Norion Bank AB (publ)

Full Rating Report

LONG-TERM RATING

BB+

OUTLOOK

Stable

SHORT-TERM RATING

N4

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RATING RATIONALE

Our 'BB+' long-term issuer rating on Norion Bank AB (publ) reflects the bank's elevated risk appetite and our increasing concerns about its management of conflicts of interest and related-party lending. We also view single-name risk in the real estate and corporate loan book as a risk factor given the high proportion of Stage 3 non-performing loans (NPLs). We have incorporated a notch of peer adjustment into the long-term issuer rating to reflect these risk factors.

The rating is supported by the bank's strong risk-adjusted earnings, varied loan exposures, access to diverse funding sources, and robust capital position. We expect the bank to grow across all business segments, including Nordic consumer loans and payments, real estate, and mid-sized corporate lending.

STABLE OUTLOOK

The outlook is stable, reflecting our view that Norion Bank will maintain its capital ratios and reduce the proportion of Stage 3 real estate lending, supported by its strong earnings. It also reflects our expectation that the bank will limit further increases in related-party exposures and focus on expanding its core business outside the sphere of its ownership group. A higher rating is unlikely until we see clear signs of sustainable balance sheet improvement, greater transparency, and stronger internal limits to manage conflicts of interest.

POTENTIAL POSITIVE RATING DRIVERS

- Improvement in transparency and management of conflicts of interest and related-party exposures.
- A material reduction in downside risk associated with Stage 3 loans.

POTENTIAL NEGATIVE RATING DRIVERS

- Tier 1 ratio below 15% over a protracted period.
- Lasting increase in loan-loss provisions above 4% of net lending.
- Material expansion of related-party exposures in relation to common equity Tier 1 (CET1).

Figure 1. Key credit metrics, 2021–2027e

%	2021	2022	2023	2024	2025e	2026e	2027e
Net interest margin	5.7	6.3	6.5	5.6	5.6	6.0	6.1
Loan losses/net loans	2.58	2.41	2.48	2.12	2.33	2.41	2.47
Pre-provision income/REA	5.1	5.6	5.9	5.2	5.5	5.7	5.7
Cost-to-income	29.3	25.9	25.6	29.1	27.3	27.3	27.3
Return on ordinary equity	13.5	17.6	16.8	14.6	14.9	15.1	14.7
Loan growth	12.3	14.6	9.6	10.6	5.0	8.7	10.7
CET1 ratio	13.9	14.3	15.9	15.8	15.8	16.1	16.1
Tier 1 ratio	15.1	15.4	17.0	15.8	15.8	16.1	16.1

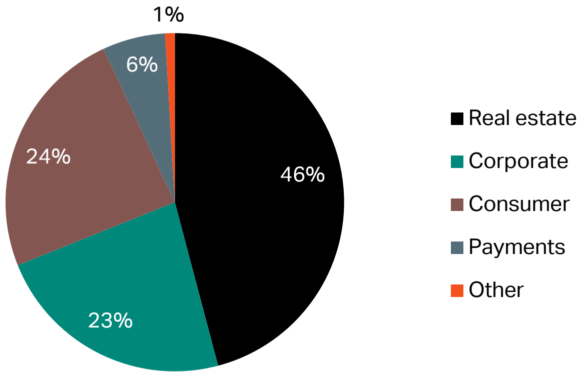
Source: company and NCR. REA–risk exposure amount. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Norion Bank is a niche bank that provides loans to retail and corporate customers. Its predecessor, Collector AB, was founded in 1999 as a non-performing debt company. In 2015, the company obtained a banking licence and changed its legal name to Norion Bank from Collector Bank in 2023. The bank's primary owners are Fastighets AB Balder, of which Erik Selin is the CEO and main owner, and Mr Selin himself via increasing direct holdings. Mr Selin is also the board chairman of Norion Bank.

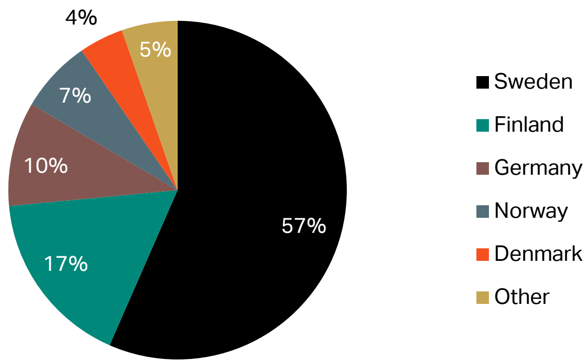
Norion Bank has four operating segments: Real estate; Corporate; Consumer; and Payments. It operates mainly in the Nordic region, with an emphasis on Sweden. The bank is also active in real estate lending in Germany. As of end-2024, it had SEK 50.3bn in net lending, of which 69% was attributable corporate and real estate lending. Under the Norion Bank brand, the Corporate and Real Estate segments offer factoring and secured corporate loans, as well as commercial real estate and multi-family housing loans in metropolitan areas. The Consumer segment offers unsecured consumer loans and credit cards using the Collector brand as well as savings accounts, which constitute the bank's main funding source. The Payments segment operates under the Walley brand and provides payment solutions for e-commerce operators and retailers.

Figure 2. Credit portfolio, 2024



Source: bank reports.

Figure 3. Geographic distribution of loans, 2024



Source: bank reports.

OPERATING ENVIRONMENT

Operating environment

Our assessment of the operating environment reflects our view that Norion Bank's real estate, corporate and consumer lending carries higher-than-average risk. For this reason, we view the operating environment as weaker than reflected in our national banking assessments.

Economic recovery and reduced interest rate pressure likely across core markets

National factors

Around 60% of Norion Bank's exposures are with Swedish borrowers. In our national banking assessments, we apply a score of 'a-' given the bank's primary focus on the Swedish market and our assessment that the national operating environment is similar in Norion Bank's other core markets in the other Nordic countries and Germany. Despite a weaker economy, the operating environment for Nordic banks has been stabilised by improved interest margins since early 2022. These revenues have served to offset lower loan growth and rising loan losses for most banks. We expect economic activity in all of Norion Bank's Nordic markets to improve over the next two years, though geopolitical uncertainty remains high.

