Q2 2020

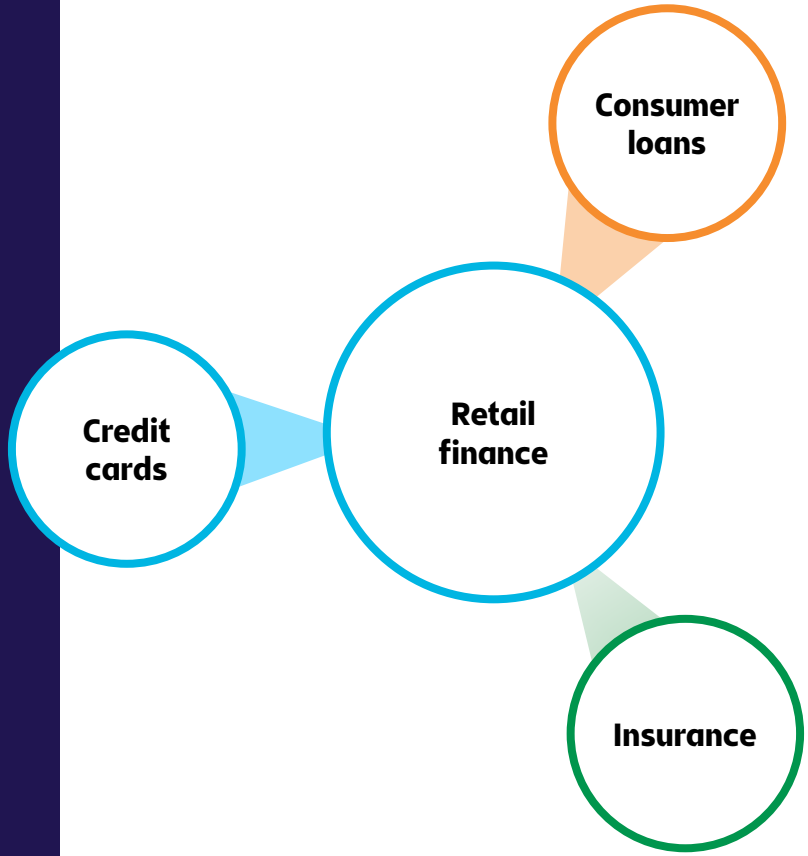
Resurs Holding

Nils Carlsson
Chief Executive Officer

Jonas Olin
Chief Financial Officer
& Head of IR

Stefan Noderen
Head of Credit & NPL

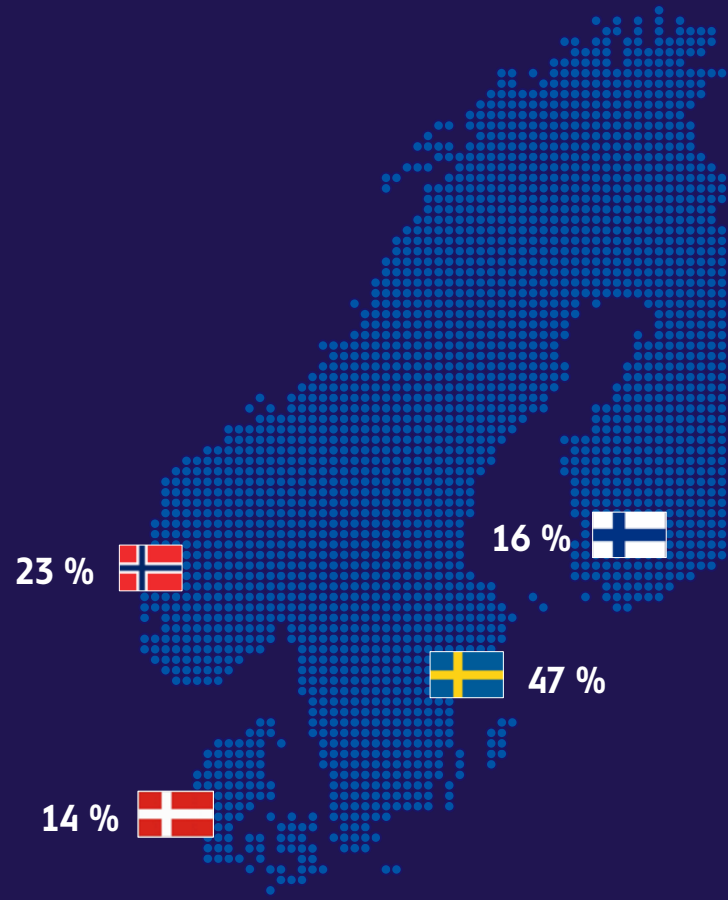
Stable integrated business



The strength in our business

Three segments– four markets

- 20 years of presence in the Nordic consumer credit market
- Well-known consumer bank in the Nordics



Highlights Q2 2020

- Lending to the public increased 2% to SEK 30,853 million, an increase of 6% in local currency
- Operating income increased 2% to SEK 932 million
- C/I ratio excluding Insurance 38.7%
- Credit loss ratio was 2.6%
- Stable total capital ratio at 16.7%

Summary Q2 2020

Growth despite a turbulent world

- 3 of 4 markets are growing in a quiet consumer market
- We are conservative in our credit risk assessment
- Resurs Bank's internal organisation is working in different zones, resulting in a low covid-19 effect
- Strategy of diversification is working well – some industries are performing well
- Norway is a challenging market
- Stable development in Solid Försäkring even in the second quarter, technical result increased 13%

