Nordic Credit Rating

FINANCIAL INSTITUTION

Sweden
23 Jun. 2022

Nordax Bank AB (publ)

Full Rating Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB' long-term issuer credit rating on Sweden-based Nordax Bank AB (publ) reflects the bank's strong risk-adjusted earnings and diversity relative to its peers following the acquisition of Bank Norwegian in November 2021. It also reflects strong creditor rights across the Nordic region. We project current capital levels will increase as the bank achieves synergies with Bank Norwegian and lending growth in high-margin segments recovers. We view increased secured lending, in particular non-traditional mortgage lending in Sweden and Norway, as a positive contributing factor to greater diversity, improved asset quality metrics, and a more diverse funding structure.

The rating is constrained by the higher-than-average risk appetite associated with consumer lending and tough competition, and relatively low customer loyalty within the bank's key markets. In addition, we believe that consumer lending is under intensified regulatory scrutiny in all Nordic countries, which could negatively affect the bank's business model and profitability over time.

STABLE OUTLOOK

The outlook is stable, reflecting our view that the Bank Norwegian acquisition provides benefits in terms of scale and improved earnings capacity although these are partly offset by the higher risk profile of the acquired loan book and high projected loan growth. We anticipate that the resulting added value will increase gradually as additional synergies and capital improvements are achieved. We believe Nordax will show resilience due to strong earnings as interest rates rise and the economic cycle changes.

POTENTIAL POSITIVE RATING DRIVERS

- Tier 1 ratio sustainably above 18%.
- Demonstrated synergies, diversification, and improved asset quality.
- Improved operating environment for consumer lenders.

POTENTIAL NEGATIVE RATING DRIVERS

- Tier 1 ratio below 15%.
- Regulatory changes adversely affecting interest rates and loss recovery in consumer lending.
- Economic downturn impairing loss performance.

Figure 1. Nordax key credit metrics, 2018-2024e

%	2018	2019	2020	2021	2022e	2023e	2024e
Net interest margin	7.5	6.2	5.7	3.9	6.6	6.5	6.4
Loan losses/net loans	2.65	1.42	1.57	2.06	2.91	2.76	2.74
Pre-provision income/REA	5.9	4.3	5.5	2.4	6.8	7.2	7.6
Return on equity	13.8	13.5	17.9	-0.2	9.6	11.5	12.8
Loan growth	12.2	66.9	9.4	155.6	22.0	20.0	18.0
CET1 ratio	17.0	14.0	16.2	16.2	15.5	16.0	17.0
Tier 1 ratio	17.6	14.0	16.2	18.8	17.5	17.7	18.5

Based on NCR estimates and company data. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Nordax is a niche bank that specialises in consumer loans, credit cards, non-standard mortgage loans, and equity-release mortgages in Sweden, Norway, Finland, Denmark, Germany and Spain. The bank is a fully owned subsidiary of Nordax Group AB, which is ultimately controlled by Nordic Capital (74%) and Sampo (19%) through Nordax Holding AB. Nordax was founded in 2003 and obtained its banking licence in 2014. Our ratings reflect both Nordax and its subsidiaries and take into account the consolidated capital position of the wider group including Nordax Group and Nordax Holding.

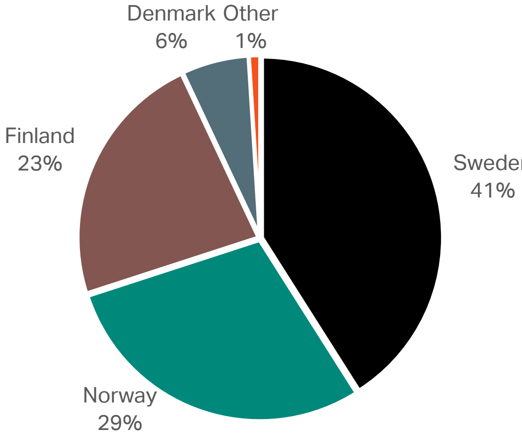
Nordax completed the Bank Norwegian acquisition on 3 Nov. 2021, effectively creating the largest consumer bank in the Nordic region and doubling the bank's loan book, which contained net loans of SEK 75bn as of 31 Mar. 2022. The acquisition improved the bank's market position in Norway, Finland and Denmark and added SEK 25bn in consumer loans and SEK 10bn in credit card debt to the combined loan book. In addition, the transaction expanded Nordax's footprint outside the Nordic region as a result of consumer loan and credit card exposures in Germany and Spain recently acquired by Bank Norwegian.

