Nordic Credit Rating

FINANCIAL INSTITUTION

Sweden
15 Mar. 2022

Resurs Bank AB (publ)

Full Rating Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

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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 earnings and good access to funding, as well as strong creditor rights across the Nordic region. Resurs Bank has, in line with the wider Nordic banking sector, weathered the COVID-19 pandemic with marginal impact on asset quality, which supports our assessment of the operating environment. Strong creditor rights provide powerful incentives for borrowers to repay debt and result in higher collection rates than in other European regions. This has contributed to Resurs Bank's demonstrable control of its credit losses since it was founded in 1977.

The rating is constrained by higher-than-average risk appetite associated with consumer lending and tough competition, and relatively low customer loyalty within the bank's key operating divisions. 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.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Resurs Bank will continue to expand its portfolio at a more moderate pace as the Norwegian consumer lending market emerges from a recent slump. We expect the bank to focus on profitable growth and believe earnings will stabilise as customers' payment patterns normalise when the COVID-19 pandemic subsides, as we project. We also believe that Resurs Bank's capitalisation and strong earnings make it resilient to any new economic downturn. We do not expect the Ukraine conflict to have a direct impact on the bank. However, any escalation of the conflict could reduce demand for consumer loans, travel and consumption. In addition, borrowers with already weak financial profiles are more likely to be affected by food and energy price inflation as a result of the hostilities which could affect their repayment capacity and increase credit losses.

POTENTIAL POSITIVE RATING DRIVERS

- Improved operating environment for consumer lenders.
- Materially higher capital ratios, with the Tier 1 ratio sustainably above 18%.

POTENTIAL NEGATIVE RATING DRIVERS

- Material economic deterioration in the Nordic region.
- Regulatory changes affecting the bank's business model, margins and recovery prospects for consumer loans.
- Material deterioration in capital ratios or asset quality.

Figure 1. Resurs Bank key credit metrics, 2018-2024e

%	2018	2019	2020	2021	2022e	2023e	2024e
Net interest margin	8.7	8.0	7.5	6.5	6.5	6.4	6.4
Loan losses/net loans	2.1	2.3	2.7	2.0	2.3	2.4	2.4
Pre-provision income/REA	7.3	7.1	6.6	5.7	5.8	5.8	5.9
Return on equity	19.6	18.9	13.0	13.3	12.3	12.0	12.5
Loan growth	16.2	12.1	-1.6	8.1	8.0	9.0	10.0
CET1 ratio	13.4	13.6	15.1	14.7	13.9	14.3	14.3

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 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 in two divisions; Payment Solutions and Consumer Lending (see Figure 3 and Figure 4). Within Payment Solutions, the bank offers credit cards, and engages in partnerships with retailers and travel agents to provide financing for large consumer goods and services. Within Consumer Lending, the bank offers standard unsecured consumer loans and newly launched secured loans in Norway. The bank actively uses its growing customer database to support its underwriting as it expands its Consumer Lending division across the Nordic markets.

Resurs Bank is owned by Resurs Holding, a Helsingborg-based company listed on the Stockholm stock exchange. In Dec. 2021, the shares in formerly owned insurance company Solid Försäkring (Solid) were distributed to Resurs Holding's shareholders and Solid was listed on the Stockholm stock exchange. Following the Solid transaction, Resurs Bank accounts for SEK 42.9bn of Resurs Holding's assets of SEK 43.0bn. The group's largest owner is Waldakt AB, an investment company owned by Sweden's prominent Bengtsson family.

OPERATING ENVIRONMENT

Operating environment assessment 'bbb'

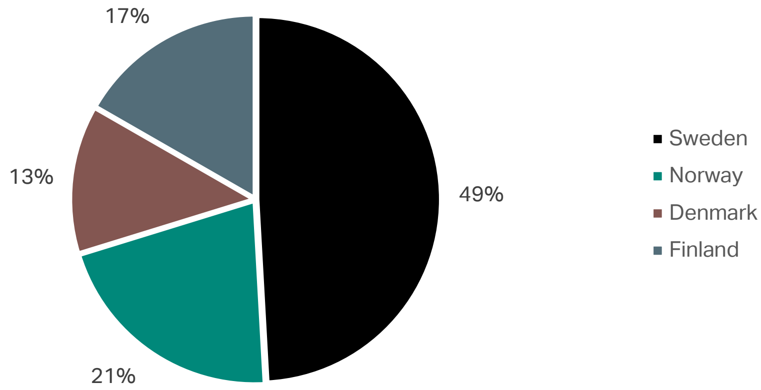
Resurs Bank operates across the Nordic region, with half of its lending exposures in Sweden, 21% in Norway, 17% in Finland and 13% in Denmark. Our assessment of the operating environment reflects our view that consumer loans are more sensitive to shifts in the economy and that Resurs Bank and its industry peers are under significant pressure from regulators and consumer protection agencies. For this reason, we view the operating environment as representing higher-than-average risk relative to our respective national banking assessments.

