Resurs Bank AB (publ)

Sweden
Financial institutions

15 May 2019
Rating initiation

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

PRIMARY ANALYST
Sean Cotten
+46 732 324 378
sean.cotten@nordiccreditrating.com

SECONDARY ANALYST
Geir Kristiansen
+47 907 845 93
geir.kristiansen@nordiccreditrating.com

CLIENT SERVICES
Gustav Liedgren
+46 736 496 543
gustav.liedgren@nordiccreditrating.com

RATING RATIONALE

Our 'BBB-' long-term issuer rating on Sweden-based Resurs Bank AB (publ) (Resurs) reflects the bank's strong risk-adjusted earnings, granular consumer loan portfolio and risk appetite relative to its Nordic peers. Resurs's strong earnings and capital generation support its existing growth objectives, but Nordic Credit Rating (NCR) views capitalisation as a relative weakness compared with its Nordic peers. The bank is largely deposit funded, but it has increased its share of senior unsecured debt in recent years and has issued an asset-backed security encumbering 11% of tangible assets. Our rating reflects Resurs Bank and its subsidiaries. The bank is directly owned by Resurs Holding AB (Resurs Holding), which also owns Solid Försäkring AB and is listed on the Stockholm stock exchange.

Resurs benefits from strong creditor rights across the Nordic region. These provide strong incentives for borrowers to repay debt and result in higher collection rates than in other European regions. This has contributed to Resurs's demonstrated control over its credit losses over its 42-year history. However, a large share of Resurs's growth in recent years has been in larger-ticket consumer loans and outside of Sweden, reducing the share of smaller, short-term point-of-sale financing historically associated with Resurs's Swedish business. Compared with its Nordic peers, Resurs has a relatively high share of nonperforming loans, but loss provisions as a share of loans have remained stable, in part due to its strong loan growth. Resurs uses forward flow and third-party collection agreements with debt purchasers to manage its collection process and control nonperforming loan levels, which we view as a potential operational risk given the relatively high leverage and high-yield funding of these partners.

OUTLOOK

Our stable outlook on Resurs reflects our view that the bank's earnings will continue to support its growth objectives without significantly increasing its risk profile. We expect the higher share of larger consumer loans and a change in Norwegian consumer loan profitability to reduce the net interest margin and for annual loan growth to remain in the 15% range, which still allows for excess capital generation and continued dividend payments given our projected credit losses.

POTENTIAL POSITIVE RATING DRIVERS:

- Commitment to stronger capital buffers.
- Stabilisation or improvement of asset quality metrics.
- Tightening of overall risk appetite.

POTENTIAL NEGATIVE RATING DRIVERS:

- Material economic deterioration in the region.
- Regulatory changes affecting interest rates and recovery prospects for consumer loans.
- Excessive growth or increased risk appetite.

Figure 1. Resurs Bank AB key credit metrics, 2015–2020

(%)	2015	2016	2017	2018	2019E	2020E
Net interest margin	8.43	8.91	8.64	8.70	8.25	8.20
Loan losses/net loans	2.6	1.9	1.8	2.0	2.1	2.2
Pre-provision income/REA	6.4	6.8	7.2	7.3	6.9	6.8
Return on ordinary equity	18.2	18.3	18.6	19.3	19.7	19.4
Loan growth	30.7	16.5	13.5	16.2	15.0	14.0
CET1 ratio	13.1	13.2	13.6	13.4	13.2	13.1

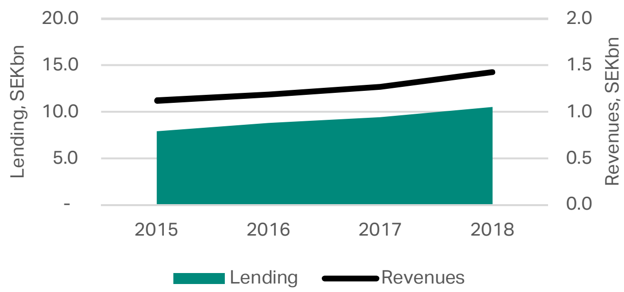
Based on NCR estimates and company data. E – estimate. REA – risk exposure amount. CET1 – common equity Tier 1. All metrics are adjusted as per NCR methodology.

COMPANY PROFILE

Resurs provides consumer loans via point-of-sale payment solutions for retail and e-commerce partners as well as direct marketing channels in Sweden, Norway, Denmark and Finland. The bank was founded in 1977 and has been a licensed bank in Sweden since 2001. The bank operates in two divisions – Payment Solutions and Consumer Lending – with Consumer Lending representing an increasingly large share of lending and revenues (Figure 1 and Figure 2), albeit with somewhat lower margins, larger loan exposures and longer loan duration. Within Payment Solutions Resurs partners with retailers and travel agents and to provide financing for larger consumer goods and services. The large customer volumes result in a large database providing insight into each customer's payment behaviour, which is used in targeted marketing and underwriting, and Resurs has used Payment Solutions data to support its underwriting as it expands its Consumer Lending division across the Nordic markets.

