



Resurs optimizes capital structure

Mitigation of NPL-backstop regulations

“We are proud to be among the first banks in the Nordic market to be capable of executing a transaction of this magnitude. This proves the quality of our assets despite the current economic challenges in today’s environment, with elevated interest rates and higher expectations on shareholder return, and the robust trust we have in the market”



Stefan Noderén

Chief Credit and NPL Officer

Background and transaction rationale

- The prudential NPL Backstop regulations that came into effect in April 2019 are, in short, a requirement for banks to minimize equity as non performing unsecured **loans issued after 25 April 2019** must be **written down fully** from the capital base **three years after the credit defaulted**.

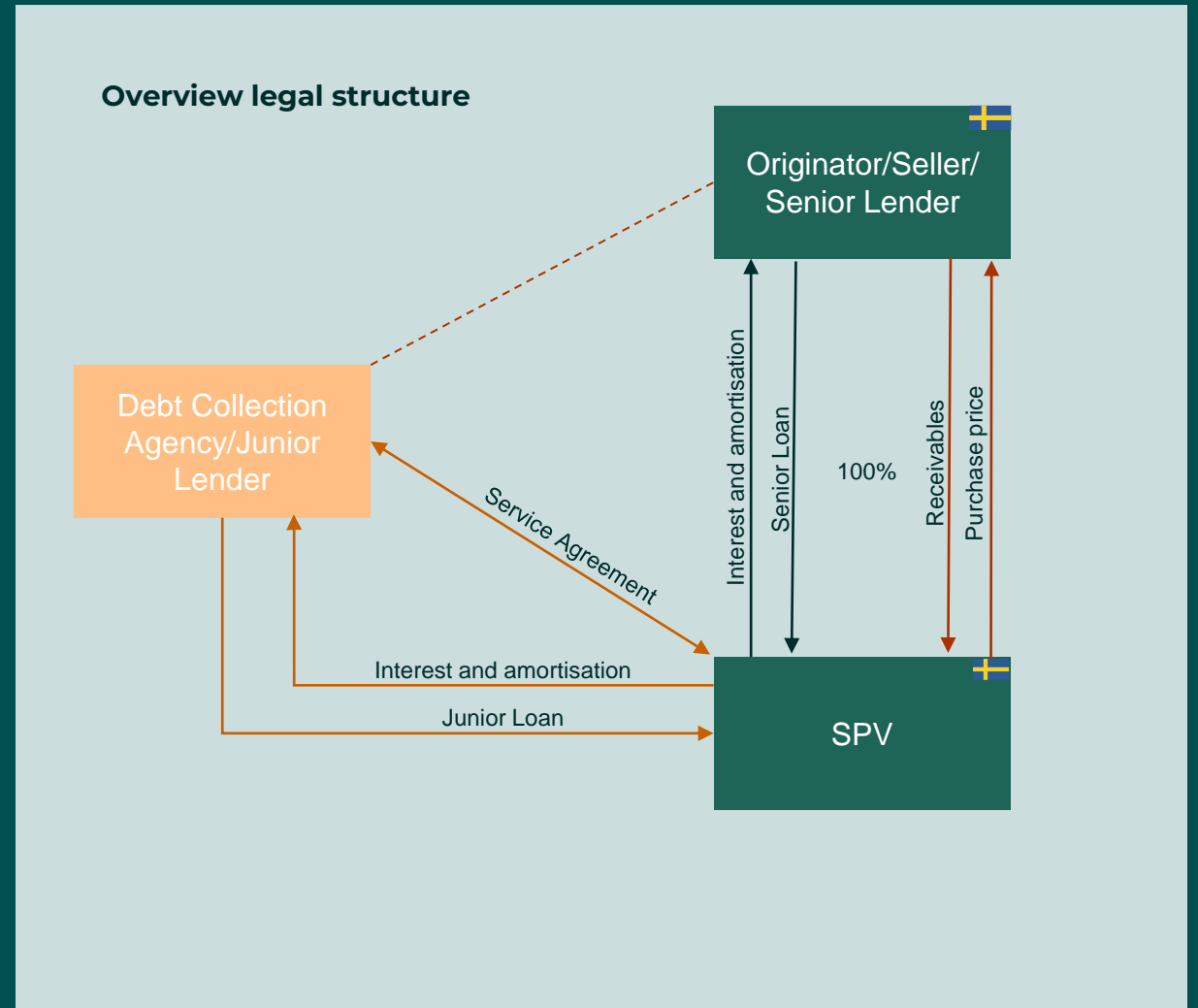
Loan book stages	Stage 1	Stage 2	Stage 3 = Non performing Loans
Days past due	0 - 30	31 – 89	90

