities		86,459	177,402	177,402
Deferred tax liability	G17	110,734	125,099	125,099
Other provisions	G32	22,462	24,399	6,690
Issued securities	G33	7,832,186	5,597,271	5,597,271
Subordinated debt	G34	498,171	540,044	540,044
Total liabilities and provisions		30,433,176	25,418,627	25,400,918
Equity	G35			
Share capital		500,000	500,000	500,000
Other paid-in capital		1,975,000	1,975,000	1,975,000
Transaltion reserve		32,866	-14,462	-14,462
Retained earnings including profit for the year		3,178,877	2,764,211	3,102,952
Total Equity		5,686,743	5,224,749	5,563,490
Total liabilities, provisions and equity		36,119,919	30,643,376	30,964,408

1) Revaluation of Lending to the public, Current tax asset, Deferred tax asset and Other provisions have been made as of 1 January 2018 due to IFRS 9, se note G2.1.
See note G36 for information on pledged assets, contingent liabilites and commitments.

STATEMENT OF CHANGES IN EQUITY, GROUP

SEK thousand	Share-capital	Other paid-in capital	Hedge accounting reserve	Trans-lation reserve	Retained earnings incl. profit for the year	Total equity
Equity at 1 January 2017	500,000	1,975,000	-13,970	89,657	2,866,704	5,417,391
Owner transactions						
Dividends according to General Meeting					-500,000	-500,000
Dividends according to Extraordinary General Meeting					-300,000	-300,000
Profit for the year					1,036,248	1,036,248
Other comprehensive income for the year			16,921	-107,070		-90,149
Equity at 31 December 2017	500,000	1,975,000	2,951	-17,413	3,102,952	5,563,490
Equity at 1 January 2018 according to IAS 39	500,000	1,975,000	2,951	-17,413	3,102,952	5,563,490
Impact of revaluation of credit loss reserves due to IFRS 9 implementation					-438,681	-438,681
Impact of revaluation of credit loss reserves due to IFRS 9 implementation - tax effect					99,940	99,940
Equity at 1 January 2018 according to IFRS 9, adjusted	500,000	1,975,000	2,951	-17,413	2,764,211	5,224,749
Initial equity at 1 January 2018	500,000	1,975,000	2,951	-17,413	2,764,211	5,224,749
Owner transactions						
Dividends paid					-360,000	-360,000
Dividends according to Extraordinary General Meeting					-330,000	-330,000
Net profit for the period					1,104,666	1,104,666
Other comprehensive income for the period			-38,551	85,879		47,328
Equity at 31 December 2018	500,000	1,975,000	-35,600	68,466	3,178,877	5,686,743

All equity is attributable to Parent Company shareholders.

See note G35 regarding translation reserve.

CASH FLOW STATEMENT (INDIRECT METHOD)

SEK thousand	Note	2018	2017
Operating activities			
Operating profit		1,436,509	1,341,755
- of which, interest received		*3,055,298*	*2,677,824*
- of which, interest paid		*-327,870*	*-272,165*
Adjustments for non-cash items in operating profit		602,688	469,953
Tax paid		-422,676	-350,288
Cash flow from operating activities before changes in operating assets and liabilities		1,616,521	1,461,420
Changes in operating assets and liabilities			
Lending to the public		-4,477,411	-3,520,949
Other assets		-668,018	-8,244
Liabilities to credit institutions		149,900	-1,700
Deposits and borrowing from the public		2,698,519	-309,977
Acquisition of investment assets		-1,315,481	-903,916
Divestment of investment assets		1,653,265	1,095,322
Other liabilities		19,975	98,785
Cash flow from operating activities		-322,730	-2,089,259
Investing activities			
Acquisition of non-current assets	G24,G25	-129,254	-85,860
Divestment of non-current assets		1,873	661
Cash flow from investing activities		-127,381	-85,199
Financing activities			
Dividends paid		-690,000	-800,000
Issued securities		2,205,138	2,301,863
Subordinated debt		-42,664	300,000
Cash flow from financing activities		1,472,474	1,801,863
Cash flow for the year		1,022,363	-372,595
Cash & cash equivalents at beginning of the year [2]		2,685,592	3,088,840
Exchange-rate differences		25,375	-30,653
Cash & cash equivalents at end of the period [2]		3,733,330	2,685,592
Adjustment for non-cash items in operating profit			
Credit losses	G16	535,554	413,454
Depreciation and impairment of property, plant & equipment	G14	44,292	30,466
Profit/loss tangible assets		244	103
Profit/loss on investment assets [1]		-4,830	-15,301
Change in provisions		-1,793	117
Adjustment to interest paid/received		5,993	2,704
Currency effects		17,850	33,007
Other items that do not affect liquidity		5,377	5,403
Sum non-cash items in operating profit		602,688	469,953

[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 2018	Cash flow	Non cash flow items			31 Dec 2018
			Opening balance adj.	Accrued acquisition costs	Exchange-rate differences	
Issued securities	5,597,271	2,205,138		7,207	22,570	7,832,186
Subordinated debt	540,044	-42,664	-3,000	1,171	2,620	498,171
Total	6,137,315	2,162,474	-3,000	8,378	25,190	8,330,357

SEK thousand	1 Jan 2017	Cash flow	Non cash flow items		31 Dec 2017
			Accrued acquisition costs	Exchange-rate differences	
Issued securities	3,316,130	2,301,863	5,403	-26,125	5,597,271
Subordinated debt	242,160	300,000		-2,116	540,044
Total	3,558,290	2,601,863	5,403	-28,241	6,137,315

Notes

G1 GENERAL INFORMATION

Resurs Bank AB (publ), Corporate Identity Number 516401-0208, address Ekslingan 9, Väla Norra, Helsingborg, is a public limited liability company headquartered in Helsingborg, Sweden. The company is a wholly owned subsidiary of Resurs Holding AB, Corporate Identity Number 556898-2291.

Resurs Bank AB hereby submits the annual report and the consolidated financial statements for 1 January 2018 - 31 December 2018.

The Group includes wholly owned subsidiaries Resurs Norden AB, Corporate Identity Number 556634-3280, Resurs Consumer Loans Limited, Ireland, Corporate Identity Number 3346092RH. Resurs Banks AB also has branch offices in Denmark, Norway and Finland.

The regulatory consolidation (consolidated situation) include Resurs Bank Group and its parent company Resurs Holding AB.

Resurs Bank AB is included in the Group where Resurs Holding AB, Corporate Identity Number 556898-2291, issues the consolidated financial statements. Resurs Holding AB is owned by Waldakt AB and Cidron Semper Ltd.

The consolidated financial statements and the annual report are presented in SEK thousand unless otherwise indicated.

Presentation and adoption of the annual report
The annual report was approved for issuance by the Board of Directors on 18 March 2019. The income statement and balance sheet are subject to approval by the Annual General Meeting on 9 April 2019.

G2 ACCOUNTING PRINCIPLES

Group
The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the EU. Applicable sections 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 all applicable amendments), and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, were also applied. Unless otherwise specified, the accounting principles described below were applied consistently to all periods presented in the Group's financial statements.

Basis of preparation
Group management has considered the development and information regarding the Group's key accounting principles and has defined its position on the choice and application of these principles. The Group's assets and liabilities are measured at historical cost. Financial assets and liabilities are measured at amortised cost, apart from certain assets and liabilities which are measured at fair value through profit or loss. Financial assets and liabilities measured at fair value through profit or loss comprise:
- Bonds and other interest-bearing securities, including subordinated loans
- Shares and participations
- Derivatives
- Treasury and other bills eligible for refinancing

Judgements and estimates in the financial statements
Preparation of financial statements in compliance with IFRS requires Group management to make judgements, accounting estimates and assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and a number of other factors that are considered reasonable in the present circumstances. The results of these estimates and
assumptions are used to determine the carrying amounts of assets and liabilities which are not readily apparent from other sources. The actual outcome may differ from those estimates and assumptions.

The accounting estimates and assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period of the change if the change only affects that period. Changes are recognised in the period of the change and future periods if the change affects both. Assessments made by Group management and key sources of estimation uncertainty when applying IFRS that have a significant impact on the financial statements are described in more detail in Note G40 Key estimates and assessments.

New standards, amendments and interpretations that have been applied by the Group

IFRS 9 Financial Instruments
1 January the Group introduced IFRS 9 Financial Instruments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, and encompasses recognition and measurement, impairment and general hedge accounting. The largest changes compared to IAS 39 relate to classification and valuation, impairment losses and hedge accounting. Classification of financial asset to a category is not optional but depends on business model and whether the instrument's cash flows are solely payments of principal and interest. The overall assessment is that the business model used is an "other business model" with recognition at fair value through profit or loss, except for lending to the public, which is recognised at amortised cost. The Group has decided to continue to apply the hedge accounting rules in IAS 39, in accordance with the transitional rules in IFRS 9.

The Group believes that the calculations of credit loss reserves under IFRS 9 will entail greater volatility in the credit loss line of the income statement, which is primarily due to transfers between stage 1 and 2 and the calculations being more procyclic as a result of assessment of the macroeconomic outlook being included in the calculations. For information about the model see below in section Credit loss and Impairment of financial assets.

For the Effect of IFRS 9 see Accounting principles 2.1

IFRS 15 Revenue from Contracts with Customers
IFRS 15 is the new standard regarding revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and all related interpretations (IFRIC and SIC). The standard will come into effect on January 1 2018. The assessment of the Group are that the new standard does not have any significant impact on the Group's earnings and position.

New standards, amendments and interpretations that have not yet been applied by the Group.

A number of new or amended IFRSs have been published, but have not yet taken effect, as at the preparation of this annual report on 31 December 2018.

There are no plans for these new or amended IFRSs to be applied in advance. The anticipated effects on the financial statements of the application of the following new or amended IFRSs are set forth below. No other new or amended IFRSs approved by IASB as at 31 December 2018 are expected to have any impact on the consolidated financial statements.

IFRS 16 Lease
IFRS 16 replaces IAS 17 from 1 January 2019. Under the new standard, leased assets and right-of-use assets (for example, rental agreements for premises) are recognised in the statement of financial position. For lessees, existing leases and right-of-use assets are to be capitalised as assets and liabilities in the statement of financial position, with the associated effect that the cost in profit or loss is divided between depreciation in operating profit and interest expense in net financial items. The new standard does not represent any major changes for lessors, and leases are essentially to be recognised in accordance with the current rules under IAS 17. A description of how the Group will be impacted and will manage IFRS 16 from 1 January 2019 is presented below.

Resurs Bank-Group as lessee
Resurs Bank leases mainly premises and vehicles. Leases are normally signed for fixed periods of about five years for premises and three years for vehicles, but there are the options of extensions and advance termination, which are described below. The terms are negotiated separately for each lease and contain a large number of contractual terms.

From 1 January 2019, leases will be recognised in accordance with IFRS 16 as right-of-use together with a corresponding liability to the lessor on the day that the leased assets become available for use by the Group. The right-of-use and lease liability are recognised on the lines Other assets and Other liabilities in the balance sheet. Each lease payment is distributed between depreciation of liability and interest expense. The interest expense is distributed over the lease term so that each reporting period is charged with an amount equivalent to a fixed interest rate for the liability recognised for each period. The right-of-use asset is depreciated straight-line over the identified right-of-use period.
Assets and liabilities arising on leases are initially recognised at present value.

Lease liabilities include the present value of the following lease payments.
- fixed payments (including in-substance fixed payments), less incentives
- variable lease payments that depend on an index or rate, initially measured using the index or rates on the commencement date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the lessee is reasonably certain to utilise
- penalty for terminating the lease, if the length of the term reflects the assumption that the lessee will utilise this option.

Lease payments are discounted at the interest rate implicit if the rate can be determined, otherwise at the incremental borrowing rate.
The right-of-use assets are measured at cost and include the following:
- the amount at which the lease liability was originally measured
- lease payments paid on at before the commencement date, after any rewards received when the lease was signed.
- initial direct costs
- costs for restoring the asset to the condition prescribed in the terms of the lease.

The Resurs Bank Group has decided to apply the following exemptions in IFRS 16:
- Payments for short-term leases and leases of a low value are expensed straight-line in profit or loss. Short-term leases are leases of 12 months or less. Low value leases include IT and office equipment.

Options to extend or terminate a lease
Options to extend or terminate a lease are included in a number of the Group's leases for premises. The terms are used to maximise flexibility in managing leases. These options of providing the opportunity to terminate a lease in advance can only be utilised by the Resurs Bank Group and not the lessors. When such

an option is utilised, a fee corresponding to six months' rent is often charged. The assessment of the use of options to extend or terminate a lease is reviewed if a significant event or change in circumstances arises that impacts this assessment and the change is within the lessee's control.

As of 1 of January 2019 the liability for unused leasing commitment amounts SEK 93 million and for unused right-of use assets the amount is SEK 97 million. Equity will not be affected by the transition to IFRS 16. For more information, see Note G11.

Consolidated financial statements
The consolidated financial statements include the Parent Company and its subsidiaries. Subsidiaries are entities over which the Parent Company exercises control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity and has the ability to affect those returns through its power over the entity. A subsidiary is consolidated from the acquisition date, which is the date when the Parent Company obtains control. A subsidiary is deconsolidated from the date on which control ceases.

The Group is comprised of the subsidiaries Resurs Norden AB and Resurs Consumer Loans 1 Ltd. The subsidiaries were consolidated using the acquisition method and, accordingly, the carrying amount of subsidiary shares is eliminated against the subsidiaries' equity at the time of acquisition.

Purchase consideration for the acquisition of a subsidiary comprises the fair value of transferred assets, liabilities incurred by the Group to the former owners of the acquired company, and the shares issued by the Group. Purchase consideration also includes the fair value of all assets and liabilities that are a result of a contingent consideration agreement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair values. For each acquisition, i.e. on a transaction-by-transaction basis, the Group decides whether to measure the non-controlling interest (NCI) in the acquired company at fair value or at the NCI's proportionate share of the identifiable net assets of the acquired company. Acquisition-related costs are recognised as an expense when incurred.

Goodwill is initially measured as the difference between the total purchase consideration plus any fair value of non-controlling interests, and the fair value of identifiable assets acquired and liabilities assumed. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognised directly through profit or loss.

In the consolidated financial statements, untaxed reserves are divided into two parts, a tax component (22 per cent) and a component that is recognised in equity (78 per cent).

Intra-Group transactions, balance-sheet items and income and costs for intra-Group transactions are eliminated. Gains and losses resulting from intra-Group transactions and which are recognised as assets are eliminated in their entirety. The accounting principles for subsidiaries have been changed where necessary to ensure consistent application of the Group's principles.

Foreign currency
The Group uses the Swedish crowns as presentation Currency. Functional currency refers to the currency that is primarily used in a business's cash flows. The functional currency is determined within the Group based on each individual business's primary economic environment.

The income statement is translated using the average rate for the period in which the transaction arises. Monetary assets and liabilities in foreign currency together with non-monetary assets and liabilities measured at fair value are translated into the closing rate at the balance sheet day.

All gains and losses arising from currency translation of monetary items, including the currency component of forward contracts, measured at fair value, are recognised in the income statement as exchange-rate changes within the item Net income/expense from financial transactions.
Goodwill in foreign currency attributable to the acquisition of a foreign operation is treated as assets of the foreign operation and is translated at the closing rate. Exchange-rate gains and losses are recognised in other comprehensive income.

Assets and liabilities in subsidiaries and branches with a functional currency other than Swedish crowns are translated to the reporting currency using the exchange-rate on the balance sheet date. The income statement is translated at the average exchange-rate for each currency during the period. Emerged translation differences are reported in statement of comprehensive income. Consequently, exchange-rate attributable to currency hedges of the investment in the foreign companies are also transferred to statement of comprehensive income, taking into account deferred tax. This is subject to compliance with the requirements for hedge accounting. Any inefficiencies in hedges are recognised in the income statement within the item Net income/expense from financial transactions at fair value.

Segment reporting
Operating segments are reported in a manner consistent with the Group's internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and assessing performance of the operating segments.

Interest income and interest expense
Interest income and interest expense attributable to financial assets and liabilities are recognised using the effective interest method. The effective interest rate is the rate that equates the present value of all estimated future receipts or payments during the anticipated fixed interest terms with the carrying amount of the receivable or liability. Interest income and interest expense include any transaction costs and other differences from the original value of the asset or liability.

Interest income and interest expense presented in profit or loss comprise:
- Interest on financial assets and liabilities measured at amortised cost using the effective interest method, including interest on doubtful receivables.
- Interest on financial assets and liabilities at fair value through profit or loss.

Classification of leases and recognition of lease income
Leases are classified as operating or finance leases based on an assessment of the economic substance of the lease. If the economic substance of the lease concerns the financing of a purchase or an asset, the lease is classified as a finance lease. If the economic substance of the lease is comparable to a rental agreement, the lease is classified as an operating lease. The key factor in assessing the economic substance of the lease is whether it transfers substantially all risks and economic benefits incidental to ownership of the asset from the lessor to the lessee.
All lease contracts in which the Group is the lessor are classified as finance leases and are recognised in the Group's balance sheet under Lending to the public at an amount corresponding to the net investment in the lease. The lease payment, excluding cost of service, is recognised as repayment of the receivable and as unearned financial income. The income is distributed to obtain an even return on the net investment recognised for each period.

Revenue recognition
The standard for Revenue from agreements with customers, IFRS 15, is applied for various types of services which are mainly reported in the income statement as commission income. IFRS 15 also applies to certain services that are found in the item Other income

Fee & commission income and expense
Fee & commission income and expense that are an integral part of the effective interest rate are not recognised under fee & commission income, but under interest income. This is comprised of opening fees for loans and fees for the provision of credit or other types of loan commitments for which it is likely that the credit facility will be utilised. Commission and fees received on financial services are recognised in the period during which the service is expected to be provided when the credit product does not have different partial payment options. Opening fees for other credit products (comprising products with which the customer has the option of switching between different repayment plans) are recognised immediately, since the credit maturity is shorter and there is greater uncertainty about credit maturity.

Fee & commission expenses are the costs of services received, to the extent they are not considered to be interest and are comprised of loan commission. Transaction costs, which are taken into account when calculating the effective interest rate, reduce interest income. Fee & commission expense in the insurance operations comprises remuneration to partners, retail and insurance brokers for the sale of insurance products. Such fee & commission expense are recognised in the financial statements on a separate line under total operating income.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Net income/expense from financial transactions
The item net income/expense from financial transactions includes realised and unrealised changes in value arising from financial transactions.

Net income/expense consists of:
- capital gains from financial assets at fair value through
profit or loss
- unrealised changes in value from financial assets at fair
value through profit or loss
- realised and unrealised changes in the value of derivative instruments that are economic hedging instruments but do not qualify for hedge accounting
- exchange-rate differences
- Ineffective part of the hedge accounting in the fair value hedge.

Other operating income
The item primarily comprises monitoring fees and withdrawal fees and originate from Lending to the public.

General administrative expenses
General administrative expenses include personnel expenses, postage, communication and notification costs, IT costs, consulting fees, premises costs and certain other costs related to the business. The item Other under General administrative expenses includes lease payments for the Group's vehicles and premises. All leases, in which the Group is lessee, is treated as operating leases, with lease payments recognised as an expense through profit or loss on a straight-line basis over the agreed term of the lease.

Employee benefits
Personnel expenses
Personnel expenses, such as salaries, payroll overhead and variable remuneration, are recognised through profit or loss during the period in which the employee rendered service to the Group. A provision for variable remuneration is recognised when the Group has a legal or constructive obligation to make such payments as
a result of the services in question having been rendered by the employees, and when the amount can be measured reliably.

Pensions
The Group primarily has defined contribution pension plans, which are recognised through profit or loss in the period during which the employee rendered service to the Group. Defined contribution plans are plans under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligation to pay further contributions if the legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Termination benefits
Termination benefits are only recognised if the Group is demonstrably committed, without realistic possibility of withdrawal, to terminate employment before the normal retirement date and has a detailed formal plan for termination.

Recognition of assets and liabilities
Assets are defined as resources controlled by the company as a result of past events and which are likely to generate future economic benefits. These are recognised in the statement of financial position when it is probable that future economic benefits associated with the asset will flow to the Group and when the value/cost of the resource can be measured reliably.

Liabilities are current obligations arising from past events, the settlement of which is expected to result in an outflow of resources from the Group. A liability is recognised in the statement of financial position when it is probable that an outflow of resources from the Group will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Financial instruments
Financial instruments recognised under assets in the statement of financial position include treasury and other bills eligible for refinancing, loan receivables, bonds and other interest-bearing securities, subordinated loans, other assets, and derivatives. The heading liabilities, provisions and equity includes loans, issued securities, subordinated debt, derivatives and trade payables.

Financial instruments - Recognition in and derecognition from the statement of financial position
A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party under the instrument's contractual terms.

Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows deriving from the asset cease or when all significant risks and benefits associated with the assets are transferred to another party. This also applies to part of a financial asset. A financial liability is derecognised when the contractual obligation is discharged or extinguished in some other way. This also applies to part of a financial liability. A financial asset and a financial liability may be offset and the net amount recognised in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and the intention is either to settle on a net basis, or to simultaneously realise the asset and settle the liability. Acquisitions and divestments of financial assets are recognised on the trade date, the date on which the Group commits itself to acquire or divest the asset. Loan receivables are recognised in the statement of financial position when the loan amount is paid to the borrower.

Financial instruments - Classification and measurement (IFRS 9)
In accordance with IFRS 9, all financial assets are allocated to measurement categories: Amortised cost, Fair value through other comprehensive income or Fair value through profit or loss. Profit or loss is then divided into two sub-categories, mandatory and Fair Value Option (FVO). Financial instruments in the mandatory category, are continuously valued to fair value with the changes reported in profit or loss. Financial instruments are initially measured at their fair value plus transaction costs. Transaction costs are direct costs attributable to the acquisition or issue of the financial asset or financial liability. Derivatives and instruments classified as financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. A financial instrument is classified on initial recognition according to the purpose for which it was acquired. Classification determines how a financial instrument is measured subsequent to initial recognition, as described below.

Financial instruments - Classification and measurement (IAS 39)
Financial instruments are initially measured at their fair value plus transaction costs. Transaction costs are direct costs attributable to the acquisition or issue of the financial asset or financial liability. Derivatives and instruments classified as financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. A financial instrument is classified on initial recognition according to the purpose for which it was acquired, but also according to the options specified in IAS 39. Classification determines how a financial instrument is measured subsequent to initial recognition, as described below.

Financial instruments - Financial assets at fair value through profit or loss (IFRS 9)
If a financial asset does not meet the conditions for measurement at amortised cost or for measurement at fair value through other comprehensive income, it must be valued at fair value through profit or loss. The category comprises two sub-categories, the mandatory and the Fair Value Option. In the first category, we have derivatives and financial instruments held for trading.

Unrealised and realised changes in the fair value of financial instruments that are measured at fair value through profit or loss are recognised under Net income/expense from financial transactions.

The second measurement category includes equity index bonds and structured products, which contain both an interest bearing and a derivative component The Group has decided to include equity index bonds and structured products in the category Fair Value Option.

In the balance sheet, these are represented by the items: Treasury and other bills eligible for refinancing, Bonds and other interest-bearing securities, Subordinated loans, Shares and participations and Derivatives.

Financial instruments - Financial assets at fair value through profit or loss (IAS 39)
This category has two sub-categories: financial assets held for trading, and other financial assets the company designated as financial assets at fair value (using the fair value option) on initial recognition. Financial instruments in this category are regularly measured at fair value, with changes in fair value recognised through profit or loss. The first sub-category includes derivatives. For financial instruments held for trading, both realised and unrealised changes in value are recognised under the income statement item Net income/expense from financial transactions. The second sub-category includes equity-linked bonds, which have both a fixed-income portion and a derivative portion. The Group has chosen to classify equity-linked bonds at fair value through profit or loss in the fair value option sub-category. The classification of other instruments in this sub-category involves the Group managing and evaluating these financial assets based on fair value.

Financial instruments - Financial assets measured at amortised cost (IFRS 9)
Loan receivables, purchased receivables and accounts receivable are financial assets that are not derivative instruments, that have fixed or fixable payments and that are not listed on an active market. These receivables are represented by the balance sheet items Cash and balances at central banks, Lending to credit institutions, Lending to the public, Other assets and Prepaid expenses and accrued income. These assets are measured at amortised cost. Amortised cost is calculated based on the effective interest rate used at initial recognition.

Accounts receivable and loan receivables are recognised at the amounts expected to be received, in accordance to IFRS 9. Purchased receivables, comprised of a portfolio of non-performing consumer loans, were purchased at a price significantly lower than the nominal value. Recognition follows the effective interest model, with the carrying amount of the portfolio corresponding to the present value of future cash flows, discounted using the effective interest rate applicable on initial acquisition of the portfolio, based on the relationship between cost and the projected cash flows at the time of acquisition. The projected cash flows are regularly reviewed during the year and updated to reflect collection results, agreements on repayment plans signed with debtors and macroeconomic information. All updated information is gathered and processed in the Group's models according to IFRS 9.

Financial instruments – Loan receivables, accounts receivables and purchase receivables (IAS 39)
Loan receivables, purchased receivables and accounts receivable are financial assets that are not derivative instruments, that have fixed or fixable payments and that are not listed on an active market. These receivables are represented by the balance sheet items Cash and balances at central banks, Lending to credit institutions, Lending to the public, Other assets and Prepaid expenses and accrued income. These assets are measured at amortised cost. Amortised cost is calculated based on the effective interest rate used at initial recognition.

Accounts receivable and loan receivables are recognised at the amounts expected to be received, meaning after deductions for doubtful receivables.

Purchased receivables, comprised of a portfolio of non-performing consumer loans, were purchased at a price significantly lower than the nominal value. Recognition follows the effective interest model, with the carrying amount of the portfolio corresponding to the present value of future cash flows, discounted using the effective interest rate applicable on initial acquisition of the portfolio, based on the relationship between cost and the projected cash flows at the time of acquisition. The projected cash flows are regularly reviewed during the year and updated to reflect collection results, agreements on repayment plans signed with debtors and macroeconomic information.

Unutilised credits are not recognised in the statement of financial position but are included in contingent liabilities.

Financial instruments - Financial liabilities at fair value through profit or loss (IFRS 9)
If a financial liability does not meet the conditions for measurement at amortised cost or for measurement at fair value through other comprehensive income, it must be valued at fair value through profit or loss. The category comprises two sub-categories, the mandatory and the Fair Value Option.

In the balance sheet the mandatory category includes Derivatives. Both unrealised and realised changes in the fair value are recognised under Net income/expense from financial transactions.

Financial instruments - Financial liabilities at fair value through profit or loss (IAS 39)
This category includes two sub-categories: financial liabilities held for trading and financial liabilities that

were designated as financial liabilities at fair value (using the fair value option) on initial recognition. Financial instruments in this category are regularly measured at fair value, with changes in fair value recognised through profit or loss. The first sub-category includes derivatives with a negative fair value except for derivatives that are designated and are effective hedging instruments. The Group does not have any liabilities in the second sub-category.

Financial instruments - Liabilities at amortised cost (IFRS 9)
When liabilities arise, these are valued at amortised cost and accrued interest expenses are accrued on an ongoing basis according to the effective interest method. In the balance sheet the liabilities are represented by the balance sheet items Liabilities to credit institutions, Deposits and borrowing from the public, Issued securities, Subordinated debts, Other liabilities, Accrued expenses and accrued income.

Financial instruments - Liabilities at amortised cost (IAS 39)
In the balance sheet the liabilities are represented by the balance sheet items Liabilities to credit institutions, Deposits and borrowing from the public, Issued securities, Subordinated debts, Other liabilities, Accrued expenses and accrued income. The liabilities are valued at amortised cost and accrued interest expenses are accrued on an ongoing basis according to the effective interest method.

Hedging of net investments in foreign operations
The Group hedges its net investments in foreign subsidiaries. The hedged item comprises the sum of the subsidiary's equity at the acquisition date, other contributions after the acquisition and deductions for dividends paid. The portion of gains or losses on a hedging instrument that is deemed to be an effective hedge is recognised in other comprehensive income. Profit or loss attributable to the ineffective portion is recognised through profit or loss. For foreign operations carried out
in the form of a branch, the Group's treasury function manages the net investment in each currency and reduces currency risk through other positions in the same currency and through currency derivatives. Translation differences are recognised through profit or loss. Accumulated gains and losses in equity are recognised through profit or loss when the foreign operations are fully or partly divested. The hedging of net investments in foreign operations ceased in connection with the merger of yA Bank in November 2018.

Methods of determining fair value
Financial instruments listed on an active market
The fair value of financial instruments listed on an active market is determined on the basis of the asset's listed bid price on the closing date without additions for transaction costs (for example, brokerage) at the time of acquisition. A financial instrument is deemed to be listed on an active market if listed prices are readily available from a stock exchange, dealer, broker, trade association, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on commercial terms. Any future transaction costs on disposal are not taken into consideration. The fair value of financial liabilities is based on the quoted selling price.
Instruments that are listed on an active market are recognised under Treasury and other bills eligible for refinancing, Bonds and other interest-bearing securities, and Shares and participations.

Financial instruments not listed on an active market
If the market for a financial instrument is not active, the fair value is determined by applying various measurement techniques that are based on market data as far as possible. The fair value of currency forwards is calculated by discounting the difference between the contracted forward rate and the forward rate that can be utilised on the closing date for the remaining contract period. Discounting is at a risk-free interest rate based on government bonds. The fair value of interest swaps is based on discounting anticipated future cash flows in accordance with contractual terms and maturities using the market rate. The fair value of non-derivative financial instruments is based on future cash flows and current market rates on the closing date. The discount rate used reflects market-based interest rates for similar instruments on the closing date. Information about fair value recognised in the statement of financial position based on a measurement technique is provided in
Note G44 Financial instruments. The Group measures derivatives at fair value solely based on input data that is directly or indirectly observable on the market. Instruments that are not listed on an active market are recognised under Lending to credit institutions, Deposits and lending from the public, Derivatives and Other assets and liabilities.

Credit losses and impairment of financial assets (IFRS 9)
Credit losses comprise confirmed credit losses during the year less amounts received for previous years' confirmed credit losses and changes in the provision for expected credit losses. Loans are recognised net of confirmed credit losses and the provision for expected credit losses (ECL)

In accordance to IFRS 9, the Group assesses expected credit losses together with future-oriented factors for all financial instruments, within the category of amortised cost. Expected balance from loan commitments are also considered. The Group reports the possible losses on each reporting occasion.

