Nordic Credit Rating

FINANCIAL INSTITUTION

Sweden
3 Apr. 2020

Resurs Bank AB (publ)

Rating Update

LONG-TERM RATING

BBB-

OUTLOOK

Negative

SHORT-TERM RATING

N-1+

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RATING RATIONALE

Our 'BBB-' long-term issuer rating on Sweden-based Resurs Bank AB (publ) (Resurs) reflects the bank's strong risk-adjusted earnings, improved capitalisation and risk appetite relative to its Nordic peers. The rating also considers risks related to the COVID-19 pandemic and the potential for a protracted recession in Resurs's Nordic markets. Parent Resurs Holding AB (Resurs Holding) issued additional tier 1 capital in the fourth quarter of 2019 and increased the group's total capital target to 15%. Given uncertainty associated with the economic impacts of COVID-19, Resurs Holding has postponed a decision on a proposed SEK 420m dividend for 2019, adding material capital flexibility. Conversely, we believe that the bank's operating environment has weakened due to material increases in furloughed employees, defaults and unemployment across the bank's markets and expect an increase in loss provisions as a result. Our rating reflects Resurs Bank and its subsidiaries. The bank is directly owned by Resurs Holding, which 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 43-year history. However, a large share of Resurs's growth in recent years has been in large-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. Resurs uses forward flow and third-party collection agreements with debt purchasers to manage collections and control nonperforming loan (NPL) levels, which we view as an operational risk given the relatively high leverage and high-yield funding of these partners.

OUTLOOK

Our negative outlook on Resurs reflects the risk of increased levels of NPLs and higher loan losses in the wake of the COVID-19 pandemic. We expect that social and economic conditions will start to normalise in the second half of 2020 but see a risk of a protracted recession. The outlook could be revised to stable if the government's efforts to avert severe macroeconomic disruption are effective and there are clear signs of an economic recovery.

POTENTIAL POSITIVE RATING DRIVERS:

- Stabilised economy and new growth leading to improved operational environment.
- Improvement of asset quality metrics.

POTENTIAL NEGATIVE RATING DRIVERS:

- Material economic deterioration in the Nordic region.
- Regulatory changes affecting interest rates and recovery prospects for consumer loans.

Figure 1. Resurs key credit metrics, 2015–2021e

	2015	2016	2017	2018	2019	2020e	2021e
Net interest margin (%)	8.4	8.9	8.6	8.7	8.0	7.5	7.5
Loan losses/gross loans (%)	2.6	1.9	1.8	2.0	2.2	3.1	2.5
Pre-provision income/REA (%)	6.4	6.8	7.2	7.3	7.1	6.7	6.6
Return on equity (%)	18.2	18.3	18.6	19.3	18.4	13.8	16.5
Loan growth (%)	30.7	16.5	13.5	16.2	12.1	10.0	10.0
CET1 ratio Resurs Holding (%)	13.1	13.2	13.6	13.4	14.9	15.1	15.1

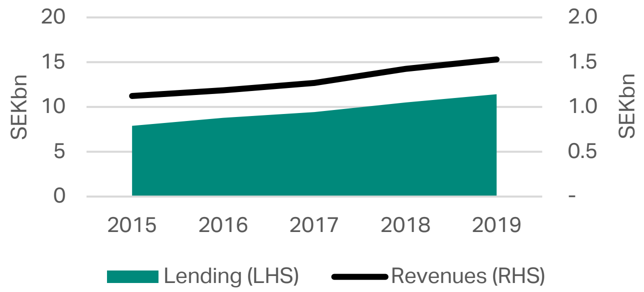
Based on NCR estimates and company data. e – estimate. REA – risk exposure amount. All metrics adjusted in line with NCR methodology.

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 licensed in Sweden since 2001. It operates in two divisions – Payment Solutions and Consumer Lending – with Consumer Lending representing an increasingly large share of lending and revenues (Figures 2 and 3), albeit with somewhat lower margins, larger loan exposures and longer loan durations. Within Payment Solutions, Resurs partners with retailers and travel agents and to provide financing for large 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. Resurs has used Payment Solutions data to support its underwriting as it expands its Consumer Lending division across the Nordic markets.