Robust Nordic economies benefit banking sector

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 assessments, we apply a score of 'a-' to the Swedish market and 'a' to the Norwegian market (see Swedish banking market prepared for continued uncertainty in 2022, 27 Jan. 2022, and Norwegian banking market demonstrating strength through pandemic, 27 Jan. 2022).

Figure 2. Resurs Bank credit portfolio by geography, 2021



Source: bank reports.

Diverse business profile, volatile drivers

Regional, sectoral, and cross-border factors 'bbb-'

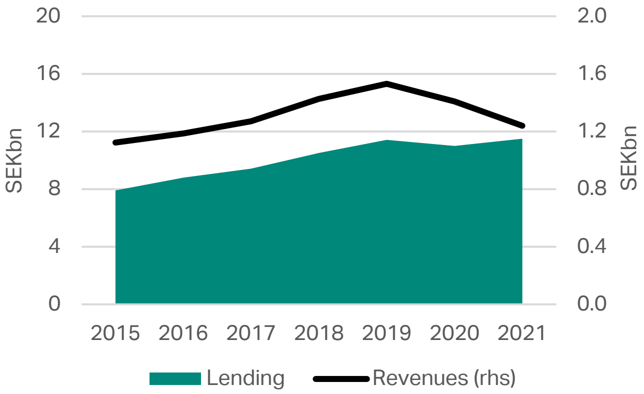
NCR views Resurs Bank's consumer lending as being more sensitive to shifts in the economy than a typical retail loan portfolio in the Nordic markets and we give more weight to the characteristics of consumer lending. Consumer lending increases Resurs Bank's sensitivity to the wider economy and the target 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). The unsecured nature of consumer lending also reduces recovery prospects if consumers face financial difficulties.

However, we note that the Nordic markets have strong legal frameworks which benefit creditors and incentivise borrowers to repay debt. This improves collection rates relative to many other European markets. We consider payments and factoring to be less risky than consumer lending with drivers that bear greater resemblance to the market average, as perceived in our national banking assessments.

We note that increased regulatory focus on consumer lending in the Nordic markets subjects the sector to risk factors such as more cumbersome underwriting and interest rate ceilings. In February 2022, Resurs Bank (and at least four of its peers) received written notice from the Swedish FSA that preliminary findings indicated that their credit assessment procedures failed to comply with the Consumer Credit Act. In particular, the regulator criticised the bank's assessment of borrowers' disposable income, saying that spending patterns should be specific to the individual borrower rather than based on national averages. The bank disagrees with the regulator's assessment and has responded to the preliminary findings.

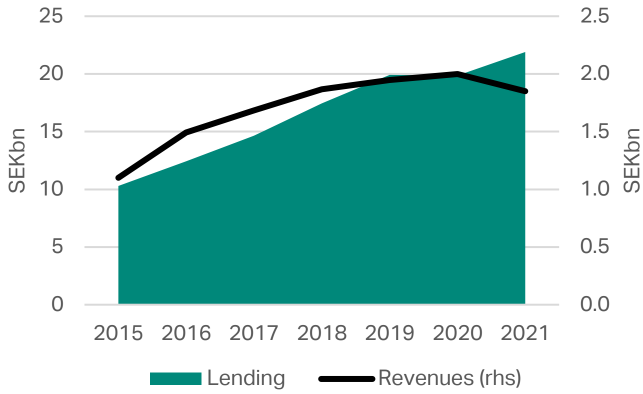
We see the actions of the Swedish FSA as part of a broad regulatory effort to check the growth of consumer lending across the Nordic region. We believe that increased regulatory review of consumer credit will continue to drive the banks in the sector towards products which attract less scrutiny such as credit cards and non-traditional mortgage loans, or to seek less competitive consumer banking markets. We note that Denmark has gone a step further than Sweden in its revised interpretation of the EU Consumer Credit Directive. The Danish approach appears to incorporate parts of a June 2021 EU proposal to update the directive to address increased use of automated decision-making systems in approving loans and to protect borrowers from excessive margins on small loans under EUR 200. We note that the revised Danish interpretation has already resulted in some lenders reducing or ceasing new small domestic loans as they adjust their internal systems.