The assessment of ECL should reflect: An objective and a probability-weighted amount determined through the evaluation of a number of potential outcomes; with consideration given to money's time value and to all reasonable and verifiable information available on the reporting date without unreasonable expense or exertion. The assessment also take into account historical, current and forecasts for future economic conditions.

The calculation of credit losses is based on expected credit losses under IFRS 9 and will be calculated by multiplying the PD with the Exposure at Default (EAD) multiplied by the Loss Given Default (LGD). This means that the calculation of expected credit losses is based on the bank's total lending volumes, including credits without any increased credit risk.

The impairment model includes a three-stage model based on changes in the credit quality of financial assets. Under this three-stage model, assets are divided into three different stages depending on how credit risk has changed since the asset was initially recognised in the balance sheet. Stage 1 encompasses assets for which there has not been a significant increase in credit risk, stage 2 encompasses assets for which there has been a significant increase in credit risk, while stage 3 encompasses defaulted assets, That is assets which have been transferred to debt collection or are past due 90 days or more.

The provision of expected credit losses for assets is governed by the category to which the assets belong. Provisions are made under stage 1 for expected credit losses within 12 months, while provisions for stage 2 and 3 are made for expected credit losses under the full lifetime of the assets.

A central factor impacting the amount of expected credit losses is the rule governing the transfer of an asset between stage 1 and 2. The Group makes use of change in the lifetime Probability of Default (PD) to determine the significant increase in risk, with the change assessed by a combination of absolute and relative changes in the lifetime PD. Furthermore, all credits for which payments are more than 30 days late are attributed to stage 2, regardless of whether or not there is a significant increase in risk.

To determine whether there is a significant increase in risk, and thus a transfer to stage 2, the bank starts by assessing the change in the expected life PD of the credit. In order for there to be a significant increase in risk, a change in start PD must amount to the total of a given threshold and a percentage change in the start PD.

In addition, the bank also uses an absolute change in PD that entails that if a lifetime PD increases by a given percentage point, which varies depending on product category, then it is attributable to stage 2.

Alongside the significant PD changes described above, the bank uses a "back stop," meaning that a credit that is between 30 and 90 days past due is attributable to stage 2 even if there is no significant increase in PD.

The calculation of the lifetime for credit cards and other revolving credits is based on predictive models about the future limit use and statistical repayment plans. The models are based on internal historical data where different models are used for homogeneous groups of credits with similar explanatory variables.

Calculations of expected credit losses under IFRS 9 include forward-looking information based on the macroeconomic outlook. The Group has decided to base the forward-looking calculations on a macroeconomic variable (unemployment level) that from a historical perspective has proven to correlate well with changes in the Group's credit losses.

The lending to credit institutions are deemed to have very low credit risk and are not considered to have been exposed to increased credit risk, which is why lending to credit institutions has not been impaired.

The new impairment requirements entail a nonrecurring effect of SEK 439 million regarding total reserves and provisions for items in and off the balance sheet. Equity declines by SEK 339 million after expected tax. This effect impacts 1 January 2018, see chapter 2.1 for the effects of IFRS 9. Classification, measurement and impairment were applied retroactively, meaning opening balances were effected.

For provisions for credit losses pertaining to leasing in factoring, an individual assessment is made as to whether a provision is to be established or impairment (leased equipment) is to be recognised. Testing for these contractual groups is performed only at individual level since no group is deemed to meet the requirements for being treated as a homogeneous group. A provision or impairment is reversed when there is verifying information that the impairment requirement no longer exists. Confirmed credit losses include losses for which the amounts are determined through bankruptcy, settlements, a statement from the enforcement authority or exemption from payment granted in some other way.

Credit losses and impairment of financial assets (IAS 39)
Credit losses comprise confirmed credit losses during the year less amounts received for previous years' confirmed credit losses and changes in the provision for anticipated credit losses. Loans are recognised net of confirmed credit losses and the provision for anticipated credit losses.

Provisions are made for anticipated credit losses when there is objective evidence that the creditor will not receive all amounts due under the receivable's original terms. The debtor is deemed to have significant difficulties if payment is not made or is delayed (due for 60 days or more). The carrying amount after provisions is calculated as the present value of future cash flows (including cash flows from possible repossessed assets, even when this is not likely), discounted using the effective rate applicable on initial recognition of the asset. Changes to the reserve requirement are based on continuous assessments of future cash flows based on experience from historical payment patterns. When the creditor fears that the debtor will enter bankruptcy or financial reorganisation, the creditor tests whether individual impairment is required.

For provisions for credit losses pertaining to leasing in factoring, an individual assessment is made as to whether a provision is to be established or impairment (leased equipment) is to be recognised.

Testing for these contractual groups is performed only at individual level since no group is deemed to meet the requirements for being treated as a homogeneous group. A provision or impairment is reversed when there is verifying information that the impairment requirement no longer exists. Confirmed credit losses include losses for which the amounts are determined through bankruptcy, settlements, a statement from the enforcement authority or exemption from payment granted in some other way.

Loan commitments and unutilised credit
The Group has no outstanding loan commitments. All unutilised credit facilities granted are terminable with immediate effect to the extent allowed under the Swedish Consumer Credit Act. Unutilised credit is recognised as a commitment.

Intangible assets
Goodwill
Goodwill arises on the acquisition of subsidiaries and other business combinations and is the amount by which the purchase consideration exceeds the participation in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company or business plus the fair value of the non-controlling influence in the acquired company. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies
from the acquisition. Each unit or group of units to which goodwill has been allocated represents the lowest
level in the Group at which the goodwill in question is monitored for internal control purposes. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate possible impairment. The carrying amount of goodwill is compared with its recoverable amount, which is the higher of value in use and fair value less selling expenses. Any impairment is recognised as an expense immediately and is not reversed.

Other intangible assets
Other intangible assets have finite useful lives and are recognised at cost less accumulated amortisation. They are amortised on a straight-line basis to distribute the cost over their 4-5 year estimated useful life. In connection to the merger of yA Bank additional other intangible assets referring to customer relations were added. The amortisation period for these are 10-15 year.

Other intangible assets include in-house development of IT software. Maintenance costs for IT software are expensed as incurred. Development costs directly attributable to the development of software products controlled by the Group are recognised as intangible assets when the following criteria are met:
-It is technically feasible to complete the software so that it can be utilised,
- It is the company's intention to complete and utilise the software,
- There are opportunities to utilise the software,
- The way in which the software will generate probable future economic benefits can be demonstrated,
- Adequate technical, economic and other resources are available to complete the development and to utilise the intangible asset, and
- The expenditure associated with the intangible asset during its development can be measured reliably.
Completed development projects are recognised at the costs incurred, less accumulated amortisation and impairment.

Property, plant & equipment
Items of property, plant & equipment are recognised at cost less accumulated depreciation. Cost includes expenses directly attributable to the acquisition of an asset. Subsequent expenditure is added to the asset's carrying amount or recognised as a separate asset (whichever is more suitable) only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognised from the statement of financial position. All other types of repair and maintenance are recognised as an expense through profit and loss in the period in which they arise.
Depreciation of property, plant & equipment for the Group's own use is applied on a straight-line basis in order to allocate cost or revalued amount down to residual value over the estimated useful life. Assets are depreciated over their estimated useful life of 3-5 years from the date of acquisition. Residual values and useful lives of property, plant & equipment are reviewed on each closing date and adjusted if necessary. The carrying amount of an asset is also immediately impaired to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount refers to either the net selling price or the value in use, whichever is higher. The recoverable amount is calculated as soon as there is an indication that the carrying amount is too high.

The carrying amount of property, plant and equipment is derecognised from the statement of financial income on disposal, divestment or when no future economic benefits are expected from its use or disposal/divestment. Gains or losses arising from the disposal/divestment of property, plant and equipment comprise the difference between the sales price and the asset's carrying amount less direct selling expenses.

Impairment of non-financial assets
Assets that have an indefinite useful life, such as goodwill or intangible assets not ready for use, are not amortised but are tested annually for impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is taken for the amount whereby the carrying amount of the asset exceeds recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. In impairment testing, assets are grouped at the lowest level for which there are separate identifiable cash flows (cash-generating units). For assets other than goodwill that were previously impaired, a test for reversal is performed every closing date.

Provisions
A provision is recognised in the statement of financial position when there is a present obligation (legal or constructive) due to a past event and it is probable that an outflow of financial resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Where the effect of the time value of money is material, provisions are calculated by discounting anticipated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

Taxes
Income tax consists of current tax and deferred tax. Income taxes are recognised through profit or loss except in cases where the underlying transaction is recognised directly in other comprehensive income or equity.
The Group's foreign branch offices in Norway, Denmark, Finland and Switzerland are taxed on their income in their own countries. In Sweden, the Group is liable to pay tax on all its income, including earnings from its foreign branch offices. To the extent that the company pays tax in Sweden on its foreign income, a deduction is normally allowed for the foreign tax paid, in order to avoid double taxation.

Current tax is the amount of income tax payable or recoverable for the current year, calculated using tax rates applicable on the closing date, and includes any adjustments relating to prior periods.

Deferred tax is based on temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognized to the extent it is probable they will be utilized.

Deferred tax assets and tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same tax authority, on either the same or different taxable entities, where there is an intention to settle on a net basis.

Contingent liabilities
A contingent liability is recognised when a possible obligation may arise based on past events and the existence of the liability will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation.

Cash flow statement
The cash flow statement for the Group and the Parent Company are prepared in accordance with the indirect method. Recognised cash flows only include transactions involving cash inflows and outflows. Cash transactions are classified under operating activities, investing activities and financing activities. Cash and balances at central banks including Lending to credit institutions.

Repossessed assets
Assets repossessed to safeguard claims are recognised in the statement of financial position together with similar assets already held by the Group. All assets taken over to safeguard claims are initially measured at fair value, and any difference between the loan's carrying amount and the fair value of the repossessed asset is recognised under Credit losses, net. Fair value at the reporting date is the asset's cost or amortised cost, whichever is applicable.
In subsequent periods, assets taken over to safeguard claims are measured in accordance with the measurement principles for the asset class. Income and expenses related to repossessed assets are allocated in the same way as other income and expenses in profit or loss.

As of 31 December 2018, the value of property repossessed to safeguard claims amounted to SEK 0 (0).

G2.1 ACCOUNTING PRINCIPLES

Effect of IFRS 9

In the statement of financial position, the items in below table, have been affected by the fact that the calculation of the credit loss provision according to IFRS 9 is calculated on expected credit losses as opposed to the previous model that was based on credit losses incurred.

SEK thousand	31 Dec 2017 according to earlier accounting principles	Adjustment Lending to the public	Adjustment Deferred tax asset	Adjustment Current tax asset	Adjustment Other provisions	1 Jan 2018
Assets						
Lending to the public	24,068,795	-420,972				23,647,823
Current tax asset	19,089			62,902		81,991
Deferred tax asset	8,277		37,038			45,315
Liabilities and provisions						
Other provisions	6,951				17,709	24,660
Equity						
Revaluation of credit loss reserves according to IFRS 9		-420,972	37,038	62,902	-17,709	-338,741

Financial assets and Financial liabilities

Treasury and other bills eligible for refinancing, Bonds and other interest-bearing securities, Subordinated debt together with Shares and participating interests are classified in the same category, Fair Value Through Profit and Loss, under both IAS 39 and IFRS 9. No changes have been made in reported values due to the transition 1 January 2018.

Cash and balances at central banks, Lending to credit institutions, Other assets together with Prepaid expenses and accrued income which were classified as Loan receivables and Account receivables according to IAS 39 have been reclassified as Amortised cost under IFRS 9. No changes have been made in reported values due to the reclassification at the transition 1 January 2018.

Lending to the public was classified as Loan receivables and Account receivables according to IAS 39 and have been reclassified as Amortised cost under IFRS 9. Changes in reported values have been made due to the reclassification and are shown in the table above. The effect in Lending to the public is shown through increased estimated credit reserves, see Note G18, also Current tax and Deferred tax asset together with Other provisions have been affected, see the table above.

Deposits and borrowing from the public, Other liabilites, Accrued expenses, Issued securities and Subordinated debt which were classified according to IAS 39 as Other financial liabilites have been reclassified at Amortised cost under IFRS 9. No changes have been made in reported values due to the reclassification at the transition 1 January 2018.

G3 RISK MANAGEMENT

The Group is exposed to a number of risks that are typical for companies within the industry that are of a similar size, with a corresponding product range and that operate within the same geographical markets. The Group generally has a low risk tolerance and employs a cautious approach concerning the risks that arise in its operations and prioritises identifying and preventing risk.

The Group's ability to manage risks and effectively maintain capital is crucial to its profitability. Various types of risks arise in the operations. The following main categories of risk have been identified and can be actualised in different ways for each company.

- Credit risks (including those attributable to the credit portfolio, liquidity and investment portfolio, credit-related concentration risks and counterparty risks)
- Market risks (interest rate risk, currency risk and other exchange risks)
- Liquidity risks
- Operational risks (including process risks, personnel risks, IT and systemic risks and external risks)
- Other business risks (including strategic risks, business risks, cyclical risks and reputational risks)
- Insurance risks (only relevant to the insurance operations).

Credit risks, liquidity risks and operational risks that arise within the framework of its banking operations are deemed to comprise the most significant risks for the Group. Insurance risk is the most significant risk in the insurance operations.

In order to balance the Group's risk exposure and to limit and control risks, the Group companies have produced policies in a 3-tiered hierarchy. External regulatory frameworks and policies comprise the basis for the Group's control environment and management of risks that arise in the operations. The policies also outline the delegation of authorities within specific areas of risk.

The board of each Group company stipulates the risk management policies. A person is appointed in each organisation to take responsibility for each policy who regularly reviews the policy, manages reporting and proposes necessary adjustments to it.

Guidelines comprising the level under policies are determined by the CEO or the person responsible for the specific risk area that the guidelines regulate in the specific Group company. These guidelines contain more detailed information about risk management in a specific risk area. At the operational level, company managers establish the procedures that apply for specific groups of employees. The procedures are more detailed in terms of the management of specific work duties in the daily operations.

The risk management framework is an integrated part of its operations and aligns the Group's strategic objectives with its risk management. The risk management framework includes the Group's functions, strategies, processes, procedures, policies, risk propensity, risk indicators, risk limits, risk mandates, and control and reporting procedures necessary for identifying, measuring, monitoring, managing and reporting risks.

Risk propensity, risk indicators and risk limits are regularly monitored and reported to the Board. The Board of each Group company has established a risk propensity for specific risks based on qualitative and quantitative valuations.

Risk propensity indicates the level of risk that the Group can accept in order to achieve its strategic objectives. These risk limits are well-defined boundaries that regulate the desired risk exposure and are applicable, for example, in defining levels within the various risk categories.

The Group has a standardised process for risk identification, risk assessment and risk reporting and has implemented this processes throughout the operations. The Group companies work actively on creating a high level of risk awareness and efficient risk management. Risk management is based on the view of three lines of defence where the combination of these lines will ensure efficient risk management in the day-to-day operations.

The first line of defence is at the operational level. Operational personnel have the best opportunity to identify, monitor and control specific risks arising in the day-to-day operations.

The second line of defence comprises the control function in each Group company, Compliance and Risk Control, which independently and autonomously controls the Group's operations and reports regularly, both in writing and verbally, to the respective CEO, board and certain board committees.

The third line of defence is an independent internal audit function. This function regularly examines the Group's operations, including activities in the first and second lines of defence, to evaluate that these lines of defence are adequately managed from a risk perspective. The internal audit function reports regularly to the Board, both in writing and verbally.

CREDIT RISK

Credit risk is the risk of a counterparty or debtor failing to fulfil its contractual obligations and the risk that pledged collateral does not cover claims. The Group's credit risks are attributable to the credit portfolio, investments and derivative instruments.

The Group's credit exposure primarily comprises credit risks that arise in connection with credit lending and entail the risk of incurring a loss due to borrowers' failure to meet their payment obligations for various reasons. Credit risk exposure also includes risks related to the concentration of the credit portfolio. Concentration risks are measured based on the level of exposure to individual counterparties/customers, industries and regions.

Credit risks in the credit portfolio

The Group is exposed to credit risks in the credit portfolio. Credit risks in the credit portfolio include the risk of borrowers failing to meet their payment obligations. Responsible credit lending is a prerequisite for well-functioning banking operations. The Group's credit lending is characterised by ambitious objectives and goals in terms of ethics, quality and control. Credit risks are to identify and assess borrowers' payment capacity before credits are granted. An internally developed risk classification tool is in place to assist with credit lending.

The borrower's anticipated repayment capacity is the crucial credit assessment component in every credit lending decision. The Group follows a policy, adopted by the Board, that specifies the framework for the operations' credit strategy, credit risk management, credit risk reporting and credit rules to be applied in credit assessment.

It is in the Group's interest that the Group's credit lending does not entail that the borrower takes unnecessary risk. Borrowers' short and long-term repayment capacity is determined based on their financial situation and resilience.

The Group endeavours to ensure a highly diversified credit portfolio with pricing based on risk exposure through a broad base of customers with relatively low exposure amounts per customer.

To maintain a highly diversified credit portfolio with a balanced risk profile and to strike a favourable balance between risk and return, the Group works actively on understanding borrowers' prerequisites and macroeconomic changes that could potentially impact the risk profile. The Group continuously monitors borrowers' repayment capacity. Risks are proactively managed by performing continuous analyses of the credit portfolio to ascertain whether it will be impacted by future macroeconomic changes. These analyses are used, for example, as supporting material for governance and management of the Group's banking operations.

Credit risks in investments

Credit risks in investments arise in the banking operations' liquidity portfolio that partly comprises a liquidity reserve that is to serve as a separate reserve for high quality liquid assets, and partly other liquidity that is not related to the liquidity reserve. The liquidity portfolio comprises bank balances and investments in interest-bearing securities. In the insurance operations, credit risks arise in the investment portfolio that comprises bank balances and investments in interest-bearing securities and investments in equities. To reduce credit risks in investments, the Group follows the established policies of each Group company which regulate, among other things, the type of investment and the limits applicable to each individual counterparty.

COUNTERPARTY RISKS

Credit risk exposure in financial instruments is named counterparty risk and refers to the risk that the counterparty will be unable to fulfil its contractual obligations or will choose not to fulfil its obligations in the future pursuant to the same or similar conditions. Since a large share of the banking operations' liabilities are in SEK and significant assets are denominated in NOK, EUR and DKK, counterparty risks arise when the Group hedges its currency exposures. The banking operations manage counterparty risk by signing agreements on derivative instruments with several different financial counterparties. Trading in derivative instruments in the banking operations is governed by ISDAs and the collateral by CSA agreements. Derivative instruments can be used in the insurance operations to manage risks in the investment portfolio. Derivative instruments in the insurance operations are used to a minor extent and trading is governed by ISDAs.

OPERATIONAL RISKS

Operational risks refer to the risk of loss due to incorrect or non-appropriate internal processes and procedures, human errors, incorrect systems or external events, including legal risks.

Operational risks include the following main categories of risk:
- Process risks, which arise due to process weaknesses, unclear distribution of responsibilities, shortcomings in internal control, etc.
- Personnel risks, which arise on, for example, changes in personnel; weaknesses in project management, corporate culture and communication; errors by personnel; risks attributable to remuneration systems, etc.
- IT/systemic risks, which arise due to shortcomings in IT systems, inadequate systems support, etc.
- External risks, which arise in the event of criminal actions, shortcomings among suppliers, disasters, etc.
- Legal risks, which arise, for example, when an agreement is not fully or partially enforceable, lawsuits, adverse judgements or other legal processes that disrupt or adversely impact the business. Legal risks also include compliance risk, which arises as a result of failure to comply with laws, rules, regulations, agreements, prescribed practices and ethical standards, and which can lead to current or future risks as regards earnings and capital.

Security risks are included in operational risks and refer to the risk of inadequate or incorrect internal processes or external events, including cyber attacks or in sufficient physical security, that can negatively affect the availability, integrity and confidentiality of information and communication systems or the information used to provide services.

The Group manages operational risks, for example, by applying a risk management framework that includes measures for risk identification, assessment, training, control and reporting operational risks. Focus is on managing significant risks by analysing and documenting processes and procedures and by applying risk-mitigating measures.

The Group's processes have been mapped with controls to ensure that identified risks are managed and monitored effectively. The Group has a procedure for approving new or significant changes in existing products/services, markets, processes or other major changes in the business operations. The procedure is aimed at enabling the Group to effectively and efficiently manage risks that may arise in connection with, for example, new or significantly changed products or services.

CREDIT RISK EXPOSURE, GROSS AND NET

	31/12/2018				31/12/2017			
	Credit risk exposure, gross	Provision	Value of collateral	Credit risk exposure, net	Credit risk exposure, gross	Provision	Value of collateral	Credit risk exposure, net
Cash and balances at central banks								
AAA/Aaa	63,215			63,215	61,539			61,539
Total cash and balances at central banks	63,215	0	0	63,215	61,539	0	0	61,539
Treasury and other bills eligible for refinancing								
AAA/Aaa	401,034			401,034	363,611			363,611
AA+/Aa1	477,524			477,524	348,613			348,613
Total treasury and other bills eligible for refinancing	878,558	0	0	878,558	712,224	0	0	712,224
Lending to credit institutions								
AA+/Aa1	26,701			26,701	24,615			24,615
AA-/Aa3	1,409,069			1,409,069	1,042,592			1,042,592
A+/A1	1,297,850			1,297,850	753,587			753,587
A/A2	831,634			831,634	615,169			615,169
unrated [1)]	104,861			104,861	188,090			188,090
Total lending to credit institutions	3,670,115	0	0	3,670,115	2,624,053	0	0	2,624,053
Lending to the public								
Lending to the public - retail	30,139,006	-2,551,266		27,587,740	25,617,746	-1,891,104		23,726,642
Lending to the public - corporates	405,607	-36,771	-144,097	224,739	371,258	-28,622	-110,401	232,235
Total lending to the public	30,544,613	-2,588,037	-144,097	27,812,479	25,989,004	-1,919,726	-110,401	23,958,877
Bonds								
AAA/Aaa	869,656			869,656	848,858			848,858
A-/A3	100,043			100,043				0
Total Bonds	969,699	0	0	969,699	848,858	0	0	848,858
Other interest-bearing securities								
Fixed income funds				0	608,096			608,096
Total other interest-bearing securities	0	0	0	0	608,096	0	0	608,096
Derivatives								
AA-/Aa3	90,418			90,418	21,468			21,468
A/A2	99,757			99,757	19,506			19,506
Total derivatives	190,175	0	0	190,175	40,974	0	0	40,974
Total credit risk exposure in the balance sheet	36,316,375	-2,588,037	-144,097	33,584,241	30,884,748	-1,919,726	-110,401	28,854,621
Commitments								
Unutilised credit facilities granted [2)]	27,533,519			27,533,519	26,348,967			26,348,967
Total credit risk exposure	63,849,894	-2,588,037	-144,097	61,117,760	57,233,715	-1,919,726	-110,401	55,203,588

Rating by S&P and Moodys. In the event credit ratings differ, the lowest is used.

[1)] The item Lending to credit institutions - unrated, is comprised of lending to a number of banks.The Group also runs a deposit co-operative with Avanza Bank, a bank listed on Nasdaq Stockholm; the SEK 105 million (30) of liquidity produced there from is invested to manage daily flows arising from the deposit co-operative.

[2)] All granted but unutilised credit facilitities are terminable to the extent permitted under the Swedish Consumer Credit Act.

CREDIT QUALITY, LOAN AND LEASE RECEIVABLES

31/12/2018	Credit risk exposure, gross	Provision
Lending to the public, retail customers		
Receivables not due		
Stage 1	22,198,221	-165,419
Stage 2	3,326,966	-312,054
Past due receivables		
Satge 3	4,613,818	-2,073,792
Total lending to the public, retail customers	30,139,005	-2,551,265
Lending to the public, corporate customers		
Receivables not due		
Stage 1	312,931	-2,428
Stage 2	50,724	-345
Past due receivables		
Satge 3	41,952	-33,998
Total lending to the public, corporate customers	405,607	-36,771
Total lending to the public	30,544,612	-2,588,036

Assessments of the credit quality of consumer loans that are non-performing was previously performed based on internal PD-models and classification into low/medium or high risk followed the definitions in the bank's credit strategy. Comparative figures for 31 December 2018 are instead based on theIFRS 9 structure and the three stages in which a credit is categorised.

The Group assesses the credit quality of lease receivables and lending to the public, corporate customers, on the basis of the individual borrower's ability to pay.

To safeguard the Group's credit quality, the Group continuously monitors and reports on corporate credit lending commitments in accordance with specific guidelines.

In collaboration with established credit rating agencies, the Group regularly tracks the situation of individual credit commitments in order to monitor customers' repayment capacity.

31/12/2017	Credit risk exposure, gross	Provision
Lending to the public, retail customers		
Receivables not due		
Low to medium credit risk	19,425,063	
High risk [1)]	1,560,265	-135,254
Past due receivables		
Receivables past due 60 days or less	1,092,315	
Receivables past due > 60-90 days	411,553	-79,167
Receivables past due > 90 days	3,128,550	-1,676,683
Total lending to the public, retail customers	25,617,746	-1,891,104
[1)] of which, doubtful receivables	*206,542*	*-135,254*
Lending to the public, corporate customers		
Low to medium credit risk	330,232	
High credit risk	41,026	-28,622
Total lending to the public, corporate customers	371,258	-28,622
Total lending to the public	25,989,004	-1,919,726

Assessments of the credit quality of consumer loans that are not overdue was previously performed based on a model founded on the borrower's credit status according to credit-rating agencies. In 2017, assessments were carried out based on internal PD models and classification into low/medium or high risk followed the definitions in the bank's credit strategy. Comparative figures for 31 December 2016 have not been restated according to the new model.

The Group classifies past due receivables of less than 60 days as medium risk and past due receivables of 60 days or more as high risk.

Doubtful receivables refers to receivables that are subject to adjusted payment conditions, receivables from customers who have been granted statutory debt restructuring, and receivables from estates of deceased persons.

The Group assesses the credit quality of lease receivables and loans to corporate customers on the basis of the individual borrower's ability to pay.

To safeguard the Group's credit quality, the Group continuously monitors and reports on corporate credit lending commitments in accordance with specific guidelines. In collaboration with established credit reporting agencies, the Group regularly tracks the situation of individual credit commitments in order to monitor customers' ability to repay.

MARKET RISKS

Market risks in the financial operations primarily comprise interest rate risk, currency risk and share price risk. The Board adopts policies that control these risk, for example, by setting limits that restrict risk levels. No positions are held in the trading book.

Risks attributable to foreign exchange-rates arise on the differences between assets and liabilities in different currencies. Interest rate risks arise on the difference between interest-rate terms for assets and liabilities.

Interest rate risk

Interest rate risk is primarily defined as a risk of incurring expenses, meaning the risk that the Group's net interest income will decrease due to disadvantageous market interest rates. Interest rate risk normally arises as a result of companies having different maturities or fixed interest terms for their assets and liabilities. Interest rate risk increases if the terms for assets deviate from the terms for liabilities. Interest rate risk mainly affects companies in the form of gradual changes in net interest income, which can thus affect operating income and both short and long-term capital ratios.

Interest rate risk pertains to changes in interest rates and the structure of the interest rate curve. Most of the Group's interest rate risks are structural and arise within the Group's banking operations where fixed interest terms for assets and liabilities do not always coincide.

The Group endeavours to ensure sound matching between fixed and variable interest rates in its statement of financial position, and can relatively quickly mitigate interest rate rises by changing the terms of new loans.

Overall interest rate risk is deemed to be limited. This given the relatively high credit turnover rate and the fact that interest rates can be adjusted within two months according to credit agreements and applicable consumer credit legislation in several markets. Most lending and deposits take place at variable interest rates. Interest swap agreements may also be signed to limit interest rate risk. The Treasury Department continually measures, checks and manages interest rate risk on interest-bearing assets and liabilities by applying a variety of models and the Board has established limits for maximum interest rate risk.

In a calculation of a one (1) percentage-point change in the market interest rate, net interest income for the next 12 months would increase/decrease by SEK 44 million (47), based on interest-bearing assets and liabilities on the closing date. A one (1) percentage-point parallel shift in the yield curve and by applying the discounted future cash flow, interest rate risk on equity on the closing date was +/- SEK 5 million (9).

The financing via deposits at variable interest rates has a contractual and theoretical very short fixed interest term of only one day. When calculating interest rate risk, this means that interest rate risk will be higher than if it is assumed that the fixed interest term of deposits would be longer. The pattern, unlike the contractual, has historically been significantly longer than one day.

In legal terms, the Group's interest rate risk associated with lending is limited since the majority of the interest rate terms are variable. In reality, however, it is not as easy for market reasons to fully offset a change in interest rates, and this may have an impact on net interest income, depending on the active position. Higher interest expenses can be countered promptly by amending the terms for new lending. In view of the relatively high credit turnover rate, overall interest rate risk is deemed limited. Most borrowers in the Payment Solutions segment are also able to switch between various partial payment options during the credit period.

