Nordic Credit Rating

FINANCIAL INSTITUTION

Sweden
20 Mar. 2024

Norion Bank AB (publ)

Full Rating Report

LONG-TERM RATING

BBB-

OUTLOOK

Negative

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB-' long-term issuer rating on Norion Bank AB (publ) reflects the bank's strong risk-adjusted earnings, relatively diverse loan exposures, access to diverse funding sources, and robust capital position. Via strong growth in commercial real estate loans, the bank has changed its risk profile from that of a domestic consumer lender to that of mid-size regional real estate and SME lender over the past decade. The bank's focus on real estate and corporate lending in niches with high demand has allowed both growth and high margins.

The rating is constrained by the bank's high risk appetite and risk governance challenges as it expands its geographic and sector footprint. A heightened focus on commercial real estate and increasing single-name exposures represents a risk factor as the bank's core economies slow and an increasing share or impaired and non-performing loans (NPLs) could pressure earnings buffers and capital over the next two years. We project elevated losses and NPLs over that period.

NEGATIVE OUTLOOK

The outlook is negative, reflecting the recent increase in impaired loans and NPLs in the real estate and corporate loan book, which has increased single-name risk to interest income and loss provisions. We see possible further weakness in asset quality in the bank's core operating segments, which could lead to credit losses in excess of our base-case projections. Our forecast assumes an increase in loss reserves due to specific provisions in the commercial and retail loan books. In our base case, we believe that the bank can manage the projected increase in credit provisions due to strong earnings, and maintain capital ratios by adapting its growth strategy, if necessary.

DRIVERS FOR STABLE OUTLOOK

- Reduced credit risk in terms of impaired loans, NPLs and single-name concentrations.
- Improved operating environment for core markets and segments.
- Materially higher capital ratios, with the Tier 1 ratio sustainably above 18%.

POTENTIAL NEGATIVE RATING DRIVERS

- Higher-than-projected credit losses or a continued increase in impaired loans and NPLs.
- Tier 1 ratio below 15% over a protracted period.
- Regulatory changes affecting the business model and/or recovery prospects for consumer loans.

Figure 1. Norion Bank key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	5.0	5.7	6.3	6.5	6.4	6.3	6.0
Loan losses/net loans	2.75	2.58	2.41	2.48	3.50	3.07	2.75
Pre-provision income/REA	3.9	5.1	5.7	5.9	5.8	5.5	5.2
Cost-to-income	38.9	29.3	25.9	25.6	26.8	27.8	28.6
Return on ordinary equity	8.8	14.9	19.0	18.0	11.2	11.9	12.0
Loan growth	6.9	12.3	14.6	9.6	10.0	11.0	12.0
CET1 ratio	13.7	13.9	14.3	15.9	15.1	15.5	14.8
Tier 1 ratio	14.6	15.1	15.4	17.0	16.1	16.3	15.6

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

Norion Bank is a niche bank that provides financing solutions for retail and corporate customers. Its predecessor, Collector AB, was founded in 1999 as a non-performing debt company. In 2015, Collector obtained its banking licence and was listed on the Nasdaq stock exchange in Stockholm. The bank changed its legal name to Norion Bank from Collector Bank in 2023. The bank's main owner since 2011 has been Fastighets AB Balder, of which Erik Selin is CEO and the main owner, and Erik Selin's holdings via other affiliates. Mr Selin is also the bank's board chairman.

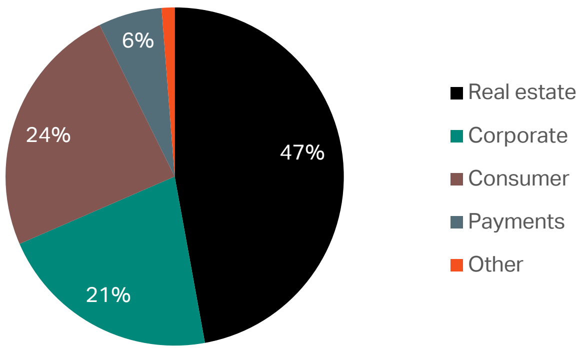
Norion Bank's main geographic markets are in the Nordic region and northern Europe with an emphasis on Sweden, as well as real estate lending in Germany. As of end-2023, the bank had SEK 45.5bn in net lending, of which 69% was attributable corporate and real estate lending. Under the Norion Bank brand, 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.