Sector risk associated with high-risk real estate and unsecured consumer lending

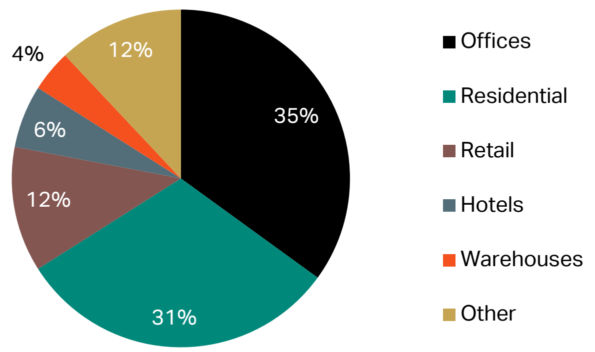
Regional, sectoral, and cross-border factors

Norion Bank's real estate lending currently accounts for 46% of net loans. Nearly half is located in Sweden, with Finland and Germany accounting for over 20%. The real estate portfolio is backed primarily by offices (35%) and residential real estate (31%). In 2022, high interest rates and falling property values began to increase financial risk for real estate companies and increased credit risk in the bank's real estate portfolio, but so far, weak economic conditions have not led to an increase in vacancies.

Corporate lending, which represents 23% of the loan book, has grown steadily as interest rates have fallen. The bank's corporate exposure is geographically diverse, with Sweden (36%), Norway (23%) and

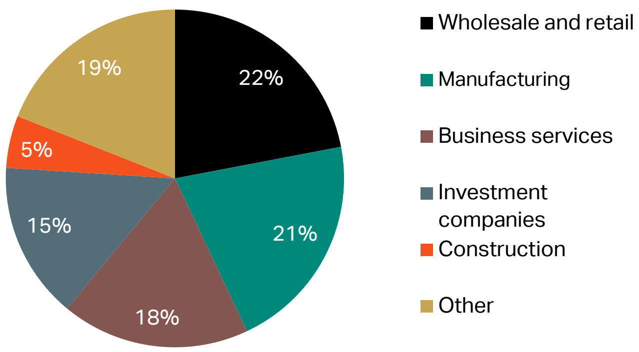
Finland (19%) forming the largest markets. Loan exposure is also diverse by sector (see Figure 5). If economic improvements come as we expect, growth in SME lending as a proportion of the loan book is likely.

Figure 4. Real estate exposure, 2024



Source: Bank reports.

Figure 5. Corporate exposure, 2024



Source: Bank reports.

The volume of consumer lending has increased since 2022, despite modest demand across the market. Consumer lending is primarily located in Sweden. Payment loans are mostly located in Sweden and Finland (85%), though Norway accounts for a growing share with 15%. These countries have strong legal frameworks which benefit creditors and incentivise borrowers to repay debt. We expect Norion Bank to expand its Payment segment as consumption and e-commerce prospects improve in its core markets.

We note that rising indebtedness has sharpened the regulatory focus on consumer lending in the Nordic markets and subjected the sector to increased scrutiny. Notably, the Swedish government has implemented a two-phase removal of tax deductibility of interest costs for unsecured consumer loans. A first reduction of 50% will take place in 2025, with all deductibility being removed in 2026. In addition, since 1 Mar. 2025, Swedish loans have been subject to an interest cap of 20pp over the reference rate and total charges cannot exceed the original loan amount (excluding mortgage loans and small payment loans). In our view, the removal of tax deductibility and the cap on charges will have a negative impact on the bank's big-ticket consumer lending business.

RISK APPETITE

Our view of Norion Bank's risk appetite reflects its elevated credit risk appetite as well as our view of potential conflicts of interest. However, the bank has relatively diverse exposure given its size and a significant part of the corporate loan portfolio is collateralised, though a high proportion of corporate NPLs remains unresolved. Capitalisation is adequate. The bank announced plans to begin share buy-backs in 2025 and we expect dividend payments on its 2025 earnings.

Conflicts of interest and elevated credit risk appetite are areas of concern

Risk governance

We view Norion Bank's risk governance framework in the context of the bank's high credit risk appetite and our concerns about management of conflicts of interest. The bank's chairman, Erik Selin, is a key figure in the bank's two largest owners, Swedish property managers Fastighets AB Balder and Erik Selin Fastigheter AB. While Norion Bank maintains a public policy on management of conflicts of interest and transacts related-party deals on market terms, its complex ownership structure and network of associated companies has become an increasing source of loan growth in recent years. As of end-2023, the volume of related-party lending was SEK 2bn, equal to 4.5% of net loans. This compares with volumes averaging closer to SEK 700m in 2020-2022 (about 2% of net lending) and only SEK 177m in 2019 (0.6%). Our concerns are exacerbated by a lack of transparency as to related-party exposures given that they are disclosed by the bank only in its annual reports, rather than its quarterly statements.

In May 2023, the Swedish regulator opened an ongoing investigation into Norion Bank, Svea Bank, and Ikano Bank, in connection with their respective risk assessment and anti-money laundering practices, and customer awareness requirements. In January 2025, Norion Bank announced that the regulator had arrived at preliminary findings suggesting that the bank had breached regulations prohibiting money laundering and financing of terrorism. We currently lack sufficient information to evaluate the severity of the regulator's findings or the likely consequences for the bank. At the time of writing, a decision by the regulator was still pending.

Norion Bank has demonstrated its sustainability efforts by establishing a green bond framework to finance environmentally friendly buildings, renewable and efficient energy solutions, clean transport, climate change adaptation, and contributions to a circular economy. It also plans to have climate neutral operations (Scope 1 and 2 emissions) by 2025 and is working to establish measurement of Scope 3 emissions as of 2024. The bank's sustainability goals are focused on helping customers maintain their own financial health, though the high proportion of consumer NPLs is an area of concern.