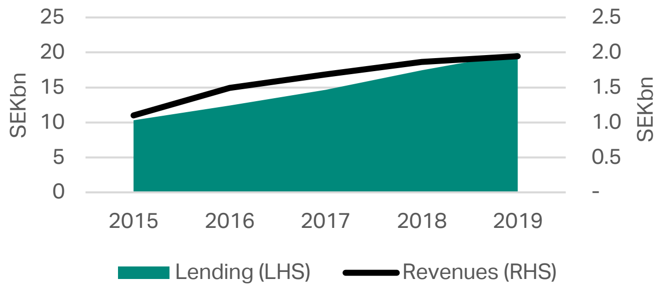
Resurs is a part of Resurs Holding, a Helsingborg-based company listed on the Stockholm stock exchange, which includes the Resurs Bank group, Solid Försäkring, which specialises in non-life insurance for consumers, and Resurs Förvaltning Norden AB. The bank's SEK 41bn in assets represent a large majority of Resurs Holding's assets (SEK 42bn), 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, 2015-19



Based on bank data

Figure 3. Consumer Lending growth, 2015-19



Based on bank data

Nordic footprint provides a solid foundation

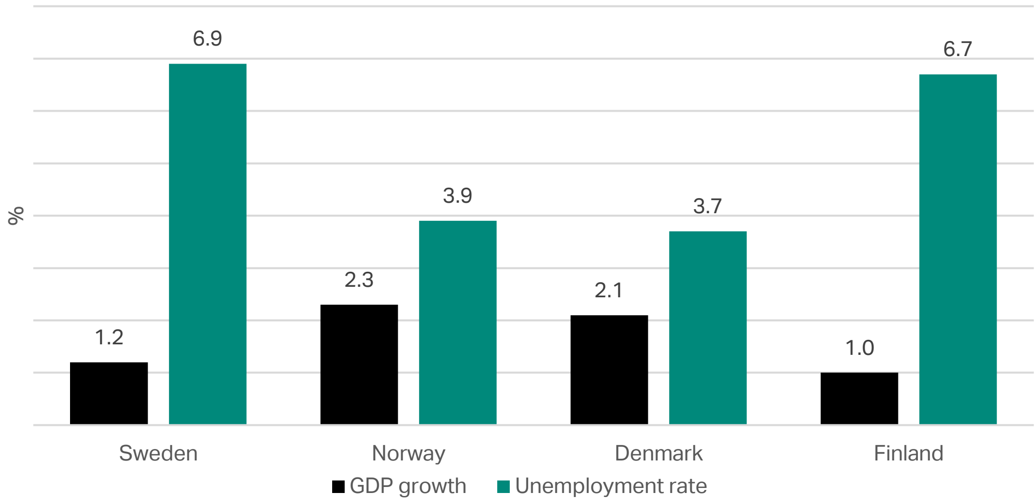
Operating environment scores 'bb'

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 has been 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. Conversely, growth in Norway has stalled since mandatory debt registers were implemented in 2019.

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 NPLs than many other European markets.

The COVID-19 pandemic has created uncertainty and will most likely lead to increased NPLs and loan losses, even if social and economic conditions start to normalise, as we expect, in the second half of 2020. The eventual depth of the crisis will depend on the severity of the pandemic and the duration of closures and travel restrictions. 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. Furthermore, we are concerned that niche banks will not receive the same level of support in the current crisis as universal and mortgage banks. Accordingly, we have lowered the score for operating environment to 'bb' from 'bbb'.