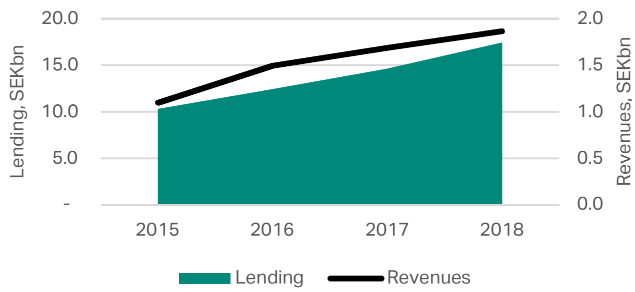
The bank is a part of Resurs Holding, a Helsingborg-based company listed on the Stockholm stock exchange, which includes the Resurs Bank group, Solid Försäkring, which specialises in non-life insurance for consumers, and Resurs Förvaltning Norden AB. The bank's SEK 39bn in assets represent a large majority of Resurs Holding's assets (SEK 40bn), equity and profits. The group's largest owner is Waldakt AB, an investment company owned by Sweden's well-known Bengtsson family.

Figure 2. Payment Solutions growth, 2015-18



Based on company data

Figure 3. Consumer Lending growth, 2015-18



Based on company data

Source: Company presentation

THE NORDIC FOOTPRINT PROVIDES A SOLID FOUNDATION

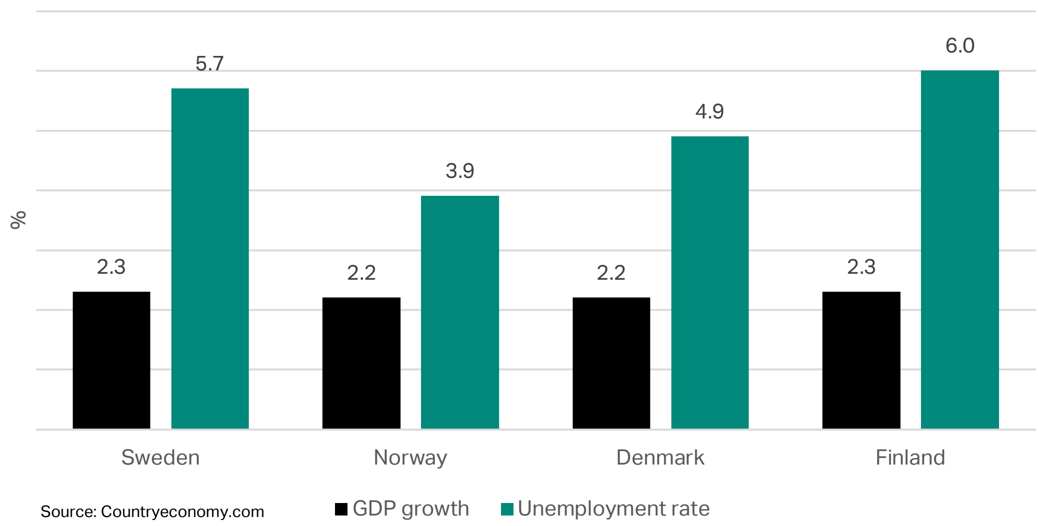
Operating environment scores 'bbb'

Resurs operates across the Nordic region, with about 75% of its lending exposures in Sweden and Norway, where the bank acquired yA Bank in 2015 (yA is now fully merged into Resurs). The remaining exposures are in Finland and Denmark. Finland is Resurs's fastest growth market since 2018, after a number of years of relatively stagnant growth as the bank developed its local database and bearings in the market.

The Nordic markets provide strong legal frameworks for creditors. Resurs and its consumer lending competitors enjoy strong creditor rights and borrowers have material incentives to repay debt. This environment has supported higher collection rates and higher prices for nonperforming debt than many other European markets.

While growth prospects have been revised downward across Europe, the Nordic markets continue to grow steadily, albeit with some volatility associated with reduced capital investments. Growing markets and low interest rates continue to support high levels of employment and strong repayment capacity across the region (Figure 4). The Swedish and Norwegian central banks have increased policy rates in the past six months, initiating a return to more normalised monetary policy, especially in Norway, and reflecting economic stability in Resurs's primary markets.

Figure 4. GDP growth and unemployment by country, 2018

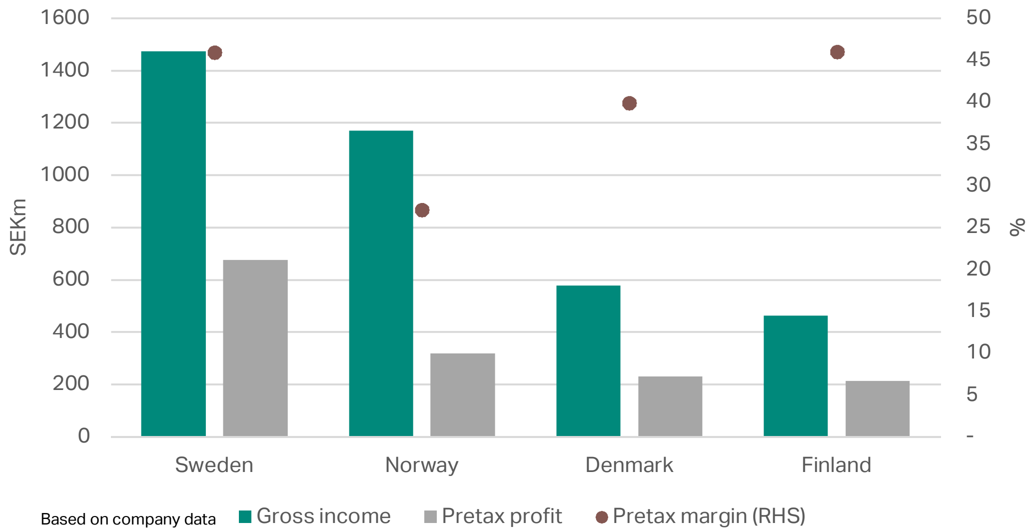


Source: Countryeconomy.com

Sectoral factors

NCR views consumer lending as having more volatile risk drivers than our national assessments would indicate. This is reflected in our view of Resurs's operating environment within its niche. In our view, consumer loans are more sensitive to shifts in the economy than a typical retail loan portfolio, which includes a high share of mortgage loans.