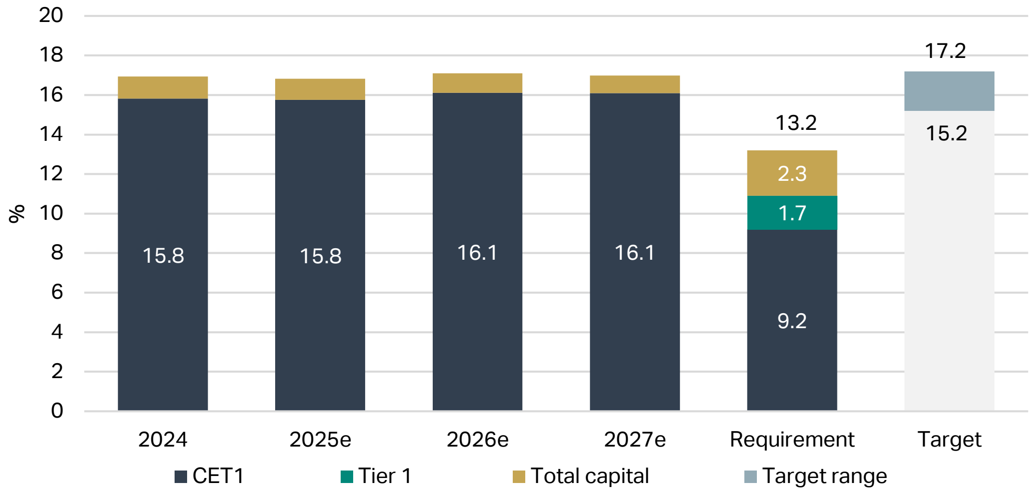
Robust earnings and capital support prospective share buy-backs and dividends

Capital

Norion Bank reported a CET1 ratio of 15.8% as of 31 Dec. 2024, though this excludes a proforma reduction of 90bps given the announcement of a SEK 500bn share buy-back programme in February 2025, which would result in a proforma CET1 ratio of 14.9%. The introduction of buy-backs and the prospect of future dividends support our view that future annual loan growth will be less than the 12% annual rate recorded in recent years. We expect slow lending growth in the first half of 2025, but annualised growth of 8-11% in the second half. We also expect a reduction in net NPLs through 2026. Given projected margins, we believe that profitability will be sufficient to support growth and include dividends of 40-45% of net profits in our forecast, maintaining the bank's capital ratios.

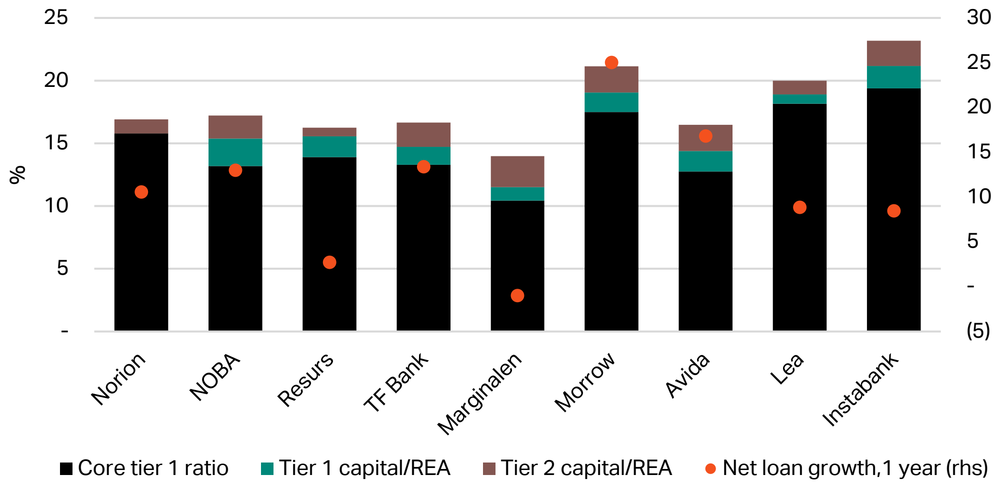
As a result, we expect the CET1 ratio to remain stable in 2025 and believe that the bank will balance growth and dividend payouts to maintain its total capital ratio at around 16-17% in future. Norion Bank has had no additional Tier 1 instruments since calling a SEK 500m instrument in March 2024. In that year, the bank issued SEK 600m in Tier 2 instruments, improving its total capital ratio and increasing flexibility for share buy-backs and dividend payments in line with its financial target of maintaining a 200-400bps buffer over regulatory requirements. We believe the bank has flexibility to issue additional Tier 1 instruments, if necessary.

Figure 6. Consolidated capital ratios 2024–2027e, capital requirement and target* as of Q4 2024



Source: company. e-estimate. *The target range is 200-400bps over the total capital requirement.

Figure 7. Nordic niche banks' capital ratios and lending growth, 2024



Source: bank reports.