OPERATING ENVIRONMENT

Operating environment assessment 'bbb-'

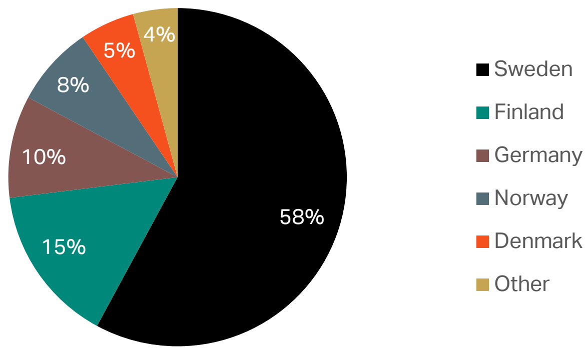
Our assessment of the operating environment reflects our view that Norion Bank's real estate, corporate and consumer lending carries higher-than-average risk. In our view, the bank's exposure to real estate (47%) is a particular risk factor in the current climate as evidenced by an increase in impaired loans during 2023. For this reason, we view the operating environment as weaker than reflected in our national banking assessments.

Figure 2. Norion Bank credit portfolio, 2023



Source: bank reports.

Figure 3. Norion Bank geographic distribution of loans, 2023



Source: bank reports.

Economic uncertainty remains in core markets

National factors 'a-'

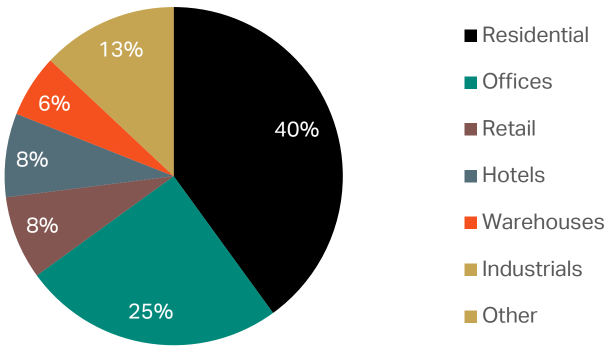
Around 60% of Norion Bank's loan book is located in Sweden. In our national banking assessments, we apply a score of 'a-' given the bank's primary focus on the Swedish market and our assessment that the national operating environment is similar in Norion Bank's other core markets. The operating environment for Nordic banks has changed dramatically in recent years, as a sharp rise in interest margins since early 2022 has boosted earnings, offsetting the negative impact of lower loan growth and rising loan losses for most banks. We expect economic activity in all of Norion Bank's core markets to remain unsettled in 2024 as inflation dissipates, unemployment rises and interest rates diverge.

Weak real estate market and rising delinquencies increase sector risk

Regional, sectoral, and cross-border factors 'bb+'

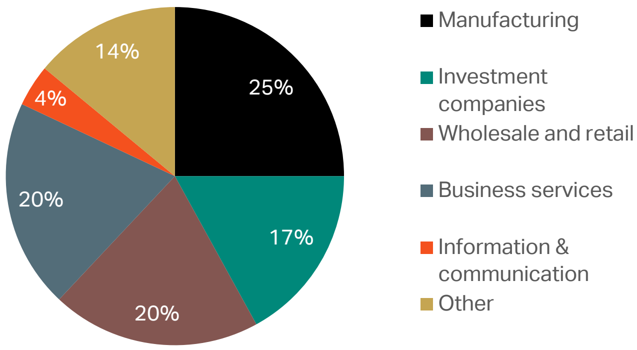
High interest rates and falling property values have weakened financial profiles among real estate companies and increased credit risk in the bank's real estate exposures since 2022. Half of the bank's real estate lending is located in Sweden, where transaction activity remains low and reported property valuations are unclear. Some 20% of the bank's real estate lending is located in Germany and 16% in Finland, which face similar dynamics due to rising vacancies and high property yields. Norion Bank's real estate lending currently accounts for 47% of net loans. The portfolio is backed primarily by residential real estate (40%), where business risk is lower, though inflation-related rental increases have been more modest than for commercial properties and have reduced corporate borrowers' repayment capacity. To date, real estate company issues have been financial. However, we see a risk that weak economic conditions could drive an increase in vacancies at commercial properties in 2024. Norion Bank's corporate lending, which represents 21% of the loan book, is diverse by sector and region, with Sweden (33%), Norway (29%) and Finland (20%) being the largest markets. The bank has indicated that it has become more selective in this segment and reduced net lending during 2023.

Figure 4. Norion Bank real estate exposure, 2023



Source: bank reports.

Figure 5. Norion Bank corporate exposure, 2023



Source: bank reports.