OPERATING ENVIRONMENT

Operating environment 'bbb'

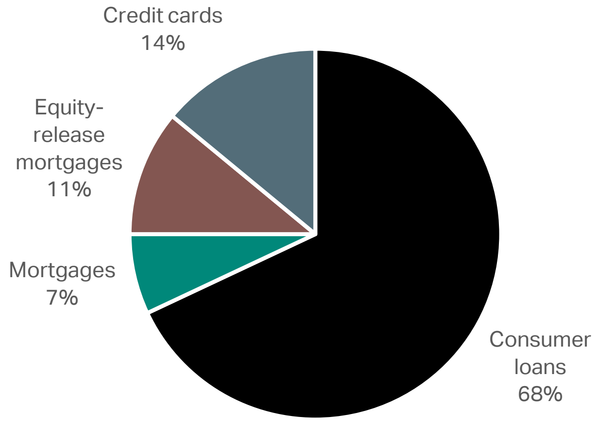
Nordax operates across the Nordic region, with a focus on consumer loans, credit cards, non-standard mortgage loans, and equity-release mortgages. Our assessment of the operating environment reflects our view that unsecured consumer lending and credit cards are more sensitive to shifts in the economy than typical bank lending. It also reflects our view that Nordax and its industry peers are under significant pressure from regulators and consumer protection agencies. For this reason, we view the operating environment as representing higher-than-average risk relative to our respective national banking assessments.

Figure 2. Nordax net loans by country, end-2021



Source: company. Other primiarly reflects loans in Germany.

Figure 3. Nordax net loans by product, end-2021



Source: company.

Robust Nordic economies benefit regional banking sector

National factors 'a-'

Nordax's largest exposures are to the Swedish, Norwegian and Finnish consumer lending markets. In our national banking assessments, we apply a score of 'a-' to the Swedish and Finnish markets and 'a' to the Norwegian market (see Swedish banking market prepared for continued uncertainty in 2022, 27 Jan. 2022, and Norwegian banking market demonstrating strength through pandemic, 27 Jan. 2022). We do not anticipate that lending growth outside the Nordic region will adversely affect our view of national factors given projected volumes over the next three years.

Consumer lending faces intense regulatory scrutiny

Regional, sectoral, and cross-border factors 'bbb-'

NCR views Nordax's consumer lending as more sensitive to shifts in the economy than a typical retail loan portfolio in the Nordic markets and we give more weight to the characteristics of consumer lending. Consumer lending increases Nordax's sensitivity to the wider economy and the target customer tends to be more financially constrained than holders of higher quality accounts, as demonstrated by higher losses and a high ratio of non-performing loans (NPLs). The unsecured nature of consumer lending also reduces recovery prospects if borrowers face financial difficulties. However, we note that the Nordic markets have strong legal frameworks which benefit creditors and incentivise borrowers to repay debt. This improves collection rates relative to many other European markets.

We note that increased regulatory focus on consumer lending in the Nordic markets subjects the sector to risk factors such as more cumbersome underwriting and interest rate ceilings. In February 2022, a number of Nordax's consumer lending peers received written notice from the Swedish regulator that preliminary findings indicated that their credit assessment procedures failed to comply with the Consumer Credit Act. In particular, the regulator criticised the banks' assessment of borrowers' disposable income, saying that spending patterns should be specific to the individual borrower rather than based on national averages. Nordax did not receive a written notice, but we view this review as a sign of increased scrutiny from the regulator and as part of a broad regulatory effort to check the growth of consumer lending across the Nordic region.

We believe that increased regulatory review of consumer credit will drive the sector towards products which attract less scrutiny such as credit cards and non-traditional mortgage loans, or to seek less competitive consumer banking markets. Nordax's Bank Norwegian acquisition provided access to credit cards and European expansion. However, we note that the Norwegian Ministry of Justice and Public Security has proposed a ban on bundling credit cards with travel insurance, bonus points and other benefits which would negatively impact Bank Norwegian. We expect non-traditional mortgage lending, second-lien mortgages in Norway, and equity-release mortgages for senior borrowers to represent about 20% of total lending in future.

RISK APPETITE

Risk appetite assessment 'bbb'

Nordax has a well-defined risk appetite which permits higher credit risk while enabling a low risk profile in other areas. In our view, the bank's risk appetite increased with the acquisition of Bank Norwegian, which has historically had a higher risk appetite. We view the Nordax's diversification into secured lending as positive, but also see the high projected growth rate as a risk factor. We project that the bank's capital buffers will improve due to improved earnings efficiency despite these aggressive expansion plans. Nordax has the most diverse funding profile among its regional peer group with secured and unsecured debt financing, but we consider the bank's deposit base more price-dependent than that of the average Nordic bank.