Material increase in liquidity a positive outcome of new Swedish rules

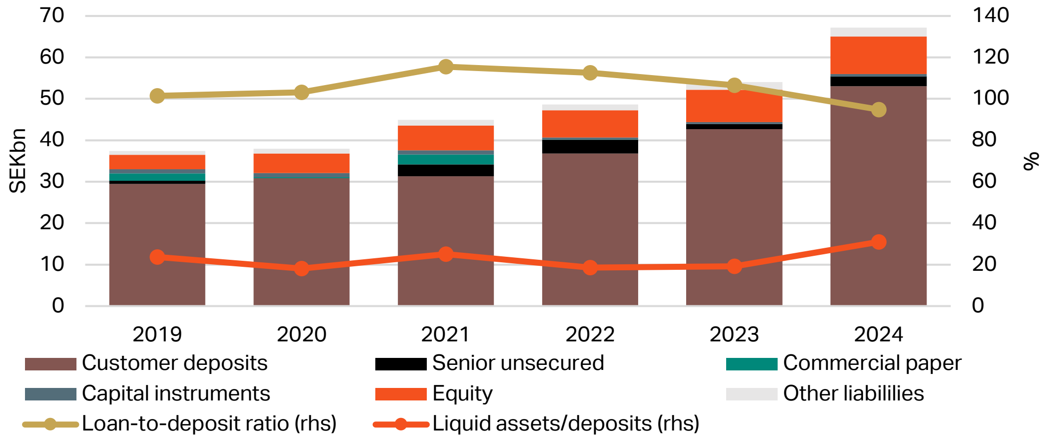
Funding and liquidity

A significant proportion of Norion Bank's deposit base is sourced via European deposit platforms, which have a more price-sensitive profile than the relationship deposits and primary transaction accounts favoured by most Nordic banks. On 30 Sep. 2024, the Swedish regulator changed its interpretation of regulatory and funding metrics associated with deposit platforms. This required Norion Bank and many of its Swedish peers to make material adjustments to their funding profiles and liquidity buffer levels during the fourth quarter of the year. For Norion Bank, the increase in liquid assets has led to improved results from internal stress testing and greater resilience against deposit outflows. In our view, the new buffer levels will remain a fixture for the bank over the medium term as it works to extend the maturity profile of its deposit base and other funding.

Norion Bank has a diverse deposit base, with 96% of deposits guaranteed. Despite the high level of guarantees, we note that reputational risk could severely reduce liquidity in a digital banking environment. The proportion of deposits denominated in Swedish krona fell below 50% in 2024 as the bank increased the proportion of euro-denominated deposits via the Raisin deposit system in Germany, the Netherlands and Spain. In addition, the bank intends to expand into Ireland and Finland. At end-2024, euro-denominated deposits represented 53% of deposits and Swedish krona 46%. The high proportion of euro-denominated deposits serves as a currency hedge for the bank's euro- and Danish krone-denominated lending. The bank also attracts corporate deposits in Norwegian krone via the Fixrate system and has introduced retail deposits in Norway and Finland via its own platform. We see the diversification of deposit funding as positive. However, we expect platform deposits to have low customer loyalty and high price dependence.

Norion Bank has the ability to issue bonds under a SEK 15bn medium-term note programme and had outstanding funding of over SEK 5bn through senior unsecured bonds and commercial paper in 2021. However, higher spreads and rising market rates have reduced the attractiveness of senior unsecured funding. At end-2024 the bank had SEK 2.3bn in outstanding bonds, including SEK 800m issued in the fourth quarter of 2024, after the Swedish rule change encouraged longer maturity funding and led the bank to target new customer deposit markets. The loan-to-deposit ratio is now 95%, 20pp lower than at end-2021. We believe that the bank intends to extend its funding further and to increase capital market issuance over the next few years.

Figure 8. Funding by source and loan-to-deposit ratio, 2019-2024



Source: Bank reports.

Norion Bank's liquidity exposure is of high quality and the bank fulfils regulatory liquidity coverage requirements by a good margin. Liquid assets, including deposits held at highly rated banks, improved to 23.9% of customer deposits at end-2024 from around 16% previously. This is also reflected in a material improvement in the bank's internal stress testing and survival metrics. Positively, the short duration of corporate and payment lending enables the bank to improve liquidity by restricting new lending when necessary. Despite the new calculation method, the bank maintains headroom to its regulatory ratio requirements as of end-2024. The reported liquidity coverage ratio was 320% at year-end (up from a proforma 204% in at the end of the third quarter under the revised rules) and the net stable funding ratio was 112% (103%).

Stage 3 corporate and real estate loans likely to be reduced

Credit risk

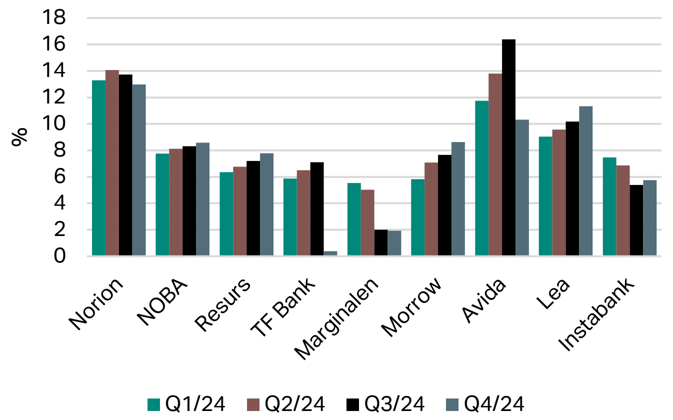
Norion Bank's corporate and real estate lending increases risk associated with large single-name exposures. We expect the bank to continue to increase its corporate and real estate loan books as it resolves existing Stage 3 loans. We also expect the Payments segment to expand with new partners and increased consumer spending. Consumer loan growth is likely to continue, with higher consumption offsetting the impact of reduced tax deductibility on consumer demand for new loans.

Real estate lending accounts for 46% of Norion Bank's net lending. However, the proportion of construction loans for pre-sold development projects has declined to less than 20% of real estate exposure as real estate development has declined. We expect the development exposure to return to about 25% of real estate lending when the market improves. As of end-2024 the proportion of Stage 2 impaired loans and Stage 3 NPLs in the corporate loan book was 17.1% of net loans. The bank also has a high level of junior lien real estate lending (37%), which increases uncertainty about loss recovery and could limit control if a senior creditor accelerates repayment demands in an event of default. Our forecast assumes higher provisions in 2025 as the bank resolves its Stage 3 corporate loans. While the bank has existing reserves for these loans, the impact of single exposures could reduce the accuracy of the forecast.