FIXED INTEREST

31/12/2018	Less than 1 month	1-3 months	3-12 months	More than 1 year	Interest-free	Total
Assets						
Cash and balances at central banks	63,215					63,215
Treasury and other bills eligible for refinancing	174,752	654,833	24,337	24,636		878,558
Lending to credit institutions	3,670,115					3,670,115
Lending to the public	27,116,865	77,890	256,004	505,817		27,956,576
Bonds and other interest-bearing securities	251,837	675,648		42,214		969,699
Intangible assets					1,945,773	1,945,773
Property, plant & equipment					51,326	51,326
Other assets					584,657	584,657
Total assets	31,276,784	1,408,371	280,341	572,667	2,581,756	36,119,919
Liabilities						
Liabilities to credit institutions	149,900					149,900
Deposits and borrowing from the public	19,382,823	224,465	1,096,719	229,800		20,933,807
Other liabilities					1,019,112	1,019,112
Issued securities	3,476,521	4,355,665				7,832,186
Subordinated debt	498,171					498,171
Equity					5,686,743	5,686,743
Total liabilities	23,507,415	4,580,130	1,096,719	229,800	6,705,855	36,119,919
Interest derivatives, variable interest received						0
Interest derivatives, fixed interest paid						0
Difference, assets and liabilities	*7,769,369*	*-3,171,759*	*-816,378*	*342,867*	*-4,124,099*	0

31/12/2017	Less than 1 month	1-3 months	3-12 months	More than 1 year	Interest-free	Total
Assets						
Cash and balances at central banks	61,539					61,539
Treasury and other bills eligible for refinancing	77,591	586,499		48,134		712,224
Lending to credit institutions	2,624,053					2,624,053
Lending to the public	22,862,859	100,044	341,170	765,205		24,069,278
Bonds and other interest-bearing securities	152,218	1,304,736				1,456,954
Intangible assets					1,846,399	1,846,399
Property, plant & equipment					39,625	39,625
Other assets					154,336	154,336
Total assets	25,778,260	1,991,279	341,170	813,339	2,040,360	30,964,408
Liabilities						
Deposits and borrowing from the public	16,402,902	285,985	930,948	527,140		18,146,975
Other liabilities					1,116,628	1,116,628
Issued securities	2,650,032	2,947,239				5,597,271
Subordinated debt	500,000	40,044				540,044
Equity					5,563,490	5,563,490
Total liabilities	19,552,934	3,273,268	930,948	527,140	6,680,118	30,964,408
Interest derivatives, variable interest received						0
Interest derivatives, fixed interest paid						0
Difference, assets and liabilities	*6,225,326*	*-1,281,989*	*-589,778*	*286,199*	*-4,639,758*	0

CURRENCY RISK

Exchange-rate risk is the risk that the value of assets and liabilities, including derivatives, may vary due to exchange rate fluctuations or other relevant risk factors.

Currency risk arises when the value of assets and liabilities in foreign currency translated to SEK change because exchange rates fluctuate. The main currencies for the operations are: SEK, NOK, DKK and EUR.

The vast majority of the Group's exchange-rate risk is of a strategic and structural nature. The Group's exposure to currency risks that impact earnings is managed continuously.

So as to minimise exchange-rate risk, efforts are made to match assets and liabilities in the respective currencies as far as possible, and part of earnings in currencies other than SEK are exchanged on a regular basis. The Treasury Department manages the currency exposures arising in the banking operations by using currency hedges to reduce the net value of assets and liabilities (including derivatives) in one single currency. Derivatives in the banking operations are regulated via ISDA and CSA agreements.

The Group hedged the net investment in yA Bank AS before the operation was merged. The hedged item comprises the sum of the subsidiary's equity at the acquisition date, other contributions after the acquisition and deductions for dividends paid. The Group applies hedge accounting for this net investment. Exchange-rate differences attributable to currency hedges of investments in foreign subsidiaries are recognised in "Other comprehensive income." Transactions in foreign branch offices are translated to SEK using the average exchange-rate during the period in which the income and expenses have occurred.

Exchange-rate gains and losses arising on settlement of these transactions and from translation of foreign currency assets and liabilities using the closing rate are recognised through profit or loss.

CURRENCY EXPOSURE

31/12/2018	DKK	EUR	NOK	Other	Total
Foreign currency assets, presented in SEK thousand					
Cash and balances with central banks			63,215		63,215
Treasury and other bills eligible for refinancing	24,337	24,636	173,571		222,544
Lending to credit institutions	61,154	119,564	841,478	2,495	1,024,691
Lending to the public	3,507,362	2,775,132	8,857,731		15,140,225
Bonds and other interest-bearing securities		42,214	86,939		129,153
Shares and participations			1,002		1,002
Intangible assets		20	1,114,158		1,114,178
Property, plant & equipment	188	3,655	4,433		8,276
Other assets	96,406	20,357	198,465		315,228
Total assets	3,689,447	2,985,578	11,340,992	2,495	18,018,512
Foreign currency liabilities, presented in SEK thousand					
Deposits from the public	4,354	393,388	6,401,690		6,799,432
Other liabilities	52,630	85,996	301,503		440,129
Other provisions	1,487	1,076	11,672		14,235
Issued securities			988,564		988,564
Total liabilities	58,471	480,460	7,703,429	0	8,242,360
Net assets	3,630,976	2,505,118	3,637,563	2,495	
Nominal amount, currency hedges	-3,625,760	-2,496,898	-2,607,353		
Difference between assets and liabilities incl. nominal amount of currency hedges	5,216	8,220	1,030,210	2,495	
Sensitivity analysis					
Total financial assets	3,653,423	2,971,962	10,139,922	2,495	
Total financial liabilities	-56,007	-458,275	-7,540,894		
Nominal amount, currency hedges	-3,625,760	-2,496,898	-2,607,353		
Total	-28,344	16,789	-8,325	2,495	
Exchange-rate fluctuation, 5% on comprehensive income of the year before tax	-1,417	839	-416	125	

CURRENCY EXPOSURE

31/12/2017	DKK	EUR	NOK	Other	Total
Foreign currency assets, presented in SEK thousand					
Cash and balances with central banks			61,539		61,539
Treasury and other bills eligible for refinancing	24,401	23,733	24,046		72,180
Lending to credit institutions	20,783	67,252	704,516	3,697	796,248
Lending to the public	3,015,506	2,206,332	7,850,425		13,072,263
Bonds and other interest-bearing securities			608,096		608,096
Shares and participations			979		979
Intangible assets		137	1,136,986		1,137,123
Property, plant & equipment	311	2,901	5,486		8,698
Other assets	13,709	4,955	17,187		35,851
Total assets	3,074,710	2,305,310	10,409,260	3,697	15,792,977
Foreign currency liabilities, presented in SEK thousand					
Deposits from the public	6,016	2,626	5,359,300		5,367,942
Other liabilities	55,680	92,120	224,701	2,132	374,633
Other provisions			5,122		5,122
Issued securities			950,768		950,768
Subordinated loans			40,044		40,044
Total liabilities	61,696	94,746	6,579,935	2,132	6,738,509
Net assets	3,013,014	2,210,564	3,829,325	1,565	
Nominal amount, currency hedges	-3,009,598	-2,214,213	-2,329,024		
Difference between assets and liabilities incl. nominal amount of currency hedges	3,416	-3,649	1,500,301	1,565	
Sensitivity analysis					
Total financial assets	3,066,411	2,300,775	9,258,017	3,697	
Total financial liabilities	-59,898	-63,921	-6,465,969		
Nominal amount, currency hedges	-3,009,598	-2,214,213	-2,329,024		
Total	-3,085	22,641	463,024	3,697	
Exchange-rate fluctuation, 5% on comprehensive income of the year before tax	-154	1,132	23,151	185	

FUNDING - 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.

Work on diversifying financing remained in focus during the year. Currency hedges are used to manage the currency risk associated with lending in currencies other than the currencies found in the financing operations. These derivatives are covered and regulated by ISDA and CSA agreements established with numerous counterparties.

The main type of financing is deposits from the public.This form of financing has been offered to customers in Sweden and Norway for several years. Deposits to customers in Germany have also been offered since the end of 2018. Deposits, which are analysed on a regular basis, totalled SEK 20,773 million (18,147), whereof in Sweden SEK 14,056 million (12,817), in Norway SEK 6,337 million (5,330) and in Germany SEK 381 million (0). The lending to the public/deposits from the public ratio for the consolidated situation is 135 per cent (133 per cent).

Deposit products are covered by the deposit insurance scheme, the purpose of which is to strengthen the protection of deposits received from the public and contribute to the stability of the financial system. The state deposit insurance scheme in Sweden totals SEK 950,000 per person and institution, with the option of applying to extend this amount under certain circumstances. The deposits offered to customers in Germany are covered by the Swedish deposit insurance scheme. In Norway, the state deposit insurance totals NOK 2,000,000 per person. The majority of deposits from the public are covered by the state deposit insurance scheme.

Resurs Bank has a funding programme for issuing bonds, the programme amounts to SEK 8,000 million (5,000). 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 ten outstanding issues at a nominal amount of SEK 4,250 million (2,850) and NOK 400 million (400).

Of the ten issues, nine are senior unsecured bonds and one issue is a subordinated loan of SEK 300 million (300). Resurs Bank has, outside the programme, issued NOK 600 million (600) in senior unsecured bonds and issued subordinated loan of SEK 200 million (200).

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. In January 2018 the financing expanded and at 31 december 2018 a total of appoximately SEK 3.7 billion in loan receivables had been transferred to Resurs Consumer Loans. The acquisition of loan receivables by Resurs Consumer Loans was financed by an international financial institution. 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. Resurs Bank and Resurs Consumer Loans have provided security for the assets that form part of the securitisation. At the balance sheet date, the external financing amounted to SEK 2.9 billion (2.1) of the ABS financing. Resurs Bank has the right to amortise (reduce) the funding every month. Since the bank has this option, collateral is linked to the securitisation that pays a central role in the monthly interest payments.

A Net Stable Funding Ratio (NSFR) has been discussed for some time. The aim is to show that there is a sufficient percentage of stable financing in relation to long-term assets, as shown by a ratio of more than 100 per cent. The ratio is regulated in the EU Capital Requirements Regulation (CRR), although calculation methods have not yet been fully established. Based on an interpretation of the Basel Committee's recommendations and work with advisory consults, internal models have been produced to regularly follow and monitor the company's own estimate of the NSFR. It has been assessed that the ratio exceeds 100 per cent. It is not yet definitively known when a quantitative NSFR requirement will be established.

Liquidity risks – consolidated situation

Liquidity risk is the risk that the Group will be unable to discharge its payment obligations on the due date without borrowing at highly unfavourable rates. The consolidated situation, comprised of the Parent Company Resurs Holding AB and the Resurs Bank AB Group, 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. This plan includes risk indicators that could trigger the contingency plan and action plans to strengthen liquidity. The Group's liquidity risk is controlled and audited by independent functions.

There must always be liquid assets that can be used immediately to manage daily cash flows arising in the business. There must also be preparedness for uneven cash flows, which can be handled by means of a quick redistribution of liquidity or disposal of investments. There must be preparedness for a rapid strengthening of liquidity through various actions.

The banking operations prepare a funding and liquidity plan whenever required, at least once annually. Stress tests are carried out regularly to ensure that liquidity is in place for circumstances that deviate from normal conditions. One recurring stress test evaluates significant outflows of deposits from the public. Stress scenarios combining a variety of events and circumstances are implemented on a regular basis. Examples of combined events are disruptions in the capital market and deterioration in customers' repayment behaviour.

Management and control of liquidity risk is centralised and the Treasury Department is responsible for continuously monitoring, analysing, forecasting, managing and reporting liquidity risks. The department is led by the Head of Treasury, who in turn organisationally reports to the CFO. Monthly reports that include information on the financial situation, liquidity forecast and risk measures are submitted to the Treasury Committee. Policies adopted by the Board are continuously monitored, while the Treasury Committee may also establish requirements that must be followed. Regular reports are also submitted to the Board. Investments must be of a high credit and liquidity quality and consideration is continuously given to maintaining a sufficient amount of liquid assets.

The banking operations prepare a funding and liquidity plan whenever required, at least once annually. Stress tests are carried out regularly to ensure that liquidity is in place for circumstances that deviate from normal conditions. One recurring stress test evaluates significant outflows of deposits from the public. Stress scenarios combining a variety of events and circumstances are implemented on a regular basis. Examples of combined events are disruptions in the capital market and deterioration in customers' repayment behaviour.

LIQUIDITY EXPOSURE, UNDISCOUNTED CASH FLOWS

31/12/2018	Payable on demand	<3 months	3-12 months	1-5 years	> 5 years	No duration	Total
Financial assets							
Cash and balances at central banks	63,215						63,215
Treasury and other bills eligible for refinancing		185,930	27,199	628,020	46,667		887,816
Lending to credit institutions	3,416,931	57,557	90,000	75,644		29,982	3,670,115
Lending to the public		4,178,366	6,453,403	17,420,866	10,695,858	3,290,346	42,038,839
Bonds and other interest-bearing securities		100,948	103,349	769,196			973,493
Shares and participations						1,002	1,002
Other financial assets		212,800	12,900				225,700
Total	3,480,146	4,735,601	6,686,852	18,893,726	10,742,525	3,321,330	47,860,180
Financial liabilities							
Liabilities to credit institutions			149,900				149,900
Deposits and borrowing from the public [1]	19,381,100	226,486	1,105,095	233,399			20,946,080
Issued securities		17,724	1,608,323	5,097,074	1,220,596		7,943,717
Subordinated debt		4,621	14,181	256,986	338,791		614,578
Other financial liabilities		647,718	79,878				727,596
Total	19,381,100	896,549	2,957,377	5,587,459	1,559,387	0	30,381,872
Net assets	-15,900,954	3,839,052	3,729,475	13,306,267	9,183,137	3,321,330	17,478,309
Derivatives, received		6,037,479	2,870,459				8,907,938
Derivatives, paid		-5,904,770	-2,825,298				-8,730,068
Difference per time interval 2)	*-15,900,954*	*3,971,761*	*3,774,636*	*13,306,267*	*9,183,137*	*3,321,330*	*17,656,178*

Cash flow for securities is calculated based on the coupon rate for each security at that point of time.
Interest attributable to Deposits from the public with variable interest rates are not reflected in the above tables.
[1] Interest attributable to Deposits from the public with fixed interest rates is capitalised annually; in the model, however, it is deemed paid in full at maturity.
[2] Amounts payable on demand amounted to SEK -15,901 million. Contractual and expected terms are deemed to deviate for deposits from the public of SEK 19,381 million. The pattern, unlike the contractual terms, has historically been significantly lower than one day.

31/12/2017	Payable on demand	<3 months	3-12 months	1-5 years	> 5 years	No duration	Total
Financial assets							
Cash and balances at central banks	61,539						61,539
Treasury and other bills eligible for refinancing		75,197	151,536	483,122			709,855
Lending to credit institutions	2,349,558	39,855	150,900	55,386		28,354	2,624,053
Lending to the public		3,601,116	5,695,856	14,633,725	8,405,950	3,187,637	35,524,284
Bonds and other interest-bearing securities		174	200,523	642,081		608,096	1,450,874
Shares and participations						979	979
Other financial assets		45,287	7,811				53,098
Total	2,411,097	3,761,629	6,206,626	15,814,314	8,405,950	3,825,066	40,424,682
Financial liabilities							
Deposits and borrowing from the public [1]	16,402,902	286,274	939,545	536,233			18,164,954
Issued securities		11,823	662,787	4,349,992	665,676		5,690,278
Subordinated debt		4,999	55,747	555,693			616,439
Other financial liabilities		577,100	77,912				655,012
Total	16,402,902	880,196	1,735,991	5,441,918	665,676	0	25,126,683
Net assets	-13,991,805	2,881,433	4,470,635	10,372,396	7,740,274	3,825,066	15,297,999
Derivatives, received		3,936,964	3,427,431	127,250			7,491,645
Derivatives, paid		-3,991,932	-3,430,086	-132,378			-7,554,396
Difference per time interval [2]	*-13,991,805*	*2,826,465*	*4,467,980*	*10,367,268*	*7,740,274*	*3,825,066*	*15,235,248*

Cash flow for securities is calculated based on the coupon rate for each security at that point of time.
Interest attributable to Deposits from the public with variable interest rates are not reflected in the above tables.
[1] Interest attributable to Deposits from the public with fixed interest rates is capitalised annually; in the model, however, it is deemed paid in full at maturity.
[2] Amounts payable on demand amounted to SEK -13,992 million. Contractual and expected terms are deemed to deviate for deposits from the public of SEK 16,403 million. The pattern, unlike the contractual terms, has historically been significantly lower than one day.

LIQUIDITY AND LIQUIDITY RESERVE - CONSOLIDATED SITUATION

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

There are also other liquidity requirements regulating and controlling the business. The liquidity reserve, totalling SEK 1,899 million (1,744), 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 3,688 million (3,113) for the consolidated situation.

Total liquidity amounted SEK 5,588 million (4,857). Total liquidity corresponded to 27 per cent (27 per cent) of deposits from the public. The Group also has unutilised credit facilities of SEK 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. As at 31 December 2018, the ratio for the consolidated situation is 146 per cent (201 per cent).For the period January to December 2018, the average LCR measures 200 per cent for the consolidated situation.

LIQUIDITY RESERVE

	31/12/2018	31/12/2017
Liquidity reserve as per FFFS 2010:7 definition		
Securities issued by sovereigns	49,117	48,268
Securities issued by municipalities	729,974	664,222
Lending to credit institutions	250,000	183,000
Bonds and other interest-bearing securities	870,196	848,957
Total liquidity reserve as per FFFS 2010:7	1,899,287	1,744,447
Other liquidity portfolio		
Cash and balances at central banks	63,215	61,539
Securities issued by municipalities	100,033	
Lending to credit institutions	3,425,045	2,443,075
Bonds and other interest-bearing securities	100,043	608,096
Total other liquidity portfolio	3,688,336	3,112,710
Total other liquidity portfolio	5,587,623	4,857,157
Other liquidity-creating measures		
Unutilised credit facilities	51,225	50,055

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.
Valuations of interest-bearing securities in the above table are measured at market value and accrued interest.

LIQUIDITY COVERAGE RATIO (LCR) - LIQUID ASSETS

	31/12/2018	31/12/2017
Liquid assets, level 1	1,030,930	1,215,651
Liquid assets, level 2	572,680	649,904
Total liquid assets	1,603,610	1,865,555
LCR measure	146%	201%

Level 1 is comprised of high-quality assets and level 2 of extremely high-quality assets according to the Liquidity Coverage Ratio regulation.
Liquidity reporting refers to the consolidated situation rather than the Group. The consolidated situation includes Resurs Holding AB and Resurs Bank Group.

G4 CAPITAL ADEQUACY - CONSOLIDATED SITUATION

Capital adequacy

Capital adequacy regulation is the legislator's requirement for how much capital, known as the capital base, a credit institution must have in relation to the level of risks the institution takes. 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 (SFSA) 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 regulatory consolidation (known as "consolidated situation") comprises the Resurs Bank AB Group and its Parent Company Resurs Holding AB. See note G1 for further information.

The combined buffer requirement for the consolidated situation comprises a capital conservation buffer requirement and a countercyclical capital buffer requirement. The capital conservation buffer requirement amounts to 2.5 per cent of the risk-weighted assets. The countercyclical capital buffer requirement is weighted according to geographical requirements, which amounts to 2 per cent of the risk-weighted assets for Swedish and Norwegian exposures of the risk-weighted assets. The countercyclical capital buffer requirements will increase to 2.5 per cent for Swedish exposures from 19 September 2019 and for Norwegian exposures from 31 december 2019. The Group currently does not need to take into account a buffer requirement for its other business areas in Denmark and Finland. However, a Danish countercyclical capital buffer requirement of 0.5 per cent will apply from 31 March 2019 and it will increase to 1 per cent from 30 September 2019.

The Board's guidelines specify that the consolidated situation must maintain a capital base that, by a sound margin, covers statutory minimum capital requirements and the capital requirements calculated for other risks identified in the operations according to the internal capital adequacy assessment process (ICAAP).

The ongoing review of the internal capital adequacy assessment process is an integral part of the Group's risk management. The internal capital adequacy assessment process is performed annually and the internally assessed capital requirement is updated quarterly based on established models. The Group's capital target is to achieve a Total capital ratio and Common Equity Tier 1 ratio exceeding 14% and 11.5%, respectively. Capital targets can be seen as an overall risk propensity. Information about risk management in the Group can be found in Note G3 Risk management.

Capital base

The capital base is the total of Tier 1 capital and Tier 2 capital less deductions in accordance with the Capital Requirements Regulation 575/2013 EU (CRR). Deductions made by the consolidated situation are presented in the table below and deducted from Common Equity Tier 1 capital.

Common Equity Tier 1 capital

Common Equity Tier 1 capital comprises share capital, paid-in capital, retained earnings and other reserves of the companies included in the consolidated situation. Profit for the year may only be included after approval by the SFSA.

Tier 1 capital

Tier 1 capital comprises Common Equity Tier 1 capital and other Tier 1 capital. The consolidated situation does not currently have any Additional Tier 1 instruments, which means that Common Equity Tier 1 capital is equal to Tier 1 capital.

Tier 2 capital

Tier 2 capital comprises dated or perpetual subordinated loans. When the remaining maturity of a subordinated loan is less than 5 years, it is no longer included as Tier 2 capital in the capital ratio calulcations. Tier 2 capital is subordinate to the bank's deposits from the public and liabilities to non-preferential creditors. In the event of default or bankruptcy, subordinated loans are repaid after other liabilities. See note G34 Subordinated debt, for further information.

Capital requirement

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 credit valuation adjustment risk is also calculated according to the standardised method and is applied to calculate the counterparty risk arising when the consolidated situation hedges currency exposures by using derivative instruments. The basic indicator method is used to calculate the capital requirement for operational risk. Under this method, the capital requirement for operational risks is 15 per cent of the income indicator (meaning average operating income for the past three years). Three different credit rating companies are used to calculate the bank's capital base requirement for bonds and other interest-bearing securities. These are: Standard & Poor's, Moodys and Fitch.

Transition rules IFRS 9

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 category 1 and category 2. The proportion of the phase-in amount for respectively year is as follows:
2018: 95 %, 2019: 85 %,
2020: 70 %, 2021: 50 %,
2022: 25 %

CAPITAL BASE

	31/12/2018	31/12/2017
Tier 1 capital		
Equity, Group	4,582,077	4,527,242
Profit for the year, Group	1,104,666	1,036,248
Foreseeable dividend	-390,000	-360,000
Additional/deducted equity in the consolidated situation	85,240	64,924
Additional/deducted net profit in the consolidated situation	163,223	20,315
Equity, consolidated situation (adjusted for foreseeable dividend)	5,545,206	5,288,729
Adjustments according to transition rules IFRS 9:		
Initial revaluation effect, net 95 %	321,804	
Dynamic effect category 1 and 2, net 95 %		
Less:		
Additional value adjustments	-2,039	-2,211
Intangible assets	-1,945,773	-1,846,399
Deffered tax asset [1)]		-8,171
Shares in subsidiaries	-120	-100
Total Common Equity Tier 1 capital	3,919,078	3,431,848
Total Tier 1 capital	3,919,078	3,431,848
Tier 2 capital		
Dated subordinated loans	362,227	473,231
Total Tier 2 capital	362,227	473,231
Total capital base	4,281,305	3,905,079

[1)] The asset is included in riskweighted exposure amount with 250 per cent from 31 December 2018 .

CAPITAL REQUIREMENT

	31/12/2018		31/12/2017	
	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement
Credit risks				
Exposures to central governments or central banks				
Exposures to regional governments of local authorities				
Exposures to public sector entities				
Exposures to multilateral development banks				
Exposures to international organisations				
Exposures to institutions	748,532	59,883	146,633	11,731
Exposures to corporates	366,130	29,290	346,486	27,719
Retail exposures	19,027,139	1,522,171	16,446,397	1,315,712
Exposures secured by property mortgates				
Exposures in default	2,666,279	213,302	1,806,015	144,481
Exposures with particularly high risk				
Exposures in the form of covered bonds	86,879	6,950	84,801	6,784
Items related to securitisation positions				
Exposures to institutions and companies with short-term credit ratings	99,943	7,995	373,659	29,893
Exposures in the form of units or shares in collective instrument undertakings (funds)			65,265	5,221
Equity exposures	80,001	6,400	79,978	6,398
Other items	545,212	43,618	243,081	19,446
Total credit risk	23,620,115	1,889,609	19,592,315	1,567,385
Credit valuation adjustment risk	45,050	3,604	4,948	396
Market risk				
Currency risk	0	0	472,850	37,828
Operational risk	5,552,748	444,220	5,096,823	407,746
Total riskweighted exposure and total capital requirement	29,217,913	2,337,433	25,166,936	2,013,355

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

In addition to the treatment of Pillar 1 risks above, 1.0 % (1.68) of the consolidated situation's risk-weighted assets are allocated for Pillar 2 requirements as at 31 December 2018.

CAPITAL RATIO AND CAPITAL BUFFERS

	31/12/2018	31/12/2017
Common Equity Tier 1 capital ratio, %	13.4	13.6
Tier 1 ratio, %	13.4	13.6
Total capital ratio, %	14.7	15.5
Common Equity Tier 1 capital requirement incl. buffer requirement, %	8.6	8.6
- of which, capital conservation buffer requirement, %	2.5	2.5
- of which, countercyclical buffer requirement, % *	1.6	1.6
Common Equity Tier 1 capital available for use as buffer, %	6.7	7.5

*Geographical allocation of the countercyclical buffer requirement

	31/12/2018			31/12/2017		
	Credit risk exposure	Countercyclical buffer requirement	Weighted countercyclical buffer requirement	Credit risk exposure	Countercyclical buffer requirement	Weighted countercyclical buffer requirement
Sweden	10,795,867	2.0%	0.9%	9,626,410	2.0%	1.0%
Norway	7,016,402	2.0%	0.6%	5,957,214	2.0%	0.6%
Finland	2,271,143	0.0%	0.0%	1,586,592	0.0%	0.0%
Denmark	2,788,172	0.0%	0.0%	2,275,466	0.0%	0.0%
Total[1]	22,871,584		1.5%	19,445,682		1.6%

[1] The calculation exclude the exposures towards institute according to the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers (FFFS 2014:12).

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 consolidated situation's total assets including items that are not recognised in the balance sheet and is calculated by the Tier 1 capital as a percentage of the total exposure measure. The consolidated situation currently has a requirement to the Swedish Financial Supervisory Authority but no decision has yet been made regarding a quantitative requirement for the level of the leverage ratio. A quantitative requirement of 3 per cent is expected to be adopted.

	31/12/2018	31/12/2017
Tier 1 capital	3,919,078	3,431,848
Leverage ratio exposure	37,406,727	31,916,576
Leverage ratio, %	10.5	10.8

G5 SEGMENT REPORTING

The Group CEO 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 Group CEO assesses the performance of Payment Solutions and Consumer Loans. The Group CEO evaluates segment development based on net operating income less credit losses.

Segment reporting is based on the same principles as those used for the consolidated financial statements.

2018	Payment Solutions	Consumer Loans	Total Group
Interest income	1,121,384	1,935,502	3,056,886
Interest expense	-107,507	-223,725	-331,232
Fee & commission income	325,477	119,331	444,808
Fee & commission expense	-57,090		-57,090
Net income/expense from financial transactions	-21,179	-19,689	-40,868
Other operating income	165,775	54,941	220,716
Total operating income	1,426,860	1,866,360	3,293,220
of which, internal			*0*
Credit losses, net	-186,442	-349,112	-535,554
Operating income less credit losses	1,240,418	1,517,248	2,757,666

2017	Payment Solutions	Consumer Loans	Total Group
Interest income	990,685	1,688,522	2,679,207
Interest expense	-93,650	-179,906	-273,556
Fee & commission income	297,029	109,724	406,753
Fee & commission expense	-63,130		-63,130
Net income/expense from financial transactions	-12,370	-4,956	-17,326
Other operating income	151,291	45,121	196,412
Total operating income	1,269,855	1,658,505	2,928,360
of which, internal			*0*
Credit losses, net	-153,683	-259,771	-413,454
Operating income less credit losses	1,116,172	1,398,734	2,514,906

	Payment Solutions	Consumer Loans	Total Group
Lending to the public			
31/12/2018	10,507,819	17,448,757	27,956,576
01/01/2018	9,270,137	14,378,169	23,648,306
31/12/2017	9,419,373	14,649,905	24,069,278

G6 GEOGRAPHIC INCOME DISTRIBUTION AND OTHER DATA BY COUNTRY

2018	Sweden	Denmark	Norway	Finland	Total
Gross income [1)]	1,471,757	576,543	1,170,455	462,787	3,681,542
Profit before tax	676,440	230,255	316,648	213,166	1,436,509
Income tax expense	-146,975	-50,712	-91,654	-42,502	-331,843

2017	Sweden	Denmark	Norway	Finland	Total
Gross income [1)]	1,369,924	483,118	1,013,203	398,801	3,265,046
Profit before tax	573,213	202,092	360,154	206,296	1,341,755
Income tax expense	-127,017	-44,456	-89,709	-44,325	-305,507

[1)] Gross income includes interest income, fee and commission income, net income/expense from financial transactions and other operating income.
The Group has no single customer that generates 10% or more of total revenues.

G7 NET INTEREST INCOME/EXPENSE

	2018	2017
Interest income		
Lending to credit institutions	3,296	3,130
Lending to the public [1)]	3,052,213	2,675,921
Interest-bearing securities	1,377	156
Total interest income	3,056,886	2,679,207
Of which, interest income calculated using the effective interest method	*3,055,509*	*2,679,051*
Interest expense		
Liabilities to credit institutions	-7,228	-2,202
Deposits and borrowing from the public	-235,189	-212,066
Issued securities	-68,429	-40,790
Subordinated debt	-17,476	-18,257
Other liabilities	-2,910	-241
Total interest expense	-331,232	-273,556
Of which, expense for deposit guarantee scheme and resolution fee	*-26,946*	*-27,027*
Of which, interest expense calculated using the effective interest method	*-331,232*	*-273,556*
[1)] Amount includes interest income on impaired receivables of:	209,886	191,149

G8 FEES AND COMMISSIONS

	2018	2017
Fee & commission income		
Lending commissions	84,386	82,771
Credit card commissions	65,943	62,670
Compensation, mediated insurance	228,868	193,474
Other commissions	65,611	67,838
Total fee & commission income	444,808	406,753
Fee & commission expenses		
Lending commissions	-6,620	-14,838
Credit card commissions	-50,470	-48,292
Total fee & commission expenses	-57,090	-63,130

No commission income or commission expense is attributable to balance sheet items at fair value.

G9 NET INCOME/EXPENSE FROM FINANCIAL TRANSACTIONS

	2018	2017
Dividend		53
Net income/expense from bonds and other interest-bearing securities	4,830	15,248
Derivatives	-263,593	-80,942
Exchange rate differences	217,895	48,315
Total net income/expense from financial transactions	-40,868	-17,326
Net gains/losses by measurement category [1]		
Financial assets at FVTPL, designated	4,830	15,301
Financial assets at FVTPL, held for trading	-263,593	-80,942
Loan receivables and account receivables	217,895	48,315
Total	-40,868	-17,326

[1] There is no ineffectiveness in the hedges of net investments in foreign operations that have been recognised in profit or loss or in the comprehensive income. Net gain and net loss relate to realised and unrealised changes in value.