Figure 5. Geographical distribution of revenues and profit, 2018



Based on company data

The Nordic markets continue to provide opportunities for growth in consumer lending, fed in part by rising housing markets and macroprudential measures to reduce loan-to-value ratios for mortgage lending, which have generally reduced the ability of private individuals to obtain home equity loans. Resurs and its peers have responded by increasing available consumer loan limits, resulting in further expansion of the Nordic consumer loan markets.

The resulting growth in consumer lending has been a focus of the media and Nordic regulators. In its 2019 first quarter report, Resurs commented on the increased competition in the Norwegian consumer loan market resulting from regulatory restrictions designed to slow the growth of consumer loans in Norway. While Resurs and similarly diversified peers can grow outside of Norway, initiatives from other Nordic regulators could be a response to lenders looking to grow in other markets.

STABLE CAPITALISATION DESPITE STRONG GROWTH

We assess risk appetite as 'bbb-'

In our opinion, Resurs has a higher than average risk appetite given its growth objectives, internal risk limits for credit risk and its recently revised capital targets. However, the bank has a longer track record than many of its closest peers and has demonstrated that it is willing to take a patient approach to growth as it settles into new markets, as was the case in its Finnish expansion.

We believe that the bank will maintain its internal discipline in underwriting but note that there is increasing competition which could force it to increase its share of moderate to high risk customers to maintain its stated growth objectives, especially considering the bank's announcement about escalating Norwegian competition.

ESG summary

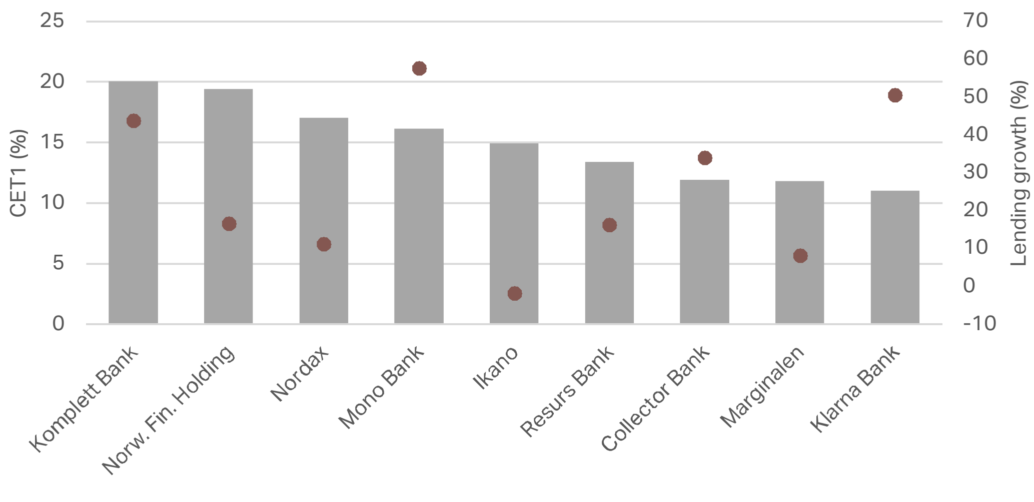
Resurs seems committed to sustainability and equality and has outlined six key focus areas from the U.N.'s Sustainable Development Goals where it believes it can make a difference: good health/wellbeing, quality education, gender equality, decent work and economic growth, reduced inequalities, and responsible consumption and production. Responsible credit lending is an area where the bank could face challenges given some concerns about rising debt levels and predatory consumer lending practices. However, Resurs notes that it provides early warnings to clients before sending loans to collection and point out that they carry out stressed affordability calculations to ensure customers can afford their loans. Despite these efforts, Resurs reports 14.6% problem loans in its loan book, a significant share when compared with market averages across the Nordic region.

Capital

Resurs's CET1 capital ratio was 13.1% as of 31 Mar. 2019. We expect the bank to continue expanding its loan book at nearly 15% per annum and to continue making dividend payments close to 60% of net profit. This results in a projected CET1 ratio of 13-13.5% over the next two to three years. However, we view the bank's reduction in capital targets in November 2018 by one percentage point as an indication that Resurs does not aspire to increase its capital ratios in the near term.

The bank aims to maintain a capital buffer in excess of its 11.5% CET1 and 15% total capital targets. While this exceeds the bank's regulatory requirement of 8.6% by a good margin, it is relatively low in relation to the wider Nordic market and its Nordic consumer finance peer group (see Figure 6). The bank uses standardised capital models and has a Basel leverage ratio of 9.8% as of 31 Mar. 2019.