- It has nothing to do with changed accounting methodology. It is only concerning new capital requirements.
- The regulation will affect all banks in the European market.
- The estimated deductions on Resurs capital base, if no changes from today, will increase over time.
- The underlying rationale for executing the transaction is to **optimize the bank's Return on Equity (RoE)**. Following the implementation of the NPL Backstop regulations the RoE on the NPL-portfolios affected by the NPL-backstop regulation will be substantially lower than the Banks overall RoE.
- Total annual expected reliefs:

	2024	2025	2026
Total Expected Capital relief, kSEK	508 718	791 717	877 443

Overview transaction structure

- The transaction includes non-secured non-performing loans that is affected by the NPL-Backstop regulation in Sweden and Denmark until 30 June 2023 and Finland until 31 December 2022.
- Cut of date for the transaction is set to 30/6-2023
- The total gross value is 2,6 billion SEK and net value of approx. 1,2 billion SEK. The portfolios will be sold to Resurs Bank 100% owned SPV's.
- The SPV's will finance the acquisition by a senior loan from Resurs (90 %) and a junior loan from Lowell (9,5 %) and Resurs (0,5 %).
- The transaction will qualify as a securitization under Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the Securitization Regulation),
- The transaction is structured so that Resurs Bank meets the requirements of significant risk transfer under Article 244 of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 (Supervisory Regulation).



Significant Risk Transfer

- The transaction meets the criterion that SRT associated with the underlying exposures has been transferred to Lowell.
- Which means that the originator institution does not hold more than 20% of the exposure value of the first loss tranche in the securitisation.
- The originator shall also demonstrate that the exposure value of the first loss tranche exceeds a reasoned estimate of the expected loss on the underlying exposures by a substantial margin.
 - This has been demonstrated through several tests, for example:
 - Minimum thickness test
 - The first loss tranche is sufficiently robust to cover the lifetime expected loss ("LTEL") and a major share of the unexpected loss ("UL")
 - Principle-based approach to test CRT (transfer of credit risk)
 - Test should be performed under different scenarios, for example:
 - Evenly loaded scenario LTEL evenly distributed during the lifetime, and UL materializing at the end of the lifetime.
 - The back-loaded scenario shall assume that 2/3 of the LTEL would take place in the last 1/3 part of the life of the transaction, and UL materializing at the end of the lifetime
- The transaction is structured to meet all Significant Risk Transfer-requirements which has impacted the transaction price.
- According to regulations an originator institution shall provide the competent authority (SFSA) with all requested information of the securitizations on which they intend to demonstrate SRT. It is a notification required for the SFSA which will be done on closing for the transactions.

Effects on Resurs PnL, Balance sheet and Capital effects

PnL-effects

- One-time effects of -171 MSEK (pre tax) will be deducted from PnL in Q4-2024. Please find details on next slide.
- In 2024, monthly revenue will be approx. 4 MSEK lower following lower income from NPL portfolios, this will be somewhat mitigated by interest from bond.

Balance sheet effects

- From signing date 30/11 lending will be reduced with 1,3 bn SEK and bond will increase balance sheet with +1,0 bn SEK

Back-stop effects on capital

- Back-stop effects will be reduced when the transactions are finally closed, which is expected to be in Q1-2024. In Q3-2023 Back-stop effect amounted to 24 MSEK.

Expected Timeline

Signing date 30/11

Negative one time effects of -167 MSEK (pre tax)

Balance-sheet effects
-1,3 bn SEK lending and
+ 1,0 bn SEK bond.

Closing Q1-2024

Positive back stop-effects when portfolio is transferred

Nov-23

Dec-23

Jan-24

Feb-24

Mar-24

One time financial effect in detail

One time effects on credit losses consists of three parts

A: Lower sales price vs book value since the transaction is structured to meet all Significant Risk Transfer-requirements which has impacted the transaction price.

	Gross Loan book	Net Loan book	Net vs gross value Loan book	Transaction price, %	Securitization amount	Realisation, net
kSEK	2 554 708	1 278 362	50%	47%	1 197 026	-81 337

B: Accounting effect, fair value interest rate calculation

	Realisation, net
kSEK	-11 500

C: Income received July to November will lower the sales price due to cut off date set at June 30 - 2023

	Realisation, net
kSEK	-51 008

Total one time effects in Q3-23

Total costs to set transaction in 2023	-3,2 MSEK
Estimated costs for transferring the portfolios from our debt collection agencies	-24 MSEK
Summary one time effects on opex	-27 MSEK
Summary one time effects on credit losses (above)	-144 MSEK
Summary total one time cost-effects that will affect Q4-2023	-171 MSEK