G10 OTHER OPERATING INCOME

	2018	2017
Other income, lending to the public	170,070	151,875
Other operating income	50,646	44,537
Total operating income	220,716	196,412

G11 LEASES

Resurs Bank Group as lessor

In its banking operations, the Group owns assets that are leased to customers under finance leases. These assets are reported as Lending to the public in the statement of financial position, in accordance with IFRS. The leased assets are primarily comprised of machinery and other equipment. Future minimum lease payments under non-cancellable leases fall due as follows:

	2018	2017
Non-cancellable lease payments:		
Within one year	15,341	16,297
Between one and five years	17,271	21,574
After five years	1,690	2,197
Total non-cancellable lease payments	34,302	40,068
Reconciliation of gross investment and present value of receivables relating to future minimum lease payments		
Gross investment	66,000	78,480
Less unearned financial income	-34,302	-40,068
Net investment in finance agreements	31,698	38,412
Provision for doubtful receivables relating to lease payments	799	965

At 31 December 2018, the majority of the Group's gross and net investments had a remaining maturity of less than five years.

Resurs Bank Group as lessee

Operating leases are part of Resurs Holding Group's normal operations and are primarily attributable to office space leases, with a small share attributable to car leases. Most office leases have maturities of ten years, and car leases three years. Expensed leasing fees in 2018 SEK 32.8 million (31.3). There are no variable fees. Future minimum lease payments under non-cancellable leases fall due as follows:

	2018	2017
Non-cancellable lease payments:		
Within one year	25,091	22,300
Between one and five years	70,836	58,182
After five years 1)	5,292	
Total non-cancellable lease payments	101,219	80,482

[1] The termination clause allows the lease to be terminated three years prior to the end of the contract for half an annual rent.

G12 GENERAL ADMINISTRATIVE EXPENSES

	2018	2017
General expenses		
Personnel expenses (also see Note G13)	-537,959	-468,508
Postage, communication and notification costs	-128,184	-139,114
IT costs	-177,306	-152,510
Premises costs	-35,916	-35,364
Consulting expenses	-73,888	-52,481
Other	-143,636	-122,725
Total general administrative expenses	-1,096,889	-970,702

The item Other in the classification of general administrative expenses includes fees and remuneration to auditors as set out below.

	2018	2017
Auditors fee and expenses		
Ernst & Young AB		
Audit services	-3,218	-3,071
Other assistance arising from audit	-1,632	-2,776
Tax advisory services	-946	-1,991
Other services	-268	-1,027
Total	-6,064	-8,865
Total auditors fees and expenses	-6,064	-8,865

Audit services comprise the examination of the annual financial statements and accounting records and the administration of the Board of Directors and CEO. They also include other procedures required to be carried out by the Group's and parent company's auditors, as well as advice or other assitance arising from observations made during the audit or while performing such other procedures.

G13 PERSONNEL

	2018	2017
Salaries	-370,476	-322,624
Social insurance costs	-101,184	-89,007
Pension costs	-46,804	-36,743
Other personnel expenses	-19,495	-20,134
Total personnel expenses	-537,959	-468,508
Salaries and other benefits		
Board, CEO and other senior executives	-9,893	-7,087
Other employees	-360,583	-315,537
Total salaries and other benefits	-370,476	-322,624

The Group management has changed during the year.

Remuneration and other benefits

2018	Basic salary/ Board fees	Variable remune-ration	Other benefits	Pensions	Total
Board and CEO					
Jan Samuelson, Chairman [1)]					0
Christian Frick [1)]					0
Martin Bengtsson [1)]					0
Lars Nordstrand [1)]					0
Fredrik Carlsson [1)]					0
Anders Dahlvig [1)]					0
Mariana Burenstam Linder [1)]					0
Marita Odélius Engström [1)]					0
Mikael Wintzell [1)]					0
Kenneth Nilsson, CEO (employed by Resurs Holding AB)					0
Other senior executives (5 inviduals) [2)]	-9,893		-681	-2,386	-12,960
Other employees that may affect the Bank's risklevel (27 inviduals)	-31,277	-1,795	-1,968	-6,045	-41,085
Total remuneration and other benefits	-41,170	-1,795	-2,649	-8,430	-54,045

PERSONNEL

2017	Basic salary/ Board fees	Variable remune-ration	Other benefits	Pensions	Total
Board and CEO					
Jan Samuelson, Chairman [1]					0
Christian Frick [1]					0
Martin Bengtsson [1]					0
Lars Nordstrand [1]					0
Fredrik Carlsson [1]					0
Anders Dahlvig [1]					0
David Samuelson [1] resigned on the Annual General Meeting 28th of April 2017, at his own request					0
Mariana Burenstam Linder [1]					0
Marita Odélius Engström [1]					0
Kenneth Nilsson, CEO (employed by Resurs Holding AB)					0
Other senior executives (5 inviduals) [2]	-7,087		-590	-2,067	-9,744
Other employees that may affect the Bank's risklevel (29 individuals)	-31,109	-1,357	-1,496	-5,353	-39,315
Total remuneration and other benefits	-38,196	-1,357	-2,086	-7,420	-49,059

[1] Board fees have been paid from the parent company Resurs Holding AB
[2] Other senior executives excluding CEO is in total 5 inviduals (5). This includes individual that receive remuneration from Resurs Holding AB.

Pension costs

	2018	2017
Board, CEO and other senior executives	-2,386	-2,067
Other employees	-44,418	-34,676
Total	-46,804	-36,743

Board members and senior executives at the end of the year

	2018		2017	
	Number	Of which, men	Number	Of which, men
Board members	9	78%	8	75%
CEO and senior executives	7	57%	6	67%

The Board of the banking operations has established a remuneration policy in accordance with Swedish Financial Supervisory Authority's FFFS 2011:1 Regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management, recently updated through FFFS 2014:22. The Board of the insurance operations has established a remuneration policy in accordance with the Supervisory Authority's FFFS 2011:2 General guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money. The Board has instituted a Remuneration Committee, which is responsible for preparing significant remuneration decisions and the Group has a control function which, when appropriate and at least annually, independently reviews how the Group's management of remuneration matters corresponds to the regulatory framework. The Chairman and members of the Board are paid the fees resolved by the Annual General Meeting. Remuneration of executive management and heads of the Group's control functions is determined by the Board. Remuneration comprises a basic salary, other benefits and pension.

Senior executives are not paid a bonus or variable remuneration. Information on remuneration in the subsidiaries Resurs Bank AB and Solid Försäkrings AB is published on www.resurs.se and www.solidab.com.

In 2018, variable remuneration was paid in excess of SEK 100 thousand to employees in companies acquired at the end of 2015 who can influence the Group's risk level. Accordingly, the Group needs to make deferred payments for variable remuneration that are spread evenly over three years, with the last payment in 2019. Executive management and employees who can influence the Group's risk level were paid variable remuneration corresponding to approximately 4.4 per cent (3.6 per cent) of basic salary. The corresponding figure for the Parent Company is about 4.4 per cent (0.2 per cent).

Warrants
The Extraordinary General Meeting of Resurs in April 2016 resolved to issue warrants as part of the incentive programme for management and employees. A total of 8,000,000 warrants were issued. Issued warrants had no dilutive effect since the market price is less than the exercise price. The warrants were issued in two separate series with different terms (Series 2016/2019 and Series 2016/2020). Each series comprises 4,000,000 warrants. Each warrant entitles the holder to purchase a share at a predetermined price. The options can be utilised during three subscription periods in 2019 and three subscription periods in 2020, respectively. Each participant acquires the same number of warrants in each series.

Pensions
The Group's pension obligations for the CEO and other senior executives are covered by defined contribution plans and are based on basic salary. In addition to occupational and statutory pension, a provision for pension benefits of SEK 0 thousand (0) in an endowment insurance policy has been made for the CEO. The corresponding figure for other senior executives, in addition to occupational and statutory pension, is SEK 40 thousand (187) in an endowment insurance policy.

Termination conditions and benefits
In the event of termination of employment by the bank, the CEO and the Executive Vice President are entitled to salary during the notice period (18 months and 12 months, respectively). The notice period for other senior executives is 6-8 months. No termination benefits are paid.

PERSONNEL

Senior executives' use of credit facilities in banking operations

	31/12/2018		31/12/2017	
	Credit limits	Unutilised credit	Credit limits	Unutilised credit
CEO	220	196	220	83
Board members	541	27	671	91
Other senior executives in the Group	830	578	1,034	639

Lending terms correspond to terms normally applied in credit lending to other personnel. The Group has not pledged security or assumed contingent liabilities for above-named executives.

Average number of employees

	2018			2017		
	Men	Women	Total	Men	Women	Total
Sweden	195	235	430	173	225	398
Denmark	41	51	92	44	44	88
Norway	48	64	112	51	63	114
Finland	14	55	69	11	50	61
Total	298	405	703	279	382	661

Reconciliation of outstanding warrants in accordance to the incentive program in Resurs Holding AB

	31/12/2018	31/12/2017
Issued warrants, total	8,000,000	8,000,000
Subscribed warrants	6,860,000	6,860,000
Repurchased warrants	-830,000	-150,000
Issued warrants, outstanding	6,030,000	6,710,000
Whereof subscribed by CEO	*1,500,000*	*1,500,000*
Whereof subscribed by other senior executive members	*1,500,000*	*1,590,000*
Whereof subscribed by other personnel	*3,030,000*	*3,620,000*

G14 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSE

	2018	2017
Depreciation and amortisation		
Tangible assets	-20,716	-16,388
Intangible assets	-23,576	-14,078
Total depreciation and amortisation	-44,292	-30,466
Total depreciation, amortisation and impairment of tangible and intangible assets	-44,292	-30,466

G15 OTHER OPERATING EXPENSES

	2018	2017
Marketing	-176,274	-167,841
Insurance	-3,637	-4,085
Other	-65	-57
Total other operating expenses	-179,976	-171,983

G16 CREDIT LOSSES

	2018
Provision of credit losses according to IFRS 9	
Stage 1	15,288
Stage 2	19,114
Stage 3	-235,908
Total	-201,506
Provision of credit losses off balance (unutilised limit) according to IFRS 9	
Stage 1	2,490
Stage 2	-416
Stage 3	
Total	2,074
Write-offs of stated credit losses for the period	-354,487
Recoveries of previously confirmed credit losses	18,365
Total	-336,122
Credit losses according to IFRS 9	-535,554
of which lending to the public	-537,628

	2017
Individually assessed loan receivables under IAS 39	
Write-offs of stated credit losses for the year	-3,379
Recoveries of previously confirmed credit losses	2,236
Transfer/reversal of provision for credit losses on utilised limit	5,387
Net result of individually assessed loan receivables for the year	4,244
Collectively assessed loan receivables under IAS 39	
Write-offs of stated credit losses for the year	-110,750
Recoveries of previously confirmed credit losses	18,092
Transfers/reversal of provision for credit losses	-325,040
Net cost of collectively assessed homogeneous groups of loan receivables	-417,698
Net cost of credit losses for the period accordring to IAS 39	-413,454

G17 INCOME TAXES

	2018	2017
Current income tax		
Current tax for the year	-325,448	-342,069
Adjustment of tax attributable to previous years	-187	-4,245
Current income tax	-325,635	-346,314
Deferred tax on temporary differences [1)]	-6,208	40,807
Total income taxes	-331,843	-305,507

	2018		2017	
Reconciliation of effective tax				
Profit before tax		1,436,509		1,341,754
Tax at prevailing tax rate	-22.0%	-316,032	-22.0%	-295,186
Non-deductible expenses/non-taxable income	-0.6%	-8,057	-0.1%	-1,857
Tax attributable to differing tax rates for foreign branch offices and subsidiaries	-0.5%	-7,396	-0.3%	-3,889
Tax attributable to prior years	0.0%	-187	-0.3%	-4,245
Standard interest, tax allocation reserve	0.0%	-171	0.0%	-330
Recognised effective tax	-23.1%	-331,843	-22.8%	-305,507

INCOME TAXES

	2018	2017
Change in deferred tax		
Tax effects attributable to temporary differences, property, plant & equipment	-794	-1,541
Tax effects attributable to temporary differences, intangible assets	-12,256	-10,661
Tax effects attributable to temporary differences, lending to the public	9,165	5,081
Tax effects attributable to temporary differences, pensions	257	477
Tax effects attributable to temporary differences, untaxed reserves		44,000
Tax effects attributable to temporary differences, other	-2,580	3,451
Total deferred tax	-6,208	40,807

	31/12/2018	31/12/2017
Deferred tax assets		
Deferred tax assets; property, plant & equipment	3,857	5,188
Deffered tax assets; lending to the public	29,504	
Deffered tax assets; pensions	4,585	4,335
deffered tax assets; other	6,296	8,245
Total deferred tax asset [1]	44,242	17,768
Offset by country	-21,703	-9,891
Net deferred tax assets	22,539	7,877

	31/12/2018	31/12/2017
Deferred tax liabilities		
Deferred tax liabilities, intangible assets	48,105	35,304
Deferred tax liabilities for Lending to the public	36,737	52,091
Deferred tax liabilities for untaxed reserves	47,595	47,595
Total deferred tax liabilities [1]	132,437	134,990
Offset by country	-21,703	-9,891
Net deferred tax liabilities	110,734	125,099

[1] Adjustment in relation to IFRS 9 totalling SEK 37.0 million, has been recognised directly through equity, see note G2.1.

G18 TREASURY AND OTHER BILLS ELIGIBLE FOR REFINANCING

	31/12/2018			31/12/2017		
	Nominal amount	Fair value	Carrying value	Nominal amount	Fair value	Carrying value
Issued by						
Swedish government and municipalities	771,916	778,373	778,373	659,026	664,090	664,090
Foreign governments and municipalities	98,867	100,185	100,185	45,735	48,134	48,134
Total	870,783	878,558	878,558	704,761	712,224	712,224
Of which, listed	*870,783*	*878,558*	*878,558*	*704,761*	*712,224*	*712,224*
Remaining maturity						
0-1 years	208,392	209,399	209,399	225,000	225,390	225,390
1-3 years	298,838	299,911	299,911	332,761	336,319	336,319
More than 3 years	363,553	369,248	369,248	147,000	150,515	150,515
Total	870,783	878,558	878,558	704,761	712,224	712,224
Issuer's rating per S&P and Moodys						
AAA/Aaa	398,720	401,033	401,033	360,489	363,611	363,611
AA+/Aa1	472,063	477,525	477,525	344,272	348,613	348,613
Total	870,783	878,558	878,558	704,761	712,224	712,224

Rating by S&P and Moodys. In the event credit ratings differ, the lowest is used.
Investments comprise Swedish government and municipalities, and fulfills the requirement of FFFS 2010:7 on assets that may be included in the liquidity reserve.

G19 LENDING TO CREDIT INSTITUTIONS

	31/12/2018	31/12/2017
Loans in SEK	2,645,423	1,827,805
Loans in DKK	61,154	20,783
Loans in NOK	841,478	704,516
Loans in EUR	119,564	67,252
Loans in other currencies	2,495	3,697
Total lending to credit institutions	3,670,115	2,624,053

G20 LENDING TO THE PUBLIC

	31/12/2018	01/01/2018	31/12/2017
Receivables outstanding, gross			
Loans in SEK	13,806,413	11,744,623	11,744,623
Loans in DKK	4,057,458	3,381,073	3,381,073
Loans in NOK	9,564,908	8,395,440	8,395,440
Loans in EUR	3,115,833	2,467,868	2,467,868
Total lending to the public	30,544,613	25,989,004	25,989,004
Retail	29,902,409	25,347,290	25,347,290
Net value of acquired non-performing consumer loans [1)	236,597	270,456	270,456
Corporates [2) 3) 4)]	405,607	371,258	371,258
Total lending to the public	30,544,613	25,989,004	25,989,004
Less provision for anticipated credit losses [5)]	-2,588,037	-2,340,699	-1,919,726
Total net lending to the public	27,956,576	23,648,305	24,069,278
[1)] Acquired non-performing consumer loans as follows:			
Opening net value of acquired non-performing consumer loans	270,456	270,456	293,471
Amortisation for the year	-39,218		-24,084
Currency effect	5,359		1,069
Net value of acquired non-performing consumer loans	236,597	270,456	270,456

2) Amount includes acquired invoice receivables of SEK 273.3 million (237.9).
3) Amount includes lending to group companies of SEK 0 (0).
4) Amount includes finance leases of SEK 32.6 million (38.9), for which Resurs Bank is lessor,
5) Amount includes lending to retail and corporates.

Geographic distribution of net lending to the public

	31/12/2018	01/01/2018	31/12/2017
Sweden	12,816,351	10,851,245	10,997,015
Denmark	3,507,362	2,924,767	3,015,506
Norway	8,857,731	7,710,434	7,850,425
Finland	2,775,132	2,161,860	2,206,332
Total net lending to the public	27,956,576	23,648,306	24,069,278
Expected credit losses according to IAS 39			-1,919,726
Expected credit losses according to IFRS 9			
Stage 1	-167,847	-180,890	
Stage 2	-312,399	-322,150	
Stage 3	-2,107,790	-1,837,659	
Total expected credit losses	-2,588,036	-2,340,699	-1,919,726
Doubtful receivables according to IAS 39			
Doubful receivables			3,787,672
off which doubtful receivables, corporate sector			*41,026*
off which provisison, corporate sector			*-28,622*

Key ratios for lending activities

	31/12/2017
Percentage of gross impaired loans [1)]	15%
Percentage of net impaired loans [2)]	7%
Total reserve ratio [3)]	7%
Reserve ratio, impaired loans [4)]	51%

[1)] Gross impaired loans before provisions divided by total loan receivables before provisions.
[2)] Net impaired loans divided by total loan receivables before provisions.
[3)] Total provisions divided by total loan receivables before provisions.
[4)] Provision for impaired loans divided by gross impaired loans.

LENDING TO THE PUBLIC

Changes in provisions, Lending to the public

	Non doubtful receivables		Doubtful receivables	
	Stage 1	Stage 2	Stage 3	Total
Carrying amount gross				
Carrying amount gross 1 January 2018	19,364,496	2,831,166	3,793,342	25,989,004
Carrying amount gross 31 December 2018	22,511,152	3,377,690	4,655,770	30,544,613
Provisions lending to the public				
Provision 1 January 2018	-180,890	-322,150	-1,837,659	-2,340,699
New and removal financial assets, gross	-37,888	-60,998	83,019	-15,867
Changes in risk factors (PD/EAD/LGD)	24,808	8,722	14,763	48,293
Changes in macroeconomic scenarios	2,028	4,733	17,725	24,486
Transfers between stages				
from 1 to2	*18,750*	*-103,073*		*-84,323*
from 1 to 3	*15,226*		*-209,781*	*-194,555*
from 2 to 1	*-5,109*	*88,767*		*83,658*
from 2 to 3		*76,170*	*-186,373*	*-110,202*
from 3 to 2		*-1,912*	*8,778*	*6,866*
from 3 to 1	*-386*		*22,502*	*22,116*
Currency difference	-4,385	-2,659	-20,764	*-27,807*
Provisions at 31 December 2018	-167,847	-312,399	-2,107,790	-2,588,036
Carrying amount				
Opening balance at 1 January 2018	19,183,606	2,509,016	1,955,683	23,648,305
Closing balance at 31 December 2018	22,343,305	3,065,291	2,547,980	27,956,576

Provision of credit losses during the period were impacted by several different factors, as described below:
- Transfers between Stage 1 and Stage 2 or Stage 3 depending on whether the loan has significantly increased (or decreased) in risk or if it has defaulted during the period and thus transferred between 12 month and full lifetime ECL.
- New loans during the period and also loans removed from the portfolio in the same period. (Increases due to issue and purchase and decline due to derecognition from the statement of financial position)
- Changes in risk factors (PD/EAD/LGD), arising because the model has been updated with new amounts (Changes due to changed credit risk, net).
- Changes in macroeconomic scenarios based on macroeconomic factors, that from a historical perspective has proven to correlate well with changes in the Group's credit losses and also partly on an assessed effect of regulatory changes in Norway.
- Modifications to existing loans (Changes due to modifications without derecognition from statement of financial position (net))
- Exchange-rate differences

Changes in balance, gross, Lending to the public

	Non doubtful receivables		Doubtful receivables	
	Stage 1	Stage 2	Stage 3	Total
Carrying amount gross 1 January 2018	19,364,496	2,831,166	3,793,342	25,989,005
New and removal financial assets, gross	3,832,522	893,416	-147,252	4,578,686
Changes in risk factors (PD/EAD/LGD)				
Changes in macroeconomic scenarios				
Transfers between stages				
from 1 to 2	-1,069,269	1,104,558		35,288
from 1 to 3	-516,494		537,476	20,981
from 2 to 1	772,763	-976,086		-203,323
from 2 to 3		-510,443	489,356	-21,087
from 3 to 2		15,951	-16,740	-789
from 3 to 1	20,393		-43,333	-22,940
Currency difference	106,742	19,327	42,723	168,791
Carrying amount 31 December 2018, gross	22,511,152	3,377,889	4,655,572	30,544,613

LENDING TO THE PUBLIC

Loans to the public, split by stage and provision, retail

	31/12/2018	01/01/2018
Stage 1		
Carrying amount, gross	22,198,221	19,073,288
Provisions	-165,419	-176,472
Carrying amount	22,032,802	18,896,816
Stage 2		
Carrying amount, gross	3,326,966	2,782,413
Provisions	-312,054	-319,561
Carrying amount	3,014,913	2,462,852
Total balance performing	25,525,187	21,855,701
Total provision perfoming	-477,473	-496,033
Stage 3		
Carrying amount, gross	4,613,818	3,762,045
Provisions	-2,073,793	-1,810,005
Carrying amount	2,540,026	1,952,040
Total performing at year end	30,139,006	25,617,746
Total provision perfoming at end of the year	-2,551,265	-2,306,038

Loans to the public, split by stage and provision, corporate sector

	31/12/2018	01/01/2018
Stage 1		
Carrying amount, gross	312,931	291,208
Provisions	-2,428	-4,848
Carrying amount	310,503	286,360
Stage 2		
Carrying amount, gross	50,724	48,555
Provisions	-345	-2,589
Carrying amount	50,379	45,966
Total balance performing	363,655	339,763
Total provision perfoming	-2,774	-7,437
Stage 3		
Carrying amount, gross	41,952	31,495
Provisions	-33,998	-27,225
Carrying amount	7,954	4,270
Total performing at year end	405,607	371,258
Total provision perfoming at end of the year	-36,771	-34,662

LENDING TO THE PUBLIC

Totals

	31/12/2018	01/01/2018
Carryin amount gross, stage 1	22,511,152	19,364,497
Carryin amount gross, stage 2	3,377,690	2,830,968
Carryin amount gross, stage 3	4,655,770	3,793,540
Carrying amount, gross	30,544,613	25,989,005
Provision stage 1	-167,847	-181,319
Provision stage 2	-312,399	-322,150
Provision stage 3	-2,107,790	-1,837,230
Total provisions	-2,588,036	-2,340,699
Carrying amount	27,956,576	23,648,306
Share of loans in stage 1, gross%	73.70%	74.51%
Share of loans in stage 2, gross%	11.06%	10.89%
Share of loans in stage 3, gross%	15.24%	14.60%
Share of loans in stage 1, net%	79.92%	81.12%
Share of loans in stage 2, net%	10.96%	10.61%
Share of loans in stage 3, net%	9.11%	8.27%
Reserve ratio loans in stage 1	0.75%	0.94%
Reserve ratio loans in stage 2	9.25%	11.38%
Reserve ratio loans in stage 3	45.27%	48.43%
Reserve ration performing loan	1.86%	2.27%
Total reserve ratio loans	8.47%	9.01%

G21 BONDS AND OTHER INTEREST-BEARING SECURITIES

Bonds

	31/12/2018			31/12/2017		
	Nominal amount	Fair value	Carrying value	Nominal amount	Fair value	Carrying value
Swedish mortgage institutions	914,081	923,692	923,692	795,000	803,376	803,376
Foreign mortgage institutions	46,103	46,007	46,007	45,000	45,482	45,482
Total	960,184	969,699	969,699	840,000	848,858	848,858
Of which, listed	*960,184*	*969,699*	*969,699*	*840,000*	*848,858*	*848,858*
Remaining maturity						
0-1 years	200,000	200,142	200,142	200,000	200,436	200,436
1-3 years	578,101	586,261	586,261	300,000	302,617	302,617
More than 3 years	182,083	183,296	183,296	340,000	345,805	345,805
Total	960,184	969,699	969,699	840,000	848,858	848,858
Bonds' rating by S&P and Moodys						
AAA/Aaa	860,184	869,656	869,656	840,000	848,858	848,858
A-/A3	100,000	100,043	100,043			
Total	960,184	969,699	969,699	840,000	848,858	848,858

In the event credit ratings differ, the lowest is used.

Other interest-bearing securities

	31/12/2018			31/12/2017		
	Cost	Fair value	Carrying value	Cost	Fair value	Carrying value
Fixed interest funds				582,358	608,096	608,096
Total	0	0	0	582,358	608,096	608,096
Total bonds and other interest-bearing securities	960,184	969,699	969,699	1,422,358	1,456,954	1,456,954

G22 SHARES AND PARTICIPATIONS

The shareholdings comprise shares in Visa Inc. C and in Vipps AS.The Group views these shareholdings as strategic and the assets were recognised at a total amount of SEK 1,0 million on the closing date. balansdagen. The holdings comprise 534 shares in Vipps AS that have come into the company's possession after becoming a member of Vipps AS, whereby all members received shares. The holdings in Visa Norway resulted in share holdings in Visa that comprise 768 shares, which earlist can be sold in year 2018. som tidigast kan säljas år 2018 and that will receive 4 573 shares at the earliest to be sold in 2019.

	2018	2017
Cost	1,002	979
Carrying value	1,002	979
Fair value	1,002	979

G23 DERIVATIVES

31/12/2018	Nominal amount Remaining maturity					
	< 1 år	1-5 år	> 5 år	Total	Positive market-values	Negative market-values
Derivatives instruments hedge accounting						
Currency related contracts						
Swaps				0		
Total	0	0	0	0	0	0
Derivatives instruments, no hedge accounting						
Currency related contracts						
Swaps	8,730,010			8,730,010	190,175	12,353
Total	8,730,010	0	0	8,730,010	190,175	12,353
Total derivatives	8,730,010	0	0	8,730,010	190,175	12,353

31/12/2017	Nominal amount Remaining maturity					
	< 1 år	1-5 år	> 5 år	Total	Positive market-values	Negative market-values
Derivatives instruments hedge accounting						
Currency related contracts						
Swaps	672,204			672,204	7,397	
Total	672,204	0	0	672,204	7,397	0
Derivatives instruments, no hedge accounting						
Currency related contracts						
Swaps	6,748,341	132,290		6,880,631	33,577	101,745
Total	6,748,341	132,290	0	6,880,631	33,577	101,745
Total derivatives	7,420,545	132,290	0	7,552,835	40,974	101,745

G24 INTANGIBLE ASSETS

31/12/2018	Goodwill	Internally developed software	Acquired customer relations	Total
Opening cost	1,683,053	137,896	109,821	1,930,770
Investments for the year		95,039		95,039
Exchange-rate difference	24,137	2,329	2,567	29,033
Total cost at year-end	1,707,190	235,264	112,388	2,054,842
Opening amortisation		-66,176	-18,195	-84,371
Amortisation for the year		-14,624	-8,952	-23,576
Exchange-rate difference		-1,050	-72	-1,122
Total accumulated amortisation at year-end		-81,850	-27,219	-109,069
Carrying amount	1,707,190	153,414	85,169	1,945,773

31/12/2017	Goodwill	Internally developed software	Acquired customer relations	Total
Opening cost	1,737,619	70,912	115,624	1,924,155
Investments for the year		70,271		70,271
Exchange-rate difference	-54,566	-3,287	-5,803	-63,656
Total cost at year-end	1,683,053	137,896	109,821	1,930,770
Opening amortisation		-63,572	-10,314	-73,886
Amortisation for the year		-5,403	-8,675	-14,078
Exchange-rate difference		2,799	794	3,593
Total accumulated amortisation at year-end		-66,176	-18,195	-84,371
Carrying amount	1,683,053	71,720	91,626	1,846,399

Impairment testing of goodwill

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually. The recoverable amount is determined based on estimates of value in use using a discounted cash flow model with a five-year forecast period. The valuation is performed for each cash-generating unit: Consumer Loans and Payment Solutions. Goodwill is allocated to the segments based on expected future benefit.

Anticipated future cash flows

During the first five years, anticipated future cash flows are based on forecasts of risk-weighted volumes, income, expenses, credit losses and anticipated future capital requirements. The forecasts are based primarily on an internal assessment based on historical performance and market development of future income and cost trends, economic conditions, anticipated interest rate trend and anticipated effects of future regulations.

A forecast is conducted over the first five years based on a long-term growth rate assumption. The assessment is based on long-term assumptions about market growth beyond the forecast period and the business's actual performance in relation to such growth. This year's impairment test is based on the assumption of a 2 (2) per cent long-term growth rate. Anticipated cash flows have been discounted using an interest rate based on a risk-free rate and risk adjustment corresponding to the market's average return.

The discount rate for this year's impairment test was 9.2 per cent (9.2) after tax. The corresponding rate before tax was 11.6 per cent (11.6) för Consumer Loans and 11.7 per cent (11.6) for Payment Solutions.

The calculated value in use of goodwill is sensitive to a number of variables that are significant to anticipated cash flows and the discount rate. The variables most significant to the calculation are assumptions about interest rate and economic trends, future margins and cost effectiveness.

No reasonably possible change in the key assumptions would affect the carrying amount of goodwill.