Nordic

Stable growth in three of four markets

Payment Solutions

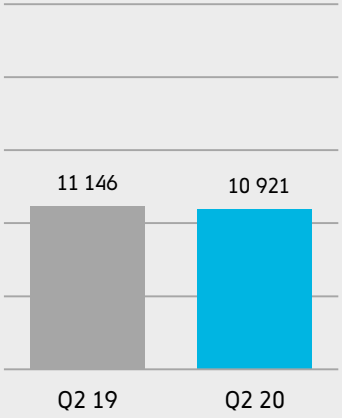
- Broad diversification within Retail Finance
- New partnerships in all countries
- Improved customer experience

Consumer Loans

- Demand at normal levels again
- More restrictive credit assessment
- Efficiency and flexible pricing

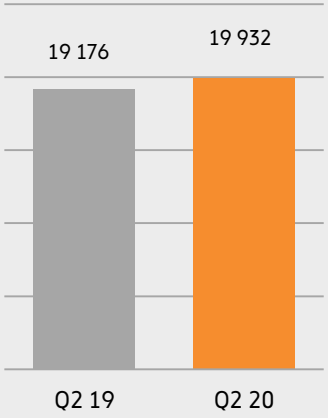
Payment Solutions

SEKm **-2%**



Consumer Loans

SEKm **+4%**



Payment Solutions

Visible effects of Covid-19

Sweden

- Stable sales in Retail Finance
- Decreased travel and restaurant visits affects Supreme Card
- Factoring new sales on hold

Norway

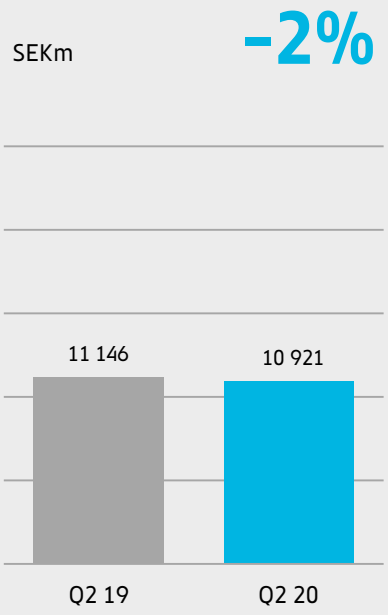
- Last year's new credit law and Gjeldsregistret continue to lower the approval rate
- New sales within all segment are strongly affected by covid-19
- Decreased travel and restaurant visits affects Supreme Card

Denmark

- DIY and home improvement, consumer electronics and furniture offset weaker segments

Finland

- Wide sales growth within Retail Finance
- Fully integrated solutions in more than half of the volume in Retail Finance



Consumer Loans

Stable second quarter

Sweden

- Good growth in all channels
- More normal demand at end of Q2

Norway

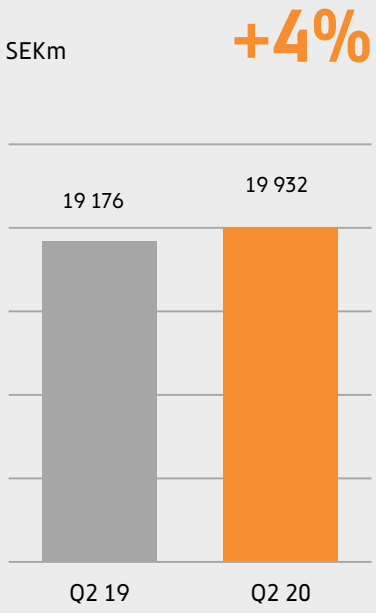
- Continued reduction in new sales as a consequence of the credit law and Gjeldsregistret
- Demand still less than normal

Denmark

- Increase of new agents
- More normal demand end of Q2

Finland

- Strong growth despite covid-19
- New sales increase in our own channel
- Strong demand during Q2



Insurance

Mixed effects from covid-19

Personal Safety

- Growth in all Scandinavian countries except Norway
- Augmented claims cost in April and May related to the increased levels of unemployment and redundancies

Roadside assistance/ Car warranty

- Strong growth in car warranties in Sweden
- Positive development in claims cost

Product

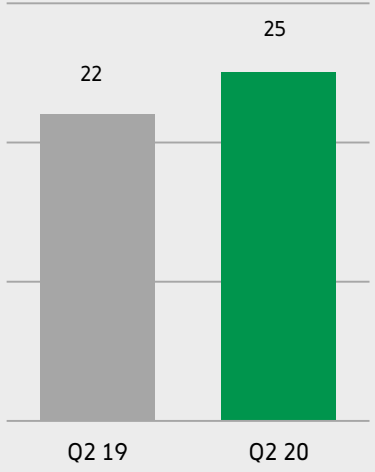
- Increased sales volumes related to bicycles in Sweden
- Ongoing integration of the acquisition in Norway related to bicycles

Travel

- Highly affected by the ongoing covid-19 pandemic
- Significantly reduced sales volumes
- Uncertainty regarding when the Travel business will return to normal