Figure 6. Selected Nordic niche banks' capitalisation and growth, 2018



Based on company data

Resurs issued SEK 300m in Tier 2 capital in March 2019 and has two other outstanding capital instruments totalling SEK 800m. One of these instruments is held by sister company Solid Försäkring and matures in 2021, meaning that it is not fully applicable to regulatory capital ratios as it has less than five years to maturity.

Funding and liquidity

Resurs is largely deposit funded by Swedish and Norwegian depositors who have chosen the bank primarily because of it offers a higher deposit rate than their transactional banks. As the bank has grown in larger-sized consumer loans, it has expanded its financing to include senior unsecured lending via its SEK 8bn medium-term note program and SEK 2.9bn in asset-backed security financing, which encumbers SEK 3.7bn of the loan book (13.2% of lending and 10.8% of tangible assets).

Given the price-sensitive nature of the bank's deposit base and loan encumbrance associated with the asset-backed security financing, we view the funding profile as somewhat weaker than that of typical Nordic banks, which tend to rely on relational deposits and stable covered bond issuance, complemented by senior unsecured financing. As of the end of 2018, a significant majority of the bank's deposits were covered by the Swedish or Norwegian deposit guarantee funds.

Resurs's expansion into Denmark and Finland created a currency mismatch in the bank's funding, which is being addressed by entering the very large German deposit market to diversify and provide euro deposit funding (the Danish krona is pegged and maintains narrow bands to the euro). The bank has seen significant inflows from this channel during the first part of 2019, reducing the need to hedge with currency swaps.

The increase in euro funding will also be important to offset the bank's efforts to reduce non-affiliated single-name depositor risk by reducing the volume of deposits that receive interest to SEK 10m. In the interim, the reduction in large variable deposits will be offset by converting the largest customers' demand deposits to term deposits but could require more capital market financing as the euro deposit channel takes form. We note that the bank's deposit base grew by 11% (SEK 2.3bn) during the first quarter of 2019, demonstrating their ability to attract deposit customers.

Resurs's liquidity exposures are of high-quality and fulfil both the regulatory liquidity coverage requirement and the bank's internal liquidity stress requirements by a good margin. Liquid assets, including deposits held by highly-rated banks, represented 26% of the deposit base as of end 2018

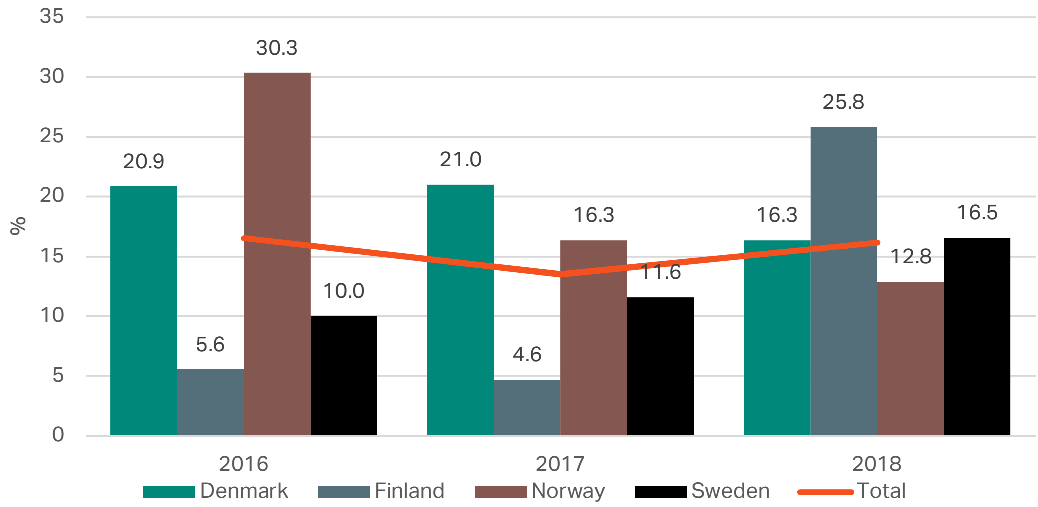
EXPANSION IN LARGER-SIZED CONSUMER LOANS

We score credit risk 'bbb-'

Our credit risk assessment balances our view of the granularity and unsecured nature of the loan book with the bank's growth objectives. We note the differences between the small average size and short average maturity of the Payment Solutions portfolio (average loan SEK 1,500) and the Consumer Lending portfolio (average loan SEK 90,000). We view the high granularity of the Payment Services portfolio as positive for the overall credit risk in the portfolio.

Resurs's expansion is being driven by its Consumer Lending division, larger loan sizes and expansion across the Nordic markets. We note that the bank has somewhat higher risk appetite outside Sweden, according to internal risk limits on low, medium and high-risk customer volumes. In our view, the bank's appetite reflects competition and entry barriers outside Sweden and a desire to gain market share in Denmark and Finland.

