Nordic Credit Rating

FINANCIAL INSTITUTION

Sweden
20 Mar. 2024

Resurs Bank AB (publ)

Full Rating Report

LONG-TERM RATING

BBB

OUTLOOK

Negative

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB' long-term issuer credit rating on Sweden-based Resurs Bank AB (publ) reflects 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.

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.

DRIVERS FOR A STABLE OUTLOOK

- An improvement in asset quality metrics in line with our expectations for 2025 and 2026; and,
- a CET1 ratio remaining sustainably above 13.5%, combined with a Tier 1 ratio above 15%.

POTENTIAL NEGATIVE RATING DRIVERS

- Asset quality metrics failing to improve in 2025–2026 or weakening further in 2024.
- A CET1 ratio below 13.5% or a Tier 1 ratio below 15% over a protracted period.
- A worsening operating environment caused by a deep economic downturn or a reassessment of the impact from proposed regulatory changes.

Figure 1. Resurs Bank key credit metrics, 2020–2026e

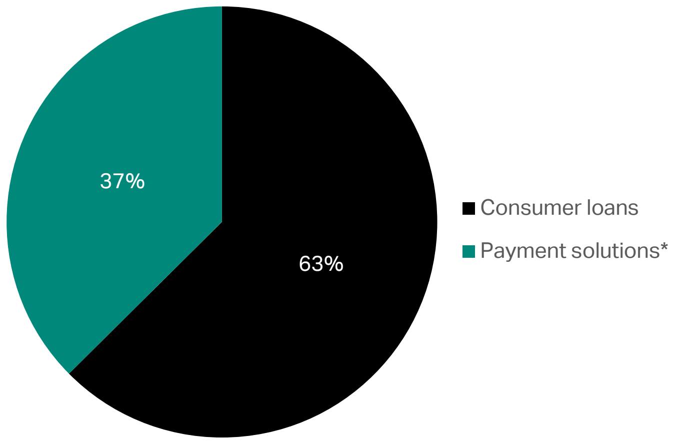
%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	7.5	6.5	6.1	6.0	5.9	5.8	6.0
Loan losses/net loans	2.75	2.01	2.24	3.78	3.79	2.37	2.19
Pre-provision income/REA	6.6	5.7	5.6	5.4	5.6	5.7	6.2
Cost-to-income	40.1	41.3	42.6	46.9	44.3	43.6	40.9
Return on ordinary equity	13.0	13.3	11.2	3.7	5.1	11.1	13.3
Loan growth	-1.6	8.1	11.5	4.5	3.0	5.0	5.0
CET1 ratio	15.1	14.7	14.9	14.0	13.9	13.2	13.4
Tier 1 ratio	16.1	15.7	15.8	15.7	15.6	15.2	15.3

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

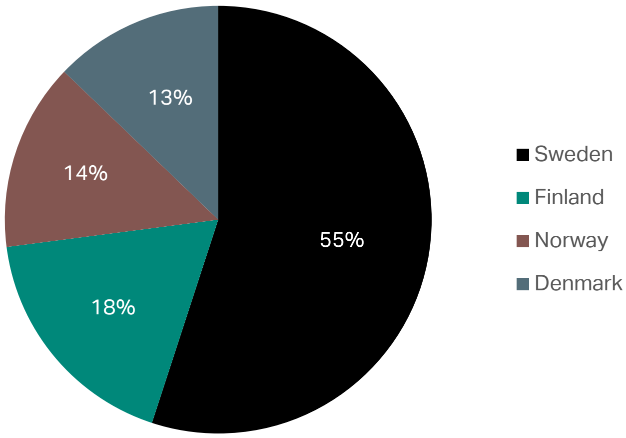
Resurs Bank is owned by Resurs Holding, a Helsingborg-based company listed on the Stockholm stock exchange. The bank provides consumer loans via point-of-sale payment solutions for retail and e-commerce partners as well as direct marketing channels in Sweden, Norway, Denmark and Finland. The bank was founded in 1977 and has been licensed in Sweden since 2001. It operates through two divisions; Payment Solutions and Consumer Loans. Within Payment Solutions, the bank offers credit cards and retail financing, and engages in partnerships with retailers and travel agents to provide financing for big-ticket consumer goods and services. The bank sees growth opportunities in SME lending and factoring services and, as of year-end 2023, classified 1.5% of gross loans as business-to-business loans. Within Consumer Loans, the bank primarily offers standard unsecured consumer loans.

Figure 2. Resurs Bank net loans by loan type, 2023



Source: bank reports. *includes SME lending.

Figure 3. Resurs Bank geographic distribution of net loans, 2023



Source: bank reports.