Norion Bank's corporate exposures amount to SEK 11.5bn and consist of factoring and mid-sized corporate loans to a variety of sectors across the Nordic region and other parts of northern Europe. The average corporate loan is SEK 51m with an 18-month maturity, and only a few customers account for the largest exposures.

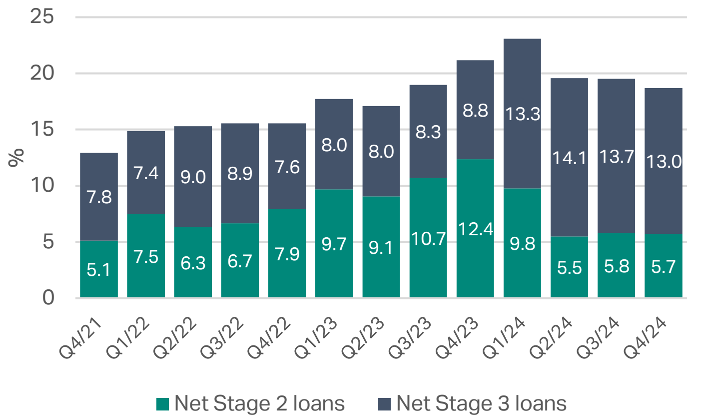
Of net consumer loans and payment credits, 19.1% are Stage 3 NPLs, reflecting the bank's history of consumer loan collection and its preference for retaining consumer NPLs and related cash flows on its balance sheet. Increased growth in consumer and payment loans has reduced the proportion of Stage 3 NPLs by nearly 3pp since early 2023. New consumer lending is outperforming earlier lending, which is reducing the proportion of NPLs as the portfolio grows. We expect a structural reduction in consumer NPLs over the next 18 months to reduce the capital impact of the EU's NPL backstop regulations.

Figure 9. Nordic niche banks' net Stage 3 loans to net loans, Q1 2024–Q4 2024



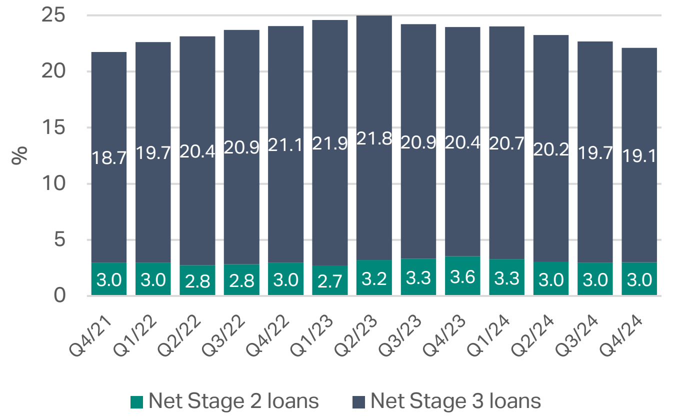
Source: bank reports.

Figure 10. Net Stage 2 and Stage 3 loans as a % of net loans, Q4 2021-Q4 2024



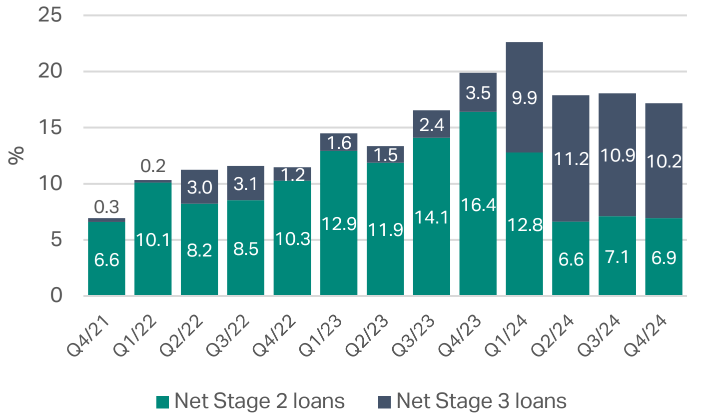
Source: bank reports.

Figure 11. Net Stage 2 and Stage 3 private loans as a % of net private loans, Q4 2021-Q4 2024



Source: bank reports.

Figure 12. Net Stage 2 and Stage 3 corporate loans as a share of net corporate loans, Q4 2021-Q4 2024



Source: bank reports.

Weak NPL market and reputational risk associated with related-party lending

Other risks

Prior to the EU's back-stop regulations, Norion Bank had retained consumer NPLs on its own balance sheet. Although the bank has been seeking to offload NPLs to reduce the impact on its capital ratios, the debt-purchasing market remains weak. In response, Norion Bank took a 4% stake in Alektum Holding in October 2024. Alektum owns Rediem Capital, which aims to become a specialised debt restructurer. Once Rediem receives regulatory approval, we expect the bank to use the company to reduce the capital impact of retaining consumer NPLs on its own balance sheet. We note instances where portfolio sales have triggered one-off charges or increased provisions, though Norion Bank maintains one of the highest Stage 3 consumer lending coverage ratios among its Nordic niche bank peers.

In addition, we believe that reputational risk linked to related-party exposures is heightened by bank chairman Erik Selin's significant direct and indirect ownership, which could negatively affect investor perceptions. Our concerns are exacerbated by a lack of transparency as to related-party exposures given that the bank discloses the volumes of such transactions only in its annual reports.