Figure 7. Resurs Bank – growth rate by market, 2016-18

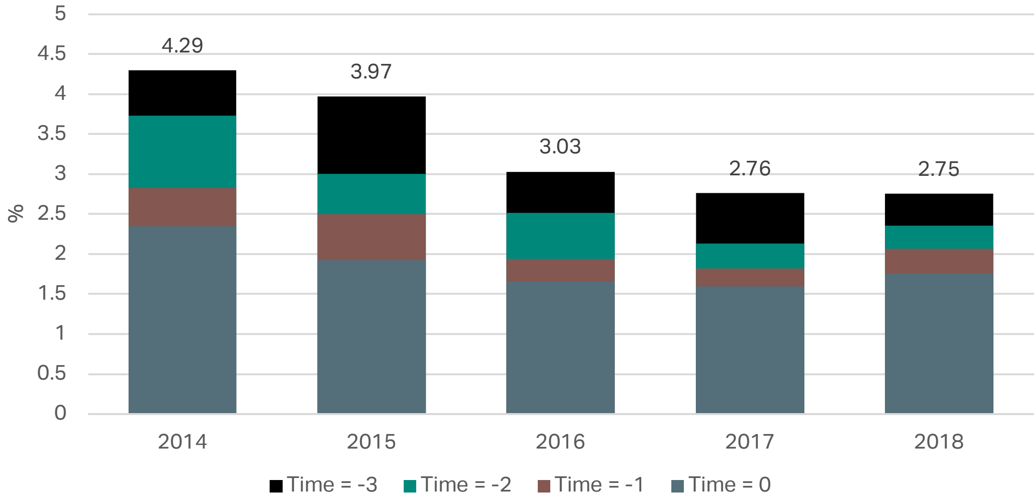


Source: Bank reports

As shown in Figure 7, credit growth has varied across the region in recent years. In Finland, initial growth was lower than other markets as Resurs built up internal data on the market and awaited the development of a debt register. Combined with higher loan limits and improved credit automation, the Finnish market grew substantially in 2018. In Norway, an official debt register has been developed, but regulatory initiatives requiring five-year amortisation plans, total debt to income limits and repayment capacity interest rate stress tests have slowed growth, increased competition and affected margins. In 2019, Resurs will roll out its automated credit engine in Denmark, which will allow for process automation and the ability to increase volumes. In Sweden, growth in consumer loans was led by higher limits and improved automation of the credit process.

Often strong growth can mask a deterioration in credit quality due to high volumes of new and performing loans. In Figure 8 we analyse the development of credit provisions for the period 2014 to 2018 by dividing by gross lending for the current year and the three previous years. This analysis estimates the longer-term credit losses if growth were to stagnate by reflecting that most consumer loan delinquencies occur between 18-36 months. Figure 8 shows that the costs for credit risk are stabilising somewhat at a level below 3% when provisions are compared with the gross lending three years previously.

Figure 8. Resurs Bank – loan losses (time =0)/gross lending at time=0, -1, -2 and -3 years, 2014-18



Based on NCR analysis of bank data

While Resurs provides factoring loans to corporate customers, it has internal limits on its corporate exposures and maintains modest exposures to single names.

Other risks, regulation, asset sales and retail partnerships

We do not view market risk as a significant factor for Resurs, apart from the hedged currency risks described in the funding section. A majority of the bank's interest rates are variable within three months, resulting in very modest interest rate risk in the banking book.

While we believe that Resurs has acceptable governance of reputational risk, legal risk and risk from fraud or corruption, we have identified additional risk areas specific to the bank's business model. The first is associated with its retail partners which serve as agents for new lending within the Payment Solutions division. The bank has stated that no partner is larger than 10% of the loan book, nor contributes more than 5% of net profits, which mitigates some of the risk. However, we note that maintaining these relationships and the pressures on Nordic retail partners from global retailers could affect Resurs more than most Nordic banks. Additionally, we note that the bank's relationships with third-party collectors and forward-flow agreements with a small group of partners could be affected during a period of market stress. Several of Resurs's collection partners are highly-leveraged companies financed in the high-yield capital markets. If demand for risk changes materially, these companies could face financing difficulties and be forced to reduce accepted nonperforming loans or breach existing contracts due to financial distress. Resurs mitigates this risk somewhat by maintaining at least two partners in each of its Nordic markets. Finally, we note the impact of regulatory changes on the bank's growth and profitability in Norway and believe that additional measures to restrict consumer lending by Nordic regulators could affect the bank's ability to achieve its internal objectives and potentially increase the bank's risk appetite.

RELATIVE STRENGTHS WITHIN ITS NICHE

We score market position 'bb'

Resurs has a long history of providing consumer finance products in Sweden and is now well-established within all the Nordic markets. We see relative strength in Resurs's retail relationships in which it can maintain multi-year contracts and tailored payment solutions for in-store and e-commerce transactions. However, there is fierce competition in the consumer loan and credit card markets and we believe that it is difficult for banks to have an advantage in terms of being able to drive pricing or attracting stronger customers on the basis of its reputation, especially true for Resurs as it expands into Denmark and Finland.

The bank's revenues are focused on consumer lending and, as such, dependent on retail and consumer demand trends. While there is some diversity between its products for payment solutions, credit cards and consumer loans, the revenues from these streams rely on continued levels of consumption and consumption-lead indebtedness, which could be a target area for future regulation.

EARNINGS STRENGTHS LARGELY OFFSET ASSET QUALITY ISSUES

We assess performance indicators at 'a-'

Like many of its peers, Resurs's strong lending margins provide significant buffers for credit-related provisions. In this respect Resurs has demonstrated a long history of strong returns and manageable credit losses, even through the financial crises of the early 1990s and 2008-2009.