OPERATING ENVIRONMENT

Operating environment assessment 'bbb-'

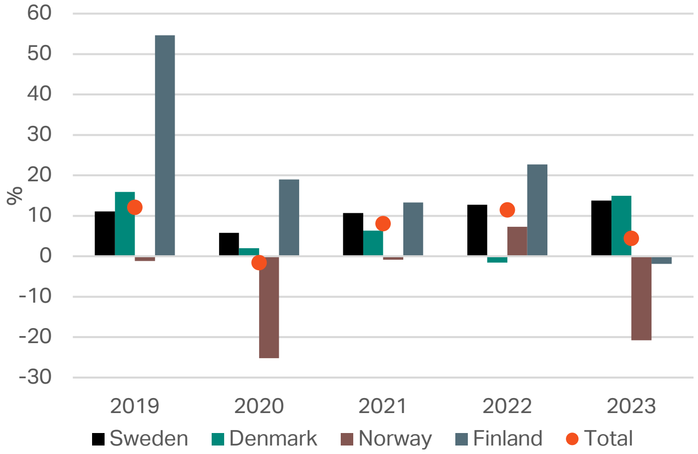
Resurs Bank operates across the Nordic region, with half of its lending exposures in Sweden. Our assessment of the operating environment reflects our view that consumer and payment loans are more sensitive to economic fluctuations. It also reflects our view that Resurs Bank and its peers are under significant pressure from regulators and consumer protection agencies.

Banking sector benefits from robust Nordic economies

National factors 'a-'

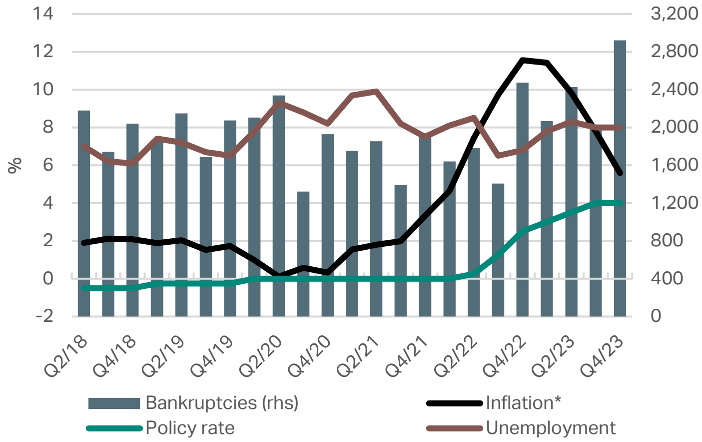
Resurs Bank's primary focus is on the Swedish consumer lending market, but the bank has operations across the Nordic region. In our national banking assessment, we apply a score of 'a-', given the primary focus on the Swedish market and our assessment that the Swedish national operating environment score is relevant for Resurs Bank's other core countries of operation. The operating environment for banks has changed dramatically in recent years, as the sharp rise in interest rates since early 2022 has boosted bank earnings, mitigating the negative impact of lower loan growth and rising loan losses. We expect 2024 to be characterised by weaker economic activity than last year for all of Resurs Bank's core countries, but believe that none of them will enter into a deep recession. We also expect interest rates to start declining in all markets, albeit at a moderate pace, and that unemployment will increase somewhat in most of the countries.

Figure 4. Resurs Bank loan growth by country, 2019–2023



Source: bank reports. In SEK.

Figure 5. Economic indicators for Sweden, Q2 2018–Q4 2023



Sources: Statistics Sweden, Riksbanken. *Average monthly inflation during the quarter.

Proposed regulatory changes dampen outlook amid economic pressure

Regional, sectoral, and cross-border factors 'bb+'

NCR views Resurs Bank's consumer lending as more sensitive to shifts in the economy than a typical retail loan portfolio in the Nordic markets. In addition, 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). We expect that the high strain on households' cash positions over the past two years, with persistently high inflation and a rapid rise in interest rates, will continue to affect consumer banks and their customers through most of 2024. Banks have been raising interest rates on consumer loans, and individuals with already weak financial profiles are impacted to a greater extent by the negative real loan wage growth in 2023. Homeowners face material increases in interest costs, and housing prices have fallen from record highs, dampening customer sentiment. We believe these factors could impact both demand for consumer loans and performance of existing loans through 2024.

Resurs Bank's private loans are extended primarily to borrowers in Sweden, Norway and Finland, which have strong legal frameworks that benefit creditors and incentivise borrowers to repay debt. However, rising indebtedness has sharpened the regulatory focus on consumer lending in the Nordic markets and subjected the sector to increased scrutiny and a high likelihood of new regulation. In January 2024, the Swedish government issued a proposal to remove the tax deductibility of interest rate costs for unsecured loans, following a set of proposals issued by a government committee in July 2023. While the proposals from July 2023 are likely primarily positive for larger, more established consumer lenders, the removal of the tax deduction will mainly impact bigger-ticket consumer loans. Under the current proposal, deductions will be phased out starting in the fiscal year 2025, and we consequently expect consumer lenders will face an intensive workload in 2024 to prepare for the change (see Relevant Research (i)).

