

Resurs Bank AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Negative

SHORT-TERM RATING

N3

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Outlook negative**

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 negative. NCR also affirmed the 'N3' short-term rating. At the same time, NCR affirmed its 'BBB' issue ratings on Resurs Bank's senior unsecured bonds and its 'BB+' issue ratings on the bank's Tier 2 bonds. NCR does not rate debt issued by Resurs Holding AB.

Rating rationale

The affirmation of the long-term rating reflects our maintained view since our last rating action on 22 Jan. 2024 that, while we consider the risk of weakened performance to be elevated, we believe that Resurs Bank is likely to take measures to try and improve asset quality and capital generation.

Our long-term issuer credit rating on Resurs Bank continues to reflect the bank's strong risk-adjusted pre-provision earnings, sound liquidity position, demonstrated access to deposit and capital market financing, and the long track record within its consumer banking niche. We view Resurs Bank's combined focus on consumer loans, retail finance and credit cards as adding diversification to the overall credit risk in the portfolio and regard its position with merchant partners as a strength for the bank's position in a highly competitive market.

The rating is constrained by a 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. While the recent proposal from the Swedish government on tax deductibility has the potential to be negative for Resurs Bank, this proposal is covered in our assessment of the bank's operating environment.

We have lowered our assessment of Resurs Bank's loss performance. This reflects the fact that the sharp increase in loan losses in late 2023 had a material negative impact on profits and capital generation, as well as our expectation of a similar level of losses and impact in 2024.

Negative outlook

The negative outlook reflects the risk that asset quality metrics will deteriorate beyond our expectations in 2024 or fail to improve from 2025 onward. While pre-provision earnings are stable, they are not sufficient to support capital generation, given expectations of higher loan losses. While Resurs Bank has tools to protect capital from significant further deterioration, we are uncertain about shareholders' willingness to accept a continuation of no or lower dividends, if needed. The outlook also reflects the risk of Resurs Holding not refinancing the additional Tier 1 instrument with a call date in December 2024.

We could lower the rating to reflect asset quality metrics failing to improve in 2025–2026 or weakening further in 2024, or to reflect a CET1 ratio below 13.5% or a Tier 1 ratio below 15% over a protracted period. We could also lower the rating to reflect a worsening operating environment caused by a deep economic downturn or a reassessment of the impact from proposed regulatory changes.

We could revise the outlook to stable to reflect an improvement in asset quality metrics in line with our expectations for 2025 and 2026, combined with the CET1 ratio remaining sustainably above 13.5% and the Tier 1 ratio being above 15%.

Rating list	To	From
Long-term issuer credit rating:	BBB	BBB
Outlook:	Negative	Negative
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+	bb+
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
Competitive 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 calibration		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		Negative	Negative
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 Group and Government Support Rating Methodology published on 14 Feb. 2024 NCR's Financial Institutions Rating Methodology published on 14 Feb. 2024 NCR's Rating Principles published on 14 Feb. 2024 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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