Figure 3. Resurs Bank Payment Solutions division, 2015-2021



Based on bank reports.

Figure 4. Resurs Bank Consumer Lending division, 2015-2021



Based on bank reports.

RISK APPETITE

Risk appetite assessment 'bbb'

In our opinion, Resurs Bank has 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 and reduced its growth ambitions and risk appetite following the onset of the COVID-19 pandemic. Resurs Holding revised its financial targets during 2021 to focus on profitable growth (rather than loan growth) and improved cost efficiency.

Risk governance and environmental, social and governance factors

Risk governance 'bbb'

We view Resurs Bank's risk governance framework in the 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 allow 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.

Resurs Holding is increasing its commitment to sustainability and made it a focus of its September 2021 "capital market day". New sustainability goals were announced focusing on improving customers' financial knowledge, as well as more sustainable products and reducing Resurs Bank's climate impact by 50% by 2030. As part of these efforts the bank has increased its focus on advisory activities and transparency with respect to payment notices, among other initiatives.

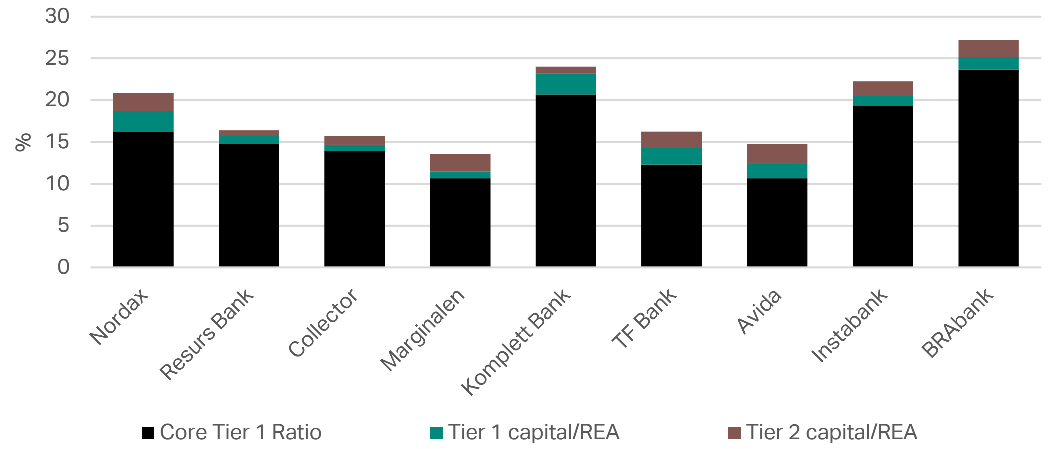
With these measures, Resurs Bank is responding to criticism about responsible credit lending given concerns about rising debt levels and an increased volume of loans and cases being handled by collection agencies. Resurs Bank also claims that less than 0.1% of purchases by Resurs Bank customers end up at collection agencies. Despite these efforts, Resurs Bank reports 14.6% gross Stage 3 NPLs, a significant level compared with market averages across the Nordic region. We also expect the bank to reduce its ratio of NPLs and increase NPL sales to external parties as it prepares for the impact of the EU's backstop in the next few years, which indicates a shift from its previous approach of maintaining relationships with problem customers.

Capital targets updated to reflect margin to regulatory requirements

Capital 'bbb'

We consider Resurs Holding's consolidated capital in our assessment of Resurs Bank's capital. Following the divestment of Solid in 2021, the differences between the two entities are marginal. We note that the bank's updated financial policies maintain a target dividend payout ratio of 50%, but the bank now defines its target capital ratios as 150-300bps above regulatory requirements (previously a CET1 ratio of 11.5%). We expect the bank to expand lending by 8-10% annually over the next few years and to continue making annual dividend payments in excess of 50% of net profit from 2023. This results in a projected CET1 ratio of close to 14% over the next three years, in line with our previous expectations. We also take into consideration Tier 1 capital instruments, which add about 1pp to the Tier 1 capital ratio. The bank's revised financial targets will lead to capital ratios at 1.5-3% above regulatory requirements. The bank had a 6% buffer to regulatory Tier 1 capital requirements at end-2021 and average ratios among its Nordic consumer finance peer group (see Figure 5). We expect the Swedish FSA to implement Pillar 2 guidance for Resurs Bank and its peers at a level higher than the 1-1.5pp increase to the CET1 requirement advised by the regulator in 2021. Resurs Bank uses standardised capital models and had a Basel leverage ratio of 11.8% as of end-2021.