Figure 4. Nordic GDP growth and unemployment by country, 2019e



Source: Statistics Norway, Statistics Denmark, Statistics Finalnd, Statistics Sweden, Nordea

Figure 5. Geographic distribution of Resurs revenues and profit, 2019

Based on company data

The Nordic markets have provided strong 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 reduced the ability of private individuals to obtain home equity loans. Resurs and its peers 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 Norway, the new debt registers in combination with stricter regulations have stalled growth in consumer lending and led to an increased level of problem loans, most probably a short-term effect. While Resurs and similarly diversified peers can grow outside of Norway, initiatives from other Nordic regulators could be a response to lenders looking to expand in other markets. We note that similar regulations are under discussion in Finland and Sweden. We 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.

Improved capitalisation and reduced growth

We assess risk appetite as 'bbb'

In our opinion, Resurs has higher than average risk appetite given its growth objectives and internal risk limits for credit risk. 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 weaker sentiment in the Norwegian consumer loans market.

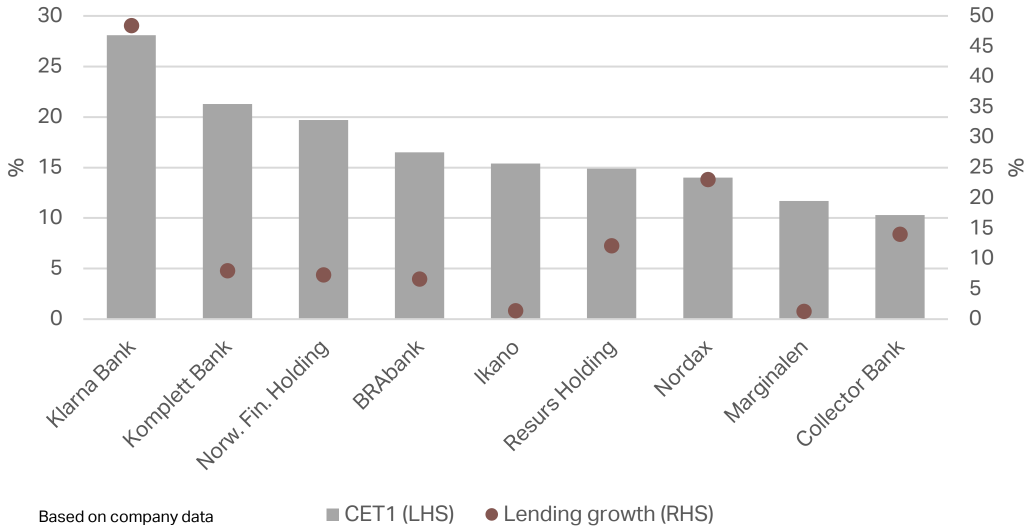
Environmental, social & governance summary

Resurs seems committed to sustainability and equality and has identified 6 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 points out that it carries out stressed affordability calculations to ensure customers can afford their loans. Despite these efforts, Resurs reports 15.4% problem loans in its loan book, a significant share when compared with market averages across the Nordic region.

Capital

Resurs Holding issued SEK 300m in additional Tier 1 capital in December 2019, of which SEK 200m was credited as equity to Resurs. In addition, the board of directors has postponed a decision on a proposed SEK 420m dividend for 2019, adding material capital flexibility. These moves have prompted us to notch up the scoring of Resurs's capital to 'bbb' from 'bb+'. Resurs Holding's CET1 capital ratio was 14.9% as of end-2019, excluding the dividend. We expect the bank to expand lending by around 10% annually over the next few years and to continue making annual dividend payments in excess of 50% of net profit from next year. This results in a projected CET1 ratio of about 15% over the next three years. Resurs 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 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). Resurs uses standardised capital models and had a Basel leverage ratio of 11.8% as of end-2019.

