

Resurs Bank AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Negative

SHORT-TERM RATING

N3

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Resurs Bank AB outlook revised to negative; 'BBB' long-term issuer rating affirmed

Nordic Credit Rating (NCR) said today that it had revised its outlook on Sweden-based [Resurs Bank AB \(publ\)](#) to negative from stable. At the same time, the 'BBB' long-term issuer rating was affirmed. In addition, NCR affirmed the 'N3' short-term rating, the 'BBB' issue ratings on Resurs Bank's senior unsecured bonds and the 'BB+' issue ratings on its tier 2 bonds. NCR does not rate debt issued by Resurs Holding AB.

Rating rationale

The outlook revision reflects our expectation that Resurs' asset quality metrics will deteriorate further and remain worse for longer, compared with earlier assessments. On 16 Jan. 2024, Resurs issued a profit warning for the full year 2023 and cancelled the dividend expected to be paid in the first half of 2024. While our estimates for the full year 2023, based on the information provided in the profit warning, are roughly in line with the forecast in our last rating review in early 2023, we are now more concerned about developments in 2024.

At the start of 2023, we believed that loan losses and non-performing loans would peak in 2023, but the Swedish economy, including households' debt-servicing capacity, performed better than expected for most of the year. Assuming constant net loans from the third quarter of 2023, adjusted for the securitisation effect that came into effect in the fourth quarter of 2023, loan loss provisions amounted to 108bps (excluding non-recurring provisions) in the fourth quarter of 2023. This is a rapid acceleration on 68bps in the third quarter of 2023 and 65bps in the fourth quarter of 2022. We believe this acceleration is indicative of a higher risk that asset quality metrics will deteriorate further in 2024.

We also note that our common equity Tier 1 (CET1) ratio estimate is only slightly below our 2023 forecast, and the Tier 1 ratio is maintained above our rating driver (below 15%). Capital ratios are supported by the cancelled dividend as well as by the new additional Tier 1 capital issued in December 2023. This flexibility is already taken into account in our assessment of capital management, and we are now more cautious about Resurs' capital position and flexibility. The bank could, however, protect its capital by slowing loan growth, even if this puts profit under pressure in 2024. The securitisation transaction announced in November 2023 will start to support capital ratios in the first quarter of 2024, but the full effect will occur over the coming years until mid-2026.

Negative outlook

The negative outlook reflects the risk, but not certainty, that asset quality metrics will deteriorate in 2024 as households' debt-servicing capacity remains under pressure, as well as reflecting the bank's weakened capital flexibility. However, we believe that Resurs will continue to protect capital from declining further.

We could lower the rating to reflect a stronger likelihood of weaker asset quality metrics than previously expected. We could also lower the rating in response to increased concern over the bank's funding and liquidity position, or to reflect a Tier 1 ratio below 15% over a protracted period.

We could revise the outlook to stable to reflect a significant and durable improvement in asset quality metrics compared with the fourth quarter of 2023, combined with a Tier 1 ratio sustained above 15% over a protracted period.

Related publications

- i) [NCR comments: Resurs Bank offsets impact of non-performing loan backstop](#), publ. 1 Dec. 2023.
- ii) [Resurs Bank AB \(publ\) 'BBB' long-term issuer rating affirmed; Outlook stable](#), publ. 23 Mar. 2023.
- iii) [Nordic consumer banks increase credit losses](#), publ. 29 Nov. 2023.

Rating list	To	From
Long-term issuer credit rating:	BBB	BBB
Outlook:	Negative	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+	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	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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