Figure 5. Selected Nordic niche banks' capitalisation and lending growth, 2021



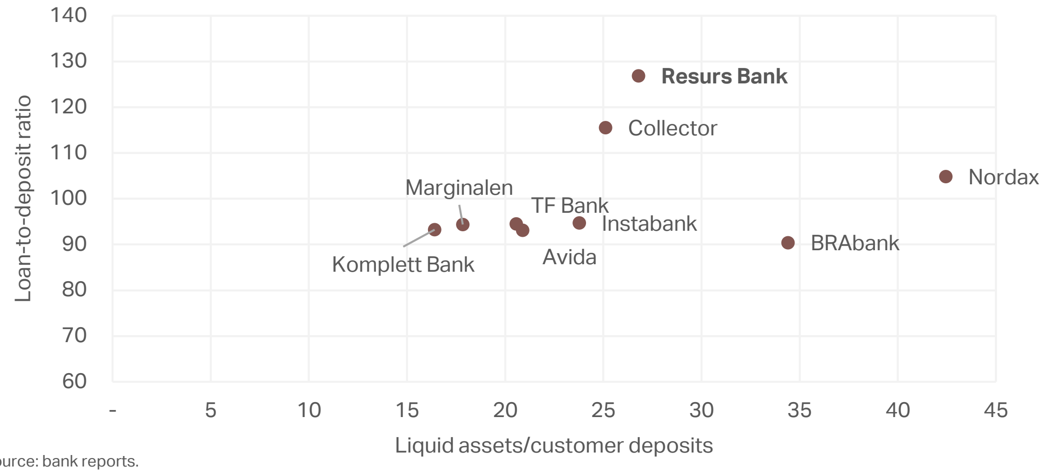
Source: bank reports.

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, especially given Denmark's demonstrated ability to protect the peg of the Danish krone to the euro. The bank also uses senior unsecured lending via a SEK 9bn medium-term note programme, of which about SEK 6.5bn was outstanding at end-2021. The senior unsecured borrowing provides longer-term funding in Swedish kronor and Norwegian kroner with a variety of maturities given the modest principal amounts. The bank also has SEK 2bn in asset-backed security financing backed by SEK 2.5bn in consumer loans, which was originated in 2015 and has a revolving maturity which expires in June 2022. If the asset-backed financing is not extended, amortisation begins and is repaid using customer loan instalments from the encumbered loans.

Figure 6. Selected Nordic niche banks' funding and liquidity ratios (%), 31 Dec. 2021



Source: bank reports.

Given the price-sensitive nature of Resurs Bank's deposit base, we view the funding profile as somewhat weaker than that of typical Nordic banks, which tend to rely on relational deposits and stable covered bond issuance. However, we note that Resurs Bank is well positioned within its peer group and has a high level of liquid assets, including deposits held by highly rated banks, which represented 27% of the deposit base as of end-2021 and note that over 90% of the bank's deposits were covered by Swedish or Norwegian deposit guarantee funds. Resurs Bank's liquidity exposures are of high quality and fulfil both regulatory liquidity coverage requirements and the bank's internal liquidity stress requirements by a good margin.