Figure 6. Selected Nordic niche banks' capitalisation and lending growth, 2019



Based on company data

Funding and liquidity

We do not expect Resurs's funding to be significantly negatively impacted by the current market turmoil. Resurs is largely deposit funded by Swedish and Norwegian depositors who have chosen the bank primarily because it offers a higher deposit rate than their transactional banks. We note that the bank's deposit base grew by 19% (SEK 4bn) in 2019, demonstrating its ability to attract deposit customers. As the bank has grown in larger-sized consumer loans, it has expanded its financing to include senior unsecured lending via a SEK 8bn medium-term note program and SEK 2.9bn in asset-backed security financing, which encumbers SEK 3.6bn (11.5%) of the loan book. The latter has an 18-month maturity and expires in December 2021, which is a possible risk factor.

Given the price-sensitive nature of the bank's deposit base and loan encumbrance associated with 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 saw significant inflows from this channel during 2019, reducing the need to hedge with currency swaps.

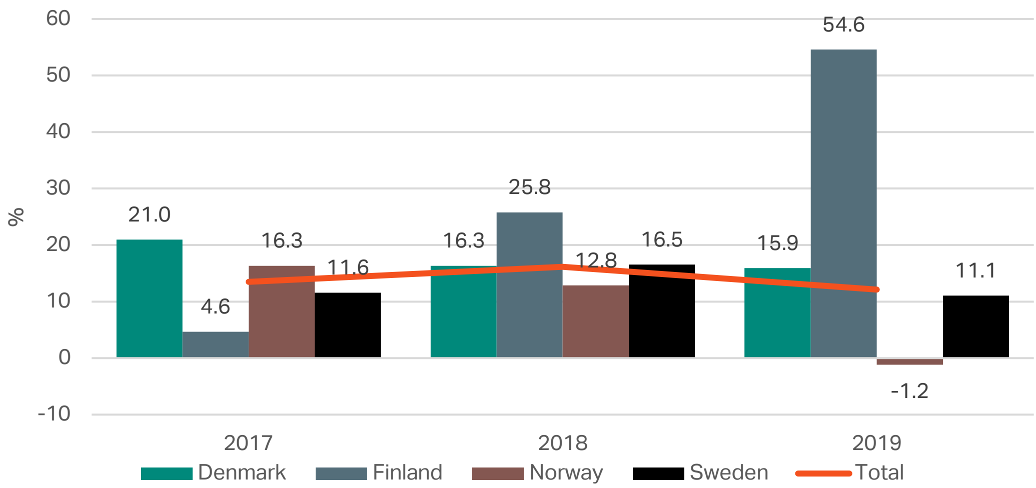
Resurs's liquidity exposures are of high quality and fulfil both regulatory liquidity coverage requirements and the bank's internal liquidity stress requirements by a good margin. Liquid assets, including deposits held by highly rated banks, represented 27% of the deposit base as of end-2019.

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 100,000). We view the high granularity of the Payment Solutions portfolio as positive for the overall credit risk in the portfolio.

Figure 7. Resurs growth rate by market, 2017-19

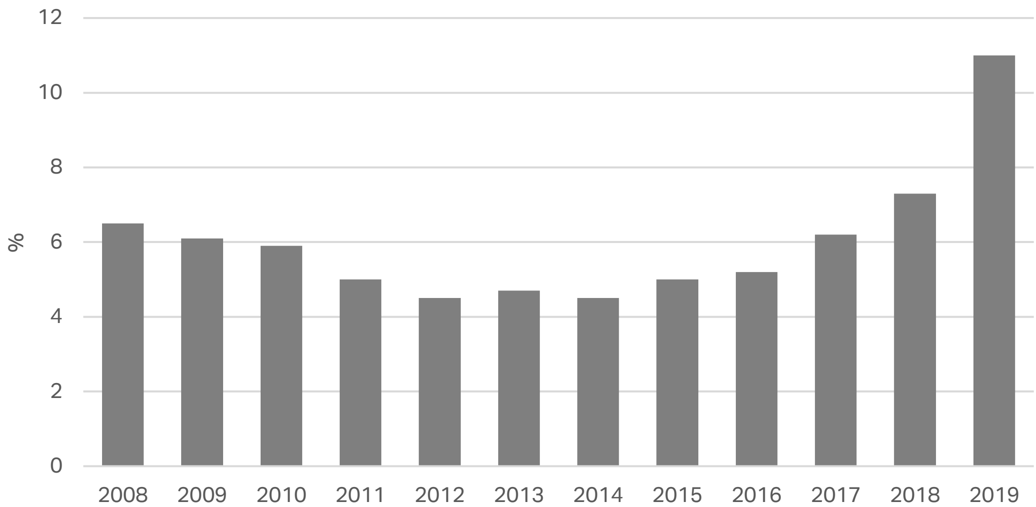


Source: Bank reports

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.