RISK APPETITE

Risk appetite assessment 'bbb'

In our opinion, Resurs Bank has a higher-than-average risk appetite than most Nordic banks, given its higher-margin lending and internal limits for credit risk. However, the bank has a longer track record than many of its closest peers and has demonstrated that it is willing to take a patient approach to growth. In 2021, Resurs Holding revised its financial targets to focus on profitable growth rather than loan growth, and improved cost efficiency.

Risk governance adequate for risk profile

Risk governance 'bbb'

We view Resurs Bank's risk governance framework in light of its appetite for higher credit risk and higher-margin loans. The bank has robust internal risk monitoring and reporting arrangements, which increase transparency in terms of risk appetite, and enable it to adapt its underwriting to minimal changes in the risk performance of its credit portfolios. Resurs Bank has established risk appetites, risk indicators and limits for all identified risk areas and compares its financial risk exposure across risk types.

In February 2022, the bank was included in remarks by the Swedish FSA for shortcomings in its credit assessment procedures and received a SEK 50m fine. This decision was appealed by the bank and overturned. However, the FSA has appealed to a higher legal authority and the timing of the final decision is currently unclear. Regardless, over the past two years the bank has improved its underwriting processes on the basis of feedback from regulators in Sweden and Denmark.

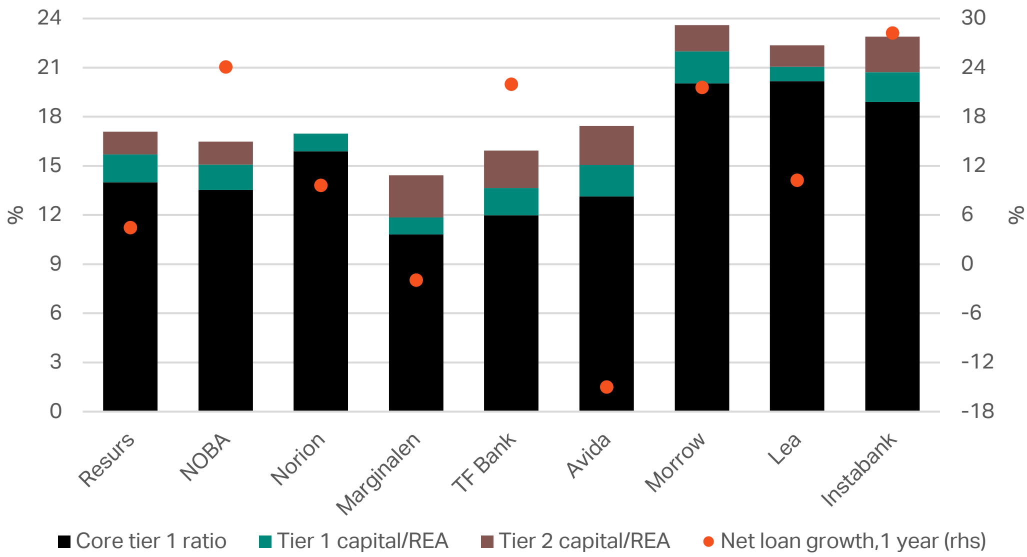
In September 2021, Resurs Bank outlined new sustainability goals, including efforts to improve customers' financial knowledge, introduce more sustainable products and reduce the bank's climate impact by 50% by 2030. However, despite efforts to take a more proactive approach to struggling customers and transparency in payment notices, the bank reported higher gross Stage 3 NPL ratios than peer averages prior to the securitisation transaction in the fourth quarter of 2023.

Capital flexibility protects against weakening ratios

Capital 'bbb'

We consider Resurs Holding's consolidated capital in our assessment. The reported CET1 ratio was 14.0% as of 31 Dec. 2023, after the second bi-annual dividend for 2023 was cancelled. Additional Tier 1 (AT1) instruments are issued by the holding company, adding 1.7pp to the CET1 ratio at year-end 2023, after a new issue in December 2023. We project that the group's CET1 ratio will decrease towards 13% in 2024 and 2025 despite modest loan growth, due to continued pressure on earnings, before starting to slowly increase from 2026. This assumes payment of only one of the bi-annual dividends in 2024 and the resumption of full dividends from 2025 (50% of net profits). We expect the holding company to call and refinance the AT1 maturing in December 2024 and to potentially issue additional volumes to keep the Tier 1 ratio above 15%. Our assumption of resumed full dividends from 2025 adds flexibility with regard to the declining CET1 ratio. However, we are somewhat apprehensive about shareholders' willingness to not receive dividends for an extended period.

