

Research Update:

# Bank Norwegian 'BBB/A-2' Ratings Put On CreditWatch Negative On Takeover By Swedish Consumer Lender Nordax Bank

September 10, 2021

## Overview

- On Sept. 8, 2021, Nordax Bank AB (unrated) announced that it had achieved a two-thirds acceptance level for its offer on Bank Norwegian ASA's shares, with the extended offer period ending Sept. 24, 2021.
- We understand Nordax Bank intends to create a leading Nordic consumer finance lender, but key details remain uncertain, in particular, Nordax Bank's future capital management and risk appetite, and Bank Norwegian's operational and strategic integration, which could compromise its currently robust capitalization and operating efficiency.
- We therefore placed our 'BBB/A-2' ratings on Bank Norwegian on CreditWatch with negative implications.
- We aim to resolve the CreditWatch placement once we have more clarity on Nordax Bank's goals and their strategic and financial implications for Bank Norwegian.

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## Rating Action

On Sept. 10, 2021, S&P Global Ratings placed its 'BBB/A-2' long- and short-term issuer credit ratings on Norway-based Bank Norwegian ASA on CreditWatch with negative implications.

## Rationale

**The CreditWatch placement reflects our views that a takeover by Nordax Bank could weaken Bank Norwegian's credit profile.** At this stage, we have no visibility on Nordax Bank's financial and strategic planning after the acquisition. In particular, details about Nordax Bank's medium-term financial targets, future capital management, and expected risk appetite could materially affect Bank Norwegian's creditworthiness as part of a broader group. The combined entity's market positioning, branding, and pricing policies might in our view weigh on Bank

Norwegian's prospective business growth and profitability, which have supported our 'BBB/A-2' ratings. Furthermore, we consider that Bank Norwegian's operational integration into the group could compromise its highly efficient and agile digital business model.

**Nordax Bank announced it had reached 66.67% acceptance for its recommended voluntary cash offer for Bank Norwegian's shares.** Nordax Bank launched the takeover offer on Aug. 6, 2021, with the aim of acquiring all of Bank Norwegian's equity with a minimum acceptance level of 90%. The offer period was extended earlier this week with a waived condition targeting a lower share acceptance level of two-thirds. We understand that Nordax Bank has now successfully received consent for 42.5% of the outstanding shares and votes before the final offer deadline. Combined with the Bank Norwegian shares it has acquired and agreed to acquire--including the 22.7% shareholding of Nordic Capital Fund IX and Sampo PLC in line with the contribution agreements--it has now reached the required acceptance level.

**The takeover offer is subject to regulatory approvals.** We understand that Nordax Bank has obtained approvals for its offer from the Norwegian competition authority and the Norwegian Financial Supervisory Authority (FSA). However, approval from Sweden's FSA is still outstanding.

**Our 'BBB/A-2' ratings on Bank Norwegian are supported by the bank's very high capitalization and superior profitability compared with peers'.** Under its current strategic setup, we expect that Bank Norwegian's capitalization will remain a strong buffer against unexpected losses. The bank's strong earnings and superior operating efficiency--even in stressed conditions amid the COVID-19 pandemic in 2020--have allowed capital buildup in recent years. Without the merger, the risk-adjusted capital (RAC) ratio is projected to remain well above 15% through 2023, compared with 22.75% as of June 30, 2021.

## CreditWatch

The CreditWatch negative placement indicates the uncertainty about the potential impact of the takeover on Bank Norwegian's creditworthiness.

We could lower the ratings if we believe Bank Norwegian's RAC ratio is likely to weaken from very strong levels over the next 12-24 months, or if we believe the bank can no longer outperform its peers in terms of profitability as part of the Nordax Bank group. Our assessment of the prospective parent group's creditworthiness and the level of Bank Norwegian's integration and status within the group could also limit the ratings on Bank Norwegian.

We expect to resolve the CreditWatch in the next 90 days, once we are able to analyze the implications of the takeover, or in the event the transaction is called off.

## Ratings Score Snapshot

Issuer Credit Rating BBB/Watch Neg/A-2

SACP bbb-

Anchor a-

Business position Weak (-2)

Capital and earnings Very strong (+2)

Risk position Weak (-2)

Funding and Below average and (-1)

Liquidity Adequate

Support 0

ALAC support 0

GRE support 0

Group support 0

Sovereign support 0

Additional factors +1

## Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Bank Norwegian's Potential Takeover By Nordax Bank Is Progressing, But It's Too Soon To Assess The Impact, Aug. 9, 2021
- CEO Departure Won't Derail Bank Norwegian ASA's Expansion Strategy, June 29, 2021
- Bank Norwegian ASA, June 25, 2021
- Bank Norwegian May Gain Scale And Lose Efficiency Benefits If Acquired By Nordax Bank, March 5, 2021
- Digital Lender Bank Norwegian Outlook Revised To Stable On Earnings Resilience In Downturn; 'BBB/A-2' Ratings Affirmed, Nov. 12, 2020
- Digital Lender Bank Norwegian Now Considered Critical Player In Norway, Nov. 29, 2019
- Bank Norwegian's New Shareholder Structure Could Uphold Future Expansion, Aug. 19, 2019

## Ratings List

### Ratings Affirmed; CreditWatch Action

	To	From
<b>Bank Norwegian ASA</b>		
Issuer Credit Rating	BBB/Watch Neg/A-2	BBB/Stable/A-2

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