As shown in Figure 7, Resurs's credit growth has varied across the Nordic region in recent years. In Finland, initial growth was lower than other markets as the bank 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 and 2019. In Norway, an official debt register has been implemented, which together with regulatory initiatives requiring five-year amortisation plans, total debt to income limits and sufficient repayment capacity, has slowed growth, increased NPLs (see figure 8), and reduced margins. In 2019, Resurs has implemented its automated credit engine in Denmark, in line with the other countries. This allows 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.

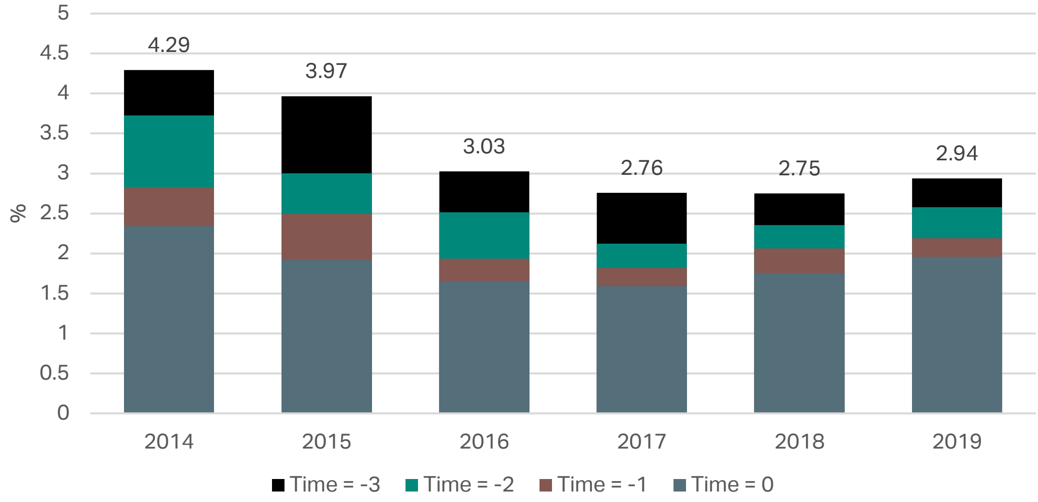
Figure 8. Norwegian consumer banks' NPLs, 2008-19



Based on data from Finanstilsynet

Strong growth can often mask a deterioration in credit quality due to high volumes of new and performing loans. In Figure 9 we analyse the development of credit provisions for the period 2014 to 2019 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 9. Resurs loan losses (time =0)/gross lending at time=0, -1, -2 and -3 years, 2014-19



Based on NCR analysis of bank data

Figure 9 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. Note that the cost of risk is 2.79% in 2019 excluding extra credit provisions of SEK 35m.

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

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 the NPLs they accept 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. Note that the current fall in prices for NPLs in the secondary market has not affected Resurs due to conservative provision levels.

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. These are treated under credit risk and market position. We score other risk factors in line with 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 of its 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 reputation. This is 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-led indebtedness, which could be a target area for future regulation.

We note that maintaining retail partner relationships and the pressures on Nordic retail partners from global retailers could affect Resurs more than most Nordic banks. The bank has, however, stated that no partner contributes more than 5% of net profits, which mitigates some of the risk.

Earnings strengths largely offset asset quality issues

We assess performance indicators at 'bbb+'

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 though the financial crises of the early 1990s and 2008-2009.