The following is a summary of goodwill allocated to each operating segment

31/12/2018	Opening carrying value	Exchange-rate difference	Closing carrying value
Payment Solutions	352,286	3,379	355,665
Consumer Loans	1,330,767	20,758	1,351,525
Total	1,683,053	24,137	1,707,190

31/12/2017	Opening carrying value	Exchange-rate difference	Closing carrying value
Payment Solutions	359,925	-7,639	352,286
Consumer Loans	1,377,694	-46,927	1,330,767
Total	1,737,619	-54,566	1,683,053

G25 PROPERTY, PLANT AND EQUIPMENT

	31/12/2018	31/12/2017
Equipment		
Cost at beginning of the year	82,899	70,389
Purchases during the year	34,215	15,590
Divestments/disposals during the year	-10,863	-2,457
Reclassification	2,554	
Exchange-rate difference	622	-623
Total cost at year-end	109,427	82,899
Accumulated depreciation at beginning of the year	-43,274	-29,023
Accumulated depreciation of divested/disposed assets	8,746	1,693
Depreciation for the year	-20,716	-16,388
Reclassification	-2,554	
Exchange-rate difference	-303	444
Total accumulated depreciation at year-end	-58,101	-43,274
Carrying amount	51,326	39,625

G26 OTHER ASSETS

	31/12/2018	31/12/2017
Receivables, group companies	7,200	875
Receivables, leas activities	1,299	
Receivables, factoring activities	3,854	7,046
Receivables, collection sale	96,638	
Other	27,294	14,514
Total other assets	136,285	22,435

G27 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2018	31/12/2017
Prepaid expenses	59,912	51,409
Accrued interest	9,251	7,663
Accrued income, lending activities	83,818	22,999
Total prepaid expenses and accrued income	152,981	82,071

G28 LIABILITIES TO CREDIT INSTITUTIONS

	31/12/2018	31/12/2017
Loans in SEK	149,900	
Total liabilities to credit institutions	149,900	0

G29 DEPOSIT AND BORROWING FROM THE PUBLIC

	31/12/2018	31/12/2017
Loans in SEK	14,134,375	12,779,033
Loans in DKK	4,354	6,016
Loans in NOK	6,401,690	5,359,300
Loans in EUR	393,388	2,626
Total deposits and borrowing from the public	20,933,807	18,146,975
Retail sector	17,507,318	14,994,817
Corporate sector	3,426,489	3,152,158
Total deposits and borrowing from the public	20,933,807	18,146,975

Maturity

The majority of deposits from the public are payable on demand; see also Note G3, Risk management.

The amount above includes deposits from sister companies in the amount of SEK 355.7 TSEK million (114.0).

G30 OTHER LIABILITIES

	31/12/2018	31/12/2017
Liabilities to Group and sister companies	11,117	7,042
Trade payables	61,169	57,388
Liabilities to representatives	287,360	227,733
Preliminary tax, interest on deposits	17,949	18,820
Provision for loyalty programmes	32,198	37,564
Other	210,501	215,908
Total other liabilities	620,294	564,455

G31 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2018	31/12/2017
Accrued interest expenses	10,616	7,254
Accrued personnel costs	85,748	80,631
Accrued administrative expenses	67,330	51,412
Deferred income, leasing	1,973	953
Other deferred income	1,143	987
Total accrued expenses and deferred income	166,810	141,237

G32 OTHER PROVISIONS

	31/12/2018	01/01/2018	31/12/2017
Opening balance	24,399	6,690	6,844
Adjustment IFRS 9		17,709	
Provisions made during the year	-2,019		119
Exchange-rate difference	82		-273
Closing balance	22,462	24,399	6,690
Provision of credit losses, unutilised limit, Stage 1	9,762	12,151	
Provision of credit losses, unutilised limit, Stage 2	6,016	5,558	
Other provisions	6,684	6,690	
Closing balance	22,462	24,399	6,690

The parent company and Resurs Bank have entered into an endowment insurance agreement for safeguarding pension obligations. The endowment insurance and obligations have been netted. The amount in other provisions, consists of payroll tax that are not covered in the insurance agreement SEK 1.6 million (1.6). The market value of the endowment insurance is SEK 6.7 million (6.5).

Through the merger with Finaref AS, Resurs Bank AB's Norwegian branch office has defined-benefit pension plans. The provision is calculated annually on an actuarial basis to ensure the correct amount is allocated. The provision amounts to SEK 5 million (5.1).

G33 ISSUED SECURITIES

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. In January 2018 the financing expanded and at 31 december 2018 a total of appoximately SEK 3.7 billion in loan receivables had been transferred to Resurs Consumer Loans.

The acquisition of loan receivables by Resurs Consumer Loans was financed by an international financial institution amounted to SEK 2.9 billion (2.1) of the ABS financing and the rest is financed by Resurs Bank AB. 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.

Resurs Bank and Resurs Consumer Loans have provided security for the assets that form part of the securitisation. Because significant risks and benefits associated with the loan receivables sold, these were not transferred to the subsidiary and are still reported in the bank's balance sheet and profit and loss in accordance with IFRS 9.

Resurs Bank has a funding programme for issuing bonds, the programme amounts to SEK 8,000 million (5,000). 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 ten outstanding issues at a nominal amount of SEK 4,250 million (2,850) and NOK 400 million (400).

Of the ten issues, nine are senior unsecured bonds and one issue is a subordinated loan of SEK 300 million (300). Resurs Bank has, outside the programme, issued NOK 600 million (600) in senior unsecured bonds and issued subordinated loan of SEK 200 million (200) to Solid Försäkrings AB. This loan is reported by both Resurs Bank AB and Solid Försäkrings AB, but is eliminated at Resurs Holding level.

31/12/2018	Currency	Nominal amount	Interest rate	Carrying amount	Fair value
Resurs Bank MTN 102 31/08/2019	SEK	400,000	Variable	399,734	402,160
Resurs Bank MTN 103 24/02/2020	SEK	300,000	Variable	299,827	301,134
Resurs Bank MTN 104 16/03/2021	SEK	500,000	Variable	499,172	503,500
Resurs Bank MTN 105 29/05/2020	SEK	600,000	Variable	599,577	601,794
Resurs Bank MTN 106 07/12/2020	SEK	350,000	Variable	349,661	349,913
Resurs Bank MTN 107 31/08/2020	SEK	600,000	Variable	599,502	601,380
Resurs Bank MTN 108 16/06/2021	SEK	500,000	Variable	499,402	500,450
Resurs Bank MTN 109 30/08/2021	SEK	700,000	Variable	699,068	699,650
Resurs Bank MTN 301 20/05/2019	NOK	400,000	Variable	409,722	410,456
Resurs Consumer Loans 1 Ltd ABS	SEK	2,900,000	Variable	2,897,678	2,910,108
Resurs Bank 17/19 FRN 03/04/2019	NOK	400,000	Variable	409,800	410,456
Resurs Bank 17/19 FRN 25/10/2019	NOK	165,000	Variable	169,043	169,532
Total issued securities				7,832,186	7,860,533

31/12/2017	Currency	Nominal amount	Interest rate	Carrying amount	Fair value
Resurs Bank MTN 101 03/04/2018	SEK	400,000	Variable	399,867	400,896
Resurs Bank MTN 102 31/08/2019	SEK	400,000	Variable	399,400	403,932
Resurs Bank MTN 103 24/02/2020	SEK	300,000	Variable	299,688	302,079
Resurs Bank MTN 104 16/03/2021	SEK	500,000	Variable	498,813	503,545
Resurs Bank MTN 105 29/05/2020	SEK	600,000	Variable	599,250	602,472
Resurs Bank MTN 106 07/12/2020	SEK	350,000	Variable	349,486	350,130
Resurs Bank MTN 301 20/05/2019	NOK	400,000	Variable	400,163	400,652
Resurs Consumer Loans 1 Ltd ABS	SEK	2,100,000	Variable	2,100,000	2,105,052
yA Bank AS 17/19 FRN 03/04/2019	NOK	400,000	Variable	400,440	401,761
yA Bank AS 17/19 FRN 25/10/2019	NOK	150,000	Variable	150,164	150,316
Total issued securities				5,597,271	5,620,835

G34 SUBORDINATED DEBT

31/12/2018	Currency	Nominal amount	Interest rate	Carrying amount	Fair value
Resurs Bank Subordinated debt 30/04/2021	SEK	200,000	Variable	200,000	201,628
Resurs Bank MTN 201 17/01/2027 [1]	SEK	300,000	Variable	298,171	305,973
Total subordinated debt				498,171	507,601

31/12/2017	Currency	Nominal amount	Interest rate	Carrying amount	Fair value
Resurs Bank Subordinated debt 30/04/2021	SEK	200,000	Variable	200,000	200,933
Resurs Bank MTN 201 17/01/2027 [1]	SEK	300,000	Variable	300,000	312,366
yA Bank AS Subordinated loan 20/11/2023 [2]	NOK	40,000	Variable	40,044	40,312
Total subordinated debt				540,044	553,611

[1] The issuer is entitled to early redemption of the bonds from "First Call Date", provided that the issuer receives approval from the Swedish Financial Supervisory Authority.
[2] The issuer is entitled to early redemption of the bonds from "First Call Date", provided that the issuer receives approval from the Norwegian Financial Supervisory Authority.

G35 EQUITY

Shares
The number of shares is 500,000, with a par value of SEK 1,000. Par value is defined as share capital divided by number of shares.

Other contributed capital
Refers to unconditional shareholder contributions.

Profit or loss brought forward
Refers to profit or loss brought forward from previous years less dividends.

Translation reserve
Includes translation differences on consolidation of the Group's foreign operations.

Changes in equity
See the statement of changes in equity for details on changes in equity during the year.

Change in translation reserve

	31/12/2018	31/12/2017
Opening translation reserve	-14,462	75,687
Translation difference for the year, foreign operations	85,879	-107,070
Hedge accounting reserve	-38,551	16,921
Closing translation reserve	32,866	-14,462

G36 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

	31/12/2018	31/12/2017
Lending to credit institutions [1)]	163,728	204,909
Lending to the public [2)]	3,617,840	2,653,185
Restricted bank deposit [3)]	28,190	28,354
Total pledged assets for own liabilities	3,809,758	2,886,448
Other pledged assets		
Contingent liabilities		
Guarantees	311	1,563
Total contingent liabilities	311	1,563
Other commitments		
Unutilised credit facilities granted	27,533,519	26,348,967

Unutilised credit granted refers to externally granted credit. All unutilised credit facilities granted are terminable with immediate effect to the extent allowed under the Swedish Consumer Credit Act.

1) Lending to credit institutions refers to funds pledged as collateral for the fulfilment of commitments to payment intermediaries.

2) Relating to securitisation, Issued securities see Note G33.

3) As at 31 december 2018, SEK 26.7 million (24.6) in reserve requirement account at the Bank of Finland and SEK 2.0 million (1.8) in tax account at Norwegian Bank (DNB), and SEK 0.5 million (1.9) in tax account at Danske Bank.

G37 RELATED PARTIES

Ownership

Resurs Bank AB, organisationsnummer
Resurs Bank AB, corporate identity number 516401-0208 is a wholly owned subsidiary of Resurs Holding AB, corporate identity number 556898-2291 which is owned at 31 December 2018 to 28.9 per cent by Waldakt AB and 17.4 per cent by Cidron Semper S.A.R.L. Of the remaining owners, no single owner holds 20 per cent or more.

Related parties - Group companies
The Group comprised of Resurs Bank AB and its subsidiaries Resurs Norden AB ande Resurs Consumer Loans 1 Ltd. For the complete Group structure, see Note G41.

Related parties - Other Group companies
Other Group companies are Resurs Holding AB's subsidiaries Solid Försäkrings AB och Resurs Förvaltning Norden AB.
Group companies are reported according to the acquisition method, with internal transactions eliminated at the Group level. Assets and liabilities, and dividends between Resurs Holding AB (parent company) and other Group companies, are specified in the respective notes to the statement of financial position.

Related parties - Other companies with controlling or significant influence
Nordic Capital Fund VII owns 17.4 per cent of Resurs Holding AB directly and indirectly via Cidron Semper S.A.R.L and have and therefore has significant influence over the company. Ellos Group AB is another company controlled by Nordic Capital Funds VII and with which the Group has conducted transactions.

Waldir AB owns 28.9 per cent of Resurs Holding AB directly and indirectly via Waldakt AB and therefore has significant influence over the company. The Waldir Group includes amongst other NetOnNet AB.

Waldir AB is owned by the Bengtsson family, who also controls AB Remvassen. Transactions with these companies are reported below under the heading Other companies with control or significant influence. Transaction costs in the table refer to market-rate compensation for the negotiation of credit to related companies' customers.

All assets/liabilities for related companies are interest bearing.

Related parties - Key personnel in Resurs Bank AB and its Parent Company Resurs Holding AB

Kenneth Nilsson	CEO Resurs Bank AB and Resurs Holding AB
Jan Samuelson	Director of Resurs Bank AB and Resurs Holding AB
Christian Frick	Director of Resurs Bank AB and Resurs Holding AB
Martin Bengtsson	Director of Resurs Bank AB and Resurs Holding AB
Anders Dahlvig	Director of Resurs Bank AB and Resurs Holding AB
Fredrik Carlsson	Director of Resurs Bank AB and Resurs Holding AB
Lars Nordstrand	Director of Resurs Bank AB and Resurs Holding AB
Mariana Burenstam Linder	Director of Resurs Bank AB and Resurs Holding AB
Marita Odélius Engström	Director of Resurs Bank AB and Resurs Holding AB
Mikael Wintzell	Director of Resurs Bank AB and Resurs Holding AB

Key personnel
Information about transactions between related party key personnel and remuneration of these individuals can be found in Note G13, Personnel.

Transactions with the Parent Company

	2018	2017
Interest expense	-674	
Other operating income	4,697	3,220
General administrative expenses	-15,497	-13,277

	31/12/2018	31/12/2017
Other liabilities	-1,539	-2,067
Deposits and borrowing from the public	-160,673	

Transactions with other group companies

	2018	2017
Interest expense	-6,663	-5,882
Fee & commission income	226,972	172,202
Other operating income	9,909	5,534
General administrative expenses	-2,524	-720

	31/12/2018	31/12/2017
Deposits and borrowing from the public	-194,981	-113,962
Other liabilities	-9,309	-4,344
Subordinated debt	-200,000	-200,000

Transactions with other companies with significant influence

	2018	2017
Transaction cost	-452,009	-456,231
Deposits and borrowing from the public	-6,390	-6,884
Fee & commission income	36,912	36,846
General administrative expenses	-27,232	-28,316

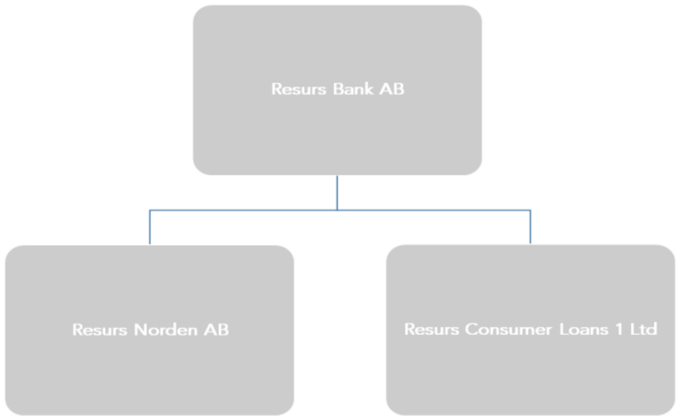
	31/12/2018	31/12/2017
Other assets	3,210	6,243
Deposits and borrowing from the public	-953,166	-1,325,083
Other liabilities	-97,650	-81,960

Transactions with key personnel

	2018	2017
Interest expenses, Deposits and borrowing from the public	-237	-438

	31/12/2018	31/12/2017
Deposits and borrowing from the public	-39,827	-67,992

Group structure



G38 FINANCIAL INSTRUMENTS

31/12/2018	Amortized acquisition value	Fair value through profit or loss	Fair value through compre-hensive income	Total carrying amount	Fair value
Assets					
Cash and balances at central banks	63,215			63,215	63,215
Treasury and other bills eligible for refinancing		878,558		878,558	878,558
Lending to credit institutions	3,670,115			3,670,115	3,670,115
Lending to the public	27,956,576			27,956,576	28,575,822
Bonds and other interest-bearing securities		969,699		969,699	969,699
Shares and participations		1,002		1,002	1,002
Derivatives		190,175		190,175	190,175
Other assets	132,631			132,631	132,631
Accrued income	93,069			93,069	93,069
Total financial assets	31,915,606	2,039,434	0	33,955,040	34,574,286
Intangible assets				1,945,773	
Property, plant & equipment				51,326	
Other non-financial assets				167,780	
Total assets	31,915,606	2,039,434	0	36,119,919	

31/12/2018	Financial liabilities at FVTPL	Financial liabilities valued at the accrued acquisition value	Total carrying amount	Fair value
Liabilities				
Liabilities to credit institutions		149,900	149,900	149,900
Deposits and borrowing from the public		20,933,807	20,933,807	20,932,007
Derivatives	12,353		12,353	12,353
Other liabilities		588,885	588,885	588,885
Accrued expenses		138,711	138,711	138,711
Issued securities		7,832,186	7,832,186	7,860,533
Subordinated debt		498,171	498,171	507,601
Total financial liabilities	12,353	29,991,760	30,154,013	30,189,990
Provisions			22,462	
Other non-financial liabilities			256,701	
Equity			5,686,743	
Total liabilities and equity	12,353	29,991,760	36,119,919	

FINANCIAL INSTRUMENTS

31/12/2017	Derivatives for hedge accounting	Loan receivables and accounts receivable	Financial assets at FVTPL, designated	Financial assets at FVTPL, held for trading	Total carrying amount	Fair value
Assets						
Cash and balances at central banks		61,539			61,539	61,539
Treasury and other bills eligible for refinancing			712,224		712,224	712,224
Lending to credit institutions		2,624,053			2,624,053	2,624,053
Lending to the public		24,069,278			24,069,278	24,650,382
Bonds and other interest-bearing securities			1,456,954		1,456,954	1,456,954
Shares and participations			979		979	979
Derivatives				33,577	33,577	33,577
Derivative instruments hedge accounting	7,397				7,397	7,397
Other assets		22,435			22,435	22,435
Accrued income		30,663			30,663	30,663
Total financial assets	7,397	26,807,968	2,170,157	33,577	29,019,099	29,600,203
Intangible assets					1,846,399	
Property, plant & equipment					39,625	
Other non-financial assets					59,285	
Total assets	7,397	26,807,968	2,170,157	33,577	30,964,408	

31/12/2017	Financial liabilities at FVTPL, held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities				
Liabilities to credit institutions		18,146,975	18,146,975	18,146,594
Derivatives	101,745		101,745	101,745
Other liabilities		536,711	536,711	536,711
Accrued expenses		118,301	118,301	118,301
Issued securities		5,597,271	5,597,271	5,620,835
Subordinated debt		540,044	540,044	553,611
Total financial liabilities	101,745	24,939,302	25,041,047	25,077,797
Provisions			6,690	
Other non-financial liabilities			353,181	
Equity			5,563,490	
Total liabilities and equity	101,745	24,939,302	30,964,408	

The table below shows financial instruments measured at fair value, based on classification in the fair value hierarchy.

Levels are defined as follows:
- Listed prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Other observable inputs for assets or liabilities other than listed prices included in level 1 directly (i.e., price quotations) or indirectly (i.e., derived from price quotations) (level 2)
- Inputs for assets or liabilities that are not based on observable market data (i.e., unobservable inputs) (level 3)

Note G2, Accounting policies provides details on the determination of fair value for financial assets and liabilities at fair value through the statement of financial position. Carrying amounts for current receivables, current liabilities and deposits and loans to the public are deemed to reflect fair value.

FINANCIAL INSTRUMENTS

	31/12/2018			31/12/2017		
	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	878,558			712,224		
Bonds and other interest-bearing securities	969,699			1,456,954		
Shares and participations			1,002			979
Derivatives		190,175			33,577	
Derivative instruments hedge accounting [1]					7,397	
Total	1,848,257	190,175	1,002	2,169,178	40,974	979
Financial liabilities at fair value through profit or loss:						
Derivatives		-12,353			-101,745	
Total	0	-12,353	0	0	-101,745	0

[1] Derivat instruments hedge accounting recognised through comprehensive income

Changes within level 3

SEK thousand	2018	2017
Shares and participations		
Opening balance	979	1,039
Exchange-rate difference	23	-60
Closing balance	1,002	979

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.

Other 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.

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.

Transfer between levels

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

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

Derivative agreement has been made under the ISDA agreement. The amounts are not offset in the statement of financial position.

The derivatives at 31 December 2018 are covered by ISDA Credit Support Annex; accordingly, collateral is obtained and provided in the form of bank deposits between the parties.

	Related agreement 31/12/2018				Related agreement 31/12/2017			
	Gross amount in the balance sheet	Master netting agreement	Collateral received/ pledged	Net amount	Gross amount in the balance sheet	Master netting agreement	Collateral received/ pledged	Net amount
Derivatives	190,175	-12,353	-149,900	27,922	40,974	-40,974		0
Total assets	190,175	-12,353			40,974	-40,974		
Derivatives	-12,353	12,353		0	-101,745	40,974	60,900	129
Total liabilities	-12,353	12,353	0	0	-101,745	40,974	60,900	129

G39 SUBSEQUENT EVENTS

Resurs Bank invests in newly established Kivra Oy

Resurs Bank was one of the first banks to offer its customers in Sweden the option of receiving post via Kivra's digital mailbox. This partnership is now being strengthened with Resurs investing in Kivra's new joint venture in Finland.

G40 KEY ESTIMATES AND ASSESSMENTS

When preparing financial statements in accordance with IFRS and generally accepted accounting principles, management needs to proactively make certain estimates, assumptions and evaluations. These are based on historical experience and current factors, which are considered fair and reasonable. The results of these professional estimates and assessments affect the reported amounts of assets, liabilities, income and expenses in the financial statements. Actual outcomes may differ from these estimates and assumptions. The Group has made the following critical estimates in applying significant accounting principles:

- classification and measurement of financial instruments
- whether the Bank assumed significant risks and benefits from the seller when acquiring assets
- impairment for credit losses
- other provisions

Classification and measurement of financial instruments
The accounting principles in Note G2 define the way in which assets and liabilities are to be classified in the various categories. Fair value measurement of financial instruments may lead to some uncertainty, as prevailing interest rates and market conditions may change quickly and affect the value of the asset.

Impairment testing of goodwill and other assets
Goodwill is tested for impairment annually when the annual accounts are prepared or as soon as changes indicate that impairment is requirement, for example, a changed business climate or decision to divest or discontinue operations. Impairment is recognised if the estimated value in use exceeds the carrying amount. A description of impairment testing for the year is provided in Note G24.

Impairment of credit losses
The calculation of credit losses is based on calculating the expected credit losses. The impairment model includes a three-stage model based on changes in the credit quality of financial assets. The assets are divided into three different stages depending on how credit risk has changed since the asset was initially recognised in the balance sheet. Stage 1 encompasses assets for which there has not been a significant increase in credit risk, stage 2 encompasses assets for which there has been a significant increase in credit risk, while stage 3 encompasses defaulted assets.

The provision of expected credit losses for assets is governed by the category to which the assets belong. Provisions are made under stage 1 for expected credit losses within 12 months, while provisions for stage 2 and 3 are made for expected credit losses under the full lifetime of the assets.

Calculations of expected credit losses include forward-looking information based on the macroeconomic outlook. The Group has decided to base the forward-looking calculations on a macroeconomic variable that from a historical perspective has proven to correlate well with changes in the Group's credit losses.

Other provisions
The amount recognised as a provision is the best estimate of the expenditure required to settle a present obligation at the reporting date. Earnings may be affected if an estimate has been made that is not consistent with the actual outcome.

Estimates and assumptions are reviewed on a regular basis. Changes to estimates are recognised in the period of the change if the change affects only that period. Changes are recognised in the period of the change and future periods if the change affects both.

Statement and notes - Parent company

PARENT COMPANY INCOME STATEMENT

SEK thousand	Note	2018	2017
Interest income	P5	3,056,191	2,089,649
Lease income	P9	21,119	29,490
Interest expense	P5	-331,240	-164,152
Fee & commission income	P6	444,808	369,145
Fee & commission expense	P6	-57,090	-48,289
Net income/expense from financial transactions	P7	-53,905	-39,970
Other operating income	P8	220,728	173,896
Total operating income		3,300,611	2,409,769
General administrative expenses	P10,P11	-1,168,508	-920,741
Depreciation, amortisation and impairment of tangible and intangible assets	P12	-147,657	-70,056
Other operating expenses	P13	-179,976	-129,089
Total expenses before credit losses		-1,496,141	-1,119,886
Profit before credit losses		1,804,470	1,289,883
Net credit losses	P14	-537,748	-319,726
Operating profit		1,266,722	970,157
Appropriations			
Transfer to/Reversal of tax allocation reserve	P16		200,000
Profit before tax		1,266,722	1,170,157
Income tax	P15	-305,682	-274,709
Profit for the year		961,040	895,448

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousand		2018	2017
Profit/loss for the year		961,040	895,448
Other comprehensive income that may be reversed to profit/loss			
Translation differences for the year, foreign operations	P35	977	
Comprehensive income for the year		962,017	895,448

PARENT COMPANY BALANCE SHEET

SEK thousand	Note	31/12/2018	31/12/2017
Assets			
Cash and balances with central banks		63,215	
Treasury and other bills eligible for refinancing	P17	878,558	712,224
Lending to credit institutions	P18	3,539,013	1,827,757
Lending to the public	P19	27,998,470	18,395,356
Bonds and other interest-bearing securities	P20	969,699	848,858
Shares and participations	P21	1,002	
Shares and participations in Group companies	P22	50,099	1,863,905
Derivatives		190,175	40,974
Goodwill	P23	1,523,836	552,440
Other intangible assets	P23	110,261	137
Property, plant & equipment	P24	83,160	74,700
Other assets	P25	137,053	20,790
Current tax assets		81,675	
Deferred tax asset	P15	22,539	6,627
Prepaid expenses and accrued income	P26	155,303	77,308
Total assets		35,804,058	24,421,076
Liabilities, provisions and equity			
Liabilities and provisions			
Liabilities to credit institutions	P27	149,900	
Deposits and borrowing from the public	P28	20,933,807	12,816,921
Other liabilities	P29	3,515,622	2,656,168
Derivatives		12,353	101,745
Accrued expenses and deferred income	P30	166,685	121,430
Tax liabilities		86,435	116,571
Deferred tax liability	P15	34,909	42,200
Other provisions	P31	22,462	6,690
Issued securities	P32	4,934,508	2,946,666
Subordinated debt	P33	498,171	500,000
Total liabilities and provisions		30,354,852	19,308,391
Untaxed reserves	M34	216,340	216,340
Equity	P35		
Restricted equity			
Share capital		500,000	500,000
Statutory reserve		12,500	12,500
Total restricted equity		512,500	512,500
Non-restricted equity			
Translation reserve		34,548	33,571
Retained earnings		3,724,778	3,454,826
Profit for the year		961,040	895,448
Total non-restricted equity		4,720,366	4,383,845
Total equity		5,232,866	4,896,345
Total liabilities, provisions and equity		35,804,058	24,421,076

See Note P36 for information on pledged assets, contingent liabilities and commitments.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory reserve	Translation reserve	Retained earnings	Profit/loss for the year	Total equity
Equity at 1 January 2017	500,000	12,500	33,571	3,414,026	840,800	4,800,897
Owner transactions						
Dividends according to General Meeting				-500,000		-500,000
Dividends according to Extraordinary General Meeting				-300,000		-300,000
Appropriation of profits according to resolution by Annual General Meeting				840,800	-840,800	0
Profit for the year					895,448	895,448
Equity at 31 December 2017	500,000	12,500	33,571	3,454,826	895,448	4,896,345
Equity at 1 January 2018 according to IAS 39	500,000	12,500	33,571	3,454,826	895,448	4,896,345
Impact of revaluation of credit loss reserves due to IFRS 9 implementation				-438,681		-438,681
Impact of revaluation of credit loss reserves due to IFRS 9 implementation - tax effect				99,940		99,940
Equity at 1 January 2018 according to IFRS 9, adjusted	500,000	12,500	33,571	3,116,085	895,448	4,557,604
Equity at 1 January 2018	500,000	12,500	33,571	3,116,085	895,448	4,557,604
Owner transactions						
Dividends according to General Meeting				-360,000		-360,000
Dividends according to Extraordinary General Meeting				-330,000		-330,000
Profit through merger			-50,983	403,245		352,262
Appropriation of profits according to resolution by Annual General Meeting				895,448	-895,448	0
Profit for the year					961,040	961,040
Other comprehensive income for the period			51,960			51,960
Equity at 31 December 2018	500,000	12,500	34,548	3,724,778	961,040	5,232,866

For further information see Note P35.

PARENT COMPANY CASH FLOW STATEMENT (INDIRECT METHOD)

SEK thousand	Note	2018	2017
Operating activities			
Operating profit		1,266,722	970,157
- of which interest received		*3,054,577*	*2,117,733*
- of which interest paid		*-325,018*	*-164,070*
Adjustment for non-cash items in operating profit		785,064	433,355
Income taxes paid		-400,312	-288,877
Cash flow in operating activities before changes in operating assets and liabilities		1,651,474	1,114,635
Changes in operating assets and liabilities			
Lending to the public		-4,875,357	-2,198,656
Other assets		359,303	-8,341
Liabilities to credit institutions		149,900	-1,700
Deposits and borrowing from the public		3,047,254	-989,097
Acquisition of investment assets [1]		-1,315,480	-298,910
Divestment of investment assets [1]		1,653,265	329,879
Other liabilities		-244,460	111,175
Cash flow from operating activities		425,899	-1,941,015
Investing activities			
Acquisition of non-current assets	P23,P24	-76,681	-44,589
Divestment of non-current assets		5,992	14,950
Group contributions paid			-144,844
Cash flow from investing activities		-70,689	-174,483
Financing activities			
Dividends paid		-690,000	-800,000
Issued securities		1,412,450	2,146,733
Subordinated debt		-42,664	300,000
Cash flow from financing activities		679,786	1,646,733
Cash flow for the year		1,034,996	-468,765
Cash & cash equivalents at beginning of year [2]		1,827,757	2,288,850
Cash & cash equivalents taken over by merger	P38	764,095	
Exchange-rate difference		-24,620	7,672
Cash & cash equivalents at end of the period		3,602,228	1,827,757
Adjustment for non-cash items in operating profit			
Credit losses	P14	537,748	319,726
Depreciation and impairment of property, plant & equipment	P12	147,657	70,056
Profit/loss tangible assets		244	103
Profit/loss on investment assets		-4,830	-3,764
Change in provisions		-1,792	117
Adjustment to interest paid/received		8,827	1,372
Currency effects		96,842	44,278
Other items that do not affect liquidity		368	1,467
Sum non-cash items in operating profit		785,064	433,355

[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 2018	Cash flow	Non cash items			31 Dec 2018
			Additional through merger	Accrued acquisition costs	Exchange-rate difference	
Issued securities	2,946,666	1,412,450	550,605	2,197	22,590	4,934,508
Subordinated debt	500,000	-42,664		38,215	2,620	498,171
Total	3,446,666	1,369,786	550,605	40,412	25,210	5,432,679

SEK thousand	1 Jan 2017	Cash flow	Non cash items		31 Dec 2017
			Accrued acquisition costs	Exchange-rate difference	
Issued securities	798,467	2,146,733	1,466		2,946,666
Subordinated debt	200,000	300,000			500,000
Total	998,467	2,446,733	1,466	0	3,446,666

Notes

P1 PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company's annual financial statements were prepared in accordance with the Swedish Annual Accounts for Credit Institutions and Securities Companies Act and the Swedish Financial Supervisory Authority's regulations and general recommendations on credit institutions and securities companies (FFFS 2008:25), including all of the applicable amendments and the Swedish Financial Reporting Board's RFR 2, Accounting for Legal Entities. This annual report was prepared in accordance with so-called statutory IFRS, meaning that the international accounting standards and interpretations hereof that have been endorsed by the EU have been applied insofar as possible within the framework of national laws and regulations, as well as in observation of the connection between accounting and taxation. The differences between the Group and the Parent Company are described below.