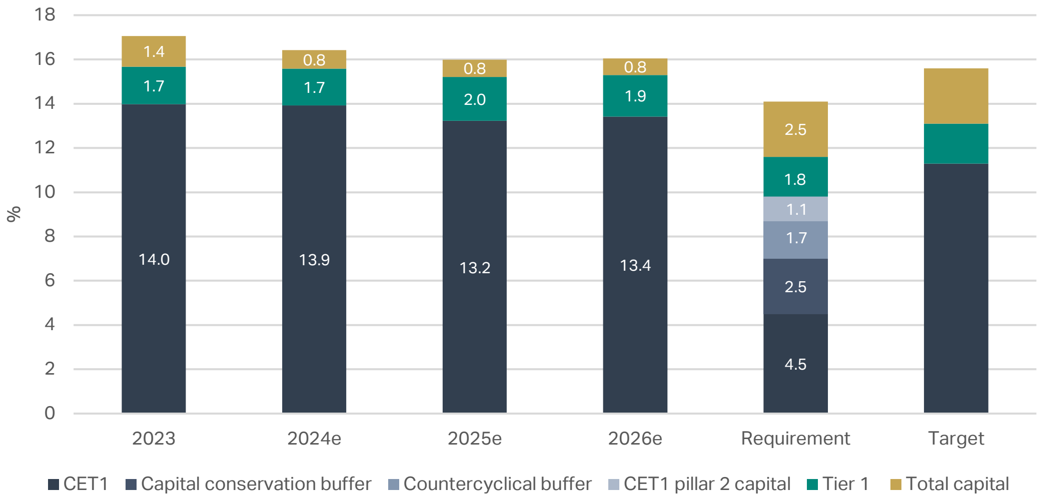
Figure 6. Selected Nordic niche banks' capitalisation and lending growth, 2023



Source: bank reports.

The bank's financial policy targets capital ratios 150–300bps above regulatory requirements (CET1 requirement of 9.8% and total capital requirement of 14.1% as of year-end 2023). The bank has received guidance of 0.5pp for its leverage ratio, which was 10.5% at year-end 2023 (total requirement 3.5%).

Figure 7. Resurs capital ratios and requirements, 2023–2026e



Source: company. e–estimate. Target 150–300bps over regulatory requirement.

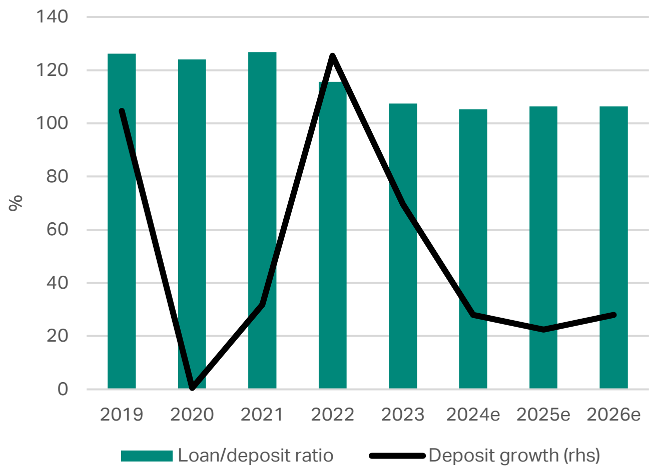
Strong liquidity buffers and funding across debt instruments and currencies

Funding and liquidity 'bbb'

Resurs Bank is funded by Swedish, Norwegian and German depositors who have chosen the bank primarily because it offers higher interest rates than their transactional banks. Collecting deposits in three currencies helps to mitigate foreign exchange risk, including the Danish krone peg to the euro, and about 95% of customer deposits are protected by the Swedish and Norwegian deposit insurance schemes.

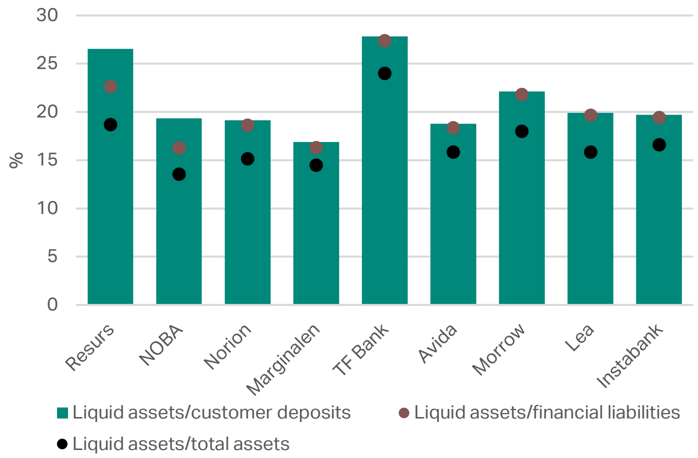
In addition to deposits, the bank is financed through senior unsecured lending and an asset-backed financing programme (ABS). At year-end 2023, the bank had about SEK 2.5bn in senior unsecured bonds, out of SEK 10bn in its medium-term note programme, and SEK 3bn in ABS. The ABS is backed by SEK 3.7bn in consumer loans and was increased at the recent renewal in December 2023. The deposit share of total funding has increased in recent years, leading to the loan-deposit ratio decreasing to 107% in 2023 from 126% in 2018. Our forecast sees low funding needs due to limited loan growth, and assumes that deposits will be the cheaper, and consequently preferred, option.