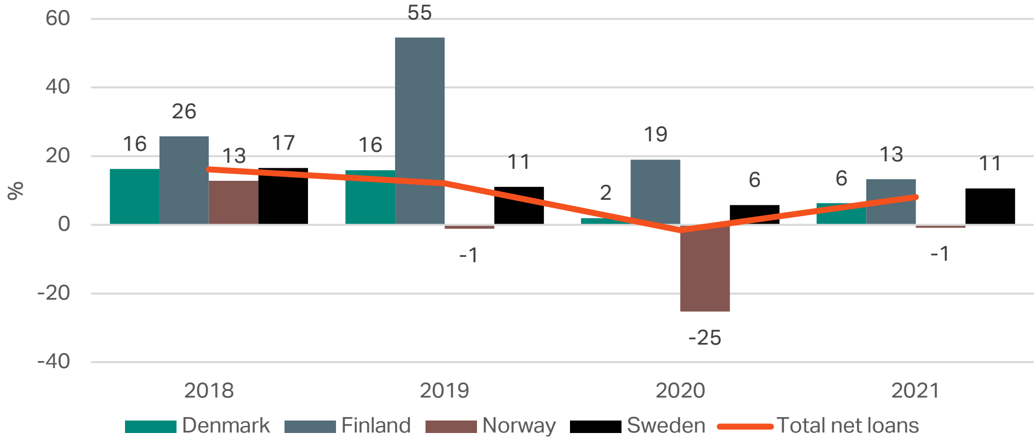
Underwriting faces regulatory criticism

Credit risk 'bbb-'

In February 2022, Resurs Bank announced that it had received notice from the Swedish financial supervisory authority (FSA) that it might be non-compliant with Sweden's Consumer Credit Act when evaluating customers' disposable income and that the regulator is considering action against the bank. In addition, the Danish regulator has criticised the bank's assessment of borrowers' disposable income when underwriting consumer loans. The bank has responded to the preliminary regulatory findings, but could be subject to fines and alterations to its underwriting processes, in particular in terms of information requirements for smaller loans. NCR will monitor this situation and its implications for Resurs Bank. Nonetheless, we believe that the regulatory scrutiny could affect growth in the next few years.

Our credit risk assessment balances our view of the granularity and unsecured nature of the loan book against our expectations of loan growth. We note the differences between the small average size and short average maturity of the Payment Solutions portfolio (average loan under SEK 2,000) and the Consumer Lending portfolio (average loan over SEK 100,000). We view the high granularity of the Payment Solutions portfolio as positive for the overall credit risk in the portfolio, though we note the increased regulatory scrutiny of smaller ticket loans.

Figure 7. Resurs Bank net lending growth rate by market, 2018-2021



Source: bank reports.

Resurs Bank's growth has been driven by its Consumer Lending division, larger loan sizes, and expansion across the Nordic markets. The bank reduced its risk appetite in 2020 in response to the COVID-19 pandemic and still has a lower-than-normal risk appetite. Resurs Bank's credit growth has varied across the Nordic region in recent years (see Figure 7). Combined with higher loan limits and improved credit automation, the Finnish market remains the fastest growing market despite legislation imposing maximum interest rates and a ban on direct marketing in 2020 and most of 2021. In Norway, the implementation of an official debt register and other regulatory initiatives has contributed to lower volumes and reduced margins. However, the bank reported 8% growth in Norway in the second half of 2021, indicating a likely recovery in volumes and margins which we have considered in our forecast. In Denmark and Sweden, growth in consumer loans has been driven by larger ticket loans and improved automation of the credit approval process.

Other risks

Other risks 'bbb'

We note that the bank's relationships with third-party collectors and forward-flow agreements with a small group of partners could be affected during a period of market stress. Several of Resurs Bank's collection partners are highly leveraged companies financed in the high-yield capital markets. If demand for risk changes materially, these companies could face financing difficulties and be forced to reduce the NPLs they accept or breach existing contracts due to financial distress. Resurs Bank mitigates this risk by maintaining at least two partners in each of its Nordic markets. We also note that prices for NPLs in the secondary market could be affected by the imminent impact of the EU's prudential NPL backstop. This increases the risk that Resurs Bank and its peers would need to revise their current NPL provisioning levels or increase their use of forward-flow agreements, which could attract increased regulatory scrutiny.