Risk governance and environmental, social and governance factors

Risk governance 'bbb'

We view Nordax's risk governance framework in the light of its appetite for higher credit risk, though this is compensated by high-margin loans. The bank has robust internal risk monitoring and reporting arrangements in place, which increase transparency in terms of risk appetite, and allow the bank to adapt its underwriting to minimal changes in the risk performance of its credit portfolios. Nordax has established risk appetites, risk indicators and limits for all identified risk areas and compares its financial risk exposure across risk types. The bank has a relatively high credit risk appetite, defined by the specific characteristics of each product, while targeting lower risk in other areas. The Bank Norwegian acquisition resulted in higher risk in the loan book and expansion outside previous core markets. We expect Nordax to incorporate its risk appetite tolerances into the acquired loan book and to adapt its risk limits to reflect the newly acquired loans. However, we have reflected our expectations of an increased risk appetite in our credit risk assessment since the acquisition was announced.

Nordax does not have a large environmental impact but plays an important social role. The bank has a strategy of lending to under-banked individuals and providing income streams to elderly customers with high levels of housing equity. However, consumer lenders face heavy scrutiny from media and regulators with respect to responsible lending practices given concerns about rising debt levels and exponential increases in debt collection cases. The bank's lending to higher-risk customers is reflected by the high proportion of loans that become non-performing within a year or two of being underwritten. As of 31 Mar. 2022, Nordax reported 16.3% Stage 3 NPLs in its loan book (24.0% at end-2021), a figure that increased materially with the Bank Norwegian acquisition. This is high when compared with Nordic bank averages. In addition, the bank and its peers are actively selling NPLs to third-party collectors.

Capital targets updated to reflect margin to regulatory requirements

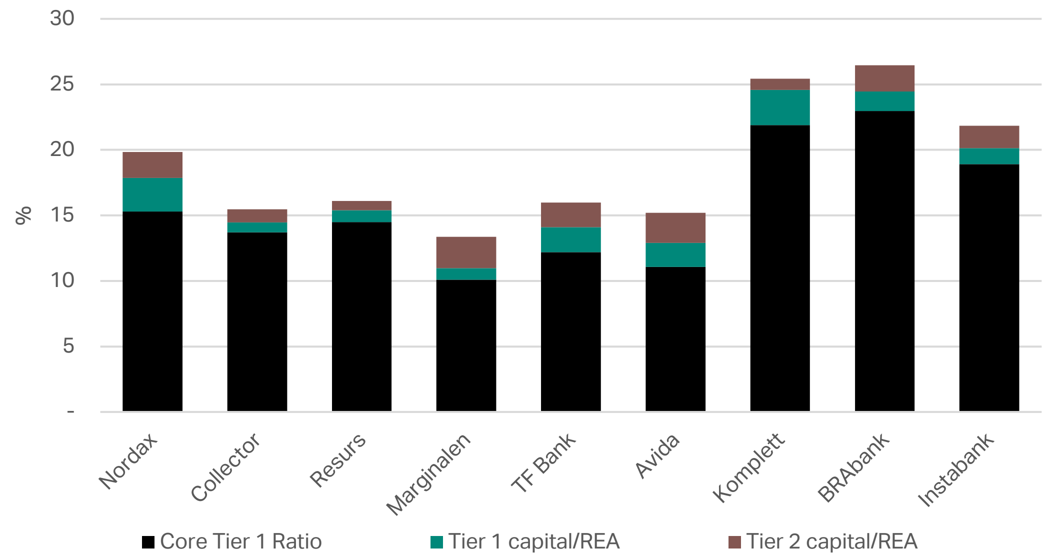
Capital 'bbb+'

We consider Nordax's consolidated regulatory capital situation in our capital assessment. We project the CET1 ratio will improve from the March 2022 level of 15.3% due to improved earnings efficiency, and expect strong growth in the loan book. We further expect the bank to expand lending by nearly 20% annually over the next few years, given its guidance, and anticipate ratio improvements despite the prospect of dividend payments of 25% as of 2023. We project that the CET1 ratio will improve to 17% over the next three years.

Nordax's capital ratios are above the average of its Nordic consumer finance peer group, particularly when additional Tier 1 capital instruments are included (see Figure 4). We consider these to be loss absorbing capital. A number of the capital instruments issued by Bank Norwegian have call dates that fall before end-2023. We expect these to be exercised. Any calls will have no effect on our view of capital given our projection that the CET1 ratio will improve, while we expect the Tier 1 ratio to remain at around 18% through 2024.

Nordax maintains a buffer to regulatory requirements as it navigates regulatory scrutiny from both Sweden and Norway. As of May 2022, the bank's regulatory CET1 requirement is 11.8% (13.0% as of 31 Mar. 2022), including about 68% CET1 coverage of the Norwegian regulator's Pillar 2 requirement in respect of Bank Norwegian. Nordax had a 3.5% buffer against new regulatory CET1 capital requirements as at 31 Mar. 2021. We expect the Swedish regulator to implement Pillar 2 guidance for Nordax and its peers at a level higher than the 1-1.5pp increase to the CET1 requirement proposed by the regulator in 2021. Nordax uses standardised capital models and had a Basel leverage ratio of 10.3% as of 31 Mar. 2022, which was well above the regulatory minimum of 3%.