Figure 8. Resurs Bank funding metrics, 2019–2026e



Source: company. e-estimate.

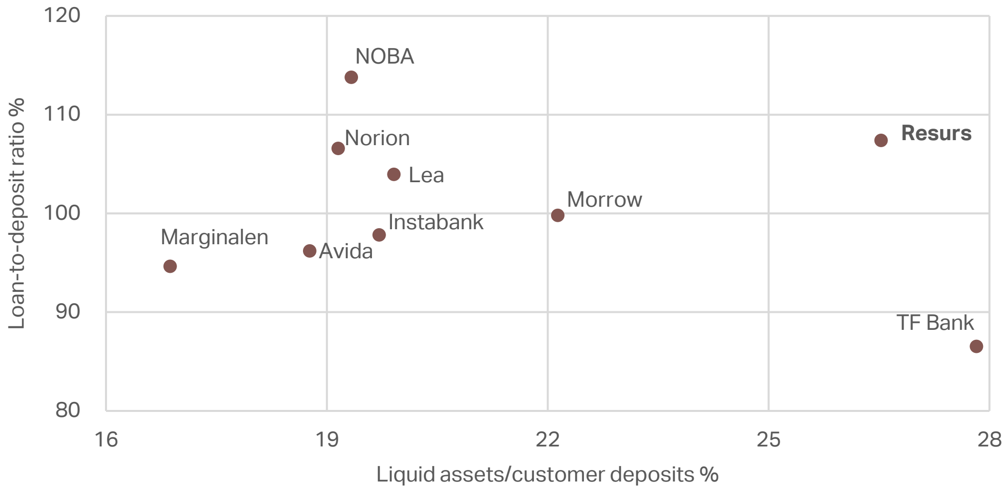
Figure 9. Share of liquid assets on balance sheet, peer comparison, 31 Dec. 2023



Source: bank reports.

Given the price-sensitive nature of Resurs Bank's deposit base, we view the bank's funding profile as somewhat weaker than that of a typical Nordic bank. However, the bank has a high level of liquid assets to deposits, at 26% as of year-end 2023. At year-end 2023, the bank's reported liquidity coverage ratio stood at 518% and the net stable funding ratio was well above the required 100%.

Figure 10. Selected Nordic niche banks' funding and liquidity ratios, 31 Dec. 2023



Source: bank reports.

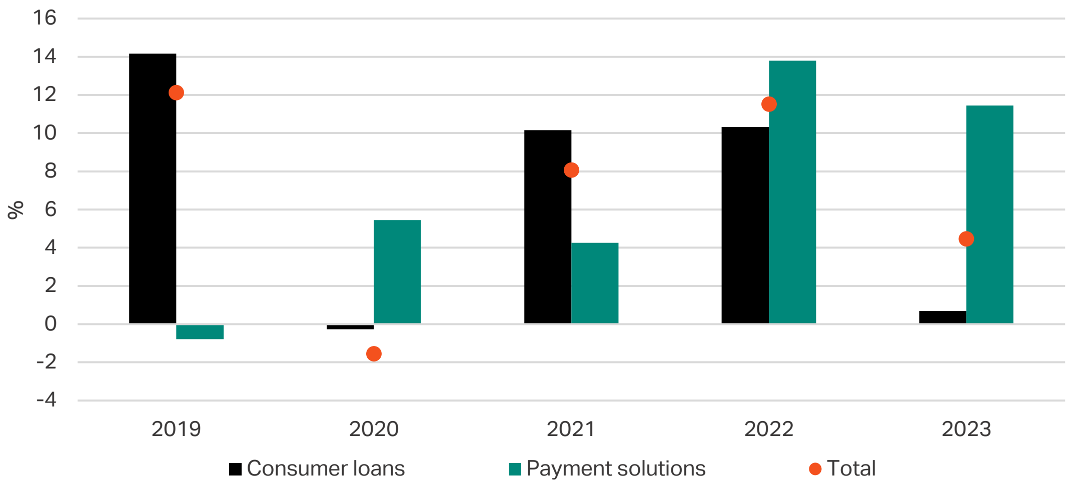
Improved underwriting positive for forward-looking view

Credit risk 'bbb-'

Our credit risk assessment balances our view of the granularity vs the unsecured nature of the loan book. While historically poorer underwriting for big-ticket consumer loans is now causing increased losses, our assessment of credit risk focuses on Resurs Bank's current risk appetite and our expectations going forward. Starting in the first half of 2023, Resurs Bank shifted away from consumer lending for the biggest-ticket items. The share of lending within the Payment Solutions segment (retail financing and credit cards) has increased slowly in recent years. We would consider it positive for our assessment if the proposal regarding a Swedish national debt registry were to be implemented.