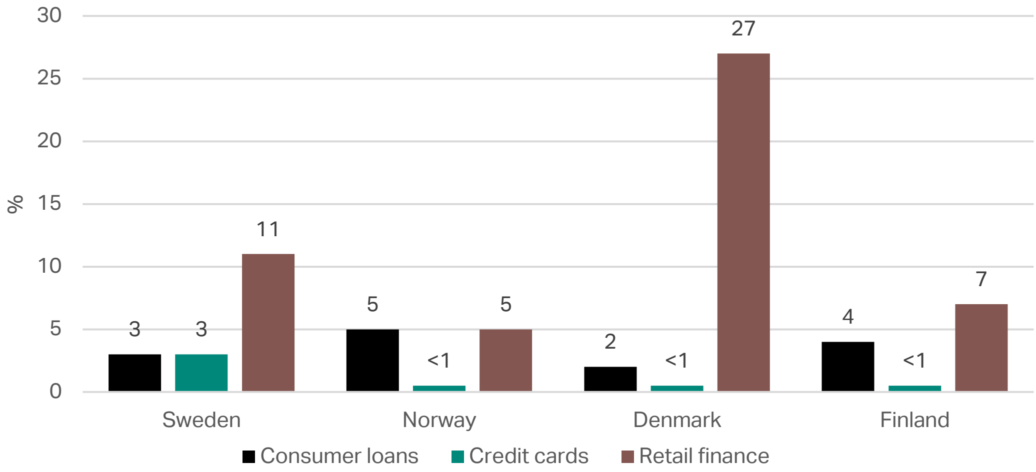
We do not view market risk as a significant factor for Resurs Bank, apart from the hedged currency risk described in the funding section. Most of the bank's interest rates are variable within three months, resulting in modest interest rate risk in the banking book.

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. However, fierce competition exists in the consumer loan and credit card markets and we believe that it is difficult for banks to gain an advantage in terms of driving pricing or attracting stronger customers on the basis of reputation.

Figure 8. Resurs Bank market shares by geography and product group, Q2 2021



Source: bank reports.

Resurs Bank's revenues are driven by consumer lending and are therefore dependent on retail and consumer demand trends. Margins in the Payment Solutions division have declined since the onset of the COVID-19 pandemic due to reduced travel and restaurant visits, but this has been mitigated by growth in other areas such as DIY products. We note that revenue from payment solutions, credit cards and consumer loans depends on continued levels of consumption and consumption-led indebtedness, which could be a target area for future regulation.

We note that efforts to maintain retail partnerships and pressures on Nordic retail partners from global retailers could affect Resurs Bank more than most Nordic banks. The bank has, however, stated that no partner contributes more than 5% of net profits, which mitigates the related risk.

PERFORMANCE INDICATORS

Performance indicators assessment 'bbb+'

We expect Resurs Bank to continue to generate strong pre-provision profits despite margin pressure that has exceeded our expectations since the onset of the pandemic. The bank aims to improve its already strong cost efficiency as part of its revised financial targets, thereby supporting risk-adjusted earnings. We also expect the bank's loan loss ratio to remain stable within its historical 2-3% band over the next few years and to reduce the level of NPLs via portfolio sales to reduce the impact of the EU's NPL backstop rules.

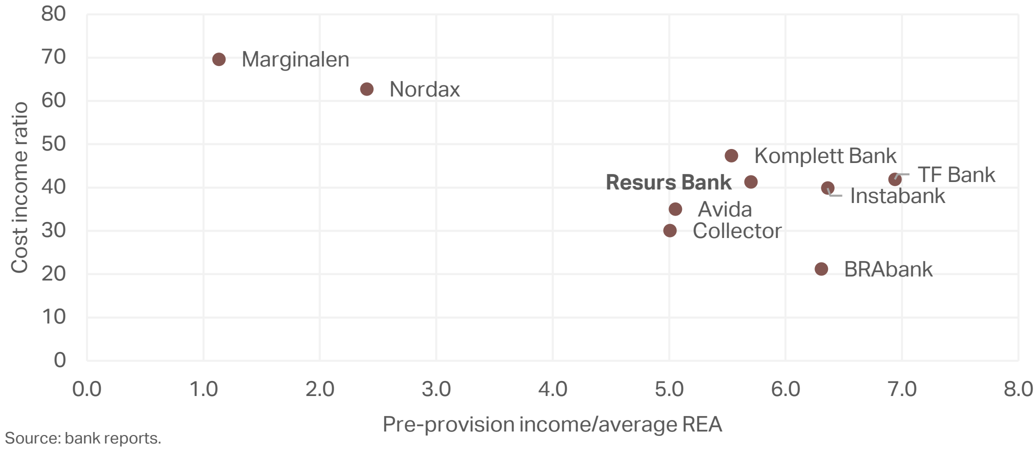
Earnings and margins likely to stabilise

Earnings 'aa'

Net interest margins have declined in recent years, but the decline has accelerated since the onset of the pandemic. The recent declines are largely explained by falling volumes in Norway, higher-ticket, lower-margin loans in consumer lending, and mix effects in the Payment Solutions division, with large low-margin retailers accounting for an increasing proportion of income. Despite margin pressure, the bank has retained its strong cost efficiency and we anticipate a stabilisation in margins and increased cost effectiveness given its 35% cost-to-income financial target over the next 3-5 years. We expect the bank's cost improvements will in large part be driven by improved operational efficiency resulting from investments in a new core banking platform.