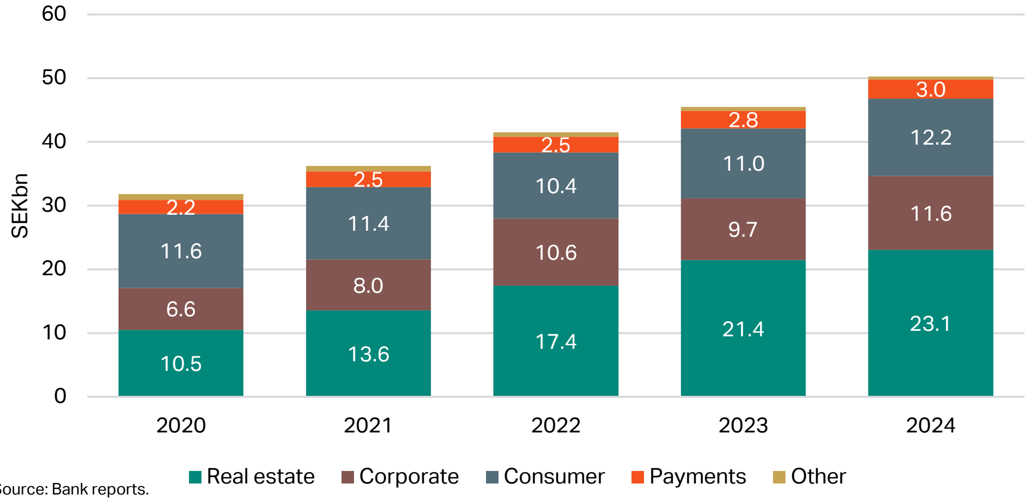
COMPETITIVE POSITION

Competitive position

Norion Bank is primarily an alternative lender within the corporate and real estate sector, offering higher margin financing than most large banks. The bank has doubled its corporate and real estate lending since 2020 with growth in Sweden, Germany, Finland and Denmark. Demand from real estate companies and a limited willingness to lend among other banks has supported the bank's growth in the sector, as have the owners' associations and international contacts. The bank's corporate lending niche includes factoring and credits to SMEs with SEK 30m to SEK 300m in annual turnover. Historically, this sector has been under served by the wider Nordic banking industry, but is increasingly attracting other regional niche banks.

Norion Bank has been expanding consumer lending since 2022, even though demand has been negatively impacted by higher interest rates. We believe that the authorities in Sweden, where 97% of the bank's consumer loans and 50% of its payment loans are located, will continue to seek to reduce the number and volume of borrowers that end up in collections. Consumer lending in Sweden is highly competitive and the bank uses both agents and its own channels to attract borrowers. The Payments segment has an improving market position in the Nordic business-to-consumer and business-to-business markets. We expect the segment to grow more quickly than the bank's other segments in terms of volumes and transactions but account for a modest proportion of the overall loan book, despite generating most of the bank's fee income.

Figure 13. Net lending by business segment, 2020-2024



Source: Bank reports.

PERFORMANCE INDICATORS

Performance indicators

Norion Bank's risk profile generates strong earnings, providing a significant buffer against credit provisions. The bank's return on equity fell to 14.6% in 2024, due largely to non-accrual of interest income on Stage 3 loans. We expect earnings to remain strong in our forecast. Realised loan losses remained modest and below our expectations in 2024. However, we project higher losses over the next two years given the high volume of NPLs and the shift towards corporate and private lending with higher likely losses.

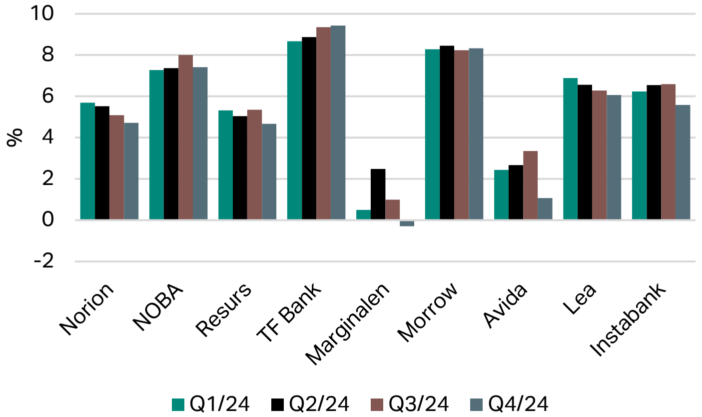
Capital generation supported by strong margins and cost efficiency

Earnings

Norion Bank targets a sustained return on equity above 15%, which is in line with our base-case forecast. We expect the resolution of Stage 3 loans to increase the net interest margin, given the bank's practice of not accruing interest income on large Stage 3 loans. Aside from this impact, we believe the increase in underlying margins will be driven by an increased proportion of corporate and consumer lending. A material increase in the liquidity portfolio is likely to constrain net interest margins but provide low-risk interest income and support an improvement in risk-adjusted earnings.

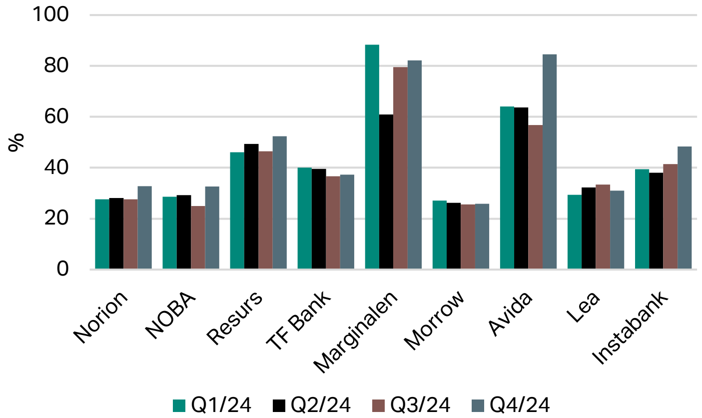
We expect cost efficiency to remain strong and project risk-adjusted earnings will improve to 5.7% in 2026 and 2027 (5.2% in 2024) as a result of strong capital generation. The cost/income ratio is among the lowest in the bank's Nordic peer group even if one-off charges in the fourth quarter contributed to an increase to 29% in 2024 from 26% in previous years.

Figure 14. Nordic niche banks' annualised pre-provision income to average REA, Q1 2024–Q4 2024



Source: bank reports.