The bank's total product offering includes SME lending and factoring, as well as mortgages in Norway. The latter has been put on hold, given the Norwegian FSA's increased capital requirements. In addition to SME lending, Resurs Bank is extending its offerings towards merchant partners in connection with its retail financing services. We consider the increased focus on Payment Solutions as positive for the overall credit risk in the portfolio. These loans have a small average size and short maturity compared with the Consumer Loans segment.

Figure 11. Resurs Bank loan growth per segment, 2019–2023



Source: bank reports.

Looking back, Resurs Bank's growth has been driven by its Consumer Loans division, larger loan sizes and expansion across the Nordic markets. 2023 growth, while moderate compared with recent years in total, was driven by double-digit growth in Sweden and Denmark (adjusted for FX effects), and the Payment Solutions segment. Following the change in capital requirements, Norwegian loan volumes decreased by 13.5% (in NOK), and growth was also negative in Finland (-1.5% in EUR). The latter marks a change from recent years, when Finland was the bank's fastest-growing market, despite new legislation imposing maximum interest rates and efforts to restrict direct marketing.

Other risks

Other risks 'bbb'

Resurs Bank's relationships with third-party collectors and forward-flow agreements with a small group of partners are negatively affected by market stress and higher yield requirements. Resurs Bank mitigates this risk by maintaining at least two partners in each of its Nordic markets. We also expect the pricing of NPLs in the secondary market to be affected by the increasing proportion of loans qualifying under the EU's NPL backstop. This increases the risk that Resurs Bank and its peers will need to increase their current NPL provisioning levels. Resurs Bank has mitigated some of this risk through a securitisation transaction in November 2023, offloading 39% of total NPLs as of 30 Sep. 2023.

We do not view market risk as a significant factor for Resurs Bank, apart from the currency risk described in the funding section. Most of the bank's interest rates are variable within three months, resulting in modest interest rate risk in the banking book.

COMPETITIVE POSITION

Competitive position assessment 'bb+'

Resurs Bank has a long history of providing consumer finance products in Sweden and is now well established within all of its Nordic markets. We see relative strength in the bank's retail relationships, in which it can maintain multi-year contracts and tailored payment solutions for in-store and e-commerce transactions. This eases competitive pressure somewhat, given the fierce competition in the consumer loan and credit card markets. Outside its retail partnerships, we believe that it is difficult for banks to gain an advantage in the consumer loan market in terms of driving pricing or attracting stronger customers on the basis of reputation. We do, however, believe there is a risk of negative reputational risk and take a positive view of Resurs bank's efforts to increase its focus on advisory activities and improve transparency over payment notices.

PERFORMANCE INDICATORS

Performance indicators assessment 'bbb'

We expect Resurs Bank to continue to generate strong pre-provision profits, despite margins remaining under pressure at least through 2025. The bank is facing investment needs, but its strong focus on costs should bring cost efficiency metrics back to historical levels, supporting risk-adjusted earnings. We expect similar levels of loan losses in 2024 as in 2023, due to a continued strain on households' cash flow. While NPLs are projected to increase, the recent securitisation offloading a large share of NPLs has given the bank more headroom.

Earnings expected to slowly recover after weak 2023

Earnings 'aa'

Resurs Bank's net interest margins have declined in recent years, but we expect them to level out just below, or around, 6% as lower interest rates lower pressure on funding costs, increased retail finance and SME earnings add stability. However, we see margins remaining lower than before interest rates started going up, negatively affected in the short term by a weak consumer loan market.

The bank has continued its efforts to improve its already strong cost efficiency, reporting a cost-to-income ratio of 41% in 2023, adjusted for the write-down related to the change in IT systems. We see a slight increase in costs due to higher investments over the next few years, implying that, while we do not expect the bank to reach its internal target of 35%, it will decrease towards 40% over our forecast period.