Resurs Bank's risk-adjusted earnings performance remains solid, with a 5.7% ratio for 2021, somewhat below the ratios of its higher-risk peers, but well above those of most Nordic banks. We anticipate a recovery in volumes in Norway and higher Payment Solutions volumes due to more normal spending patterns to stop the decline in margins and stabilise risk-adjusted earnings. Strong capital generation also provides a considerable cushion for credit losses, growth and dividend payments while maintaining existing capital ratios.

Figure 9. Selected Nordic niche banks' earnings metrics (%), 2021



Source: bank reports.

Loan losses manageable given strong earnings

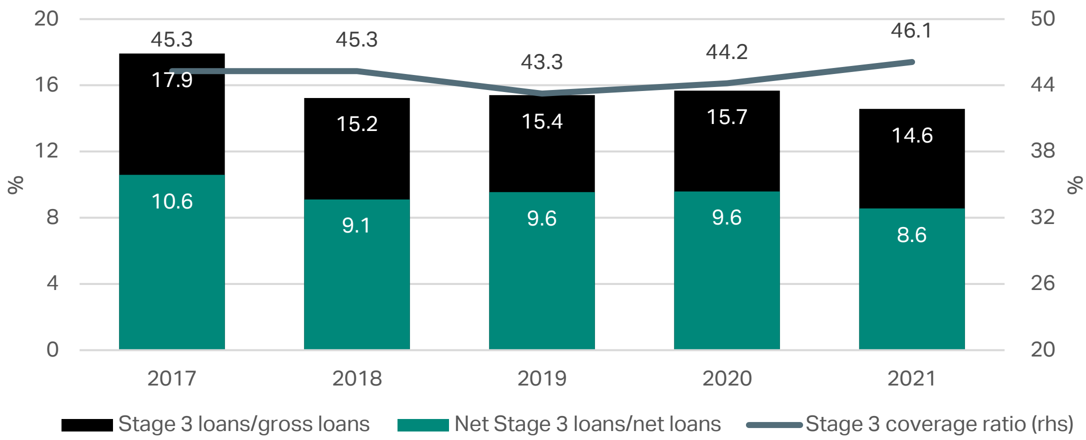
Loss performance 'bb'

Resurs Bank has undergone periods of severe financial stress since its foundation in 1977, while managing to maintain loss ratios of 2-3% throughout. However, we note that the nature of the loan book has evolved, with increased cross-border exposures, risk appetite, average loan sizes, and level of borrower indebtedness.

Resurs Bank made an extra reserve of SEK 75m in response to COVID-19 in 2020, which was reversed in the third quarter of 2021. This reserve led to a 20bp impact on loss ratios in 2020 and 2021. Loan losses excluding this reserve would have been 2.5% and 2.2%, respectively. We forecast a modest increase in credit provisions due to our expectation of higher reserve rates for NPLs as the EU's NPL backstop takes effect.

Gross Stage 3 NPLs stood at 14.6% of total lending at end-2021 and we anticipate further declines as the bank sells NPL portfolios to conform with the NPL backstop. The bank has increased its Stage 3 coverage ratio and we anticipate a need to continue to increase reserve ratios as the European secondary NPL market is flooded with offloaded NPLs and the consequent impact on market pricing.

Figure 10. Resurs Bank problem loans and loss reserves, 2017-2021



Based on bank reports.

ADJUSTMENT FACTORS

Peer comparison

Peer comparison neutral

We believe that Resurs Bank's relative strengths and weaknesses are accurately reflected by the 'bbb' initial credit assessment and make no adjustments on the basis of a comparison against the bank's peer group or any other 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.

Figure 11. Resurs Holding ownership structure, as of 31 Dec. 2021

Owner	Ownership share, %
Waldakt AB	28.9
Avanza Pension	4.5
Swedbank Robur Funds	3.0
Vanguard	2.4*
Tredje AP-fonden	2.1
Dimensional Fund Advisors	1.8*
Life Insurance Skandia	1.7
Catea Group	1.7
Janus Henderson Investors	1.6*
Nordnet Pension	1.5
Other	50.8

Source: Resurs Holding. *as of 30 Nov. 2021

ISSUE RATINGS

Our rating on Resurs Bank's unsecured senior debt is in line with the 'BBB' issuer rating. The bank has a medium-term note programme, which we also rate 'BBB'. Resurs Bank has an outstanding Tier 2 instrument, which we rate two notches below the issuer rating at 'BB+'.