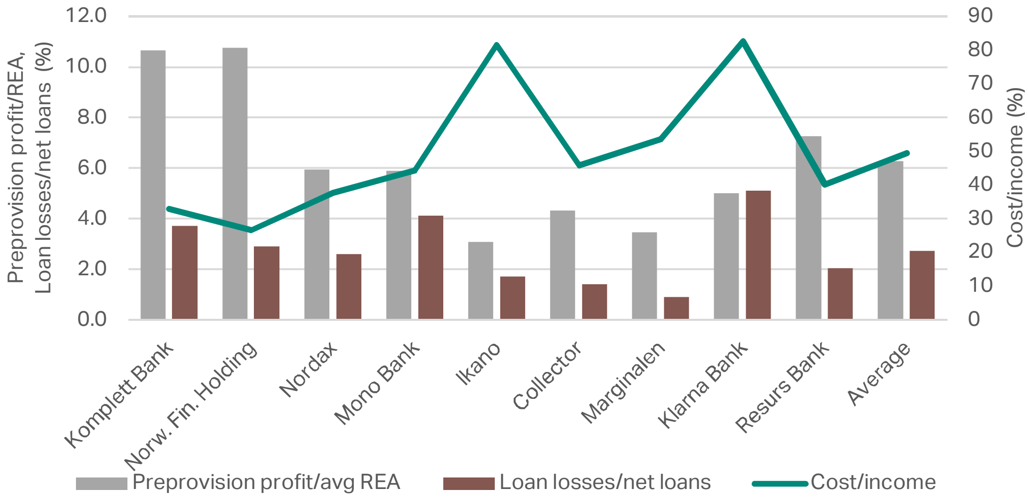
Earnings performance

Resurs uses the risk-adjusted net business margin (NBI) among its primary financial targets, a measure reflecting operating income, excluding insurance, compared with the average loan balance net of credit losses. The NBI encapsulates related fees (i.e. late payment, initiation) and commission in addition to interest payments. The target at the Resurs Holding level is a 10-12% risk-adjusted NBI ratio. The actual ratio was 10.6% in 2018 (11.1% in 2017), but fell to 9.6% in the first quarter of 2019, driven by Norwegian competition within Consumer Lending. Consumer Lending's NBI fell to 8.1% in the first quarter of 2019 from 9.5% in 2018 and 10.3% in 2017. For Payment Solutions the ratio was 12.5% in 2018 (12.2% in 2017 and the first quarter of 2019). The NBI decline for the bank is driven in large part by the increasing share of Consumer Lending, but also by the increasing size of individual consumer loans, higher credit losses in Consumer Lending and competitive dynamics in Norway.

We anticipate that competitive pressure and larger loan sizes from Consumer Lending will continue to lead to a reduction in net interest margins for the bank. We project that the bank's overall net interest margin (8.7% in 2018), which is affected by low returns on the liquidity portfolio, will fall to 8.25% in 2019 as the Norwegian market recalibrates and continue to fall slightly as Consumer Lending share of loan volumes grows.

NCR's preferred risk-adjusted earnings measure is preprovision profit/average REA. By this measure Resurs is quite solid, with a 7.3% ratio for 2018, somewhat below the ratios of its Norwegian peers, but well above those of most Nordic banks. This also provides a considerable cushion for credit losses, growth and dividend payments while maintaining existing capital ratios. Cost efficiency is also a strength and the bank's 40% cost-income ratio is in line with its financial target of <40%.

Figure 9. Selected Nordic niche banks - Profitability, loan losses and efficiency, 2018



NCR based on company data. Norwegian Financial Holding includes Bank Norwegian as its primary subsidiary.

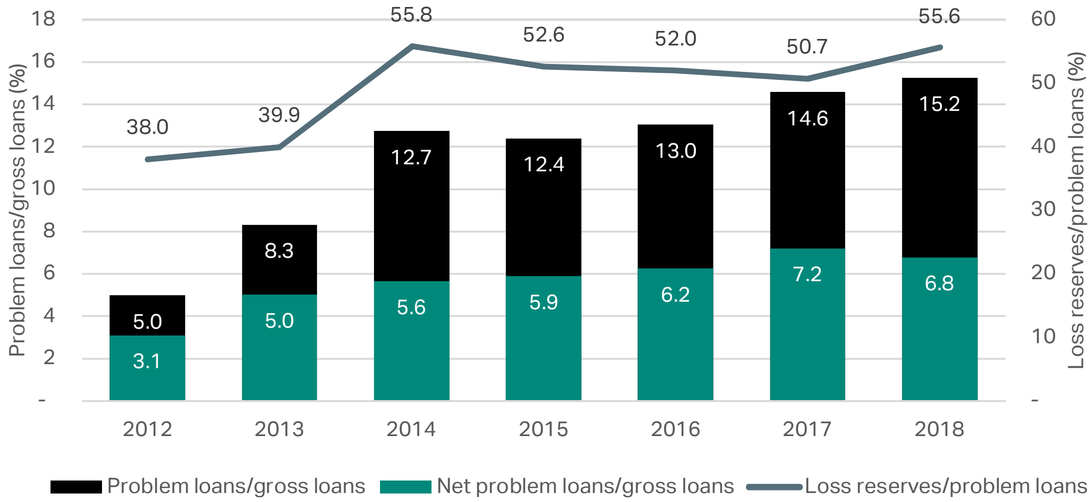
Loss performance

As described above, Resurs has been through periods of severe financial stress during its 42-year history, while managing to maintain loss ratios of around 2-3% throughout. However, we note that the nature of Resurs's loan book is quite different in 2019 than it was during the early 1990s or even ten years ago. The share of consumer lending has increased, as have cross-border exposures, average loan sizes and borrower indebtedness in general.