Figure 15. Nordic niche banks' cost-income ratios, Q1 2024–Q4 2024



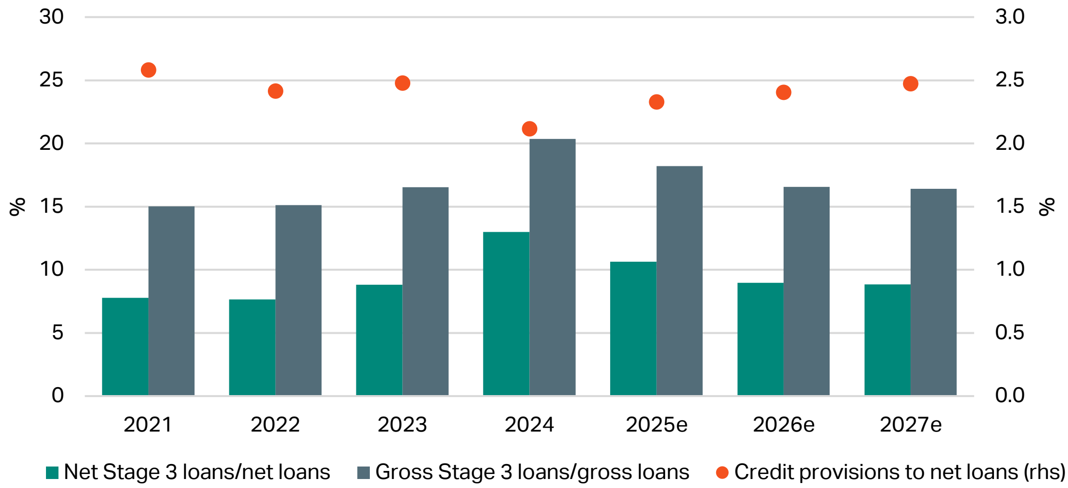
Source: bank reports.

Single-name provisions could affect loss performance as NPLs are resolved

Loss performance

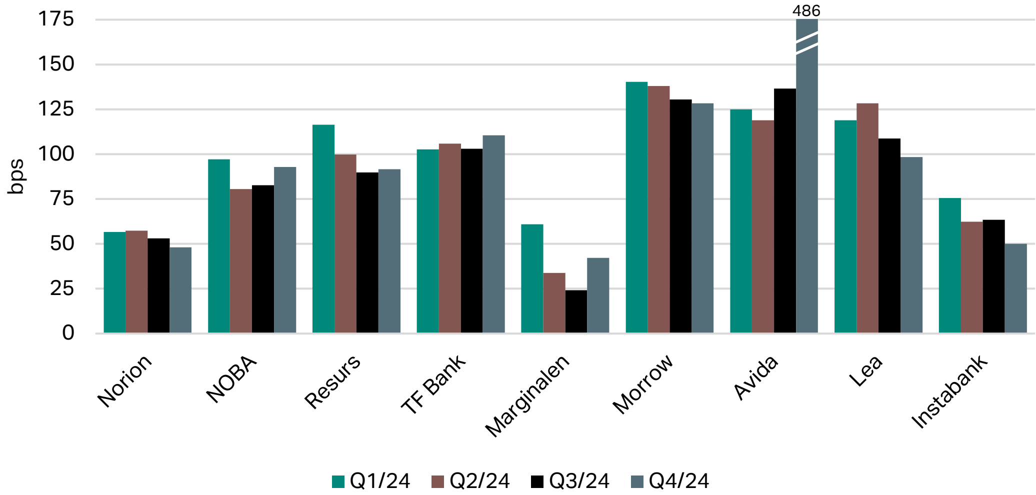
We believe that the resolution of Stage 3 loans could lead to elevated credit provisions through 2027, but forecast credit losses at historical levels. Despite a high proportion of Stage 3 loans, Stage 2 loans do not indicate a surge of new problem loans among corporate or private customers. We project loan losses of between 2.25% and 2.5% of net lending through 2027, in part driven by growth in corporate and consumer loans with higher expected loss rates. We project a material decrease in net Stage 3 NPLs as the bank resolves existing Stage 3 real estate and corporate loans and offloads consumer loans, when possible, through a structural transaction to reduce the high proportion of legacy NPLs in the consumer loan book.

Figure 16. Asset quality metrics, 2021–2027e



Source: company, e-estimate.

Figure 17. Nordic niche banks' quarterly loan-loss provisions to average net loans, Q1 2024–Q4 2024



Source: bank reports.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

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

Figure 18. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Risk governance	Reputational risk associated with ownership structure and related-party lending. Track record of incidents.	Risk governance (--) Competitive position (-)
Responsible lending	Regulatory scrutiny. Media attention. Reputational brand damage. Impact of EU's NPL backstop.	Operating environment (-) Risk governance (-) Other risk (-)
Physical climate risk to collateral	Climate-related damage to real estate collateral (closely linked to supervision of insurance). Longer-term effects on market values in flood risk areas.	Credit risk (0) Loss performance (0)
Anti-money laundering capacity	Risk of sanctions and fraud. Insufficient control of customers.	Risk governance (-)
Sustainable/green bond framework	Diversity of funding sources, access to additional markets/investors.	Funding & liquidity (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

Peer comparison

We have incorporated a notch of peer adjustment into the long-term-issuer rating to reflect our concerns about risk governance as a result of increased volumes of related-party lending and the risk of a further increase in related-party lending given the complex ownership profile and associated holdings of the bank's two largest owners, Swedish property managers Fastighets AB Balder and Erik Selin Fastigheter AB (see risk governance).

Support analysis

Our support analysis is neutral. We do not adjust the rating to reflect expectations of additional shareholder support. In addition, we believe that investors expect the bank to generate its own capital. Board chairman Erik Selin is the bank's main owner (both directly and indirectly) through a 33% stake in primary owner Fastighets AB Balder (as of end-2024) and his own shareholdings of 19.4%. The bank discloses the volumes of related-party lending only in its annual reports. As of end-2023, the volume of related-party lending was SEK 2bn, or 4.5% of net loans.

