

Nordax Bank AB (publ)

Rating Action Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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Nordax Bank subsidiary Bank Norwegian assigned 'BBB' long-term issuer rating; Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned a 'BBB' long-term issuer rating to Norway-based consumer bank Bank Norwegian. The outlook is stable. An 'N3' short-term issuer rating and a 'BBB' senior unsecured issuer rating were also assigned.

Rating rationale

Bank Norwegian is a wholly owned subsidiary of [Nordax Bank AB \(publ\)](#). The long-term issuer rating reflects our view that the subsidiary is a 'vital' entity within Nordax Bank's group structure, as defined by our Group and Government Support Methodology. Under our definition, the long-term issuer rating on a 'vital' group entity is aligned with the long-term issuer rating on the parent.

Our assessment of Bank Norwegian's status reflects an ongoing intragroup merger between the two entities. The transaction has already been approved by the Swedish and Norwegian financial supervisory authorities as well as the boards of directors of the respective entities. The bank has said it expects the merger to be completed on or about the end of November. We believe there is an extremely high likelihood of support from the parent in the interim.

Following the merger, Nordax Bank will be the surviving entity, while Bank Norwegian will operate as the merged entity's Norwegian branch. As a result of the merger, Nordax Bank will become the de facto issuer of Bank Norwegian's outstanding bonds.

Stable outlook

The stable outlook on Bank Norwegian reflects our stable outlook on our long-term issuer rating on Nordax Bank. Our outlook on Nordax Bank reflects our view that the Bank Norwegian acquisition continues to provide benefits in terms of scale and improved earnings capacity, although these factors are partly offset by the higher risk profile of the acquired loan book and high projected loan growth. We anticipate that the resulting added value will increase gradually as additional synergies and capital improvements are achieved. We believe Nordax Bank will prove resilient to an economic downturn as we expect its earnings to remain strong on the back of rising interest rates.

Rating list (Bank Norwegian ASA)

	Rating
Long-term issuer credit rating:	BBB
Outlook:	Stable
Short-term issuer credit rating:	N3
Senior unsecured issue rating:	BBB

Figure 1. Nordax Bank rating scorecard

Subfactors	Impact	To	From
National factors	5.0%	a-	a-
Regional, cross border, sector	15.0%	bbb-	bbb-
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%	bb+	bb+
Market risk	-	-	-
Other risks	2.5%	bbb-	bbb-
Risk appetite	50.0%	bbb	bbb
Market 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 comparisons		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		Stable	Stable
Short-term rating		N3	N3

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	BBB	BBB
Tier 2	BB+	BB+

Figure 3. Associated entities

Name	LT rating	Outlook	ST rating
Bank Norwegian ASA	BBB	Stable	N3
Senior unsecured	BBB		

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 29 Jun. 2021.
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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