SEKm

+13%

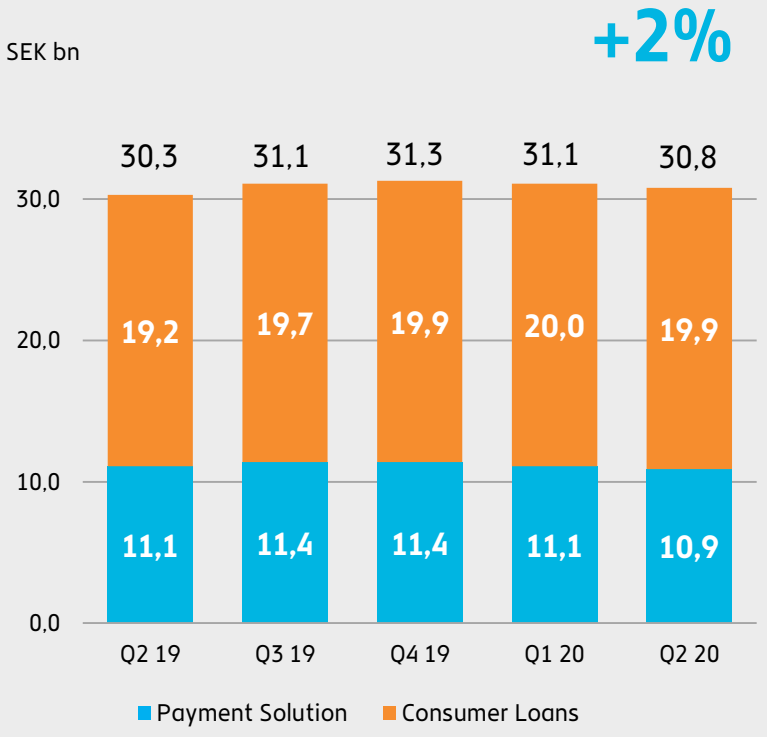


Technical result

Q2 in numbers

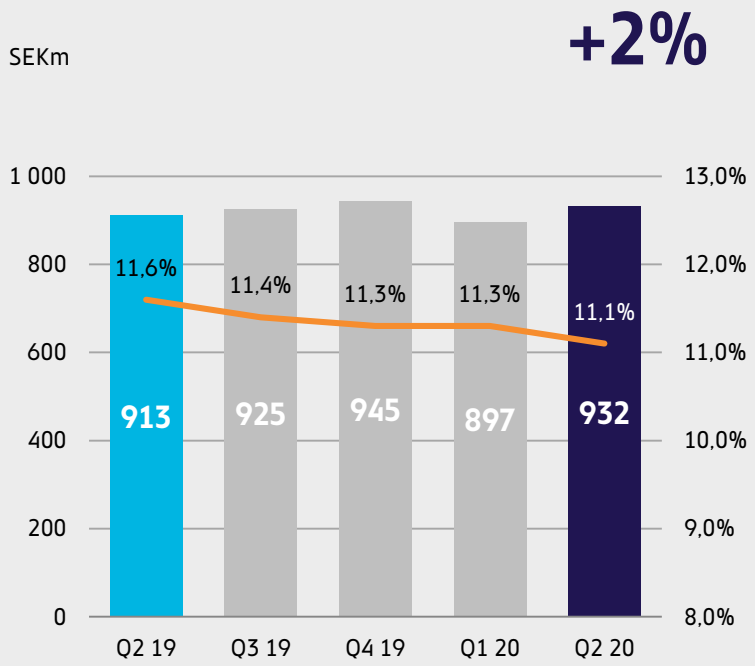
Loan book growth despite turbulence

- Loan book growth was +2% in SEK, negatively affected by weak NOK
- Organic growth was +6% in local currency
- Growth in all Nordic countries except Norway



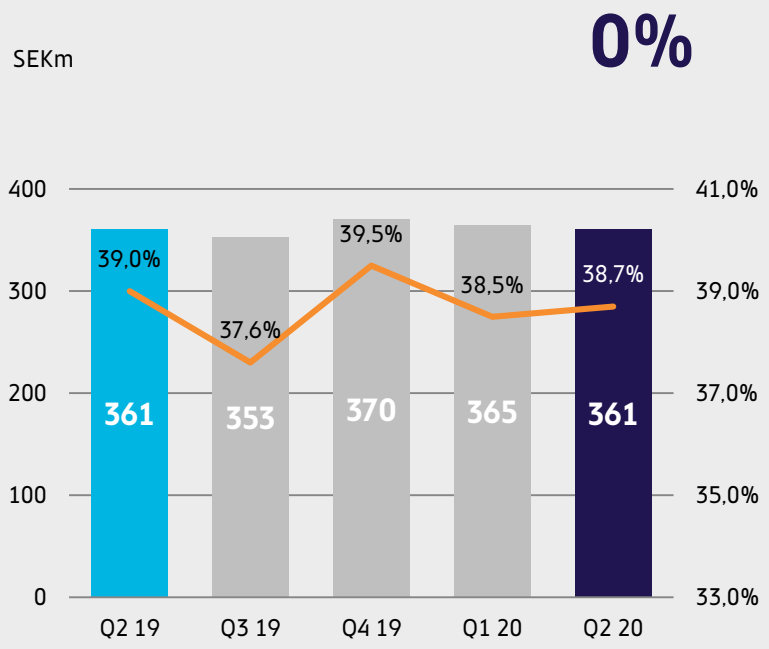
Stable operating income

- Net interest income increased in line with loan book growth
- Covid-19 affected net commission income negatively (credit cards, factoring and other commissions)
- Net financial transactions contributed SEK 21 million due to recovering market prices for shares and bonds