Figure 4. Selected Nordic niche banks' capitalisation, Q1 2022



Source: bank reports.

Strong liquidity buffers and diverse funding across instruments and currencies

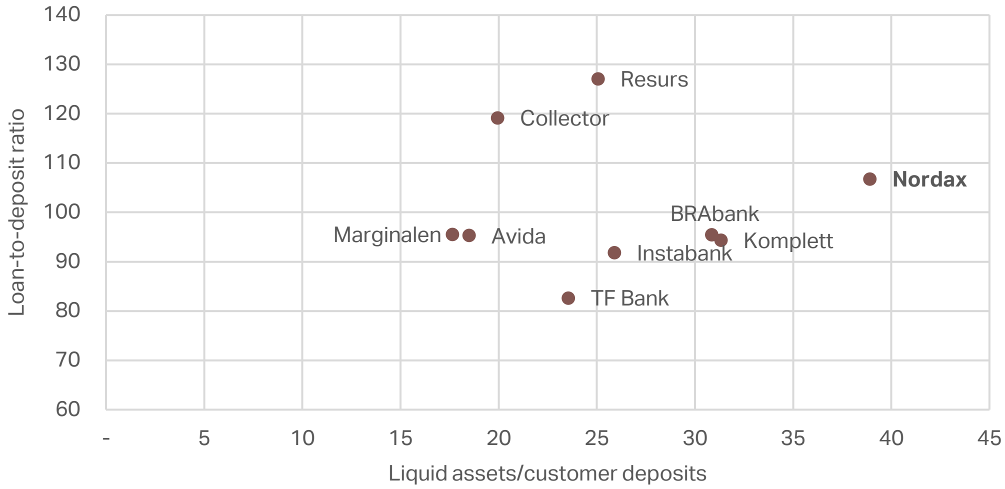
Funding and liquidity 'bbb+'

Nordax has a price-sensitive deposit base with retail customers that have chosen the bank primarily because it offers higher interest rates than their transactional banks. The bank has an adequate currency balance from its retail depositors and collecting deposits in its four relevant currencies mitigates foreign exchange risk.

Nordax also has a diverse wholesale funding profile with demonstrated access to senior secured, senior unsecured and capital instrument investors. Issued securities totalled SEK 11.5bn as of 31 Mar. 2022. The bank has a SEK 5bn medium-term note programme and Bank Norwegian has its own EUR 1.5bn medium-term note programme. We expect secured financing to form a larger part of the bank's funding as the mortgage book grows and provide longer-term funding than deposits, although we note that secured financing results in asset encumbrance for senior unsecured bondholders. The equity-release mortgage portfolio is financed by SEK 2.25bn in mortgage-backed notes as well as two warehouse facilities totalling SEK 3.5bn. The bank also has a warehouse facility of SEK 3.0bn backed by consumer loans. In total, the bank pledges consumer loans and equity release mortgages totalling SEK 10.3bn as of 31 Mar. 2022 against these financing sources.

Nordax maintains solid buffers against regulatory and internal requirements; its net stable funding ratio stood at 133% and its liquidity coverage ratio (LCR) at 183% at 31 Mar. 2022. Nordax's LCR does not reflect liquid assets in Bank Norwegian in excess of 100% of net outflows given regulatory guidelines. The bank reports that including excess liquidity in Bank Norwegian the LCR would have been 476% on 31 Mar. 2022. At the same time, the bank had a liquidity reserve of SEK 27bn (38% of customer deposits) making it a positive outlier in this regard in comparison with its peer group.

Figure 5. Selected Nordic niche banks' funding and liquidity ratios (%), 31 Dec. 2021



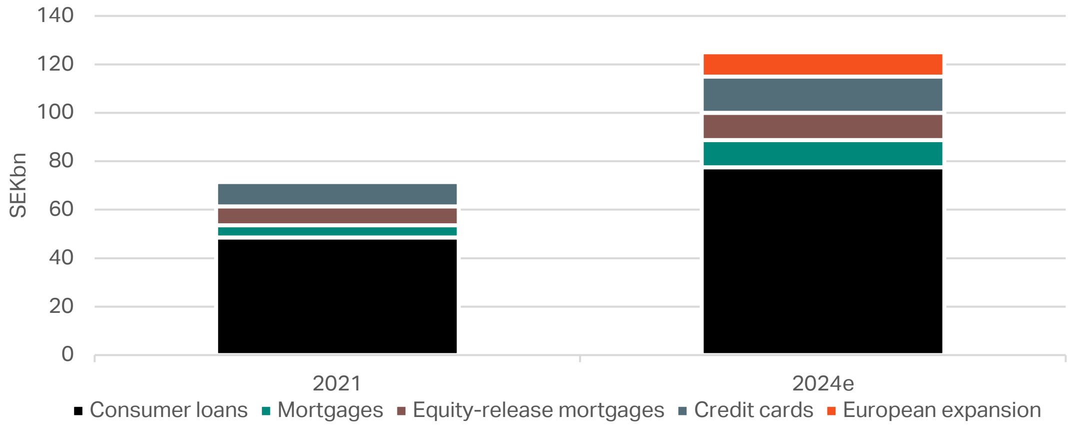
Source: bank reports.