The share of gross nonperforming loans exceeded 15% at the end of 2018, a rather high level given the annual increases in loan volumes in recent years. We note that Resurs has not systematically written off or sold nonperforming loans to debt purchasers, which can affect comparisons of its nonperforming loan levels to some peers. However, the bank has entered into forward-flow agreements with external collectors and began sending some new loans that are 120 days past due to external collection companies in January 2019 and the share of nonperforming loans fell to 14.6% in the first quarter of 2019. The contracts are for 18 months and allow up to a maximum of SEK 550m in loans to be sold. This should have the effect of stabilising the development of new gross nonperforming loans going forward.

The bank maintains over 50% reserves for nonperforming loans, which reflects its ability to collect and/or distribute impaired loans to third-party collectors or debt purchasing companies. While gross nonperforming volumes could continue to rise, we project that credit losses will remain affordable in our forecast given expectations of stable economic development across the Nordic countries.

Figure 10. Resurs Bank – Problem loans and loss reserves, 2012-2018



Based on bank data

ADJUSTMENT FACTORS

PEER COMPARISON

We believe that Resurs's relative strengths and weaknesses are well reflected in the 'bbb-' initial credit assessment and do not adjust based on an assessment versus the bank's peer group or any other factors. NCR has confidential credit assessments (not full credit ratings) on nearly 300 Nordic banks. The average assessment is 'bbb+', reflecting a high share of savings and cooperative banks in the sample. We believe the primary differences between the average Nordic bank and Resurs are primarily associated with risk appetite, capitalisation and loss performance and are reflected in our initial credit assessment on Resurs.

SUPPORT ANALYSIS

We do not adjust Resurs's rating based on expectations of additional support from its owner, Resurs Holding or the group's shareholders (see Figure 11). The second-largest shareholder in Resurs Holding, Nordic Capital (via Cidron Semper S.à r.l.), announced on 14 Mar. 2019 that it has reduced its holdings to 9.9% of outstanding shares and votes in Resurs Holding.

Figure 11. Resurs Holding ownership structure, 31 Mar. 2019.

OWNER	OWNERSHIP SHARE%
Waldakt AB	28.9
Nordic Capital (via Cidron Semper)	9.9
Swedbank Robur Funds	8.3
Handelsbanken Funds	2.5
Second Swedish National Pension Fund	2.4
Norges Bank	2.0
SEB Funds	1.9
Vanguard	1.4
Erik Selin	1.4
Avanza Pension	1.3
Other	40.0

Source: Resurs Holding investor relations.

ISSUE RATINGS

Our rating on Resurs's unsecured senior debt is in line with the issuer rating, i.e. 'BBB-'. We also rate Resurs's tier 2 capital instruments two notches under the standalone assessment of 'bbb-', i.e. 'BB'. Given the bank's strong liquidity position and adherence to regulatory liquidity requirements, we assign the short-term rating of 'N-1+'.

Figure 12. Bank issue rating indications

Issue rating indications	Starting point	Issue rating
Senior unsecured	Issuer credit rating	BBB-
Tier 2 capital instruments	Standalone credit assessment	BB

Figure 13. Bank rating scorecard

SUBFACTORS	IMPACT	SCORE
National factors	2.5%	a-
Regional, cross border, sector	17.5%	bbb
Operating environment	20.0%	bbb
Capital	17.5%	bb+
Funding & liquidity	15.0%	bbb
Risk governance	5.0%	bbb
Credit risk	10.0%	bbb-
Market risk	0.0%	N/A
Other risks	2.5%	bbb-
Risk appetite	50.0%	bbb-
Market position	15.0%	bb
Earnings	7.5%	aa
Loss performance	7.5%	bb+
Performance indicators	15.0%	a-
Indicative credit assessment		bbb-
Peer comparisons		0
Transitions		0
Borderline assessments		0
Adjustment factors		0
Standalone credit assessment		bbb-
Ownership		0
Material credit enhancement		0
Rating caps		0
Support		0
Issuer rating		BBB-
Short-term rating		N-1+

Figure 14. Bank instrument ratings

ISIN	SENIORITY	ISSUED	MATURITY	RATING	CURR.	AMOUNT
NO0010806110	Senior Unsecured	9/20/2017	5/20/2019	BBB-	NOK	400
SE0008964258	Senior Unsecured	8/31/2016	8/31/2019	BBB-	SEK	400
SE0009663487	Senior Unsecured	2/24/2017	2/24/2020	BBB-	SEK	300
SE0009994346	Senior Unsecured	5/29/2017	5/29/2020	BBB-	SEK	600
SE0010921635	Senior Unsecured	2/26/2018	8/31/2020	BBB-	SEK	600
SE0010636969	Senior Unsecured	12/7/2017	12/7/2020	BBB-	SEK	350
SE0009722747	Senior Unsecured	3/16/2017	3/16/2021	BBB-	SEK	500
SE0011088780	Senior Unsecured	5/16/2018	6/16/2021	BBB-	SEK	500
SE0011425826	Senior Unsecured	8/30/2018	8/30/2021	BBB-	SEK	700
NO0010808967	Senior Unsecured	10/25/2017	10/25/2019	BBB-	NOK	200
SE0009522212	Tier 2	1/17/2017	1/17/2027	BB	SEK	300
SE0011426105	Tier 2	3/12/2019	3/12/2029	BB	SEK	300