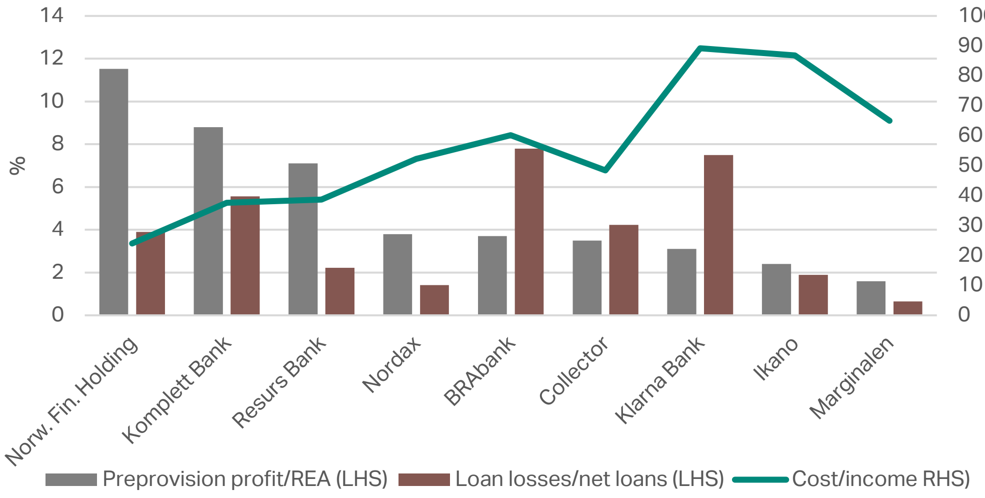
Earnings performance

Among its primary financial targets, Resurs uses risk-adjusted net business income (NBI), a measure reflecting operating income, excluding insurance, compared with the average loan balance net of credit losses. NBI encapsulates related fees (e.g. 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 9.5% in 2019 down from 10.7% in 2018. Consumer Lending's NBI fell to 8.0% from 9.5% in 2018 and 10.3% in 2017. For Payment Solutions the ratio was 12.0% in 2019 (12.5% in 2018 and 12.2% in 2017). The NBI decline has been driven in large part by the increasing share of Consumer Lending, but also by the increasing size of individual consumer loans 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 (8.0% in 2019), which is affected by low returns on the liquidity portfolio, will fall to 7.5% in 2020 as the Norwegian market recalibrates and continue to fall slightly as Consumer Lending's share of loan volumes grows. The COVID-19 pandemic increases uncertainty when it comes to growth and margins and will most certainly have a negative impact on volumes within Payment Solutions.

NCR's preferred risk-adjusted earnings measure is preprovision profit/average REA. By this measure Resurs's performance is quite solid, with a 7.1% ratio for 2019, 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 39% cost-income ratio is in line with its financial target of <40%.

Figure 10. Selected Nordic niche banks' profitability, loan losses and efficiency, 2019



NCR based on company data

Loss performance

We believe that our reduced scoring of the operating environment to a large degree takes into account the increased risk related to the COVID-19 pandemic. We have cut the scoring of loan losses by one notch to 'bb' due to the expected increase in NPLs.