References to the Group's accounting principles in the Parent Company's accounting principles are only presented in case of a difference or addition to the text.

Changed accounting principles in the Parent Company

No changes to accounting principles that take effect as of financial years beginning 1 January 2018 or later have affected the Parent Company, except from IFRS 9, see Effect of IFRS 9 below.

Shares and participations in Group companies

Shares and participations in Group companies are reported pursuant to the cost method. Dividends received are recognised as revenue when the right to receive payment is deemed certain.

Processing fees associated with acquisitions are added to acquisition value in the Parent Company; processing fees are eliminated in the Group.

Taxes

In the parent company's balance sheet, untaxed reserves are reported without being divided into equity and deferred tax liability, unlike in the Group. Similarly, in the parent company's income statement, there is no allocation of part of the appropriations to deferred tax expense.

Appropriations comprise provisions, reversals of untaxed reserves and Group contributions.

Intangible assets

The parent company amortises goodwill systematically based on estimated useful life. All expenses, including development costs, relating to internally developed intangible assets are recognised in the income statement as a cost.

Leases

The parent company reports its finance leases as operating leases in accordance with the exemption allowed in RFR 2. Leased assets are therefore recognised as items of property, plant & equipment at cost less depreciation, calculated using the annuity method, and any impairment resulting from the lessee's insolvency. Lease income is recognised on a straight-line basis over the term of the lease.

Group contributions and shareholder contributions

Group contributions and shareholder contributions are reported in accordance with the alternative rule in RFR 2. This means that both received and paid Group contributions are reported as appropriations in the income statement. Shareholder contributions are reported as an increase in shares in Group companies.

Effect of IFRS 9

In the statement of financial position, the items in below table, have been affected by the fact that the calculation of the credit loss provision according to IFRS 9 is calculated on expected credit losses as opposed to the previous model that was based on credit losses incurred.

SEK thousand	31 Dec 2017 according to earlier accounting principles	Adjustment Lending to the public	Adjustment Deferred tax asset	Adjustment Current tax asset	Adjustment Other provisions	1 Jan 2018
Assets						
Lending to the public	18,395,356	-309,281				18,086,075
Current tax asset				63,747		63,747
Deferred tax asset	6,627		7,958			14,585
Liabilities and provisions						
Other provisions	6,690				16,462	23,152
Equity						
Revaluation of credit losses according to IFRS 9		-309,281	7,958	63,747	-16,462	-254,038

The effect of IFRS 9 for merged company, see Note P38.

See Note G40 for description of the reclassification of financial assets and liabilities according to IFRS 9.

P2 RISKMANAGEMENT

See note P3 for further information.

CREDIT RISK EXPOSURE, GROSS AND NET

	31/12/2018				31/12/2017			
	Credit risk exposure, gross	Provision	Value of collateral	Credit risk exposure, net	Credit risk exposure, gross	Provision	Value of collateral	Credit risk exposure, net
Cash and balances with central banks								
AAA/Aaa	63,215			63,215				0
Total cash and balances with central banks	63,215	0	0	63,215	0	0	0	0
Treasury and other bills eligible for refinancing								
AAA/Aaa	401,033			401,033	363,611			363,611
AA+/Aa1	477,525			477,525	348,613			348,613
Total treasury and other bills eligible for refinancing	878,558	0	0	878,558	712,224	0	0	712,224
Lending to credit institutions								
AA+/Aa1	26,701			26,701	24,615			24,615
AA-/Aa3	1,277,967			1,277,967	948,851			948,851
A+/A1	1,297,850			1,297,850	208,512			208,512
A/A2	831,634			831,634	615,169			615,169
unrated [1]	104,861			104,861	30,610			30,610
Total lending to credit institutions	3,539,013	0	0	3,539,013	1,827,757	0	0	1,827,757
Lending to the public								
Lending to the public - retail	30,139,006	-2,551,266		27,587,740	19,661,207	-1,583,938		18,077,269
Lending to the public - corporates	446,702	-35,972	-144,097	266,633	345,745	-27,658	-110,401	207,686
Total lending to the public	30,585,708	-2,587,238	-144,097	27,854,373	20,006,952	-1,611,596	-110,401	18,284,955
Bonds								
AAA/Aaa	869,656			869,656	848,858			848,858
A-/A3	100,043			100,043				0
Total bonds	969,699	0	0	969,699	848,858	0	0	848,858
Lease receivables	32,633	-799		31,834	38,919	-1,333		37,586
Derivatives								
AA-/Aa3	90,418			90,418	21,468			21,468
A/A2	99,757			99,757	19,506			19,506
Total derivatives	190,175	0	0	190,175	40,974	0	0	40,974
Total credit risk exposure in the balance sheet	36,195,786	-2,588,037	-144,097	33,463,652	23,475,684	-1,612,929	-110,401	21,752,354
Commitments								
Unutilised credit facilities granted [2]	27,533,519			27,533,519	25,120,338			25,120,338
Total credit risk exposure	63,729,305	-2,588,037	-144,097	60,997,171	48,596,022	-1,612,929	-110,401	46,872,692

Rating by S&P and Moody's. In the event credit ratings differ, the lowest is used.

[1] The item lending to non-rating credit institutions consists of lending to other banks. Resurs Bank runs a deposit co-operative with Avanza Bank, a bank listed on Nasdaq Stockholm; the SEK 105 million (30), of liquidity produced therefrom is invested to manage daily flows arising from the deposit co-operative.

[2] All granted but unutilised credit facilitities are terminable to the extent permitted under the Swedish Consumer Credit Act.

CREDIT QUALITY, LOAN AND LEASE RECEIVABLES

31/12/2018	Credit risk exposure, gross	Provision
Lending to the public, retail customers		
Receivables not due		
Stage 1	22,198,221	-165,419
Stage 2	3,326,966	-312,054
Doubtful receivables		
Stage 3	4,613,818	-2,073,793
Total lending to the public, retail customers	30,139,006	-2,551,265
Lending to the public, corporate customers		
Receivables not due		
Stage 1	*354,374*	*-1,734*
Stage 2	*50,707*	*-340*
Doubtful receivables		
Stage 3	*41,620*	*-33,898*
Total lending to the public, corporate customers	446,702	-35,972
Total lending to the public	30,585,708	-2,587,237

Assessments of the credit quality of consumer loans that are non-performing was previously performed based on internal PD-models and classification into low/medium or high risk followed the definitions in the bank's credit strategy. Comparative figures for 31 December 2018 are instead based on theIFRS 9 structure and the three stages in which a credit is categorised.

The Bank assesses the credit quality of lease receivables and lending to the public, corporate customers, on the basis of the individual borrower's ability to pay.

To safeguard the Banks's credit quality, the Bank continuously monitors and reports on corporate credit lending commitments in accordance with

In collaboration with established credit reporting agencies, the Bank regularly tracks the situation of individual credit commitments in order to monitor customers' ability to repay.

31/12/2017	Credit risk exposure, gross	Provision
Lending to the public, retail customers		
Receivables not due		
Low to medium credit risk	15,007,629	
High risk [1]	1,256,650	-135,254
Past due receivables		
Receivables past due 60 days or less	521,225	
Receivables past due > 60-90 days	257,240	-65,230
Receivables past due > 90 days	2,618,463	-1,383,454
Total lending to the public, retail customers	19,661,207	-1,583,938
[1] *of which, doubtful receivables*	*206,542*	*-135,254*
Lending to the public, corporate customers		
Low to medium credit risk	310,894	
High credit risk	73,770	-28,991
Total lending to the public, corporate customers	384,664	-28,991
Total lending to the public	20,045,871	-1,612,929

Assessments of the credit quality of consumer loans that are not overdue was previously performed based on a model founded on the borrower's credit status according to credit-rating agencies. In 2017, assessments were carried out based on internal PD models and classification into low/medium or high risk followed the definitions in the bank's credit strategy.

The Bank classifies past due receivables of less than 60 days as medium risk and past due receivables of 60 days or more as high risk.

The Bank assesses the credit quality of lease receivables and loans to corporate customers on the basis of the individual borrower's ability to pay.

To safeguard the Bank's credit quality, the Bank continuously monitors and reports on corporate credit lending commitments in accordance with specific guidelines. In collaboration with established credit reporting agencies, the Bank regularly tracks the situation of individual credit commitments in order to monitor customers' ability to repay.

MARKET RISK

Market risks in the financial operations primarily comprise interest rate risk, currency risk and share price risk. The Board adopts policies that control these risk, for example, by setting limits that restrict risk levels. No positions are held in the trading book.

Risks attributable to foreign exchange-rates arise on the differences between assets and liabilities in different currencies. Interest rate risks arise on the difference between interest-rate terms for assets and liabilities.

Interest rate risk is primarily defined as a risk of incurring expenses, meaning the risk that the Group's net interest income will decrease due to disadvantageous market interest rates. Interest rate risk normally arises as a result of companies having different maturities or fixed interest terms for their assets and liabilities. Interest rate risk increases if the terms for assets deviate from the terms for liabilities. Interest rate risk mainly affects companies in the form of gradual changes in net interest income, which can thus affect operating income and both short and long-term capital ratios.

Interest rate risk pertains to changes in interest rates and the structure of the interest rate curve.

Most of the Bank's interest rate risks are structural and arise within the Group's banking operations where fixed interest terms for assets and liabilities do not always coincide.

The Bank endeavours to ensure sound matching between fixed and variable interest rates in its statement of financial position, and can relatively quickly mitigate interest rate rises by changing the terms of new loans.

Overall interest rate risk is deemed to be limited. This given the relatively high credit turnover rate and the fact that interest rates can be adjusted within two months according to credit agreements and applicable consumer credit legislation in several markets. Most lending and deposits take place at variable interest rates. Interest swap agreements may also be signed to limit interest rate risk. The Treasury Department continually measures, checks and manages interest rate risk on interest-bearing assets and liabilities by applying a variety of models and the Board has established limits for maximum interest rate risk.

In a calculation of a one (1) percentage-point change in the market interest rate, net interest income for the next 12 months would increase/decrease by SEK 44 million (38), based on interest-bearing assets and liabilities on the closing date.

A one (1) percentage-point parallel shift in the yield curve and by applying the discounted future cash flow, interest rate risk on the equity on closing date was +/- SEK 5 milion (8).

The financing via deposits at variable interest rates has a contractual and theoretical very short fixed interest term of only one day. When calculating interest rate risk, this means that interest rate risk will be higher than if it is assumed that the fixed interest term of deposits would be longer. The pattern, unlike the contractual, has historically been significantly longer than one day.

In legal terms, the Group's interest rate risk associated with lending is limited since the majority of the interest rate terms are variable. In reality, however, it is not as easy for market reasons to fully offset a change in interest rates, and this may have an impact on net interest income, depending on the active position. Higher interest expenses can be countered promptly by amending the terms for new lending. In view of the relatively high credit turnover rate, overall interest rate risk is deemed limited. Most borrowers in the Payment Solutions segment are also able to switch between various partial payment options during the credit period.

FIXED INTEREST

31/12/2018	Less than 1 month	1-3 months	3-12 months	More than 1 year	Interest-free	Total
Assets						
Cash and balances with central banks	63,215					63,215
Treasury and other bills eligible for refinancing	174,752	654,833	24,337	24,636		878,558
Lending to credit institutions	3,539,013					3,539,013
Lending to the public	27,158,759	77,890	256,004	505,817		27,998,470
Bonds and other interest-bearing securities	251,837	675,648		42,214		969,699
Shares and participation in Group companies					51,101	51,101
Intangible assets					1,634,097	1,634,097
Property, plant & equipment [1]	31,834				51,326	83,160
Other assets					586,745	586,745
Total assets	31,219,410	1,408,371	280,341	572,667	2,323,269	35,804,058
Liabilities						
Liabilities to credit institutions	149,900					149,900
Deposits and borrowing from the public	19,382,823	224,465	1,096,719	229,800		20,933,807
Other liabilities	2,897,678				940,788	3,838,466
Issued securities	578,843	4,355,665				4,934,508
Subordinated debt	498,171					498,171
Equity					5,449,206	5,449,206
Total liabilities	23,507,415	4,580,130	1,096,719	229,800	6,389,994	35,804,058
Interest derivatives, variable interest received						0
Interest derivatives, fixed interest paid						0
Difference, assets and liabilities	*7,711,995*	*-3,171,759*	*-816,378*	*342,867*	*-4,066,725*	0

[1] Property, plant & equipment with fixed interest refers to leases reported as operating leases in the legal entity.

FIXED INTEREST

31/12/2017	Less than 1 month	1-3 months	3-12 months	More than 1 year	Interest-free	Total
Assets						
Treasury and other bills eligible for refinancing	77,591	586,499		48,134		712,224
Lending to credit institutions	1,827,757					1,827,757
Lending to the public	17,188,937	100,044	341,170	765,205		18,395,356
Bonds and other interest-bearing securities	152,218	696,640				848,858
Shares and participations in Group companies					1,863,905	1,863,905
Intangible assets					552,577	552,577
Property, plant & equipment [1]	38,351				36,349	74,700
Other assets					145,699	145,699
Total assets	19,284,854	1,383,183	341,170	813,339	2,598,530	24,421,076
Liabilities						
Deposits and borrowing from the public	11,072,848	285,985	930,948	527,140		12,816,921
Other liabilities	2,100,000				944,804	3,044,804
Issued securities		2,546,799	399,867			2,946,666
Subordinated debt	500,000					500,000
Equity					5,112,685	5,112,685
Total liabilities	13,672,848	2,832,784	1,330,815	527,140	6,057,489	24,421,076
Interest derivatives, variable interest received						0
Interest derivatives, fixed interest paid						0
Difference, assets and liabilities	*5,612,006*	*-1,449,601*	*-989,645*	*286,199*	*-3,458,959*	0

[1] Property, plant & equipment with fixed interest refers to leases reported as operating leases in the legal entity.

CURRENCY RISK

Exchange-rate risk is the risk that the value of assets and liabilities, including derivatives, may vary due to exchange rate fluctuations or other relevant risk factors.

Currency risk arises when the value of assets and liabilities in foreign currency translated to SEK change because exchange rates fluctuate. The main currencies for the operations are: SEK, NOK, DKK and EUR.

So as to minimise exchange-rate risk, efforts are made to match assets and liabilities in the respective currencies as far as possible, and part of earnings in currencies other than SEK are exchanged on a regular basis. The Treasury Department manages the currency exposures arising in the banking operations by using currency hedges to reduce the net value of assets and liabilities (including derivatives) in one single currency. Derivatives in the banking operations are regulated via ISDA and CSA agreements.

Transactions in foreign branch offices are translated to SEK using the average exchange-rate during the period in which the income and expenses have occurred.

Exchange-rate gains and losses arising on settlement of these transactions and from translation of foreign currency assets and liabilities using the closing rate are recognised through profit or loss.

CURRENCY EXPOSURE

31/12/2018	DKK	EUR	NOK	Other	Total
Foreign currency assets, presented in SEK thousand					
Cash and balances with central banks			63,215		63,215
Treasury and other bills eligible for refinancing	24,337	24,636	173,571		222,544
Lending to credit institutions	61,154	119,564	841,478	2,495	1,024,691
Lending to the public	3,507,362	2,775,132	8,857,731		15,140,225
Bonds and other interest-bearing securities		42,214	86,939		129,153
Shares and participations			1,002		1,002
Intangible assets		20	1,114,158		1,114,178
Property, plant & equipment	188	3,655	4,433		8,276
Other assets	96,406	20,357	198,466		315,229
Total assets	3,689,447	2,985,578	11,340,993	2,495	18,018,513
Foreign currency liabilities, presented in SEK thousand					
Deposits from the public	4,354	393,388	6,401,690		6,799,432
Other liabilities	52,630	85,996	301,503		440,129
Other provisions	1,487	1,076	11,672		14,235
Issued securities			988,564		988,564
Total liabilities	58,471	480,460	7,703,429	0	8,242,360
Net assets	3,630,976	2,505,118	3,637,564	2,495	
Nominal amount, currency hedges	-3,625,760	-2,496,898	-2,607,353		
Difference between assets and liabilities incl. nominal amount of currency hedges	5,216	8,220	1,030,211	2,495	
Sensitivity analysis					
Total financial assets	3,653,423	2,971,962	10,139,922	2,495	
Total financial liabilities	-56,007	-458,275	-7,540,894		
Nominal amount, currency hedges	-3,625,760	-2,496,898	-2,607,353		
Total	-28,344	16,789	-8,325	2,495	
Exchange-rate fluctuation, 5% on comprehensive income of the year before tax	*-1,417*	*839*	*-416*	*125*	

CURRENCY EXPOSURE

31/12/2017	DKK	EUR	NOK	Other	Total
Foreign currency assets, presented in SEK thousand					
Treasury and other bills eligible for refinancing	24,401	23,733	24,046		72,180
Lending to credit institutions	20,783	67,252	1,960	3,697	93,692
Lending to the public	3,015,506	2,206,332	2,160,080		7,381,918
Intangible assets		137			137
Property, plant & equipment	311	2,901	2,975		6,187
Other assets	13,709	4,955	8,966		27,630
Total assets	3,074,710	2,305,310	2,198,027	3,697	7,581,744
Foreign currency liabilities, presented in SEK thousand					
Deposits from the public	6,016	2,626	29,246		37,888
Other liabilities	55,680	92,120	100,239	2,132	250,171
Other provisions			5,122		5,122
Issued securities			400,163		400,163
Total liabilities	61,696	94,746	534,770	2,132	693,344
Net assets	3,013,014	2,210,564	1,663,257	1,565	
Nominal amount, currency hedges	-3,009,598	-2,214,213	-2,329,024		
Difference between assets and liabilities incl. nominal amount of currency hedges	3,416	-3,649	-665,767	1,565	
Sensitivity analysis					
Total financial assets	3,066,411	2,300,775	2,191,207	3,697	
Total financial liabilities	-59,898	-63,921	-504,227		
Nominal amount, currency hedges	-3,009,598	-2,214,213	-2,329,024		
Total	-3,085	22,641	-642,044	3,697	
Exchange-rate fluctuation, 5% on comprehensive income of the year before tax	*-154*	*1,132*	*-32,102*	*185*	

FUNDING

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.

Work on diversifying financing remained in focus during the year. Currency hedges are used to manage the currency risk associated with lending in currencies other than the currencies found in the financing operations. These derivatives are covered and regulated by ISDA and CSA agreements established with numerous counterparties.

In 2018, the wholly-owned subsidiary yA Bank AS was merged and as a result, it is included in all data as of 31 December 2018 but not in the comparatvie figures.

The main type of financing is deposits from the public.This form of financing has been offered to customers in Sweden and Norway for several years. Deposits to customers in Germany have also been offered since the end of 2018. Deposits, which are analysed on a regular basis, totalled SEK 20,934 million (12,817), whereof in Sweden SEK 14,216 million (12,817), in Norway SEK 6,337 million (0) and in Germany SEK 381 million (0). The lending to the public/deposits from the public ratio is 134 per cent (144 per cent).

Deposit products are covered by the deposit insurance scheme, the purpose of which is to strengthen the protection of deposits received from the public and contribute to the stability of the financial system. The state deposit insurance scheme in Sweden totals SEK 950,000 per person and institution, with the option of applying to extend this amount under certain circumstances. The deposits offered to customers in Germany are covered by the Swedish deposit insurance scheme. In Norway, the state deposit insurance totals NOK 2,000,000 per person. The majority of deposits from the public are covered by the state deposit insurance scheme.

Resurs Bank has a funding programme for issuing bonds, the programme amounts to SEK 8,000 million (5,000). 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 ten outstanding issues at a nominal amount of SEK 4,250 million (2,850) and NOK 400 million (400).

Of the ten issues, nine are senior unsecured bonds and one issue is a subordinated loan of SEK 300 million (300). Resurs Bank has, outside the programme, issued NOK 600 million (600) in senior unsecured bonds and issued subordinated loan of SEK 200 million (200).

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. In January 2018 the financing expanded and at 31 december 2018 a total of appoximately SEK 3.7 billion in loan receivables had been transferred to Resurs Consumer Loans. The acquisition of loan receivables by Resurs Consumer Loans was financed by an international financial institution. 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. Resurs Bank and Resurs Consumer Loans have provided security for the assets that form part of the securitisation. At the balance sheet date, the external financing amounted to SEK 2.9 billion (2.1) of the ABS financing. Resurs Bank has the right to amortise (reduce) the funding every month. Since the bank has this option, collateral is linked to the securitisation that pays a central role in the monthly interest payments.

A Net Stable Funding Ratio (NSFR) has been discussed for some time. The aim is to show that there is a sufficient percentage of stable financing in relation to long-term assets, as shown by a ratio of more than 100 per cent. The ratio is regulated in the EU Capital Requirements Regulation (CRR), although calculation methods have not yet been fully established. Based on an interpretation of the Basel Committee's recommendations and work with advisory consults, internal models have been produced to regularly follow and monitor the company's own estimate of the NSFR. It has been assessed that the ratio exceeds 100 per cent. It is not yet definitively known when a quantitative NSFR requirement will be established.

LIQUIDITY RISKS

This report contains information from, among other things, the Financial Supervisory Authority's regulations (FFFS 2010: 7) on the management and disclosure of liquidity risks including all applicable amendments regulations.

Liquidity risk is the risk that the Bank will be unable to discharge its payment obligations on the due date without borrowing at highly unfavourable rates. The Bank must maintain a liquidity reserve and have access to an unutilised liquidity margin in the event of irregular or unexpected liquidity flows.

The Bank'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. This plan includes risk indicators that could trigger the contingency plan and action plans to strengthen liquidity. The Group's liquidity risk is controlled and audited by independent functions. The risk control function carries out ongoing audits and checks on liquidity risks. There must always be liquid assets that can be used immediately to manage daily cash flows arising in the business. There must also be preparedness for uneven cash flows, which can be handled by means of a quick redistribution of liquidity or disposal of investments. There must be preparedness for a rapid strengthening of liquidity through various actions.

Banking operations are characterised by financing which, for the most part, consists of long-term savings together with ABS and MTN bonds. Lending operations primarily comprises short-term lending (Credit Cards and Retail Finance). This is a major difference from general banking operations in the Nordic region, which have historically been based on shorter financing than loans (such as mortgages), creating a negative cash flow. Structural liquidity risk is limited since the operations of the Group have a fundamentally positive cash flow. In the liquidity exposure table with maturity times, deposits from the public at variable interest rates are placed in the payable on demand category. However, assessment and historical outcomes show that customer behaviour – as opposed to the contractual – is significantly longer than this. The company believes that deposits from the public are a long-term and stable source of financing.

Management and control of liquidity risk is centralised and the Treasury Department is responsible for continuously monitoring, analysing, forecasting, managing and reporting liquidity risks. The department is led by the Head of Treasury, who in turn organisationally reports to the CFO. Monthly reports that include information on the financial situation, liquidity forecast and risk measures are submitted to the Treasury Committee. Policies adopted by the Board are continuously monitored, while the Treasury Committee may also establish requirements that must be followed. Regular reports are also submitted to the Board. Investments must be of a high credit and liquidity quality and consideration is continuously given to maintaining a sufficient amount of liquid assets.

The banking operations prepare a funding and liquidity plan whenever required, at least once annually. Stress tests are carried out regularly to ensure that liquidity is in place for circumstances that deviate from normal conditions. One recurring stress test evaluates significant outflows of deposits from the public. Stress scenarios combining a variety of events and circumstances are implemented on a regular basis. Examples of combined events are disruptions in the capital market and deterioration in customers' repayment behaviour.

LIQUIDITY EXPOSURE, UNDISCOUNTED CASH FLOWS

31/12/2018	Payable on demand	< 3 months	3-12 months	1-5 years	>5 years	No duration	Total
Assets							
Cash and balances with central banks	63,215						63,215
Treasury and other bills eligible for refinancing		185,930	27,199	628,020	46,667		887,816
Lending to credit institutions	3,419,031		90,000			29,982	3,539,013
Lending to the public		4,178,366	6,527,131	17,388,233	10,695,858	3,290,346	42,079,934
Bonds and other interest-bearing securities		100,948	103,349	769,196			973,493
Shares and participations						1,002	1,002
Other financial assets		213,568	12,900				226,468
Total	3,482,246	4,678,812	6,760,579	18,785,449	10,742,525	3,321,330	47,770,941
Financial liabilities							
Liabilities to credit institutions			149,900				149,900
Deposits from the public [1)]	19,381,100	226,486	1,105,095	233,399			20,946,080
Issued securities		17,724	1,430,660	3,595,333			5,043,717
Subordinated debt		4,621	14,181	256,986	338,791		614,579
Other financial liabilities		699,123	79,878	2,843,801			3,622,802
Total	19,381,100	947,954	2,779,714	6,929,519	338,791	0	30,377,078
Net assets	-15,898,854	3,730,858	3,980,865	11,855,930	10,403,734	3,321,330	17,393,863
Derivatives, received		6,037,479	2,870,459				8,907,938
Derivatives, paid		-5,904,770	-2,825,298				-8,730,068
Difference per time interval [2)]	*-15,898,854*	*3,863,567*	*4,026,026*	*11,855,930*	*10,403,734*	*3,321,330*	*17,571,733*

The cash flow for securities is calculated applying the coupon-rate for each security at that point of time.
Interest attributable to Deposits from the public with variable interest rates are not reflected in the above tables.
1) Interest attributable to Deposits from the public with fixed interest rates is capitalised annually; in the model, however, it is deemed paid in full at maturity.
2) Amounts payable on demand amounted to SEK -15.9 million. Contractual and expected terms are deemed to deviate for deposits from the public of SEK 19.4 million. The pattern, unlike the contractual terms, has historically been significantly lower than one day.

LIQUIDITY EXPOSURE, UNDISCOUNTED CASH FLOWS

31/12/2017	Payable on demand	< 3 months	3-12 months	1-5 years	>5 years	No duration	Total
Financial assets							
Treasury and other bills eligible for refinancing		75,197	151,536	483,122			709,855
Lending to credit institutions	1,650,317		150,900			26,540	1,827,757
Lending to the public		3,225,114	4,917,418	10,744,123	4,424,144	2,648,959	25,959,758
Bonds and other interest-bearing securities		174	200,523	642,081			842,778
Other financial assets		42,555	7,811				50,366
Total	1,650,317	3,343,040	5,428,188	11,869,326	4,424,144	2,675,499	29,390,514
Financial liabilities							
Deposits from the public [1)]	11,072,848	286,274	939,545	536,233			12,834,900
Issued securities		8,789	423,372	2,587,793			3,019,954
Subordinated debt		4,538	14,322	555,693			574,553
Other financial liabilities		587,582	77,912	2,061,133			2,726,627
Total	11,072,848	887,183	1,455,151	5,740,852	0	0	19,156,034
Net assets	-9,422,531	2,455,857	3,973,037	6,128,474	4,424,144	2,675,499	10,234,480
Derivatives, received		3,936,964	3,427,431	127,250			7,491,645
Derivatives, paid		-3,991,932	-3,430,086	-132,378			-7,554,396
Difference per time interval [2)]	*-9,422,531*	*2,400,889*	*3,970,382*	*6,123,346*	*4,424,144*	*2,675,499*	*10,171,729*

The cash flow for securities is calculated applying the coupon-rate for each security at that point of time.
Interest attributable to Deposits from the public with variable interest rates are not reflected in the above tables.
1) Interest attributable to Deposits from the public with fixed interest rates is capitalised annually; in the model, however, it is deemed paid in full at maturity.
2) Amounts payable on demand amounted to SEK -9.4 million. Contractual and expected terms are deemed to deviate for deposits from the public of SEK 11.1 million. The pattern, unlike the contractual terms, has historically been significantly lower than one day.

LIQUIDITY AND LIQUIDITY RESERVE

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

There are also other liquidity requirements regulating and controlling the business. The liquidity reserve, totalling SEK 1,899 million (1,744), 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 3,552 million (1,645). Total liquidity amounted to SEK 5,452 million (3,389). Total liquidity corresponded to 26 per cent (26 per cent) of deposits from the public. The Bank also has unutilised credit facilities of SEK 50 million (0).

Liquidity Coverage Ratio (LCR) 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. As at 31 December 2018, the ratio is 146 per cent (180 per cent).For the period January to December 2018, the average LCR measures 171 per cent.

	31/12/2018	31/12/2017
Liquidity reserve as per FFFS 2010:7 definition		
Securities issued by sovereigns	49,117	48,268
Securities issued by municipalities	729,974	664,222
Lending to credit institutions	250,000	183,000
Bonds and other interest-bearing securities	870,196	848,957
Total liquidity reserve as per FFFS 2010:7 definition	1,899,287	1,744,447
Other liquidity portfolio		
Cash and balances with central banks	63,215	
Securities issued by municipalities	100,033	
Lending to credit institutions	3,289,013	1,644,757
Bonds and other interest-bearing securities	100,043	
Total other liquidity portfolio	3,552,304	1,644,757
Total liquidity portfolio	5,451,591	3,389,204
Other liquidity-creating measures		
Unutilised credit facilities	51,225	

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

Valuations of interest-bearing securities in the above table are measured at market value and accrued interest.