Figure 15. Bank key credit metrics and financials*

KEY CREDIT METRICS (%)	2014	2015	2016	2017	2018
Income composition					
Net interest income/op. revenue	72.4	79.2	82.0	82.2	82.8
Net fee income/op. revenue	18.5	13.4	11.2	11.7	11.8
Net trading income/op. revenue	0.1	(1.2)	(0.6)	(0.6)	(1.2)
Net other income/op. revenue	8.9	8.6	7.4	6.7	6.7
Earnings					
Net interest margin	8.0	8.4	8.9	8.6	8.7
Pre-provision income/REA	7.0	6.4	6.8	7.2	7.3
Return on ordinary equity	18.4	18.2	18.3	18.6	19.3
Return on assets	2.2	2.8	3.4	3.5	3.2
Cost-to-income ratio	52.5	48.3	43.5	40.1	40.1
Cost-to-income ratio, ex. trading	52.5	47.7	43.2	39.8	39.6
Capital					
CET1 ratio	13.7	13.1	13.2	13.6	13.4
Tier 1 ratio	13.7	13.1	13.2	13.6	13.4
Capital ratio	15.0	14.2	14.1	15.5	14.7
REA/assets	75.4	85.5	82.4	81.3	80.9
Leverage ratio	10.7	12.0	10.5	10.8	10.5
Growth					
Asset growth	41.3	22.4	17.4	7.7	16.6
Loan growth	52.4	30.7	16.5	13.5	16.2
Deposit growth	33.6	2.8	13.1	(3.1)	15.4
Loss performance					
Credit provisions to net loans	3.0	2.6	1.9	1.8	2.0
Impaired loans to gross loans	12.7	12.4	13.0	14.6	15.2
Net impaired loans to gross loans	5.6	5.9	6.2	7.2	6.8
Net problem loans to equity	30.7	26.2	26.2	33.6	36.4
NPL coverage ratio	55.8	52.6	52.0	50.7	55.6
Funding & liquidity					
Loan/deposit ratio	86.4	109.9	113.2	132.6	133.5
Liquidity coverage ratio	125.0	142.0	181.0	218.0	155.5

* Resurs Bank AB figures. First quarter 2019 figures are only publicly available for Resurs Holding AB.

KEY FINANCIALS (SEK M)	2014	2015	2016	2017	2018
Balance sheet					
Total assets	20,001	24,478	28,747	30,964	36,120
Total tangible assets	19,333	22,734	26,897	29,118	34,174
Total financial assets	19,138	22,584	26,745	28,965	33,728
Net loans and advances to customers	13,924	18,199	21,205	24,069	27,957
Total securities	1,619	2,113	2,451	2,210	2,038
Customer deposits	16,111	16,561	18,726	18,147	20,934
Issued securities	200	2,420	3,558	6,137	8,330
of which senior	-	2,181	3,316	5,597	7,832
of which subordinated	200	238	242	540	498
Total equity	2,745	4,360	5,417	5,563	5,687
Total ordinary equity	2,745	4,360	5,417	5,563	5,687
Capital					
Common equity tier 1	2,067	2,733	3,125	3,432	3,919
Tier 1	2,067	2,733	3,125	3,432	3,919
Total capital	2,267	2,971	3,340	3,905	4,281
REA	15,077	20,936	23,695	25,167	29,218
Income statement					
Operating revenues	1,828	2,223	2,679	2,928	3,293
Pre-provision operating profit	869	1,149	1,514	1,755	1,972
Impairments	351	374	377	413	536
Net income	391	574	905	1,036	1,105

Based on NCR estimates and company data. REA – risk exposure amount. CET1 – common equity Tier 1. NPL – non-performing loans. All metrics are adjusted as per NCR methodology. * Resurs Bank AB figures. First quarter 2019 figures are only publicly available for Resurs Holding AB.

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating The rating is an initial credit rating.
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Office responsible for the credit rating:	Nordic Credit Rating AS, Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
Primary analyst: Secondary analyst:	Sean Cotten, sean.cotten@nordiccreditrating.com, +46 732 324 378 Geir Kristiansen, geir.kristiansen@nordiccreditrating.com, +47 907 845 93
Rating committee chairperson responsible for approval of the credit rating:	Michael Andersson, michael.andersson@nordiccreditrating.com, +46 73 232 43 22
Methodology used when determining the credit rating:	Nordic Credit Rating – Financial Institutions Rating Methodology published 14 August, 2018: https://nordiccreditrating.com/pdf/Nordic%20Credit%20Rating%20-%20Financial%20Institutions%20Rating%20Methodology.pdf Nordic Credit Rating - Rating Principles published 14 August 2018: https://nordiccreditrating.com/pdf/Nordic%20Credit%20Rating%20-%20Rating%20Principles.pdf The methodology and principles documents provide analytical guidance to NCR’s rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website: https://nordiccreditrating.com/governance/policies The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.
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NORDIC CREDIT RATING AS

OSLO
Biskop Gunnerus' gate 14A
0185 Oslo
Norway
www.nordiccreditrating.com
post@nordiccreditrating.com

STOCKHOLM
Engelbrektsgatan 9-11
114 32 Stockholm
Sweden