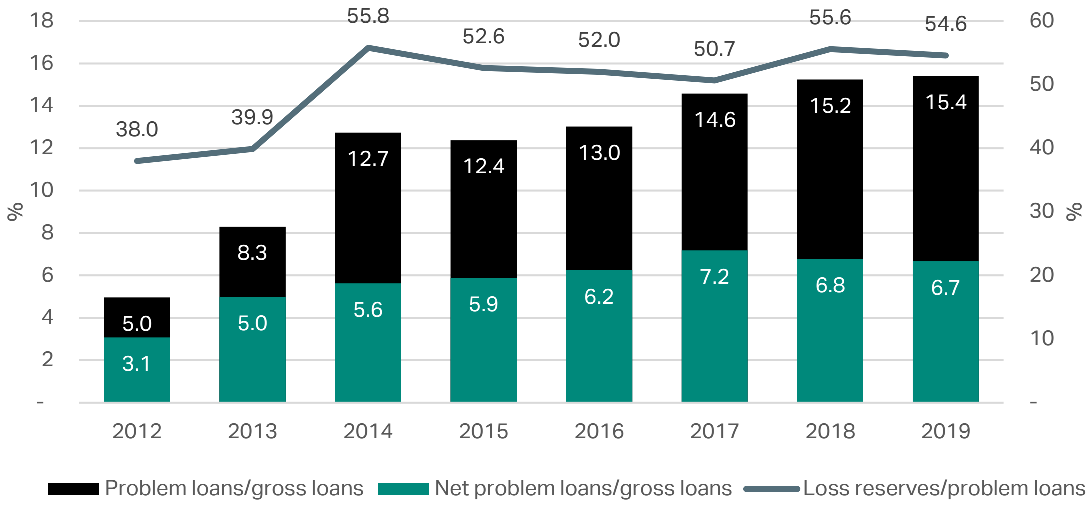
As described above, Resurs has been through periods of severe financial stress during its 43-year history, while managing to maintain loss ratios of around 2-3% throughout. However, we note that the nature of Resurs's loan book was quite different in 2019 than it was during the early 1990s or even 10 years ago. The share of Consumer Lending has increased, as have cross-border exposures, average loan sizes and borrower indebtedness in general.

Resurs's loan losses stood at 2.2% of lending in 2019, up from 2.0% in 2018, and include an extra charge of SEK 35m related to its Norwegian operations. Loan losses excluding this charge stood at 2.1%. Resurs has found that the implementation of mandatory debt registers in Norway has, together with regulations to restrict consumer lending, made it more difficult for borrowers to re-finance, and has had a negative impact on NPLs. This is probably a temporary effect. Nonetheless, we believe that the current increase in unemployment will lead to higher loan losses, peaking at 3% later in 2020, with possible downside risk in a protracted recession.

The level of gross NPLs exceeded 15% of total lending at the end of 2019, a rather high level given the annual increases in loan volumes in recent years, and we believe that this ratio will reach 25% during 2020, with a negative impact on the group's capital ratios. We note that Resurs has not systematically written off or sold NPLs to debt purchasers, which can affect comparisons with 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 2019. The contracts are for 18 months and allow a maximum of SEK 550m in loans to be sold. This should have the effect of stabilising the development of new gross NPLs.

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

Figure 11. Resurs problem loans and loss reserves, 2012-2019



Based on NCR analysis of 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. 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 the rating on Resurs to reflect expectations of additional support from its owner, Resurs Holding, or the group's shareholders. The previous second-largest shareholder in Resurs Holding, Nordic Capital (via Cidron Semper S.à r.l.), relinquished its ownership in 2019.

Figure 12. Resurs Holding ownership structure, 1 Mar. 2020

OWNER	OWNERSHIP SHARE, %
Waldakt AB	28.9
Swedbank Robur Funds	6.0
XACT Funds	3.2
Erik Selin	2.8
Avanza Pension	2.5
Länsförsäkringar Fonder	2.3
Norges Bank Investment Management	2.3
Vanguard	2.0
SEB Fonder	2.0
Handelsbanken Fonder	1.9
Other	46.1