Bank Norwegian acquisition results in higher credit risk profile

Credit risk 'bb+'

Our assessment of credit risk balances Nordax's unsecured loan book, the relatively high risk profile of Bank Norwegian lending, and the bank's ambitious growth objectives against its increasing levels of secured lending. We view the bank's increasing levels of mortgage lending and equity-release loans as positive for overall credit risk in the loan portfolio, supporting a reduction in expected credit losses in our forecast. As of 31 Mar. 2022, the outstanding loan book consisted of unsecured consumer loans (68%), credit cards (14%), equity-release loans (11%), and mortgage loans (7%). The bank expects this product split to remain broadly unchanged through 2024.

Figure 6. Nordax net lending by product type, 2021 and 2024e



Source: company projections.

We consider Nordax's mortgage portfolio to carry higher risk than a traditional mortgage portfolio, given the bank's focus on non-traditional borrowers such as entrepreneurs and individuals with volatile incomes. All loans in the Swedish mortgage portfolio have first-lien collateral, however, the higher risk profile is compensated by materially higher margins than standard mortgages. The Norwegian mortgage book has a greater risk profile, with nearly 15% of lending issued as second-lien mortgages. These loans have nearly twice the interest margin of their Swedish counterparts and are extended to a higher proportion of customers classified as belonging to high risk groups.

Equity-release mortgages have low credit risk, supporting our overall view of Nordax's credit risk profile. The loans target elderly borrowers with low LTV and accumulate interest into the principal, eliminating the risk that active loans will become non-performing. However, the bank maintains risk on the loans if collateral values are unable to cover the loan principal when the home is sold by the borrower or the borrower's estate and can report NPLs due to delays in disposing of the estate.

Integration increases risk associated with third-party collections and market pricing of NPLs

Other risks 'bbb-'

Our assessment of "other risks" takes into account further integration risk associated with the Bank Norwegian acquisition, as well as a potential merger of the two banks. We also note that Nordax's relationships with third-party collectors and forward-flow agreements with a small group of partners could be negatively affected during a period of market stress. Several of Nordax'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.

We also note that prices of NPLs in the secondary market could be adversely affected by the imminent impact of the EU's prudential NPL backstop. This increases the risk that Nordax and its peers would need to revise their current NPL provisioning levels or increase their use of forward-flow agreements, which could attract increased regulatory scrutiny.

We do not view market risk as a significant factor for Nordax, apart from the hedged currency risk described in the funding section. Interest rates on the bank's loans can be adjusted to increased funding costs, mitigating the risk of increased interest rates on net interest margins. We take rising interest rates into account in our loss projections given the possibility that already weak customers might face difficulties repaying debt due to inflationary pressures and rising debt costs.

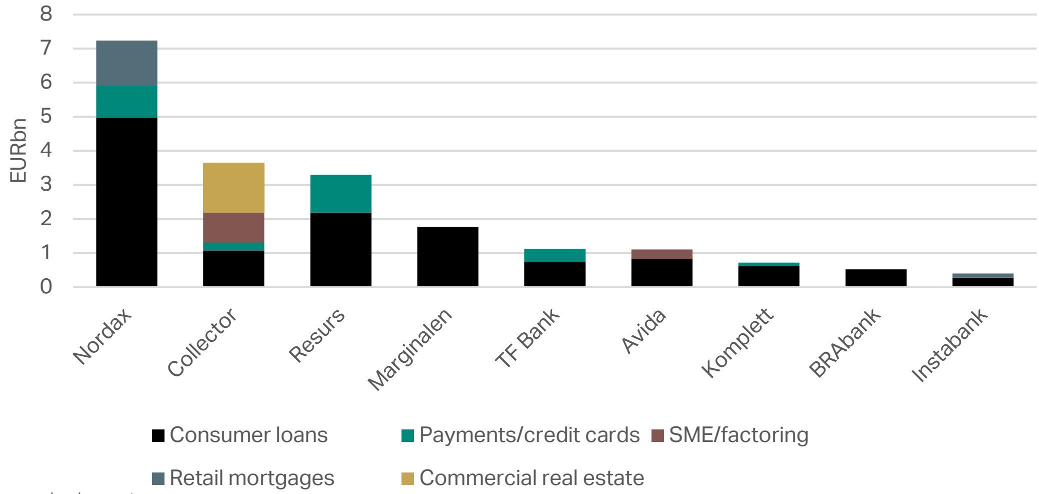
COMPETITIVE POSITION

Competitive position assessment 'bb+'