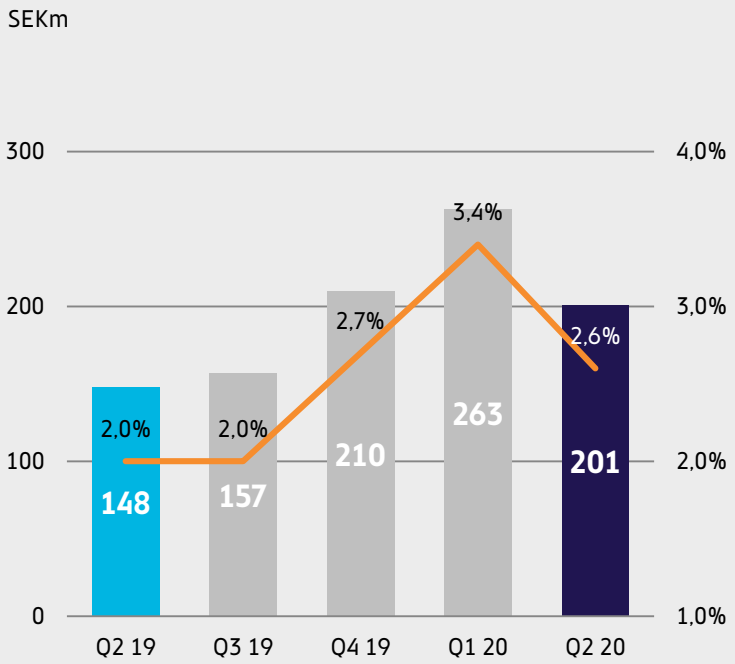
Stable operating expenses & Cost income ratio

- Operating expenses in control and in line with previous year, and decreasing compared with previous quarters
- C/I-ratio (excl. Insurance) at 38.7% improved compared with previous year



Credit losses & Cost of risk

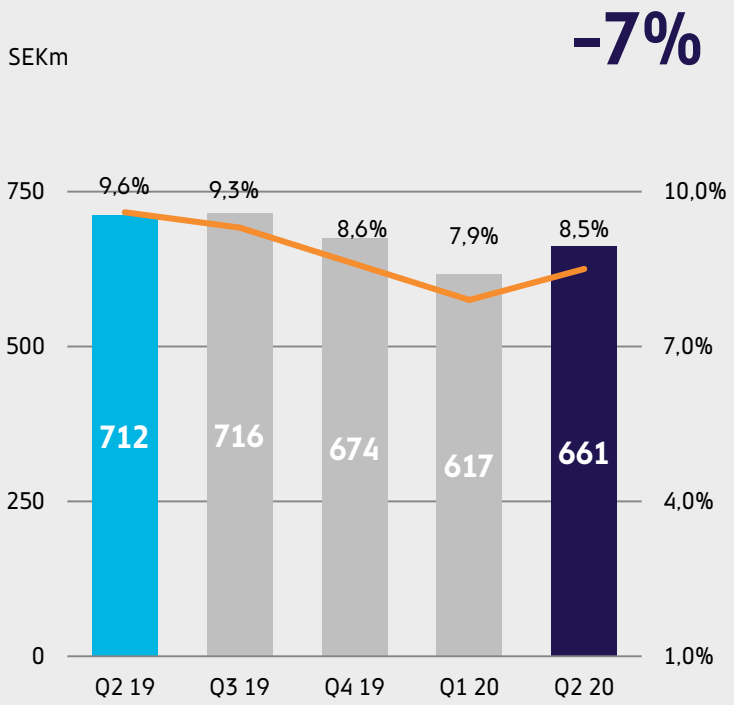
- Credit losses increased primarily due to the historic loan book growth
- Credit loss ratio of 2.6%
- Yet no visible signs of negative changes in payment patterns or increased underlying credit losses due to covid-19



Note: Including extra credit provision of SEKm 35 in Q4 2019 and SEKm 75 in Q1 2020

Risk-adjusted NBI & NBI margin

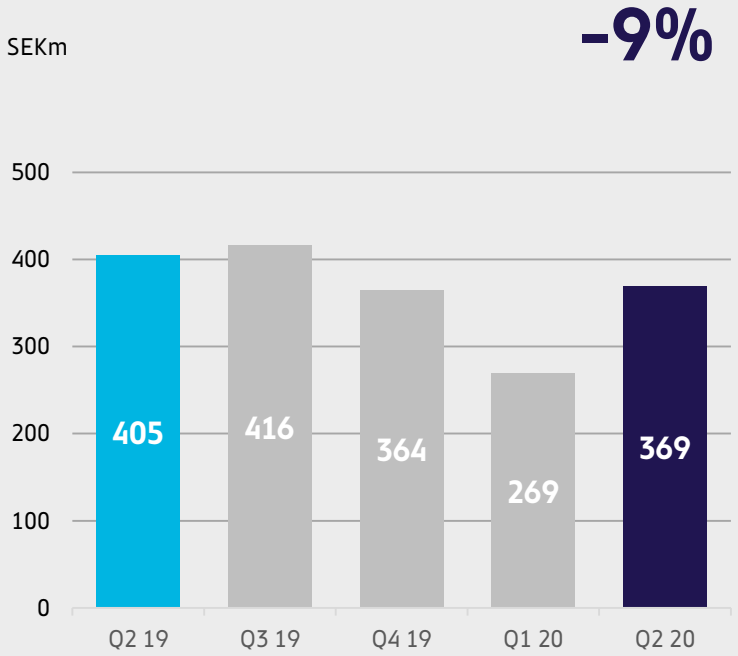
- Risk-adjusted NBI decreased due to higher credit losses
- Margin affected by credit losses and customer mix