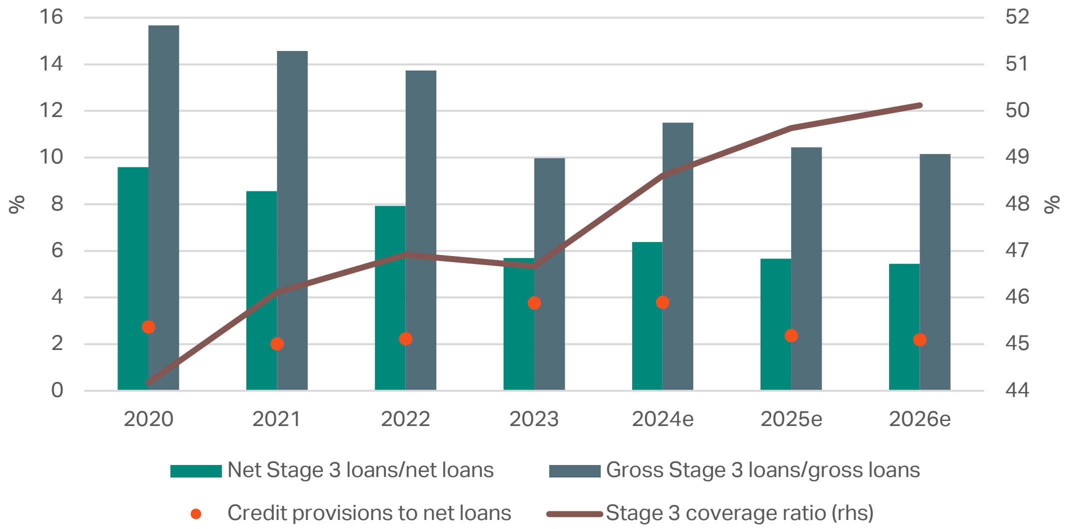
Resurs Bank's risk-adjusted earnings performance remains solid, with a pre-provision income/REA ratio of 5.4% for 2023. We project this ratio will improve to 5.6–6.2% through 2026. The stability in earnings is, however, not expected to be enough to outweigh higher loan losses, and consequently we believe dividend payments could continue to diverge from the 50% target, at least in 2024, but possibly also in subsequent years.

Loan losses expected to remain high in 2024 before normalising

Loss performance 'bb-'

Bigger-ticket consumer loans from a couple of years ago have proven to be of lower-than-expected quality and accounted for a large share of the rapid increase in losses in the last quarter of 2023, combined with a revision of loss prediction models. With a higher level of losses in the other parts of the loan portfolio as well, driven by continued financial pressure and strain cash flow among households, we expect Resurs Bank to report similar levels of loan losses in 2024 as in 2023. Total NPLs are, however, expected to remain lower than before the securitisation of loans affected by the EU Backstop in November 2023. Since we are expecting fewer new Stage 3 loans in 2025 and 2026, and think a portion of the new NPLs will return to performing when interest rates start to go down, we believe the share of gross Stage 3 loans will decrease in that period.

Figure 12. Resurs Bank asset quality metrics, 2020–2026e



Source: company, e-estimate.

The proposed removal of tax deductibility for unsecured loans in Sweden is expected to affect NPL ratios among Swedish consumer lenders from the first half of 2026, when tax returns for 2025 are distributed. We have not included this in our estimates, partly as this is still just a proposal and partly due to uncertainty over the magnitude of the impact on Resurs Bank's customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Moderately negative aggregate ESG impact

ESG factors are considered throughout our analysis, where material to the credit assessment. In aggregate, we view the bank's ESG profile as having a moderately negative impact on its creditworthiness.

Figure 13. Resurs Bank priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Responsible lending	Regulatory scrutiny. Media attention. Reputational brand damage. Impact of NPL backstop.	Operating environment (-) Risk governance (-) Other risks (-)
Anti-money laundering capacity	Risk of sanctions and fraud. Insufficient control of customers.	Risk governance (0)
Risk management frameworks	Risk-taking beyond limits in bank operations. Legal non-compliance, e.g. with regards to the Consumer Credit Act.	Risk governance (0)

*Defined on a 5-step scale ranging from double minus (--) to double plus (++) , with (--) representing the most negative impact and (++) the most positive. See **ESG factors in financial institution ratings**.

ADJUSTMENT FACTORS

Support analysis

Support analysis neutral

We do not adjust the rating on Resurs Bank to reflect expectations of additional support from its owner, Resurs Holding, or the group's shareholders. The group's largest owner is Waldakt AB, an investment company owned by Sweden's prominent Bengtsson family.

Figure 14. Resurs Bank ownership structure, 31 Dec. 2023

Owner	Share of capital
Waldakt AB	28.9%
Avanza Pension	5.6%
Erik Selin	3.3%
Vanguard	2.5%
Swedbank Robur Funds	1.9%
Others	57.8%
Waldakt AB	100%

Source: Resurs Holding.