With the Bank Norwegian acquisition, Nordax became the largest and most diverse niche bank in the Nordic market in terms of geographic and product footprint. Following the acquisition, Nordax improved its market position, particularly in Norway and Finland. However, the consumer loan and credit card markets are characterised by fierce competition and we believe that it is difficult for banks to gain an advantage in terms of driving pricing or attracting stronger customers on the basis of reputation.

Nordax expects to maintain Bank Norwegian's historical association with Norwegian Air Shuttle, which divested its shareholdings in August 2019. This cooperation includes loyalty incentives for using the bank's credit cards. Nordax has reached an agreement on a more flexible relationship, but the airline will continue to allow Bank Norwegian to provide loyalty benefits to its customers.

Figure 7. Nordic consumer banks' net loans by product type, Q1 2022



Source: bank reports.

Increased mortgage lending has diversified Nordax's revenues, but the bank still relies heavily on high-margin consumer lending and credit cards, subjecting it to prevailing retail and consumption trends. This has been evident since the onset of the COVID-19 pandemic when Nordax and Bank Norwegian's credit card and consumer lending volumes fell due to reduced travel and consumption.

PERFORMANCE INDICATORS

Performance indicators assessment 'bbb+'

We expect the Bank Norwegian acquisition to improve Nordax's earnings capacity and efficiency. Bank Norwegian previously had the strongest earnings profile among Nordic consumer banks and we forecast this will result in material improvements for Nordax. Margins have increased since the acquisition, reflecting a greater risk profile; we expect Nordax's loan loss ratio to increase and loss metrics to decline due to higher levels of secured lending. We expect the bank to continue to reduce the level of NPLs via portfolio sales to reduce the impact of the EU's NPL backstop rules.

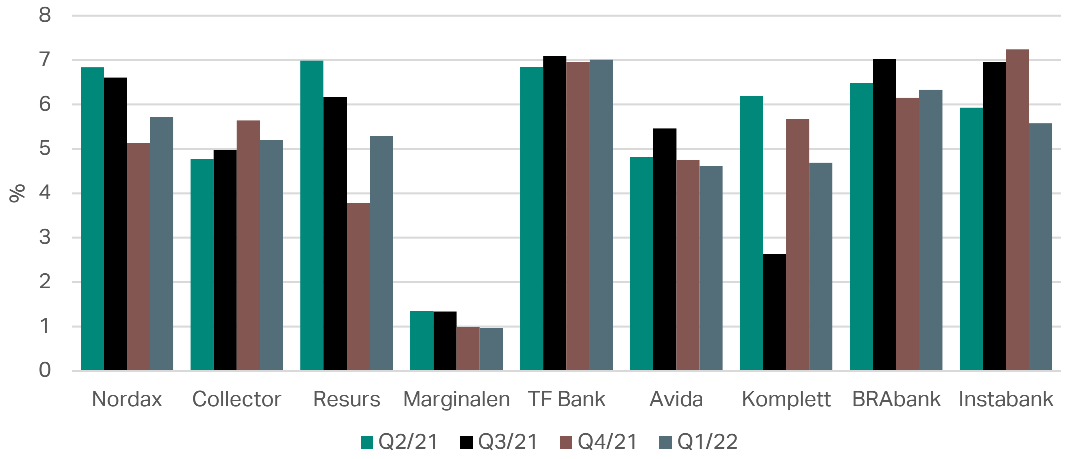
Margins higher following acquisition with cost efficiency synergies to follow

Earnings 'aa'

We anticipate improvements in Nordax's earnings and cost efficiency as synergies from the Bank Norwegian acquisition materialise. Following the acquisition, Nordax's earnings profile has remained strong with pre-provision earnings at 5-6% of REA. However, we expect this to improve to over 7% over our three-year forecast horizon as new synergies emerge.

We expect earnings to improve as a result of cost efficiencies due to decreasing integration costs and greater economies of scale as high-margin credit card volumes and consumer loan volumes increase -- assuming COVID-19 subsides as we anticipate and consumption normalises. Given the severity of pandemic-related shutdowns, we believe such improvements are likely despite increasing inflation and higher interest rates. In our view, recessionary pressures could negatively affect growth and credit provisions but are unlikely to derail improvements in operating efficiency over the next few years.