Source: Resurs Holding

Figure 13. Resurs key credit metrics and financials*

KEY CREDIT METRICS (%)	2015	2016	2017	2018	2019
Income composition					
Net interest income/op. revenue	79.2	82.0	82.2	82.8	83.0
Net fee income/op. revenue	13.4	11.2	11.7	11.8	11.7
Net trading income/op. revenue	(1.2)	(0.6)	(0.6)	(1.2)	(1.2)
Net other income/op. revenue	8.6	7.4	6.7	6.7	6.4
Earnings					
Net interest margin	8.4	8.9	8.6	8.7	8.0
Pre-provision income/REA	6.4	6.8	7.2	7.3	7.1
Return on ordinary equity	18.2	18.3	18.6	19.3	18.4
Return on assets	2.8	3.4	3.5	3.2	2.9
Cost-to-income ratio	48.3	43.5	40.1	40.1	38.7
Cost-to-income ratio, ex. trading	47.7	43.2	39.8	39.6	38.2
Capital					
CET1 ratio	13.1	13.2	13.6	13.4	14.9
Tier 1 ratio	13.1	13.2	13.6	13.4	15.9
Capital ratio	14.2	14.1	15.5	14.7	17.7
REA/assets	85.5	82.4	81.3	80.9	76.2
Leverage ratio	12.0	10.5	10.8	10.5	11.8
Growth					
Asset growth	22.4	17.4	7.7	16.6	13.0
Loan growth	30.7	16.5	13.5	16.2	12.1
Deposit growth	2.8	13.1	(3.1)	15.4	18.7
Loss performance					
Credit provisions to net loans	2.56	1.92	1.84	2.04	2.23
Impaired loans to gross loans	12.38	13.02	14.57	15.24	15.42
Net impaired loans to gross loans	5.87	6.25	7.19	6.77	7.01
Net problem loans to equity	26.20	26.22	33.58	36.36	37.65
NPL coverage ratio	52.6	52.0	50.7	55.6	54.6
Net stage 3 loans/gross loans	-	-	-	8.34	8.75
Funding & liquidity					
Loan/deposit ratio	110	113	133	134	126
Liquidity coverage ratio	142	181	202	146	264

*Based on bank data

KEY FINANCIALS (SEK M)	2015	2016	2017	2018	2019
Balance sheet					
Total assets	24,478	28,747	30,964	36,120	40,807
Total tangible assets	22,734	26,897	29,118	34,174	38,787
Total financial assets	22,584	26,745	28,965	33,728	38,329
Net loans to customers	18,199	21,205	24,069	27,957	31,345
Total securities	2,113	2,451	2,210	2,038	2,726
Customer deposits	16,561	18,726	18,147	20,934	24,848
Issued securities	2,420	3,558	6,137	8,330	8,470
of which senior	2,181	3,316	5,597	7,832	7,672
of which subordinated	238	242	540	498	798
Total equity	4,360	5,417	5,563	5,687	6,388
Total ordinary equity	4,360	5,417	5,563	5,687	6,388
Capital					
Common equity tier 1	2,733	3,125	3,432	3,919	4,643
Tier 1	2,733	3,125	3,432	3,919	4,943
Total capital	2,971	3,340	3,905	4,281	5,491
REA	20,936	23,695	25,167	29,218	31,090
Income statement					
Operating revenues	2,223	2,679	2,928	3,293	3,478
Pre-provision operating profit	1,149	1,514	1,755	1,972	2,133
Impairments	374	377	413	536	669
Net income	574	905	1,036	1,105	1,137

Based on bank data. REA–risk exposure amount. All metrics adjusted in line with NCR methodology.

Figure 14. Scoring summary sheet

Subfactors	Impact	Score
National factors	2.5%	bbb+
Regional, cross border, sector	17.5%	bb
Operating environment	20.0%	bb
Capital	17.5%	bbb
Funding and liquidity	15.0%	bbb
Risk governance	5.0%	bbb
Credit risk	10.0%	bbb-
Market risk	-	-
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%	bbb+
Indicative credit assessment		**bbb-**
Peer comparisons		Neutral
Transitions		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb-**
Support analysis		Neutral
Material credit enhancement		Neutral
Rating caps		Neutral
Issuer rating		**BBB-**
Outlook		Negative
Short-term rating		**N-1+**

Figure 15: Capital structure ratings

Seniority	Rating
Senior unsecured	BBB-
Tier 2	BB

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 15 May. 2019.
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Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 14 Aug. 2018 NCR's Rating Principles published on 16 Sep. 2019 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 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).
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