Note: Including extra credit provision of SEKm 35 in Q4 2019 and SEKm 75 in Q1 2020

Operating profit

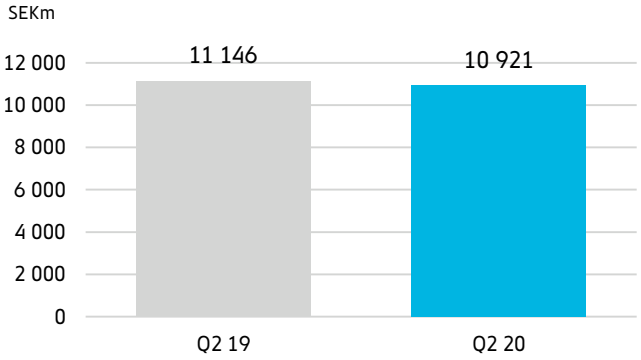
- Recovering operating profit from previous quarter, although down 9% to SEK 369 million compared with previous year
- Operating profit before credit losses increased 3% to SEK 570 million



Note: Including extra credit provision of SEKm 35 in Q4 2019 and SEKm 75 in Q1 2020

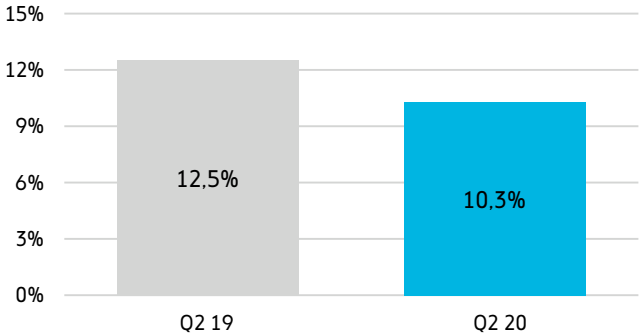
Loan Book

-2%



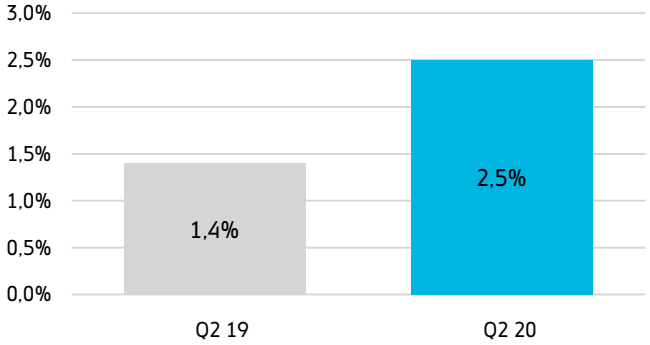
Risk-adjusted NBI margin

-2.2% pts



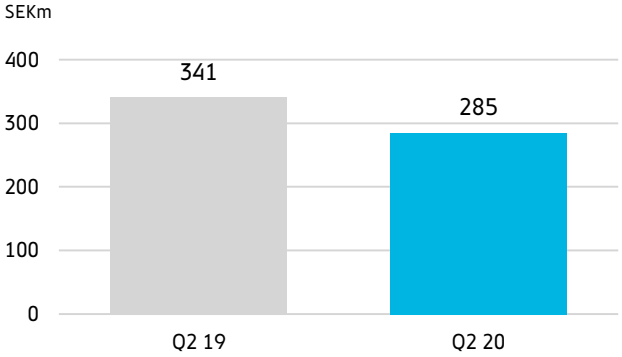
Cost of Risk

+1.1% pts



Operating income less credit losses

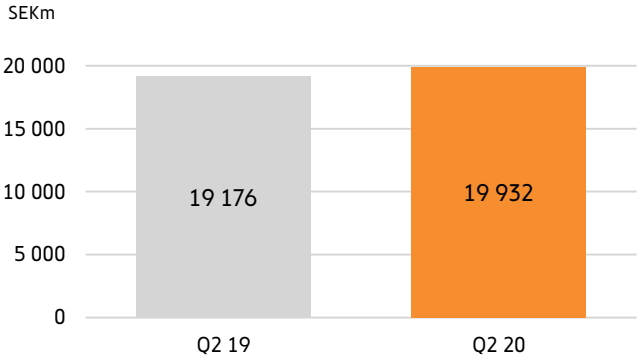
-17%



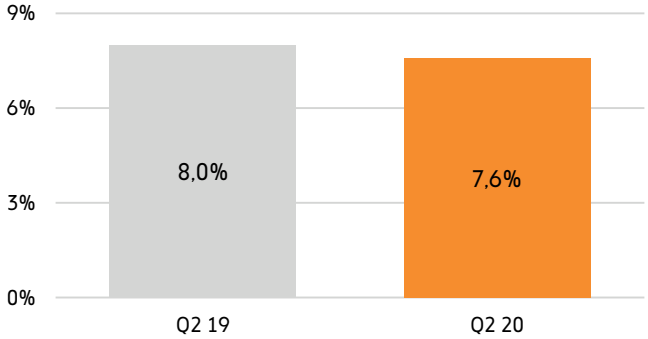
Payment Solutions

- Flat loan book in local currency
- Sales improved second half of Q2 following re-opened Nordic markets
- Lower NBI margin due to negative customer mix as retailers with lower margins grew relatively more, in addition to increased cost of risk ratio
- Previous year's cost of risk ratio was at a historically low level