Figure 12. Resurs Bank key financial data, 2017–2021

Key credit metrics (%)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
INCOME COMPOSITION					
Net interest income/op. revenue	82.2	82.8	83.0	83.5	82.1
Net fee income/op. revenue	11.7	11.8	11.7	10.6	11.3
Net trading income/op. revenue	-0.6	-1.2	-1.2	-0.4	0.1
Net other income/op. revenue	6.7	6.7	6.4	6.3	6.5
EARNINGS					
Net interest margin	8.6	8.7	8.0	7.5	6.5
Pre-provision income/REA	7.2	7.3	7.1	6.6	5.7
Return on ordinary equity	18.9	19.6	18.9	13.0	13.3
Return on assets	3.5	3.3	3.0	2.2	2.3
Cost-to-income ratio	40.1	40.1	38.7	40.1	41.3
Cost-to-income ratio, ex. trading	39.8	39.6	38.2	40.0	41.3
CAPITAL					
CET1 ratio	13.6	13.4	13.6	15.1	14.7
Tier 1 ratio	13.6	13.4	14.5	16.1	15.7
Capital ratio	15.5	14.7	16.3	17.4	16.3
REA/assets	81.3	80.9	76.2	76.7	76.3
Dividend payout ratio	88.4	66.6	62.5		123.9
Leverage ratio	10.8	10.5	10.8	12.0	11.8
GROWTH					
Asset growth	7.7	16.6	13.0	-1.5	6.7
Loan growth	13.5	16.2	12.1	-1.6	8.1
Deposit growth	-3.1	15.4	18.7	0.1	5.7
LOSS PERFORMANCE					
Credit provisions to net loans	1.83	2.06	2.26	2.75	2.01
Impaired loans to gross loans	14.57	15.24	15.42	15.68	14.57
Net impaired loans to gross loans	7.19	6.77	7.01	6.87	6.23
Net problem loans to equity	33.58	36.36	37.65	32.51	32.01
Non-performing loan coverage ratio	50.68	55.59	54.56	56.21	57.25
Stage 3 loans/gross loans	17.91	15.24	15.42	15.68	14.57
Net stage 3 loans/net loans	10.59	9.11	9.55	9.60	8.56
FUNDING & LIQUIDITY					
Loan/deposit ratio	132.6	133.5	126.1	124.1	126.9
Net stable funding ratio	0.0	0.0	0.0	0.0	0.0
Liquidity coverage ratio	218.0	155.5	274.1	294.7	244.5

Key financials (SEKm)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
BALANCE SHEET					
Total assets	30,964	36,120	40,807	40,188	42,900
Total tangible assets	29,118	34,174	38,787	38,342	40,921
Total financial assets	28,965	33,728	38,329	37,952	40,382
Net loans and advances to customers	24,069	27,957	31,345	30,858	33,347
Total securities	2,210	2,038	2,726	3,066	2,453
Customer deposits	18,147	20,934	24,848	24,872	26,287
Issued securities	6,137	8,330	8,470	7,096	8,471
of which covered bonds					
of which other senior debt	5,597	7,832	7,672	6,297	7,872
of which subordinated debt	540	498	798	799	600
Total equity	5,563	5,687	6,368	7,145	7,079
Total ordinary equity	5,563	5,687	6,368	7,145	7,079
CAPITAL					
Common equity tier 1	3,432	3,919	4,223	4,657	4,825
Tier 1	3,432	3,919	4,523	4,957	5,125
Total capital	3,905	4,281	5,071	5,367	5,345
REA	25,167	29,218	31,090	30,842	32,728
INCOME STATEMENT					
Operating revenues	2,928	3,293	3,478	3,407	3,086
Pre-provision operating profit	1,755	1,972	2,133	2,041	1,812
Impairments	413	536	669	854	645
Net Income	1,036	1,105	1,137	880	947

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

Figure 13. Resurs Bank rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bbb-
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
Market 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 comparisons		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb**
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		**BBB**
Outlook		Stable
Short-term rating		**N-1+**

Figure 14. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB
Tier 2	BB+

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