Figure 19. Ownership structure, 31 Dec. 2024

Owner	Share of capital
Fastighets AB Balder	44.1%
Erik Selin	19.4%
Provobis Holding AB	6.9%
State Street Bank and Trust Co.	5.9%
Helichrysum Gruppen AB	2.9%
Other	21.8%
Total	100.0%

Source: Norion Bank.

ISSUE RATINGS

Our rating on Norion Bank's unsecured medium-term note programme is in line with the 'BB+' issuer rating. The bank has an outstanding Tier 2 instrument, which we rate two notches below the issuer rating at 'BB-'. Currently, the bank has no outstanding additional Tier 1 instruments, but we would expect to rate such instruments four notches below the issuer rating at 'B'.

SHORT-TERM RATING

The 'N4' short-term rating is the lower of two alternatives available under our methodology, given the 'BB+' long-term issuer rating. This reflects the bank's lack of direct access to emergency liquidity assistance from the central bank, despite an average liquidity coverage ratio of 262% over the past two quarters (using revised weights for deposit distribution platforms) and a reported regulatory liquidity coverage ratio of 399% over the past four quarters.

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) Nordic niche banks navigate through winds of change, 4 Mar. 2025.
(ii) NCR comments: Norion Bank's 'BB+' rating unchanged following news on AML investigation, 31 Jan. 2025.
(iii) Norion Bank long-term issuer rating lowered to 'BB+'; Outlook stable, 18 Dec. 2024.
(iv) NCR comments: Norion Bank acquires Swedish credit card portfolio from DNB, 10 Dec. 2024.
(v) Falling interest rates yet to impact Nordic niche banks, 21 Nov. 2024.
(vi) Swedish niche lenders face regulatory changes in funding metrics, 21 Oct. 2024.
(vii) Nordic consumer banks' earnings continue to offset elevated provisions, 10 Sep. 2024.

Figure 20. Norion Bank key financial data, 2021–2024

Key credit metrics (%)	FY 2021	FY 2022	FY 2023	FY 2024
INCOME COMPOSITION				
Net interest income to op. revenue	88.1	90.3	90.2	89.6
Net fee income to op. revenue	11.1	9.3	8.1	8.8
Net trading income to op. revenue	0.7	-0.7	0.7	0.8
Net other income to op. revenue	0.1	1.2	1.0	0.8
EARNINGS				
Net interest income to financial assets	5.7	6.3	6.5	5.6
Net interest income to net loans	6.8	7.5	7.6	6.9
Pre-provision income to REA	5.1	5.6	5.9	5.2
Core pre-provision income to REA (NII & NF&C)	5.0	5.6	5.8	5.1
Return on ordinary equity	14.9	19.0	18.0	15.0
Return on assets	1.8	2.5	2.5	2.1
Cost-to-income ratio	29.3	25.9	25.6	29.1
Core cost-to-income ratio (NII & NF&C)	29.5	26.0	26.0	29.5
CAPITAL				
CET1 ratio	13.9	14.3	15.9	15.8
Tier 1 ratio	15.1	15.4	17.0	15.8
Capital ratio	16.4	15.4	17.0	16.9
REA to assets	88.1	92.9	86.7	79.9
Dividend payout ratio				
Leverage ratio	13.0	13.8	14.4	0.0
GROWTH				
Asset growth	17.4	9.9	11.1	24.3
Loan growth	12.3	14.6	9.6	10.6
Deposit growth	1.6	17.5	15.8	24.3
LOSS PERFORMANCE				
Credit provisions to net loans	2.58	2.41	2.48	2.12
Stage 3 coverage ratio	52.99	54.34	52.15	42.48
Stage 3 loans to gross loans	15.01	15.11	16.53	20.35
Net stage 3 loans to net loans	7.78	7.65	8.82	12.99
Net stage 3 loans/ordinary equity	52.05	48.28	51.40	72.17
FUNDING & LIQUIDITY				
Loan to deposit ratio	115.5	112.6	106.6	94.8
Liquid assets to deposit ratio	23.8	17.1	17.7	29.5
Net stable funding ratio	133.6	136.0	138.8	112.0
Liquidity coverage ratio	337.5	313.0	363.0	320.0

Key financials (SEKm)	FY 2021	FY 2022	FY 2023	FY 2024
BALANCE SHEET				
Total assets	44,294	48,676	54,056	67,206
Total tangible assets	44,205	48,597	53,952	67,065
Total financial assets	43,667	47,777	53,024	65,948
Net loans and advances to customers	36,214	41,490	45,470	50,286
Total securities	2,225	3,237	4,351	11,498
Customer deposits	31,351	36,842	42,663	53,017
Issued securities	5,739	3,837	1,748	2,917
of which other senior debt	5,239	3,337	1,248	2,319
of which subordinated debt	500	500	500	598
Total equity	5,916	7,070	8,303	9,052
of which ordinary equity	5,416	6,570	7,803	9,052
CAPITAL				
Common equity tier 1	5,409	6,461	7,453	8,499
Tier 1	5,909	6,961	7,953	8,499
Total capital	6,409	6,961	7,953	9,097
REA	39,011	45,244	46,862	53,713
INCOME STATEMENT				
Operating revenues	2,637	3,212	3,648	3,697
Pre-provision operating profit	1,864	2,380	2,714	2,623
Impairments	907	938	1,078	1,014
Net Income	753	1,141	1,294	1,265

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

Figure 21. Norion Bank rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bb+
Operating environment	20.0%	bbb-
Risk governance	5.0%	bb-
Capital	17.5%	bbb
Funding and liquidity	15.0%	bbb
Credit risk	10.0%	b+
Market risk	-	-
Other risks	2.5%	bb-
Risk appetite	50.0%	bb+
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		-1 notch
Borderline assessments		Neutral
Stand-alone credit assessment		**bb+**
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		**BB+**
Outlook		Stable
Short-term rating		**N4**

Figure 22. Capital structure ratings

Seniority	Rating
Senior unsecured	BB+
Tier 2	BB-
Additional Tier 1	B

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