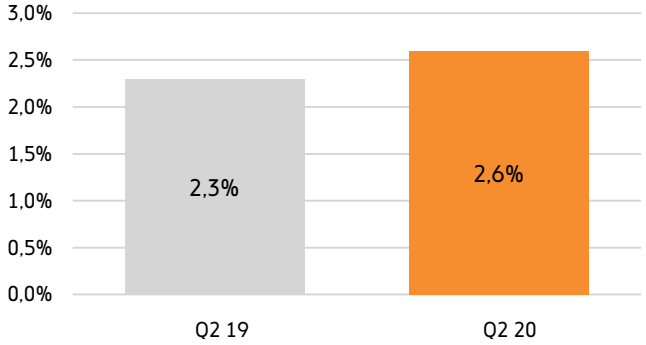
Loan Book +4%



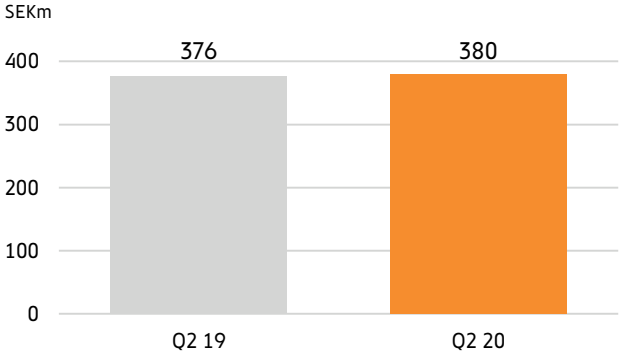
Risk-adjusted NBI margin -0.4% pts



Cost of Risk +0.3% pts



Operating income less credit losses +1%

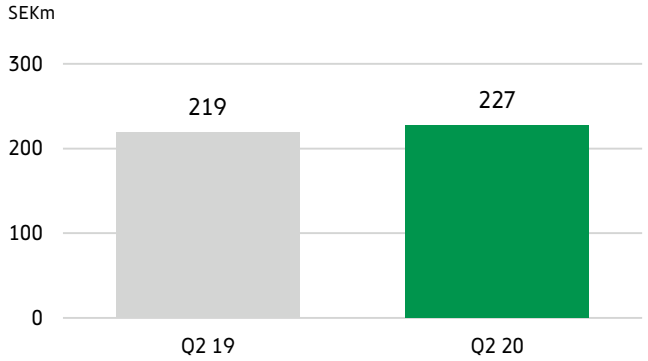


Consumer Loans

- Loan book growth +9% in local currency
- Loan book growth in all Nordic countries offset by challenging Norwegian market
- Risk-adjusted NBI margin decreased from higher cost of risk ratio