Figure 8. Selected Nordic niche banks' pre-provision earnings to REA, Q2 2021-Q1 2022



Source: bank reports. Nordax's Q2/Q3 2021 figures are based on a combination of Nordax Group and Bank Norwegian ASA's separately reported figures. Nordax's Q4 2021 figures exclude one-off acquisition expenses of SEK 563m.

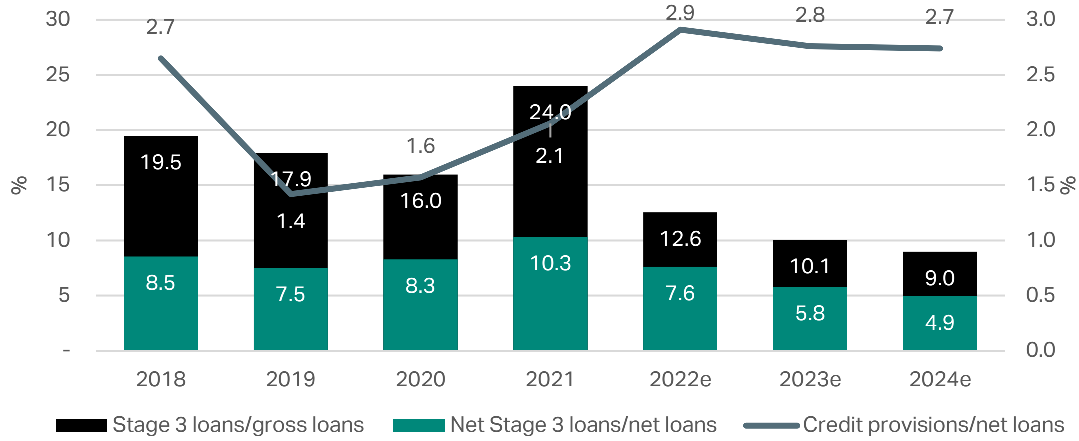
Asset quality metrics likely to improve, but loss provisions remain high

Loss performance 'bb'

The Bank Norwegian acquisition will increase Nordax's credit provisioning. The increase will be partly offset by continued growth in low-risk equity release mortgages and increased mortgage volumes. The higher credit risk will nonetheless lead to higher projected credit losses than prior to the acquisition. We expect falling loss ratios in relation to net loans, though this will likely be largely driven by high growth in the portfolio.

As of 31 Mar. 2022, Nordax reported 16.3% Stage 3 NPLs in its loan book (24.0% at end-2021), a figure that increased materially with the Bank Norwegian acquisition. We anticipate further declines as the bank continues to sell NPLs portfolios to reduce the impact of the EU's NPL backstop on its capital. Nordax is also considering other alternatives that preserve cashflow from NPLs while reducing the impact of the backstop. Regardless, we anticipate that the bank will need to continue to increase reserve ratios to reflect market pricing of NPLs as the European secondary market is currently awash with offloaded NPLs.

Figure 9. Nordax NPLs and credit provision metrics, 2018-2024e



Based on company data. Figures from 2018 to 2020 reflect Nordax Group only.

ADJUSTMENT FACTORS

Peer comparison

Peer comparison neutral

We believe that Nordax's relative strengths and weaknesses are accurately reflected by the 'bbb' initial credit assessment and make no adjustments on the basis of a comparison against the bank's peer group or any other factors.

SUPPORT ANALYSIS

Support analysis neutral

Nordax is ultimately owned by Nordic Capital and Sampo, which respectively control 74.4% and 19.1% of the share capital through Nordax Holding. Given the nature of the investors, we do not consider these owners to be part of the Nordax group structure. Both primary owners are active within the Nordic financial sector and are important to the bank's strategic development. We do not anticipate the owners will inject additional capital. However, Nordic Capital has previously injected capital into troubled companies, which displays potential for ownership support, if necessary.

Figure 10. Nordax Holding direct and indirect ownership, end-2021

Owner	Ownership share (%)	of which direct (%)
Cidron Xignu Sarl (Nordic Capital Fund IX)	45.18	41.31
Cidron Humber Sarl (Nordic Capital Fund VIII)	34.75	33.13
Sampo	20.01	19.07
Other	0.06	6.49
Total	**100.00**	**100.00**

Source: Nordax 2021 annual report.

ISSUE RATINGS

Our rating on Nordax's unsecured senior debt is in line with the issuer rating, i.e. 'BBB'. We rate the bank's Tier 2 capital instruments two notches below the issuer rating at 'BB+'. We do not rate the bank's internal capital instruments (NO0011134421 and NO0011134439), which are owned in full by Nordax Group, nor do we rate any bonds issued by Bank Norwegian or external capital instruments issued by Nordax Holding.