LIQUIDITY COVERAGE RATIO (LCR) - LIQUID ASSETS

	31/12/2018	31/12/2017
Liquid assets, Level 1	1,030,930	940,037
Liquid assets, Level 2	572,680	420,974
Total liquid assets	1,603,610	1,361,011
LCR measure	146%	180%

Level 1 consist of high qualitative assets, level 2 consists of assets with the highest quality in accordance to the rules of Liquidity Coverage Ratio.

P3 CAPITAL ADEQUACY

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 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 requirement and a countercyclical capital buffer requirement. The capital conservation buffer requirement amounts to 2.5 per cent of the risk-weighted assets. The countercyclical capital buffer requirement is weighted according to geographical requirements, which amounts to 2 per cent of the risk-weighted assets for Swedish and Norwegian exposures of the risk-weighted assets. The countercyclical capital buffer requirements will increase to 2.5 per cent for Swedish exposures from 19 September 2019 and for Norwegian exposures from 31 december 2019. The Group currently does not need to take into account a buffer requirement for its other business areas in Denmark and Finland. However, a Danish countercyclical capital buffer requirement of 0.5 per cent will apply from 31 March 2019 and it will increase to 1 per cent from 30 September 2019.

The Board's guidelines specify that the consolidated situation must maintain a capital base that, by a sound margin, covers statutory minimum capital requirements and the capital requirements calculated for other risks identified in the operations according to the internal capital adequacy assessment process (ICAAP). The ongoing review of the internal capital adequacy assessment process is an integral part of the Bank's risk management.

The internal capital adequacy assessment process is performed annually and the internally assessed capital requirement is updated quarterly based on established models. Information about risk management in the Bank can be found in Note G3 Risk management.

Capital base
The capital base is the total of Tier 1 capital and Tier 2 capital less deductions in accordance with the Capital Requirements Regulation 575/2013 EU (CRR). Deductions made by the consolidated situation are presented in the table below and deducted from Common Equity Tier 1 capital.

Common Equity Tier 1 capital
Common Equity Tier 1 capital comprises share capital, paid-in capital, retained earnings and other reserves of the companies included in the consolidated situation. Net profit for the year may only be included after approval by the Swedish Financial Supervisory Authority's.

Tier 1 capital
Tier 1 capital comprises Common Equity Tier 1 capital and other Tier 1 capital. The Bank does not currently have any Additional Tier 1 instruments, which means that Common Equity Tier 1 capital is equal to Tier 1 capital.

Tier 2 capital
Tier 2 capital comprises dated or perpetual subordinated loans. When the remaining maturity of subordinated loan is less than 5 years, it is no longer fully included as Tier 2 capital in the capital ratio calculations. Tier 2 capital is subordinate to the bank's deposits from the public and liabilities to non-preferential creditors. In the event of default or bankruptcy, subordinated loans are repaid after other liabilities. See Note P33 Subordinated debt, for further information.

Capital requirement
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 Bank is 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 credit valuation adjustment risk is also calculated according to the standardised method and is applied to calculate the counterparty risk arising when the consolidated situation hedges currency exposures by using derivative instruments. The basic indicator method is used to calculate the capital requirement for operational risk. Under this method, the capital requirement for operational risks is 15 per cent of the income indicator (meaning average operating income for the past three years). Three different credit rating companies are used to calculate the bank's capital base requirement for bonds and other interest-bearing securities. These are: Standard & Poor's, Moodys and Fitch.

Transition rules IFRS 9
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 category 1 and category 2. The proportion of the phase-in amount for respectively year is as follows:
2018: 95 %
2019: 85 %
2020: 70 %
2021: 50 %
2022: 25 %

CAPITAL BASE

	31/12/2018	31/12/2017
Tier 1 capital		
Equity	4,271,826	4,000,897
Net profit for the year	961,040	895,448
Foreseeable dividend	-330,000	-360,000
Untaxed reserves (78% thereof)	168,745	168,745
Equity, consolidated situation (adjusted for proposed/foreseeable dividend)	5,071,611	4,705,090
Adjustments according to transition rules IFRS 9:		
Initial revaluation effect, net 95 %	321,804	
Dynamic effect category 1 and 2, net 95 %		
Less:		
Additional value adjustments	-2,039	-1,602
Intangible assets	-1,634,097	-552,577
Deferred tax asset [1)]		-6,627
Total Common Equity Tier 1 capital	3,757,279	4,144,284
Total Tier 1 capital	3,757,279	4,144,284
Tier 2 capital		
Dated subordinated loans	391,380	433,187
Total Tier 2 capital	391,380	433,187
Total capital base	4,148,659	4,577,471

[1)] The asset is included in riskweighted exposure amount with 250 per cent from 31 December 2018 .

CAPITAL REQUIREMENT

	31/12/2018		31/12/2017	
	Riskweighted exposure amount	Capital requirement	Riskweighted exposure amount	Capital requirement
Credit risks				
Exposures to central governments or central banks				
Exposures to regional governments of local authorities				
Exposures to public sector entities				
Exposures to multilateral development banks				
Exposures to international organisations				
Exposures to institutions	721,325	57,706	6,122	490
Exposures to corporates	439,859	35,189	403,718	32,297
Retail exposures	19,027,139	1,522,171	12,345,190	987,615
Exposures secured by property mortgages				
Exposures in default	2,666,279	213,302	1,583,946	126,716
Exposures with particularly high risk				
Exposures in the form of covered bonds	86,879	6,950	84,801	6,784
Items related to securitisation positions				
Exposures to institutions and companies with short-term credit ratings	99,943	7,995	354,506	28,361
Exposures in the form of units or shares in collective instrument undertakings (funds)				
Equity exposures	51,100	4,088	1,863,905	149,112
Other items	481,705	38,537	176,143	14,091
Total credit risk	23,574,229	1,885,938	16,818,331	1,345,466
Credit valuation adjustment risk	45,050	3,604	4,948	396
Market risk				
Currency risk	0	0	669,551	53,564
Operational risk	5,552,748	444,220	4,225,947	338,076
Total riskweighted exposure and total capital requirement	29,172,027	2,333,762	21,718,777	1,737,502

1) Information is provided on capital requirements for those exposure classes where there is any exposures.

In addition to thet reatment of Pillar 1 risks above, 1.0 per cent (1.21 per cent) of the risk-weighted assets are allocated for Pillar 2 requirements as at 31 December 2018.

CAPITAL RATIO AND CAPITAL BUFFERS

	31/12/2018	31/12/2017
Common Equity Tier 1 capital ratio, %	12.9	19.1
Tier 1 ratio, %	12.9	19.1
Total capital ratio, %	14.2	21.1
Common Equity Tier 1 capital requirement incl. buffer requirement, %	8.6	8.5
- of which, capital conservation buffer requirement, %	2.5	2.5
- of which, countercyclical buffer requirement, % *	1.6	1.5
Common Equity Tier 1 capital available for use as buffer, %	6.2	13.1

*Geographical allocation of the countercyclical buffer requirement

	31/12/2018			31/12/2017		
	Credit risk exposure	Counter-cyclical buffer require-ment	Weighted counter-cyclical buffer require-ment	Credit risk exposure	Counter-cyclical buffer require-ment	Weighted counter-cyclical buffer require-ment
Sweden	10,703,459	2.0%	0.9%	9,468,606	2.0%	1.1%
Norway	7,016,402	2.0%	0.6%	3,427,538	2.0%	0.4%
Finland	2,271,143	0.0%	0.0%	1,586,592	0.0%	0.0%
Denmark	2,788,172	0.0%	0.0%	2,275,464	0.0%	0.0%
Ireland	73,728	0.0%	0.0%	54,009	0.0%	0.0%
Total[1)]	22,852,904		1.5%	16,812,209		1.5%

[1)] The calculation exclude the exposures towards institute according to the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers (FFFS 2014:12).

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 no decision has yet been made regarding a quantitative requirement for the level of the leverage ratio. A quantitative requirement of 3 per cent is expected to be adopted.

	31/12/2018	31/12/2017
Tier 1 capital	3,757,279	4,144,284
Leverage ratio exposure	37,300,088	26,457,066
Leverage ratio, %	10.1	15.7

P4 GEOGRAPHIC INCOME DISTRIBUTION AND OTHER DATA BY COUNTRY

2018	Sweden	Denmark	Norway	Finland	Total
Gross income [1]	1,479,156	576,543	1,170,455	462,787	3,688,941
Profit before tax	506,653	230,255	316,648	213,166	1,266,722
Income tax expense	-120,814	-50,712	-91,654	-42,502	-305,682

2017	Sweden	Denmark	Norway	Finland	Total
Gross income [1]	1,382,880	483,118	357,411	398,801	2,622,210
Profit before tax	671,132	202,092	90,637	206,296	1,170,157
Income tax expense	-162,930	-44,456	-22,998	-44,325	-274,709

[1] Gross income includes interest income, lease income, fee and commission income, net income/expense from financial transactions, profit/loss from participations in Group companies and other operating income.
The Bank has no single customer that generates 10% or more of total revenues.

P5 NET INTEREST INCOME/EXPENSE

	2018	2017
Interest income		
Lending to credit institutions	3,296	
Lending to the public [1]	3,051,518	2,089,493
Interest-bearing securities	1,377	156
Total interest income	3,056,191	2,089,649
Of which, interest income calculated using the effective interest method	*3,054,814*	*2,089,493*
Interest expense		
Liabilities to credit institutions	-7,236	-2,202
Deposits and borrowing from the public	-235,189	-114,914
Issued securities	-68,429	-30,487
Subordinated debt	-17,476	-16,299
Other liabilities	-2,910	-250
Total interest expense	-331,240	-164,152
Of which, expense for deposit guarantee scheme and resolution fee	*-21,964*	*-22,853*
Of which, interest expense calculated using the effective interest method	*-331,240*	*-164,152*
[1] Amount includes interest income on impaired receivables of:	209,886	165,296
[2] Amount includes income from purchased non-performing consumer receivables:		
Collected amounts	94,071	98,106
Amortisation	-39,218	-24,084
Costs of collected amounts	96	88
Total income from purchased non-performing consumer receivables	54,949	74,110

P6 FEES AND COMMISSIONS

	2018	2017
Fee & commission income		
Lending commissions	84,386	79,468
Credit card commissions	65,943	62,670
Compensation, mediated insurance	228,868	159,169
Other commissions	65,611	67,838
Total fee & commission income	444,808	369,145
Fee & commission expenses		
Lending commissions	-6,620	
Credit card commissions	-50,470	-48,289
Total fee & commission expenses	-57,090	-48,289

No commission income or commission expense is attributable to balance sheet items at fair value.

P7 NET INCOME/EXPENSE FROM FINANCIAL TRANSACTIONS

	2018	2017
Interest-bearing securities	4,830	3,764
Derivatives	-234,603	-88,435
Exchange-rate difference	175,868	44,701
Total net income/expense from financial transactions	-53,905	-39,970
Net gains/losses by measurement category [1)]		
Financial assets at FVTPL	-258,763	
Financial assets at FVTPL, designated		3,764
Financial assets at FVTPL, held for trading		-80,942
Loan receivables and account receivables	175,868	44,701
Derivative fair value hedge [2)]	-7,397	25,307
Revaluation of shares in subsidiaries at fair value hedging	36,387	-32,800
Total	-53,905	-39,970

Net gain and net loss relate to realised and unrealised changes in value.

[1)] There is no ineffectiveness in the hedges of net investments in foreign operations that have been recognised in profit or loss or in comprehensive income.

[2)] Fair value hedging of currency risk on shares in subsidiaries.

P8 OTHER OPERATING INCOME

	2018	2017
Other income, lending to the public	170,070	129,287
Other operating income	50,658	44,609
Total operating income	220,728	173,896

P9 LEASES

Resurs Bank as lessor

The Bank owns assets that are leased to customers under finance leases. As the Bank applies IFRS on a statutory exemption basis, it has opted to account for these as operating leases in the parent company, which means that the leased assets are recognised as property, plant & equipment in the balance sheet for the parent company.

	2018	2017
Non-cancellable lease payments:		
Within one year	15,341	16,297
Between one and five years	17,271	21,574
After five years	1,690	2,197
Total non-cancellable lease payments	34,302	40,068

Resurs Bank as lessee

Operating leases are part of Resurs Bank's normal operations and are primarily attributable to office space leases, with a small share attributable to car leases. Most office leases have maturities of ten years, and car leases three years. Expensed leasing fees in 2018 totalled SEK 32.8 million (27. 8). There are no variable fees. Future minimum lease payments under non-cancellable leases fall due as follows:

	2018	2017
Non-cancellable lease payments:		
Within one year	25,091	19,607
Between one and five years	70,836	46,675
After five years [1]	5,292	
Total non-cancellable lease payments	101,219	66,282

[1] Termination clause allows termination three years before the end of the contract to six months rent.

P10 GENERAL ADMINISTRATIVE EXPENSES

	2018	2017
General administrative expenses		
Personnel expenses (also see Note P11)	-537,959	-417,050
Postage, communication and notification costs	-128,184	-128,273
IT costs	-177,306	-118,911
Premises costs	-35,916	-31,477
Consulting expenses	-145,510	-105,083
Other	-143,633	-119,947
Total general administrative expenses	-1,168,508	-920,741

The item Other in the classification of general administrative expenses includes fees and remuneration to auditors as set out below.

	2018	2017
Auditors fee and expenses		
Ernst & Young AB		
Audit services	-3,048	-2,417
Other assistance arising from audit	-1,632	-2,176
Tax advisory services	-946	-1,991
Other services	-268	-381
Total auditors fees and expenses	-5,894	-6,965

Audit services comprise the examination of the annual financial statements and accounting records and the administration of the Board of Directors and CEO. They also include other procedures required to be carried out by the Group's and Parent Company's auditors, as well as advice or other assistance arising from observations made during the audit or while performing such other procedures.

P11 PERSONNEL

	2018	2017
Salaries	-370,476	-283,791
Social insurance costs	-101,184	-79,036
Pension costs	-46,804	-34,117
Other personnel expenses	-19,495	-20,106
Total personnel expenses	-537,959	-417,050
Salaries and other benefits		
Board, CEO and other senior executives	-9,893	-7,087
Other employees	-360,583	-276,704
Total salaries and other benefits	-370,476	-283,791

The Management has changed during the year.

Remuneration and other benefits

2018	Basic salary/ Board fees	Variable remunera- tion	Other benefits	Pensions	Total
Board and CEO					
Jan Samuelson, Chairman [1)]					0
Christian Frick [1)]					0
Martin Bengtsson [1)]					0
Lars Nordstrand [1)]					0
Fredrik Carlsson [1)]					0
Anders Dahlvig [1)]					0
Mariana Burenstam Linder [1)]					0
Marita Odélius Engström [1)]					0
Mikael Wintzell [1)]					0
Kenneth Nilsson, CEO (employed by Resurs Holding AB)					0
Other senior executives (5 individuals) [2)]	-9,893	0	-681	-2,386	-12,960
Other employees that may affect the Bank's risklevel (27 individuals)	-31,277	-1,795	-1,968	-6,045	-41,085
Total remuneration and other benefits	-41,170	-1,795	-2,649	-8,430	-54,045

2017	Basic salary/ Board fees	Variable remunera- tion	Other benefits	Pensions	Total
Board and CEO					
Jan Samuelson, Chairman [1)]					0
Christian Frick [1)]					0
Martin Bengtsson [1)]					0
Lars Nordstrand [1)]					0
Fredrik Carlsson [1)]					0
Anders Dahlvig [1)]					0
David Samuelson [1)] resigned on the Annual General Meeting 28th of April 2017, at his own request					0
Mariana Burenstam Linder [1)]					0
Marita Odélius Engström [1)]					0
Kenneth Nilsson, CEO (employed by Resurs Holding AB)					0
Other senior executives (5 individuals) [2)]	-7,087		-590	-2,067	-9,744
Other employees that may affect the Bank's risklevel (19 individuals)	-22,194	-71	-1,196	-4,688	-28,149
Total remuneration and other benefits	-29,281	-71	-1,786	-6,755	-37,893

[1)] Board fees have been paid from the parent company Resurs Holding AB.
[2)] Other senior executives excluding CEO is in total 5 individuals (5). This includes individual that receive remuneration from Resurs Holding AB as well as individual that invoiced Resurs Holding for their services.

Pension costs

	2018	2017
Board, CEO and other senior executives	-2,386	-2,067
Other employees	-44,418	-32,050
Total	-46,804	-34,117

PERSONNEL

Board members and senior executives at the end of the year

	2018		2017	
	Number	Of which, men	Number	Of which, men
Board members	9	78%	8	75%
CEO and senior executives	7	57%	6	67%

Remuneration policy, pensions and terms and conditions are described in further detail in Note G13.

Senior executives' use of credit facilities in banking operations

	31/12/2018		31/12/2017	
	Credit limits	Unutilised credit	Credit limits	Unutilised credit
CEO	220	196	220	83
Board members	541	27	671	91
Other senior executives in the Parent Company	830	578	1,034	639

Lending terms correspond to terms normally applied in credit lending to other personnel. The Group has not pledged security or assumed contingent liabilities to the benefit of the above-named executives.

Average number of employees

	2018			2017		
	Men	Women	Total	Men	Women	Total
Sweden	195	235	430	173	225	398
Denmark	41	51	92	44	44	88
Norway	48	64	112	23	39	62
Finland	14	55	69	11	50	61
Total	298	405	703	251	358	609

P12 DEPRECIATION; AMORTISATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSE

	2018	2017
Depreciation and amortisation		
Leased equipment	-20,424	-24,712
Other equipment	-20,716	-15,422
Intangible assets	-108,711	-32,742
Total depreciation and amortisation	-149,851	-72,876
Impairment		
Leased equipment	2,194	2,820
Total impairment	2,194	2,820
Total depreciation, amortisation and impairment of tangible and intangible assets	-147,657	-70,056

P13 OTHER OPERATING EXPENSES

	2018	2017
Marketing	-176,274	-125,440
Insurance	-3,637	-3,592
Other	-65	-57
Total other operating expenses	-179,976	-129,089

P14 CREDIT LOSSES

	2018
Provision of credit losses according to IFRS 9	
Stage 1	15,288
Stage 2	19,114
Stage 3	-235,908
Total	-201,506
Provision of credit losses off balance (unutilised limit) according to IFRS 9	
Stage 1	2,490
Stage 2	-416
Stage 3	
Total	2,074
Write-offs of stated credit losses for the period	-356,681
Recoveries of previously confirmed credit losses	18,365
Total	-338,316
Credit losses according to IFRS 9	-537,748
of which lending to the public	-539,822

	2017
Individually assessed loan receivables under IAS 39	
Write-offs of confirmed credit losses	-1,704
Recoveries of previously confirmed credit losses	929
Provision/reversal of credit losses, utilised limit	2,199
Net result of individually assessed loan receivables for the period	1,424
Collectively assessed loan receivables under IAS 39	
Write-offs of confirmed credit losses	-103,074
Recoveries of previously confirmed credit losses	16,507
Provision/reversal of credit losses	-234,583
Net cost of collectively assessed homogeneous groups of loan receivables	-321,150
Net cost of credit losses for the period, IAS 39	-319,726

P15 TAXES

	2018	2017
Current tax expense		
Current tax for the year	-314,573	-278,004
Adjustment of tax attributable to previous year's	-186	-4,172
Current tax expense	-314,759	-282,176
Deferred tax on temporary differences [1)]	9,077	7,467
Total tax expense reported in income statement	-305,682	-274,709

	2018		2017	
Reconciliation of effective tax				
Profit before tax		1,266,722		1,170,157
Tax at prevailing tax rate	-22.0%	-278,679	-22.0%	-257,435
Non-deductible expenses/non-taxable income	-1.5%	-19,254	-1.4%	-16,897
Tax attributable to differing tax rates for foreign branch offices and subsidiaries	-0.6%	-7,393	0.4%	4,125
Tax attributable to prior years	0.0%	-186	-0.4%	-4,172
Standard interest, tax allocation reserve	0.0%	-170	0.0%	-330
Recognised effective tax	-24.1%	-305,682	-23.5%	-274,709

	2018	2017
Change in deferred tax		
Tax effects attributable to temporary differences, property, plant & equipment	-795	-1,541
Tax effects attributable to temporary differences, intangible assets	2,924	
Tax effects attributable to temporary differences, lending to the public	9,271	5,080
Tax effects attributable to temporary differences, pensions	257	477
Tax effects attributable to temporary differences, other	-2,580	3,451
Total deferred tax [1)]	9,077	7,467

	31/12/2018	31/12/2017
Deferred tax assets		
Deferred tax assets for property, plant & equipment	3,857	4,626
Deferred tax assets for lending to the public	29,504	
Deferred tax assets for pensions, net	4,584	4,335
Deferred tax assets, other	6,297	7,557
Total deferred tax asset [1)]	44,242	16,518
Offset by country	-21,703	-9,891
Net deferred tax assets	22,539	6,627

	31/12/2018	31/12/2017
Deferred tax liabilities		
Deferred tax liabilities, intangible assets	19,875	
Deferred tax liabilities for lending to the public	36,737	52,091
Total deferred tax liabilities [1)]	56,612	52,091
Offset by country	-21,703	-9,891
Net deferred tax liabilities	34,909	42,200

[1)] Adjustment in relation to IFRS 9 totalling SEK 37.0 million, has been recognised directly through equity, see note G2.1. Adjustment in relation to the merger of yA Bank AS totalling -22.1 million has not been recognised as deferred tax in the income statement.

P16 APPROPRIATIONS

	2018	2017
Reversal of tax allocation reserve		200,000
Total appropriations	0	200,000

P17 TREASURY AND OTHER BILLS ELIGIBLE FOR REFINANCING

	31/12/2018			31/12/2017		
	Nominal amount	Fair value	Carrying value	Nominal amount	Fair value	Carrying value
Issued by						
Swedish government and municipalities	771,916	778,373	778,373	659,026	664,090	664,090
Foreign governments and municipalities	98,867	100,185	100,185	45,735	48,134	48,134
Total	870,783	878,558	878,558	704,761	712,224	712,224
Of which, listed	*870,783*	*878,558*	*878,558*	*704,761*	*712,224*	*712,224*
Remaining maturity						
0-1 years	208,392	209,399	209,399	225,000	225,390	225,390
1-3 years	298,838	299,911	299,911	332,761	336,319	336,319
More than 3 years	363,553	369,248	369,248	147,000	150,515	150,515
Total	870,783	878,558	878,558	704,761	712,224	712,224
Issuer's rating per S&P and Moodys						
AAA/Aaa	398,720	401,033	401,033	360,489	363,611	363,611
AA+/Aa1	472,063	477,525	477,525	344,272	348,613	348,613
Total	870,783	878,558	878,558	704,761	712,224	712,224

Rating by S&P and Moody's. In the event credit ratings differ, the lowest is used.
Investments are in municipal and government bonds and meet FFS 2010:7 requirements for assets that may be included in the liquidity reserve.

P18 LENDING TO CREDIT INSTITUTIONS

	31/12/2018	31/12/2017
Loans in SEK	2,514,321	1,734,065
Loans in DKK	61,154	20,783
Loans in NOK	841,478	1,960
Loans in EUR	119,564	67,252
Loans in other currencies	2,495	3,697
Total lending to credit institutions	3,539,013	1,827,757

P19 LENDING TO THE PUBLIC

	31/12/2018	31/12/2017
Receivables outstanding, gross		
Loans in SEK	13,847,507	11,760,081
Loans in DKK	4,057,458	3,381,073
Loans in NOK	9,564,908	2,397,930
Loans in EUR	3,115,833	2,467,868
Total lending to the public	30,585,708	20,006,952
Retail sector	29,902,409	19,390,751
Net value of acquired non-performing consumer loans [1]	236,597	270,456
Corporate sector [2] [3]	446,702	345,745
Total lending to the public	30,585,708	20,006,952
Less provision for expected credit losses 4)	-2,587,237	-1,611,596
Total net lending to the public	27,998,470	18,395,356
[1] Acquired non-performing consumer loans as follows:		
Opening net value of acquired non-performing consumer loans	270,456	293,470
Amortisation for the year	-39,218	-24,084
Currency effect	5,358	1,070
Net value of acquired non-performing consumer loans	236,597	270,456

[2] Amount includes acquired invoice receivables of SEK 273.3 million (237.9).
[3] Amount includes finance leases of SEK 73.7 million (54.0) for which Resurs Bank is lessor.
[4] Amount includes lending to retail and corporate sectors.

Geographic distribution of net lending to the public

	31/12/2018	31/12/2017
Sweden	12,784,517	10,959,429
Denmark	3,507,362	3,015,506
Norway	8,857,731	2,160,080
Finland	2,775,132	2,206,332
Ireland	73,728	54,009
Total net lending to the public	27,998,470	18,395,356
Expected credit losses according to IAS 39		-1,967,301
Expected credit losses according to IFRS 9		
Stage 1	-167,153	
Stage 2	-312,393	
Stage 3	-2,107,691	
Total expected credit losses	-2,587,237	-1,967,301
Doubtful receivables according to IAS 39		
Doubtful receivables		3,850,501
Of which doubtful receivables, corporate sector		41,027
Of which credit losses, corporate sector		-28,622

Key ratios for lending activities, IAS 39

	31/12/2017
Percentage of gross impaired loans [1]	16%
Percentage of net impaired loans [2]	8%
Total reserve ratio [3]	8%
Reserve ratio, impaired loans [4]	52%

[1] Gross impaired loans before provisions divided by total loan receivables before provisions.
[2] Net impaired loans divided by total loan receivables before provisions.
[3] Total provisions divided by total loan receivables before provisions.
[4] Provision for impaired loans divided by gross impaired loans.

LENDING TO THE PUBLIC

Change in provision, Lending to the public

	Non doubtful receivables		Doubtful receivables	
	Stage 1	Stage 2	Stage 3	Total
Carrying amount gross				
Carrying amount gross 1 January 2018	19,380,757	2,830,676	3,793,029	26,004,463
Carrying amount gross 31 December 2018	22,552,595	3,377,673	4,655,439	30,585,708
Provision				
Provision at beginning of year	-178,418	-322,140	-1,837,148	-2,337,706
New and derecognised financial assets	-39,666	-61,002	82,840	-17,828
Changes in risk factors (PD/EAD/LGD)	24,808	8,722	14,530	48,060
Changes in macroeconomic scenarios	2,028	4,733	17,725	24,486
Transfers between stages				
from 1 to 2	*18,750*	*-103,073*		-84,323
from 1 to 3	*15,226*		*-209,781*	-194,555
from 2 to 1	*-5,109*	*88,767*		83,658
from 2 to 3		*76,170*	*-186,373*	-110,202
from 3 to 2		*-1,912*	*8,778*	6,866
from 3 to 1	*-386*		*22,502*	22,116
Exchange-rate difference	-4,385	-2,659	-20,764	-27,807
Provision at end of year	-167,153	-312,393	-2,107,691	-2,587,237
Carrying amount				
Opening balance at 1 January 2018	19,202,339	2,508,537	1,955,881	23,666,757
Closing balance at 31 December 2018	22,385,442	3,065,281	2,547,748	27,998,471

Provision of credit losses during the period were impacted by several different factors, as described below:
- Transfers between Stage 1 and Stage 2 or Stage 3 depending on whether the loan has significantly increased (or decreased) in risk or if it has defaulted during the period and thus transferred between 12 month and full lifetime ECL.
- New loans during the period and also loans removed from the portfolio in the same period. (Increases due to issue and purchase and decline due to derecognition from the statement of financial position)
- Changes in risk factors (PD/EAD/LGD), arising because the model has been updated with new amounts (Changes due to changed credit risk, net).
- Changes in macroeconomic scenarios based on macroeconomic factors, that from a historical perspective has proven to correlate well with changes in the Group's credit losses and also partly on an assessed effect of regulatory changes in Norway.
- Exchange-rate differences

Change in gross volume, Lending to the public

	Non doubtful receivables		Doubtful receivables	
	Stage 1	Stage 2	Stage 3	Total
Carrying amount gross 1 January 2018	19,380,757	2,830,676	3,793,029	26,004,463
New and derecognised financial assets	3,857,704	893,691	-147,072	4,604,322
Changes in risk factors (PD/EAD/LGD)				
Changes in macroeconomic scenarios				
Transfers between stages				
from 1 to 2	-1,069,269	1,104,558		35,288
from 1 to 3	-516,494		537,476	20,981
from 2 to 1	772,763	-976,086		-203,323
from 2 to 3		-510,443	489,356	-21,087
from 3 to 2		15,951	-16,740	-789
from 3 to 1	20,393		-43,333	-22,940
Exchange-rate difference	106,742	19,327	42,723	168,791
Carrying amount gross 31 December 2018	22,552,595	3,377,674	4,655,438	30,585,708

Loans to the public, split by stage and provision, retail

	31/12/2018
Stage 1	
Carrying amount, gross	22,198,221
Provisions	-165,419
Carrying amount	22,032,802
Stage 2	
Carrying amount, gross	3,326,966
Provisions	-312,054
Carrying amount	3,014,913
Total performing at year end	25,525,187
Total provision perfoming at end of the year	-477,473
Stage 3	
Carrying amount, gross	4,613,818
Provisions	-2,073,793
Carrying amount	2,540,026
Total performing at year end	30,139,006
Total provision perfoming at end of the year	-2,551,265

Loans to the public, split by stage and provision, corporate sector

	31/12/2018
Stage 1	
Carrying amount, gross	354,374
Provisions	-1,734
Carrying amount	352,640
Stage 2	
Carrying amount, gross	50,707
Provisions	-340
Carrying amount	50,368
Total performing at year end	405,081
Total provision, perfoming at year end	-2,074
Stage 3	
Carrying amount, gross	41,620
Provisions	-33,898
Carrying amount	7,722
Total performing at year end	446,702
Total provision, perfoming at year end	-35,972

Totals

	31/12/2018
Carrying amount gross, stage 1	22,552,595
Carrying amount gross, stage 2	3,377,673
Carrying amount gross, stage 3	4,655,439
Carrying amount, gross	30,585,708
Provision stage 1	-167,153
Provision stage 2	-312,393
Provision stage 3	-2,107,691
Total provisions	-2,587,237
Carrying amount	27,998,470
Share of loans in stage 1, gross%	73.74%
Share of loans in stage 2, gross%	11.04%
Share of loans in stage 3, gross%	15.22%
Share of loans in stage 1, net%	79.95%
Share of loans in stage 2, net%	10.95%
Share of loans in stage 3, net%	9.10%
Reserve ratio loans in stage 1	0.74%
Reserve ratio loans in stage 2	9.25%
Reserve ratio loans in stage 3	45.27%
Reserve ratio performing loan	1.85%
Total reserve ratio loans	8.46%

P20 BONDS AND OTHER INTEREST-BEARING SECURITIES

	31/12/2018			31/12/2018		
	Nominal amount	Fair value	Carrying value	Nominal amount	Fair value	Carrying value
Swedish mortgage institutions	914,081	923,692	923,692	795,000	803,376	803,376
Swedish credit institutions	46,103	46,007	46,007	45,000	45,482	45,482
Total	960,184	969,699	969,699	840,000	848,858	848,858
Of which, listed	*960,184*	*969,699*	*969,699*	*840,000*	*848,858*	*848,858*
Remaining maturity						
0-1 years	200,000	200,142	200,142	200,000	200,436	200,436
1-3 years	578,101	586,261	586,261	300,000	302,617	302,617
More than 3 years	182,083	183,296	183,296	340,000	345,805	345,805
Total	960,184	969,699	969,699	840,000	848,858	848,858
Bonds, rating by S&P and Moodys						
AAA/Aaa	860,184	869,656	869,656	840,000	848,858	848,858
A-/A3	100,000	100,043	100,043			
Total	960,184	969,699	969,699	840,000	848,858	848,858

P21 SHARES AND PARTICIPATIONS

The shareholdings comprising shares in Visa Inc. C and in Vipps AS. The Bank view these shareholdings as strategic and the assets were recognised at a total amount of SEK 1.002 thousands on the closing date. The holdings comprise 534 shares in Vipps AS that have come into the company's possession after becoming a member of Vipps AS, whereby all members received shares. The holdings in Visa Norway resulted in share holdings in Visa that comprise 768 shares, which earlist can be sold in year 2018 and that will receive 4 573 shares at the earliest to be sold in 2019.