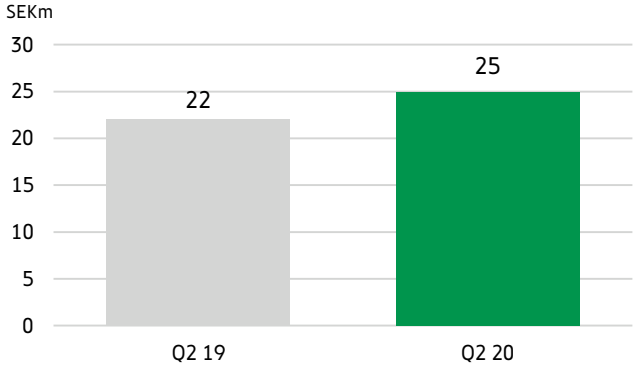
Premium Earned, net

+4%



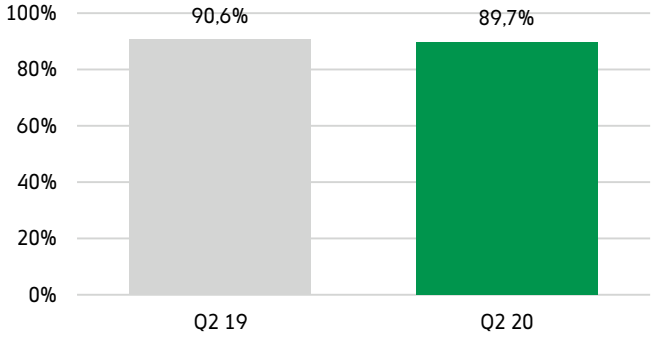
Technical Result

+13%



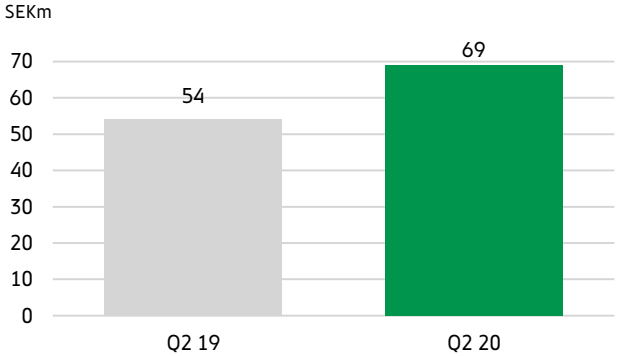
Combined ratio

-0.9% pts



Operating income

+29%

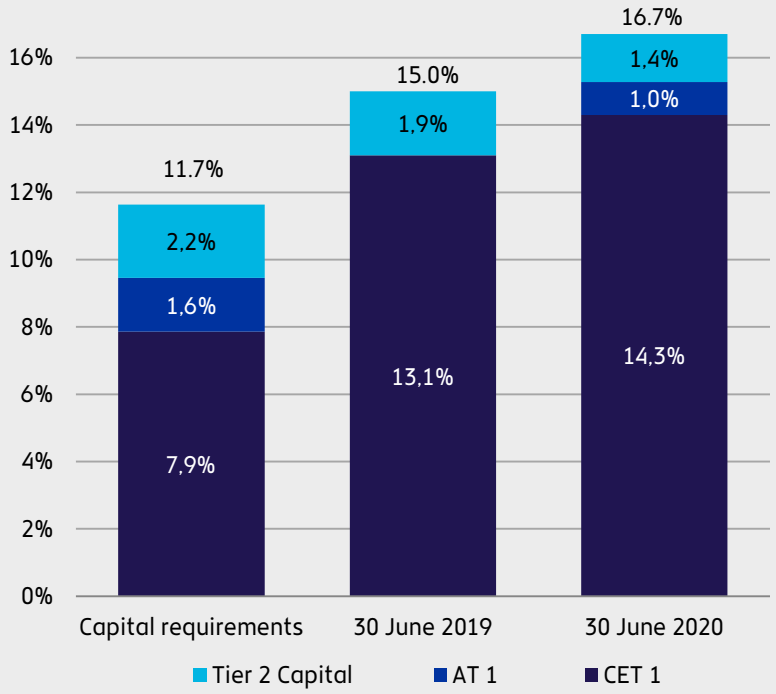


Insurance

- Premium earned increased 4% while technical result increased 13% compared with previous year
- Combined ratio improved
- Net financial trans-actions recovered and contributed SEK 17 million

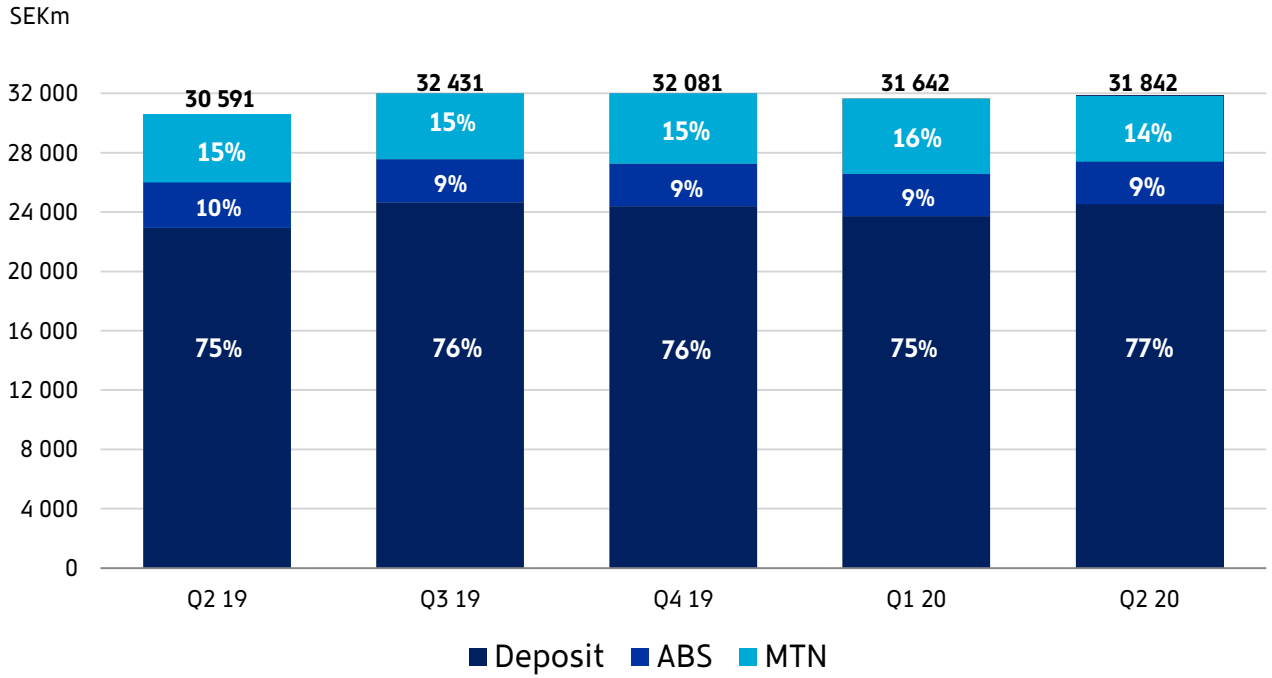
Strong capital position

- Strong CET1 and total capital ratios well above requirement and targets, and improved 0.5 of a percentage point in Q2
- Resurs follows regulatory authority recommendations; no dividend payment expected in 2020 although strong capital position