ISSUE RATINGS

Our rating on Resurs Bank's unsecured senior debt is in line with the 'BBB' issuer rating. We rate Resurs Bank's Tier 2 instruments two notches below the issuer rating at 'BB+'. NCR does not rate debt issued by Resurs Holding AB.

SHORT-TERM RATING

The short-term rating is 'N3', in line with our definition for the long-term rating level ('BBB').

METHODOLOGIES USED

(i) Financial Institutions Rating Methodology, 14 Feb. 2024.
(ii) Rating Principles, 14 Feb. 2024.
(iii) Group and Government Support Rating Methodology, 14 Feb. 2024.

RELEVANT RESEARCH

(i) The pressure is rising for Nordic consumer banks, 13 Mar. 2024
(ii) NCR comments: Resurs Bank offsets impact of non-performing loan backstop, 1 Dec. 2023
(iii) Nordic consumer banks increase credit losses, 29 Nov. 2023
(iv) Nordic consumer banks' earnings compensate elevated credit losses, 11 Sep. 2023
(v) Nordic consumer banks' loss provisions remain elevated, 28 Jun. 2023

Figure 15. Resurs Bank key financial data, 2020–2023

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023
INCOME COMPOSITION				
Net interest income to op. revenue	83.5	82.1	81.6	79.7
Net fee income to op. revenue	10.6	11.3	12.8	13.3
Net trading income to op. revenue	-0.4	0.1	-1.0	0.6
Net other income to op. revenue	6.3	6.5	6.6	6.4
EARNINGS				
Net interest income to financial assets	7.5	6.5	6.1	6.0
Net interest income to net loans	9.1	7.9	7.4	7.3
Pre-provision income to REA	6.6	5.7	5.6	5.4
Core pre-provision income to REA (NII & NF&C)	5.9	5.1	5.0	4.7
Return on ordinary equity	13.0	13.3	11.2	3.7
Return on assets	2.2	2.3	1.8	0.6
Cost-to-income ratio	40.1	41.3	42.6	46.9
Core cost-to-income ratio (NII & NF&C)	42.6	44.2	45.1	50.5
CAPITAL				
CET1 ratio	15.1	14.7	14.9	14.0
Tier 1 ratio	16.1	15.7	15.8	15.7
Capital ratio	17.4	16.3	16.5	17.1
REA to assets	76.7	76.3	69.8	68.9
Dividend payout ratio		123.9	47.1	48.5
Leverage ratio	12.0	11.4	10.9	10.5
GROWTH				
Asset growth	-1.5	6.7	11.3	7.3
Loan growth	-1.6	8.1	11.5	4.5
Deposit growth	0.1	5.7	22.4	12.4
LOSS PERFORMANCE				
Credit provisions to net loans	2.75	2.01	2.24	3.39
Stage 3 coverage ratio	44.17	46.11	46.91	46.67
Stage 3 loans to gross loans	15.68	14.57	13.74	9.98
Net stage 3 loans to net loans	9.60	8.56	7.93	5.69
Net stage 3 loans/ordinary equity	41.45	40.34	39.40	29.46
FUNDING & LIQUIDITY				
Loan to deposit ratio	124.1	126.9	115.6	107.4
Liquid assets to deposit ratio	28.5	26.8	24.0	26.2
Net stable funding ratio	0.0	117.0	114.0	0.0
Liquidity coverage ratio	294.7	244.5	281.2	520.2

Key financials (SEKm)	FY 2020	FY 2021	FY 2022	FY 2023
BALANCE SHEET				
Total assets	40,188	42,900	47,738	51,225
Total tangible assets	38,342	40,921	45,578	49,142
Total financial assets	37,952	40,382	44,911	48,326
Net loans and advances to customers	30,858	33,347	37,187	38,846
Total securities	3,066	2,453	3,131	3,531
Customer deposits	24,872	26,287	32,174	36,171
Issued securities	7,096	8,547	6,976	6,243
of which other senior debt	6,297	7,947	6,676	5,643
of which subordinated debt	799	600	300	599
Total equity	7,145	7,079	7,482	7,499
of which ordinary equity	7,145	7,079	7,482	7,499
CAPITAL				
Common equity tier 1	4,657	4,825	4,971	4,931
Tier 1	4,957	5,125	5,271	5,531
Total capital	5,367	5,345	5,513	6,018
REA	30,842	32,728	33,329	35,278
INCOME STATEMENT				
Operating revenues	3,407	3,086	3,204	3,492
Pre-provision operating profit	2,041	1,812	1,839	1,852
Impairments	854	645	789	1,435
Net Income	880	947	816	281

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

Figure 16. Resurs Bank rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bb+
Operating environment	20.0%	bbb-
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
Competitive 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 calibration		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb**
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		**BBB**
Outlook		Negative
Short-term rating		**N3**

Figure 17. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB
Tier 2	BB+

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