

Resurs Bank AB (publ)

Rating Update

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

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Resurs Bank AB (publ) outlook revised to stable from negative; 'BBB-' long-term rating affirmed

Nordic Credit Rating (NCR) said today that it had revised its outlook on [Resurs Bank AB \(publ\)](#) (Resurs Bank) to stable from negative. At the same time the agency affirmed its 'BBB-' long-term issuer rating and 'N-1+' short-term issuer rating on the bank.

ECONOMIC UNCERTAINTY REDUCED

NCR said today that it had revised its outlook on the wider Swedish banking sector to stable from negative, while affirming its 'bbb+' assessment of the industry. In our last review of the sector earlier this year, we revised our assessment score down by one notch to its current level (see [NCR sees increased risks in the Swedish banking sector](#), published 3 Apr. 2020), mainly to reflect the initial impact of COVID-19. Any further downward revision of our assessment of the sector due to the pandemic is currently unlikely.

Resurs Bank outperformed our earlier expectations in the second quarter of 2020, due to lower-than-expected loan losses and an improved net interest margin. This is in line with the performance of the Swedish bank sector in general. While Stage 3 loans increased to 16.5% at end-June from 15.1% at end-2019, the total provisioning level also increased. Resurs Bank 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 Bank's demonstrated control of its credit losses over its 43-year history.

Resurs Bank is mainly funded by deposits and the deposit-to-loan ratio has improved so far in 2020. We note that the bank's common equity Tier 1 ratio has improved to 14.3%, up 1.2pp from end-2019. Parent Resurs Holding has postponed a decision on a proposed SEK 420m dividend for 2019, adding material capital flexibility.

STABLE OUTLOOK

The stable outlook reflects our expectations of a flatter U-shaped recovery rather than the sharp V or, in worst case, W shaped rebound that we anticipated previously. There are remaining risk factors including long-term shutdowns or low-production levels under which furloughs could become layoffs and affect the asset quality of consumer loans. However, we believe that the Resurs Bank's strong capitalisation and earnings make it resilient to a possible new economic downturn.

POTENTIAL POSITIVE RATING DRIVERS

- Stabilised economy and new growth leading to improved operating environment.
- Improved 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. 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		Stable
Short-term rating		N-1+

Figure 2: 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.
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 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) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Company presentations, External market reports, Meetings with management of the 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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