Financing - continued diversification

Funding (excl. equity) & Funding mix



- Inflow of deposits from the public in Q2
- Continued strategy to maintain long-term diversified financing and actively work with various sources
- SEK 300 million bond matured in Q2
- Liquidity remained very healthy with LCR 310% (186%) in the consolidated situation

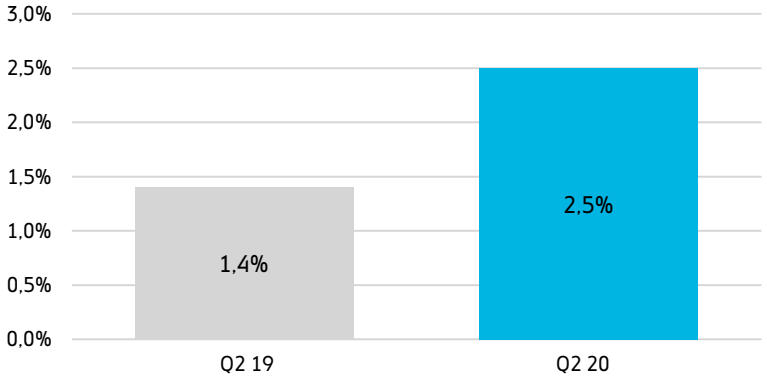
Financial target performance

Metric	Target	Jan-Jun 2020
Annual lending growth	> 10 % p.a.	2 %
Risk adjusted NBI margin	In line with recent performance (c. 10 % – 12 %)	8.2 %
C/I before credit losses excl. Insurance and adjusted for nonrecurring costs	< 40 % in the medium term	38.7 %
Return on equity (RoTE) adjusted for nonrecurring costs*	~ 30 % in the medium term	24,7 %
Payout ratio	> 50 %	n/a
Common Equity Tier 1 ratio/ Total Capital Ratio	>11.5 % CET1 >15.0 % Total Capital	14.3 % CET1 16.7 Total Capital

**Based on Capital Employed at the boards target CET1 Ratio*

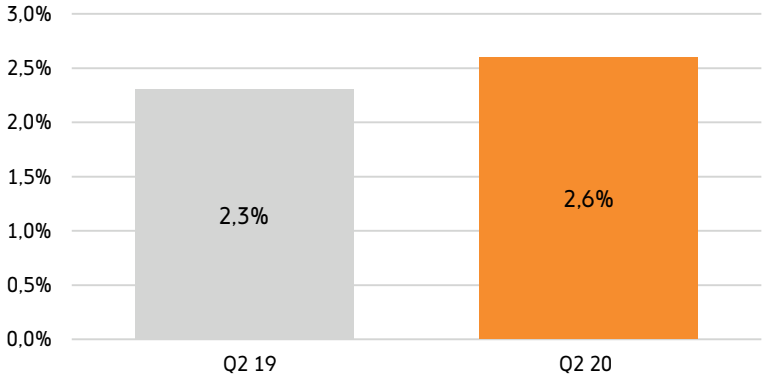
Credit Q2

Payment Solutions



- CoR ratio increased by 1.1 percentage points to 2.5% compared with 1.4% previous year
- Increased CoR ratio is partly explained by the decreasing loan book. Furthermore, Q2 previous year showed a historical low CoR ratio
- Continued stable payment pattern from our customers in Q2

Consumer Loans



- CoR ratio increased by 0.3 of a percentage point to 2.6% compared with 2.3% previous year
- Increased CoR ratio is mainly explained by the lower increase in loan book vs. previous year
- Continued stable payment pattern from our customers in Q2
- The situation in Norway following implementation of Gjeldsregistret continues to evolve positively

Evolution of lending stages & provision

Gross Loan Book

	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 mar 2020	30 Jun 2020
Part of lending to the public stage 1, gross	73%	72%	69%	69%	73%
Part of lending to the public stage 2, gross	12%	13%	15%	15%	11%
Part of lending to the public stage 3, gross	15%	15%	15%	16%	16%

Provisioning

	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 mar 2020	30 Jun 2020
Provision stage 1	0,7%	0,7%	0,7%	0,9%	0,9%
Provision stage 2	9,5%	9,5%	8,0%	9,1%	12,5%
Provision stage 3	44,1%	43,4%	43,3%	43,2%	43,0%

- Stage 2 share decrease due to change in SICR definition and lower volumes hit by the "back stop"
- Stable share of Stage 3 (NPL), despite lower loan book growth
- Provision rate in Stage 2 increased, entirely explained by balance movement to Stage 1, ECL impact being marginal
- Stage 3 provision being stable, the visible minor decrease is explained by mix effect from products and currencies

Covid-19 in Q2 and going forward

- Still no covid-19 effects, despite increasing unemployment rates
  - Customer payment patterns slightly better than pre covid-19
  - No deterioration in reminder buckets
  - Customer demand for amortization free periods has decreased
- We expect only marginal potential effects in Q3, but more visible in Q4
- The tightening of our credit models implemented in Q1 remains
- We still estimate covid-19 to have a negative impact on our credit losses, however no change in assessment from Q1 which is why the extra credit provision of SEK 75 million is unchanged

Coming period

- Q2 growth in a turbulent market and Resurs remains stable
- Q3 focus on Payment Solutions lending and revenue growth
- Continue our efforts of steering growth and profitability within the Nordic markets
- Norway is still a challenging market and one of our main focus areas
- Restrictive credit assessments


Resurs
Holding
Thank you!