

Resurs Bank AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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Resurs Bank AB (publ) 'BBB' long-term issuer credit rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB' long-term issuer rating on Sweden-based [Resurs Bank AB \(publ\)](#). The outlook is stable. The 'N3' short-term issuer rating, 'BBB' senior unsecured issue rating, and 'BB+' tier 2 issue rating were also affirmed.

Rating Rationale

The long-term rating reflects Resurs Bank's strong risk-adjusted earnings, sound liquidity position, demonstrated access to deposit and capital market financing, and long track record within its consumer banking niche. Strong creditor rights in its core markets provide powerful incentives for borrowers to repay debt and result in higher collection rates than in other European regions.

The rating is constrained by higher-than-average risk appetite associated with consumer loans and short-term payment lending. We also view the consumer lending market as having high levels of competitive pressure and low customer loyalty. 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.

We have revised our assessment of the bank's operating environment downwards to reflect increasing risks for consumer lending customers given our expectations that the bank's customer base is more likely to be affected by higher interest rates and food and energy price inflation.

Stable outlook

The stable outlook reflects our expectation that Resurs Bank will expand its portfolio at a more moderate pace as conditions in the wider economy decline. We believe recent margin pressure will soften due to the return of growth in Norway and that an intensified cost efficiency focus will support pre-provision earnings. Resurs Bank's capital flexibility and strong earnings make it resilient to an economic downturn, though we project a material increase in loss provisions in 2023 and 2024 as borrowers with already weak financial profiles are more likely to be affected by food and energy price inflation.

We could raise the rating to reflect materially higher capital ratios (Tier 1 ratio sustainably above 18%), an improved economic and regulatory environment for consumer lenders, or improved business and revenue diversity.

We could lower the rating to reflect higher credit provisions than we currently expect or regulatory changes that negatively affect the bank's business model and recovery prospects for consumer loans. We could also lower the rating to reflect reduced access to deposit and/or capital market financing or a Tier 1 ratio continuously below 15%.

Rating list

	To	From
Long-term issuer credit rating:	BBB	BBB
Outlook:	Stable	Stable
Short-term issuer credit rating:	N3	N3
Senior unsecured issue rating:	BBB	BBB
Tier 2 issue rating:	BB+	BB+

Figure 1. Resurs Bank rating scorecard

Subfactors	Impact	To	From
National factors	5.0%	a-	a-
Regional, cross border, sector	15.0%	bb+	bbb-
Operating environment	20.0%	bbb-	bbb
Capital	17.5%	bbb	bbb
Funding and liquidity	15.0%	bbb	bbb
Risk governance	5.0%	bbb	bbb
Credit risk	10.0%	bbb-	bbb-
Market risk	-	-	-
Other risks	2.5%	bbb	bbb
Risk appetite	50.0%	bbb	bbb
Market position	15.0%	bb+	bb+
Earnings	7.5%	aa	aa
Loss performance	7.5%	bb	bb
Performance indicators	15.0%	bbb+	bbb+
Indicative credit assessment		bbb	bbb
Transitions		Neutral	Neutral
Peer comparisons		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		bbb	bbb
Material credit enhancement		Neutral	Neutral
Rating caps		Neutral	Neutral
Support analysis		Neutral	Neutral
Issuer rating		BBB	BBB
Outlook		Stable	Stable
Short-term rating		N3	N3

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	BBB	BBB
Tier 2	BB+	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.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 18 Feb. 2022 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 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) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test or cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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