	2018	2017
Cost	1,002	
Carrying calue	1,002	
Fair value	1,002	

P22 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	Corp. ID. No.	Domiciled	Share of capital, %	Share of votes, %	Number of shares	Carrying value 31/12/2018
Subsidiaries and indirect subsidiaries						
Resurs Norden AB	556634-3280	Helsingborg	100	100	250,000	50,099
Resurs Consumer Loans 1 Ltd	559,768	Dublin	100	100	3	
Total carrying amount of shares in subsidiaries						50,099

	Corp. ID. No.	Domiciled	Share of capital, %	Share of votes, %	Number of shares	Carrying value 31/12/2017
Subsidiaries and indirect subsidiaries						
Resurs Norden AB	556634-3280	Helsingborg	100	100	250,000	50,099
Resurs Consumer Loans 1 Ltd	559,768	Dublin	100	100	3	
yA Bank AS	989932667	Oslo	100	100	110,000	1,813,806
Total carrying amount of shares in subsidiaries						1,863,905

	31/12/2018	31/12/2017
Opening cost	1,952,934	1,840,890
Merger of subsidiaries	-1,813,806	
Shareholders contribution		144,844
Hedge accounting		-32,800
Closing accumulated cost	139,128	1,952,934
Opening impairment	-7,023	-7,023
Closing accumulated impairment	-7,023	-7,023
Opening change in value	-82,006	-82,006
Closing accumulated changes in value	-82,006	-82,006
Closing residual value according to plan	50,099	1,863,905

P23 INTANGIBLE ASSETS

	31/12/2018				31/12/2017		
	Goodwill	Internally developed software	Acquired customer relations	Total	Goodwill	Internally developed software	Total
Opening cost	650,433	3,206		653,639	650,403	3,118	653,521
Additional goodwill through merger	1,032,618	75,846	109,821	1,218,285			
Reclassification				0	30		30
Investments during the year		23,842		23,842			
Exchange-rate difference	24,137	1,904	2,567	28,608		88	88
Total cost at year-end	1,707,188	104,798	112,388	1,924,374	650,433	3,206	653,639
Opening amortisation	-97,993	-3,069		-101,062	-65,442	-2,764	-68,206
Additional amortisation through merger		-63,106	-18,195	-81,301			
Reclassification				0	-30		-30
Amortisation for the year	-87,278	-12,481	-8,952	-108,711	-32,521	-221	-32,742
Exchange-rate difference	1,919	-1,050	-72	797		-84	-84
Total accumulated amortisation at year-end	-183,352	-79,706	-27,219	-290,277	-97,993	-3,069	-101,062
Carrying amount	1,523,836	25,092	85,169	1,634,097	552,440	137	552,577

Impairment testing of goodwill

Impairment testing is conducted at Group level, see note G24. No impairment need has been identified.

P24 PROPORTY, PLANT AND EQUIPMENT

	31/12/2018	31/12/2017
Leased equipment		
Cost at beginning of the year	89,332	126,624
Purchases during the year	18,624	29,834
Divestments/disposals during the year	-29,689	-66,457
Reclassification	-925	
Exchange-rate difference		-669
Total cost at year-end	77,342	89,332
Accumulated depreciation at beginning of the year	-50,413	-78,299
Accumulated depreciation of divested/disposed assets	25,571	52,167
Depreciation for the year	-20,424	-24,713
Reclassifications	557	-141
Exchange-rate difference		573
Total accumulated depreciation at year-end	-44,709	-50,413
Accumulated impairment at beginning of year	-1,333	-4,357
Impairment/reversal of impairment during year	2,194	2,820
Reclassification	-1,660	140
Exchange-rate difference		64
Total accumulated impairment	-799	-1,333
Carrying amount for leased equipment	31,834	37,586
Other equipment		
Cost at beginning of year	79,830	67,602
Additional assets through merger	5,623	
Purchases during year	34,215	14,755
Divestments/disposals during the year	-10,863	-2,457
Exchange-rate difference	622	-70
Total cost at year-end	109,427	79,830
Accumulated depreciation at beginning of the year	-42,716	-28,987
Additional accumulated depreciation through merger	-3,112	
Accumulated depreciation of divested/disposed assets	8,746	1,693
Amortisation for the year	-20,716	-15,422
Exchange-rate difference	-303	
Total accumulated depreciation at year-end	-58,101	-42,716
Carrying amount for other equipment	51,326	37,114
Carrying amount for tangible assets	83,160	74,700

P25 OTHER ASSETS

	31/12/2018	31/12/2017
Receivables from Group companies	7,968	562
Receivables from leasing activities	1,299	
Receivables from factoring activities	3,854	7,046
Receivable from collection sale	96,638	
Other	27,294	13,182
Total other assets	137,053	20,790

P26 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2018	31/12/2017
Prepaid expenses	62,234	47,733
Accrued interest	9,251	7,637
Accrued income, lending activities	83,818	21,938
Total prepaid expenses and accrued income	155,303	77,308

P27 LIABILITIES TO CREDIT INSTITUTIONS

	31/12/2018	31/12/2017
Loans in SEK	149,900	
Total liabilities to credit institutions	149,900	0

P28 DEPOSITS AND BORROWING FROM THE PUBLIC

	31/12/2018	31/12/2017
Deposits and borrowing in SEK [1)]	14,134,375	12,779,033
Deposits and borrowing in DKK	4,354	6,016
Deposits and borrowing in NOK	6,401,690	29,246
Deposits and borrowing in EUR	393,388	2,626
Total deposits and borrowing from the public	20,933,807	12,816,921
Retail sector	17,507,318	9,664,763
Corporate sector	3,426,489	3,152,158
Total deposits and borrowing from the public	20,933,807	12,816,921

Maturity
The majority of deposits from the public are payable on demand; see also Note G3, Risk management.

[1)] The amount includes deposit from sister companies totalling SEK 355.7 million (113 962).

P29 OTHER LIABILITIES

	31/12/2018	31/12/2017
Liabilities to Group and sister companies	2,906,447	2,116,931
Trade payables	61,169	52,753
Liabilities to representatives	287,360	224,348
Preliminary tax, interest on deposits	17,949	18,820
Provision for loyalty programmes	32,198	37,564
Other	210,499	205,752
Total other liabilities	3,515,622	2,656,168

P30 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2018	31/12/2017
Accrued interest expenses	10,616	4,394
Accrued personnel-related expenses	85,748	66,878
Accrued administrative expenses	67,206	47,928
Deferred income, leasing	1,973	953
Other deferred income	1,142	1,277
Total accrued expenses and deferred income	166,685	121,430

P31 OTHER PROVISIONS

	31/12/2018	31/12/2017
Opening balance	6,690	6,844
IFRS 9 adjustment	17,709	
Provisions/Reversals made during the year	-2,019	119
Exchange-rate difference	82	-273
Closing balance	22,462	6,690
Provision of credit losses, unutilised limit, Stage 1	9,762	
Provision of credit losses, unutilised limit, Stage 2	6,016	
Other provisions	6,684	6,690
Closing balance	22,462	6,690

The parent company and Resurs Bank have entered into an endowment insurance agreement for safeguarding pension obligations. The endowment insurance and obligations have been netted. The amount in other provisions, consists of payroll tax that are not covered in the insurance agreement SEK 1.6 million (1.6). The market value of the endowment insurance is SEK 6.7 million (6.5).

Through the merger with Finaref AS, Resurs Bank AB's Norwegian branch office has defined-benefit pension plans. The provision is calculated annually on an actuarial basis to ensure the correct amount is allocated. The provision amounts to SEK 5 million (5.1).

P32 ISSUED SECURITIES

31/12/2018	Currency	Nominal amount	Interest rate	Carrying amount	Fair value
Resurs Bank MTN 102 31/08/2019	SEK	400,000	Variable	399,734	402,160
Resurs Bank MTN 103 24/02/2020	SEK	300,000	Variable	299,827	301,134
Resurs Bank MTN 104 16/03/2021	SEK	500,000	Variable	499,172	503,500
Resurs Bank MTN 105 29/05/2020	SEK	600,000	Variable	599,577	601,794
Resurs Bank MTN 106 07/12/2020	SEK	350,000	Variable	349,661	349,913
Resurs Bank MTN 107 31/08/2020	SEK	600,000	Variable	599,502	601,380
Resurs Bank MTN 108 16/06/2021	SEK	500,000	Variable	499,402	500,450
Resurs Bank MTN 109 30/08/2021	SEK	700,000	Variable	699,068	699,650
Resurs Bank 17/19 FRN 03/04/2019	NOK	400,000	Variable	409,800	410,456
Resurs Bank 17/19 FRN 25/10/2019	NOK	165,000	Variable	169,043	169,533
Resurs Bank MTN 301 20/05/2019	NOK	400,000	Variable	409,722	410,456
Total issued securities				4,934,508	4,950,425

31/12/2017	Currency	Nominal amount	Interest rate	Carrying amount	Fair value
Resurs Bank MTN 101 03/04/2018	SEK	400,000	Variable	399,867	400,896
Resurs Bank MTN 102 31/08/2019	SEK	400,000	Variable	399,400	403,932
Resurs Bank MTN 103 24/02/2020	SEK	300,000	Variable	299,688	302,079
Resurs Bank MTN 104 16/03/2021	SEK	500,000	Variable	498,813	503,545
Resurs Bank MTN 105 29/05/2020	SEK	600,000	Variable	599,250	602,472
Resurs Bank MTN 106 07/12/2020	SEK	350,000	Variable	349,486	350,130
Resurs Bank MTN 301 20/05/2019	NOK	400,000	Variable	400,162	400,652
Total issued securities				2,946,666	2,963,706

P33 SUBORDINATED DEBT

31/12/2018	Currency	Nominal amount	Interest rate	Carrying amount	Fair value
Resurs Bank Subordinated debt 30/04/2021	SEK	200,000	Variable	200,000	201,628
Resurs Bank MTN 201 17/01/2027 [1)]	SEK	300,000	Variable	298,171	305,973
Total subordinated debt				498,171	507,601

31/12/2017	Currency	Nominal amount	Interest rate	Carrying amount	Fair value
Resurs Bank Subordinated debt 30/04/2021	SEK	200,000	Variable	200,000	200,933
Resurs Bank MTN 201 17/01/2027 [1)]	SEK	300,000	Variable	300,000	312,366
Total subordinated debt				500,000	513,299

[1)] The issuer is entitled to early redemption of the bonds from "First Call Date", provided that the issuer receives approval from the Swedish Financial Supervisory Authority.

P34 UNTAXED RESERVES

	31/12/2018	31/12/2017
Tax allocation reserve		
2016	216,340	216,340
Total	216,340	216,340

P35 EQUITY

Shares
The number of shares is 500,000, with a par value of SEK 1,000. Par value is defined as share capital divided by number of shares.

Statutory reserve
Refers to provisions to the statutory reserve that were made before the legislative amendment in 2006. The statutory reserve is classified as restricted capital and may not be used for the purpose of dividends.

Profit/loss carried forward
Refers to profit or loss brought forward from previous years less dividends.

Translation reserve
Includes translation differences on consolidation of the Group's foreign operations. The branches use Swedish kronor as functional currency since the second quarter of 2015. Since then none change in the translationreserve has been done in the branches.

Changes in equity
See the statement of changes in equity for details on changes in equity during the year.

Change in translation reserve

	31/12/2018	31/12/2017
Opening translation reserve	33,571	33,571
Additional translation reserve through merger	-50,983	
Revaluation	51,960	
Closing translation reserve	34,548	33,571

Proposed allocation of profits

	31/12/2018	31/12/2017
Profit or loss brought forward	3,759,326,128	3,488,396,522
Profit for the year	961,040,098	895,448,098
Total	4,720,366,226	4,383,844,620
The Board of Directors propose that these earnings be appropriated as follows (SEK):		
Dividends 660,00 SEK (720,0) per share	330,000,000	360,000,000
Carried forward	4,390,366,226	4,023,844,620
Total	4,720,366,226	4,383,844,620

The Board believes that the proposed dividend is justifiable with respect to the requirements that the nature, scope and risks of the operations impose on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and financial position.

P36 PLEDGED ASSETS, CONTINGENT LIBILITIES AND COMMITMENTS

	31/12/2018	31/12/2017
Lending to credit institutions [1]	90,000	150,900
Lending to the public [2]	3,617,840	2,653,185
Restricted bank deposits [3]	28,190	26,540
Total collateral pledged for own liabilities	3,736,030	2,830,625
Contingent liabilities		
Guarantees	311	1,563
Total contingent liabilities	311	1,563
Other commitments		
Unutilised credit facilities granted	27,533,519	25,120,338

Unutilised credit granted refers to externally granted credit. All unutilised credit facilities granted are terminable with immediate effect to the extent allowed under the Swedish Consumer Credit Act.

[1] Lending to credit institutions refers to funds pledged as collateral for the fulfilment of commitments to payment intermediaries.

[2] Relating to securitisation, Issued securities see Note P32.

[3] As at 31 December 2018, SEK 26.7 million (24.6) in reserve requirement account at the Bank of Finland and, SEK 2.0 million (1.8) in tax account at Norwegian DNB, and SEK -0.5 million (1.9) in tax account at Danske Bank.

P37 FINANCIAL INSTRUMENTS

31/12/2018	Fair value at amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total carrying amount	Fair value
Assets					
Cash and balances at central banks	63,215			63,215	63,215
Treasury and other bills eligible for refinancing		878,558		878,558	878,558
Lending to credit institutions	3,539,013			3,539,013	3,539,013
Lending to the public	27,998,470			27,998,470	28,617,716
Bonds and other interest-bearing securities		969,699		969,699	969,699
Shares and participations		1,002		1,002	1,002
Derivatives		190,175		190,175	190,175
Other assets	133,399			133,399	133,399
Accrued income	93,069			93,069	93,069
Total financial assets	31,827,166	2,039,434	0	33,866,600	34,485,846
Shares and participations in Group companies				50,099	
Intangible assets				1,634,097	
Property, plant & equipment				83,160	
Other non-financial assets				170,102	
Total assets	31,827,166	2,039,434	0	35,804,058	

31/12/2018	Fair value through profit or loss	Fair value at amortised cost	Total carrying amount	Fair value
Liabilities				
Liabilities to credit institutions		149,900	149,900	149,900
Deposits and borrowing from the public		20,933,807	20,933,807	20,932,007
Derivatives	12,353		12,353	12,353
Other liabilities		3,484,216	3,484,216	3,484,216
Accrued expenses		138,586	138,586	138,586
Issued securities		4,934,508	4,934,508	4,950,425
Subordinated debt		498,171	498,171	507,601
Total financial liabilities	12,353	30,139,188	30,151,541	30,175,088
Provisions			22,462	
Other non-financial liabilities			180,849	
Untaxed reserves			216,340	
Equity			5,232,866	
Total liabilities and equity	12,353	30,139,188	35,804,058	

FINANCIAL INSTRUMENTS

31/12/2017	Derivatives for hedge accounting	Loan receivables and accounts receivable	Financial assets at FVTPL, designated	Financial assets at FVTPL, held for trading	Total carrying amount	Fair value
Assets						
Treasury and other bills eligible for refinancing			712,224		712,224	712,224
Lending to credit institutions		1,827,757			1,827,757	1,827,757
Lending to the public		18,395,356			18,395,356	18,932,472
Bonds and other interest-bearing securities			848,858		848,858	848,858
Derivatives				33,577	33,577	33,577
Derivative instruments hedge accounting	7,397				7,397	7,397
Other assets		20,790			20,790	20,790
Accrued income		29,576			29,576	29,576
Total financial assets	7,397	20,273,479	1,561,082	33,577	21,875,535	22,412,651
Shares and participations in Group companies					1,863,905	
Intangible assets					552,577	
Property, plant & equipment					74,700	
Other non-financial assets					54,359	
Total assets	7,397	20,273,479	1,561,082	33,577	24,421,076	

31/12/2017	Financial liabilities at FVTPL, held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities				
Deposits and borrowing from the public		12,816,921	12,816,921	12,816,540
Derivatives	101,745		101,745	101,745
Other liabilities		2,628,423	2,628,423	2,628,423
Accrued expenses		98,204	98,204	98,204
Issued securities		2,946,666	2,946,666	2,963,706
Subordinated debt		500,000	500,000	513,299
Total financial liabilities	101,745	18,990,214	19,091,959	19,121,917
Provisions			6,690	
Other non-financial liabilities			209,742	
Untaxed reserves			216,340	
Equity			4,896,345	
Total liabilities and equity	101,745	18,990,214	24,421,076	

The table below shows financial instruments measured at fair value, based on classification in the fair value hierarchy.

Levels are defined as follows:
- Listed prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Other observable inputs for assets or liabilities other than listed prices included in level 1 directly (i.e., price quotations) or indirectly (i.e., derived from price quotations) (level 2)
- Inputs for assets or liabilities that are not based on observable market data (i.e., unobservable inputs) (level 3)

Note G2, Accounting policies provides details on the determination of fair value for financial assets and liabilities at fair value through the statement of financial position. Carrying amounts for current receivables, current liabilities and deposits and loans to the public are deemed to reflect fair value.

FINANCIAL INSTRUMENTS

	31/12/2018			31/12/2017		
	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	878,558			712,224		
Bonds and other interest-bearing securities	969,699			848,858		
Shares and participations			1,002			
Derivatives		190,175			33,577	
Derivative instruments hedge accounting [1)]					7,397	
Total	1,848,257	190,175	1,002	1,561,082	40,974	0
Financial liabilities at fair value through profit or loss:						
Derivatives		-12,353			-101,745	
Total	0	-12,353	0	0	-101,745	0

[1)] Derivative instruments hedge accounting, is valued through other comprehensive income.

Changes within level 3

SEK thousand	2018	2017
Shares and participations		
Opening balance		
Additional shares and participations through merger	979	
Exchange-rate difference	23	
Closing balance	1,002	0

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.

Other 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.

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.

Transfer between levels

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

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

Derivative agreement has been made under the ISDA agreement. The amounts are not offset in the statement of financial position. Most of the derivatives at 31 December 2018 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.

	Related agreements 31/12/2018				Related agreements 31/12/2017			
	Gross amount in the balance sheet	Master netting agreement	Collateral received/ pledged	Net amount	Gross amount in the balance sheet	Master netting agreement	Collateral received/ pledged	Net amount
Derivatives	190,175	-12,353	-149,900	27,922	40,974	-40,974		0
Total assets	190,175	-12,353			40,974	-40,974	0	0
Derivatives	-12,353	12,353		0	-101,745	40,974	60,900	129
Total liabilities	-12,353	12,353	0	0	-101,745	40,974	60,900	129

P38 MERGER

Resurs Bank AB has merged the wholly-owned subsidiary yA Bank AS (org. nr 989 932 667), by absorbing the company. The cross-border merger is retroactively valid from 1 January 2018 and was registered 30 November 2018. Operating income and operating result totalling SEK 542.8 million respectively SEK 245 million for the time before the merger.

Assets and liabilities have been taken into Resurs Bank AB to their consolidated values.

The result from the merger comprise of accrued gains after the acquisition date (SEK 399.2 million), Group depreciation on surplus value (SEK -13.9 million), Effect from hedge-accounting (SEK 17.9 million) and exchange-rate differences (SEK 50.9 million). The merger result has affected the equity negative in the item translation reserve totalling SEK 50.9 million and positive in the item Retained earnings totalling SEK 403.2 million.

Statement of financial position in summary, yA Bank AS SEK thousand	31/12/2017	Revaluation credit losses, IFRS 9	31/12/2018
Cash and balances [1]	764,095		764,095
Lending to the public	5,690,345	-111,692	5,578,653
Bonds and other interest-bearing securities	608,096		608,096
Other	24,451	28,234	52,685
Total assets	7,086,987	-83,458	7,003,529
Deposits and borrowing from the public	5,330,054		5,330,054
Issued securities and subordinated debt	590,649		590,649
Other	101,555	1,247	102,802
Equity	1,064,729	-84,705	980,024
Total liabilities and provisions	7,086,987	-83,458	7,003,529

[1] Liquid assets are comprised of Lending to credit institutions and Cash and balances at central banks.

P39 SUBSEQUENT EVENTS

Resurs Bank invests in newly established Kivra Oy

Resurs Bank was among the first to offer their customers in Sweden, to receive mailings via Kivra's digital mailbox. The partnership is now strengthened by Resurs investing in Kivra's newly established joint venture company in Finland.

P40 KEY ESTIMATES AND ASSESSMENTS

When preparing financial statements in accordance with IFRS and generally accepted accounting principles, management needs to proactively make certain estimates, assumptions and evaluations. These are based on historical experience and current factors, which are considered fair and reasonable. The results of these professional estimates and assessments affect the reported amounts of assets, liabilities, income and expenses in the financial statements. Actual outcomes may differ from these estimates and assumptions. The Group has made the following critical estimates in applying significant accounting policies:

- classification and measurement of financial instruments
- impairment testing of goodwill and other assets
- provisions of credit losses
- other provisions

Classification and measurement of financial instruments

The accounting policies in Note G2 define the way in which assets and liabilities are to be classified in the various categories. Fair value measurement of financial instruments may lead to some uncertainty, as prevailing interest rates and market conditions may change quickly and affect the value of the asset.

Impairment of credit losses

The calculation of credit losses is based on calculating the expected credit losses. The impairment model includes a three-stage model based on changes in the credit quality of financial assets. The assets are divided into three different stages depending on how credit risk has changed since the asset was initially recognised in the balance sheet. Stage 1 encompasses assets for which there has not been a significant increase in credit risk, stage 2 encompasses assets for which there has been a significant increase in credit risk, while stage 3 encompasses defaulted assets.

The provision of expected credit losses for assets is governed by the category to which the assets belong. Provisions are made under stage 1 for expected credit losses within 12 months, while provisions for stage 2 and 3 are made for expected credit losses under the full lifetime the assets. Calculations of expected credit losses include forward-looking information based on the macroeconomic outlook. The Group has decided to base the forward-looking calculations on a macroeconomic variable that from a historical perspective has proven to correlate well with changes in the Group's credit losses.

Other provisions

The amount recognised as a provision is the best, estimate of the expenditure required to settle a present obligation at the reporting date. Earnings may be affected if an estimate has been made that is not consistent with the actual outcome.

Estimates and assumptions are reviewed on a regular basis. Changes to estimates are recognised in the period of the change if the change affects only that period. Changes are recognised in the period of the change and future periods if the change affects both.

SIGNATURES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO give their assurance that the annual accounts have been prepared in accordance with Generally Accepted Accounting Principles in Sweden, and the consolidated accounts in accordance with International Financial Reporting Standards (IFRSs) as referenced by the European Parliament and the Council directive (EC) 1606/2002 dated 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts give a true and fair view of the Parent Company's and the Group's financial position and results of operations. The Administration Reports for the Parent Company and the Group give a true and fair view of the development of the Parent Company's and the Group's operations, position and results and describe the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

As specified above, the Parent Company's and the Group's annual accounts were approved for publication by the Board of Directors on 18 March 2019. The income statements and balance sheets will be presented to the Annual General Meeting for approval on 9 April 2019.

Helsingborg 18 March 2019

Kenneth Nilsson
Chief Executive Officer

The Board of Directors,

Jan Samuelson
Chairman of the Board

Martin Bengtsson
Member of the Board

Mariana Burenstam Linder
Member of the Board

Fredrik Carlsson
Member of the Board

Anders Dahlvig
Member of the Board

Christian Frick
Member of the Board

Lars Nordstrand
Member of the Board

Marita Odélius Engström
Member of the Board

Mikael Wintzell
Member of the Board

Our audit report was submitted on 18 March 2019

Ernst & Young AB

Niklas Paulsson
Authorized Public Accountant

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Auditor's report

To the general meeting of the shareholders of Resurs Bank AB (publ), corporate identity number 516401-0208

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Resurs Bank AB (publ) except for the corporate governance statement on pages 8-9 for the year 2018.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 8-9. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Lending to the public and provision for credit losses

Detailed information and description of the area is presented in the annual accounts and consolidated accounts. Credit risk exposure and how it is handled is described in note G3 section Credit risk. The group's reported credit losses are specified in note G16 and the provision for credit losses is specified in note G20. Information concerning the parent company is presented in note P14 and P19. Regarding the area relevant accounting policies for the group, these can be found in note G2, section Credit losses and impairment of financial assets. Note P1 shows that the accounting principles of the parent company concerning credit granting and provision for credit losses correspond with the accounting principles of the group.

Description	How our audit addressed this key audit matter
As of 31 December 2018, lending to the public amounts to SEK 27 957 (27 998) SEK million for the group (parent company). Lending to public consists of outstanding gross receivables at the amount of SEK 30 545 (30 586) million less provision for expected credit losses of SEK 2 588 (2 587) million. The Bank has implemented a new model for credit losses as of 1 January 2018 since IFRS 9 was implemented. The new model for credit losses implies that lending to the public are categorized into three stages depending on the grade of increase of credit risk. In stage 1 the provision for credit losses correspond to expected credit losses the coming 12 months. In stage 2 and 3 the provision for credit losses correspond to expected credit losses during the remaining duration of the credit. The model for credit losses is prospective which implies that the bank estimates the credit risk in each exposure and the loss that could be realized. The model requires the bank to perform judgements and estimates for example of criteria's for defining a significant increase of the credit risk and methods for calculating expected credit losses. As a part of the bank's estimate also, macro-economic factors should be included. Lending to the public and provision for credit losses amount to significant amounts. There is a risk that credits are accepted on faulty grounds which could lead to an unwanted credit exposure. Further the calculation of expected credit losses means that the bank performs judgements and estimates. This means that identifying doubtful credits and estimation of impairments have a significant influence on the results and position of the bank and the group. We have therefore considered lending to the public to be a key audit matter of the audit.	We have reviewed the bank's process of granting and accepting credits. This review includes policies and guidelines, as well as the configuration of the processes focusing on identifying significant risks of errors and controls in order to prevent and detect those kinds of errors. We have evaluated the effectiveness of significant controls and verified that they operate as intended by testing a selection of transactions. We have assessed whether the bank's model for calculating credit losses is in accordance with IFRS 9. We have, among other things, with support from our modelling specialists, evaluated if the company's model of calculating provisions is operating according to the requirements of IFRS 9. We have also tested for the bank relevant controls relating to input to model data, the model and the result of the calculations. We have also, by testing samples assessed the reasonableness of the grouping of lending to public into the different stages. We have also tested the input data to the models. We have also assessed the disclosures in the financial statements regarding lending to public and provision for credit losses are appropriate.

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Goodwill and impairment test

Detailed information and description of the area is presented in the annual report. The group's reported goodwill is specified in note G24 and the parent company's in note P23. Regarding the area relevant accounting policies these can be found in note G2, section Goodwill. Estimates and assessments are described in note G2, section Judgements and estimates in the financial statements and also in note G40 and P40.

Description	How our audit addressed this key audit matter
The goodwill as of December 31 2018 amounts to SEK 1 707 million in the group and SEK 1 524 million in parent company. The company tests the book value of goodwill and intangible assets with indefinite useful lives annually and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. The recoverable amount per cash generating unit is determined based on estimates of value in use using a discounted cash flow model with a five-year forecast period. Anticipated future cash flows are based on the first five years of forecasts of risk-weighted volumes, income, expenses, credit losses and anticipated future capital requirements. The forecasts are based primarily on an internal assessment of the company based on historical performance, market development of future revenue and cost trends, economic conditions, anticipated interest rate and anticipated effects of future regulations. In addition, a forecast is conducted after the first five-year forecast period based on a long-term growth rate assumption. The impairment test in 2018 did not result in an impairment. The calculated recoverable amount is dependent on a number of different variables. The most important variables are the assumption of capital requirement, interest rate and economic trends, future margins, credit losses and cost effectiveness. Considering that goodwill constitutes a significant amount and that the valuation is dependent on judgement we have considered goodwill to be key audit matter of the audit.	In our audit we have evaluated and tested the company´s process for impairment testing, by analyzing earlier accuracy in forecasts and assumptions. We have together with our valuations specialists reviewed the company´s model and method applied for the impairment test and we have evaluated the company's own sensitivity analyses. We have also together with our valuation specialists examined whether the assumptions of the interest rate and the long-term growth are based on marketable assumptions. We have evaluated whether the information in the annual report is appropriate.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Resurs Bank AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always

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detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 8-9 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Ernst & Young AB was appointed auditor of Resurs Bank AB by the general meeting of the shareholders on the 18 April 2018 and has been the company's auditor since the 29 April 2013.

Helsingborg 18 March 2019

Ernst & Young AB

Niklas Paulsson
Authorized Public Accountant