Figure 11. Nordax key financial data, 2017–Q1 2022 YTD

Key credit metrics (%)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q1 2022 YTD
INCOME COMPOSITION						
Net interest income/op. revenue	100.4	96.0	96.0	96.6	96.3	103.3
Net fee income/op. revenue	1.6	1.3	4.7	3.9	6.3	4.4
Net trading income/op. revenue	-2.0	2.7	-0.7	-0.6	-2.6	-7.7
Net other income/op. revenue	0.0					
EARNINGS						
Net interest margin	7.5	7.5	6.2	5.7	3.9	6.5
Pre-provision income/REA	6.2	5.9	4.3	5.5	2.4	5.7
Return on ordinary equity	19.4	13.8	13.5	17.9	-0.2	4.9
Return on assets	2.6	1.8	1.4	1.7	0.0	0.8
Cost-to-income ratio	37.0	41.4	52.3	38.3	62.7	43.7
Cost-to-income ratio, ex. trading	36.3	42.5	51.9	38.0	61.2	40.6
CAPITAL						
CET1 ratio	14.7	17.0	14.0	16.2	16.2	15.3
Tier 1 ratio	14.7	17.6	14.0	16.2	18.8	17.9
Capital ratio	16.7	19.0	15.3	17.2	20.8	19.8
REA/assets	73.6	75.6	63.7	63.0	55.9	56.2
Dividend payout ratio	27.4					
Leverage ratio	11.2	15.4	8.9	10.2	10.6	10.2
GROWTH						
Asset growth	7.1	16.0	58.4	6.7	228.3	3.6
Loan growth	5.4	12.2	66.9	9.4	155.6	6.2
Deposit growth	5.2	50.2	70.4	25.9	178.6	4.3
LOSS PERFORMANCE						
Credit provisions to net loans	1.59	2.65	1.42	1.57	2.06	3.36
Impaired loans to gross loans	16.71	18.22	14.56	15.25	16.74	16.27
Net impaired loans to gross loans	5.87	5.41	5.27	5.63	7.98	7.69
Net problem loans to equity	38.69	38.48	52.90	51.40	32.60	32.70
Non-performing loan coverage ratio	64.87	70.32	63.80	63.07	52.37	52.76
Stage 3 loans/gross loans		18.22	14.56	15.25	16.74	16.27
Net stage 3 loans/net loans		8.55	7.50	8.27	10.32	9.93
FUNDING & LIQUIDITY						
Loan/deposit ratio	179.6	134.2	131.5	114.3	104.8	106.7
Net stable funding ratio	113.0	117.0	120.0	120.0	134.5	132.9
Liquidity coverage ratio	616.0	194.0	514.0	472.0	623.2	317.8

Key financials (SEKm)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q1 2022 YTD
BALANCE SHEET						
Total assets	16,864	19,564	30,988	33,071	108,580	112,461
Total tangible assets	16,564	19,277	29,979	32,067	99,536	103,167
Total financial assets	16,474	19,010	29,643	31,816	99,143	102,218
Net loans and advances to customers	13,488	15,140	25,271	27,656	70,681	75,029
Total securities	1,191	1,189	3,120	2,331	23,458	22,006
Customer deposits	7,511	11,278	19,222	24,203	67,424	70,290
Issued securities	3,794	2,830	5,703	3,678	12,681	13,244
of which covered bonds						
of which other senior debt	3,547	2,581	5,105	3,330	10,948	11,497
of which subordinated debt	247	249	598	348	1,733	1,747
Total equity	2,295	2,440	2,775	3,352	18,953	19,289
Total ordinary equity	2,295	2,440	2,775	3,352	17,196	17,511
CAPITAL						
Common equity tier 1	1,829	2,518	2,770	3,384	9,836	9,659
Tier 1	1,829	2,599	2,770	3,384	11,381	11,276
Total capital	2,076	2,814	3,030	3,582	12,642	12,536
REA	12,415	14,797	19,747	20,839	60,691	63,161
INCOME STATEMENT						
Operating revenues	1,189	1,380	1,570	1,814	2,630	1,573
Pre-provision operating profit	749	809	749	1,120	980	885
Impairments	209	380	286	416	1,013	612
Net Income	419	326	352	549	-23	213

Source: company. FY–full year. YTD–year to date.

Figure 12. Nordax rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bbb-
Operating environment	20.0%	bbb
Capital	17.5%	bbb+
Funding and liquidity	15.0%	bbb+
Risk governance	5.0%	bbb
Credit risk	10.0%	bb+
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**
Transitions		Neutral
Peer comparisons		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb**
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		**BBB**
Outlook		Stable
Short-term rating		**N3**

Figure 13. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB
Tier 2	BB+

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