We expect high interest rates to continue to have a negative impact on consumers in 2024, as indicated by rising delinquencies and NPLs. Norion Bank's consumer lending is primarily located in Sweden, and nearly 90% of payment-related lending in Sweden and Finland. These countries have strong legal frameworks which benefit creditors and incentivise borrowers to repay debt. However, rising indebtedness has sharpened the regulatory focus on consumer lending in the Nordic markets and subjected the sector to increased scrutiny and a high likelihood of new regulation. In January 2024, the Swedish government issued a proposal to remove the tax deductibility of interest costs for unsecured loans, following recommendations by a government committee in July 2023. While the recommendations are primarily positive for large, established consumer lenders, the removal of tax deductibility will mainly impact big-ticket consumer loans, such as those in Norion's Consumer segment. Under the proposal, deductions will be phased out over two years starting with the 2025 tax year, which could lead to additional costs in 2024 to prepare for the change (see Relevant Research (i)).

RISK APPETITE

Risk appetite assessment 'bb+'

In our view, Norion Bank's above-average risk appetite is primarily due to its credit risk profile. However, the bank has a relatively diverse exposure given its size and a significant part of the corporate loan portfolio is collateralised, though rising impaired loans and NPLs indicate a need for further caution. Norion Bank's capitalisation is adequate and we expect it to remain in line with that of most of the bank's Swedish peers as it begins to pay dividends in the next few years.

Risk profile reflected in high-margin lending

Risk governance 'bb'

We view Norion Bank's risk governance framework in the light of the bank's elevated credit risk appetite, for which it is compensated by high lending margins. Given the high proportion of problem loans on the balance sheet and ongoing challenges across the operating segments, we view the bank's risk management as weaker than that of its Nordic peers. Over the past few years, the bank has transformed into a mid-size real estate and SME lender while maintaining its consumer lending and debt collection roots (see Figure 12). This transformation has diversified the bank's credit exposure to new markets and segments and experienced staff have been recruited. However, recent growth has materially increased single-name concentrations in the lending book; a number of borrowers are showing signs of weakness due to high interest rates and increased leverage. In May 2023, the Swedish regulator opened an ongoing investigation into Norion Bank, Svea Bank, and Ikano Bank, in connection with their risk assessments, anti-money laundering practices, and customer awareness requirements.

Norion Bank targets a sustained return on equity above 15%. It also plans to pay dividends as long as regulatory capital ratios remain at 200-400bps above regulatory requirements, though we expect the bank to maintain capital on its balance sheet to increase loan growth and offset rising credit risk.

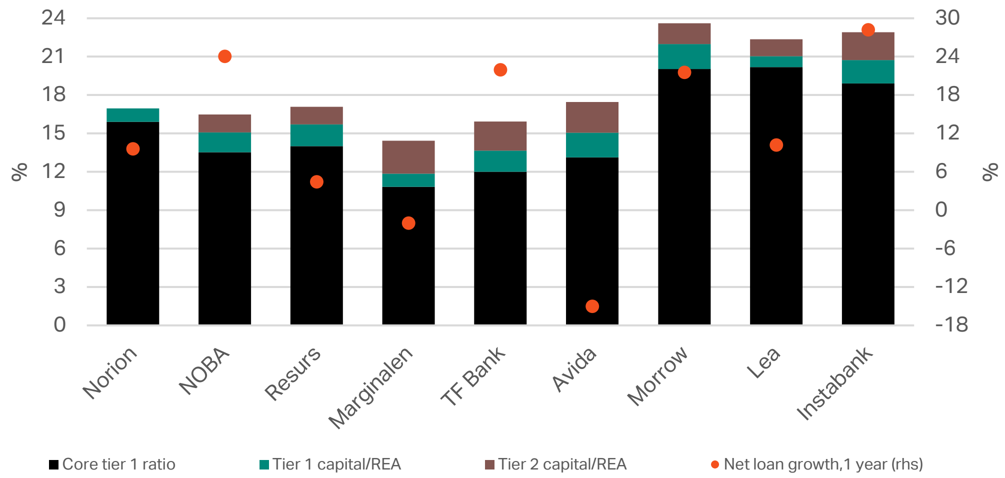
Norion Bank has increased its sustainability efforts in recent years. Early in 2024, the bank announced a green bond framework to raise financing for environmentally friendly buildings, renewable and efficient energy solutions, clean transport, climate change adaptation, and contributions to a circular economy. The bank is currently reviewing its existing credit portfolio to determine eligibility. The bank's 2024 sustainability goals are focused on helping customers maintain their own financial health, establishing targets under the UN's Science Based Targets Initiative, and improved measurement of Scope 3 greenhouse gas emissions. It aims to have climate neutral operations by 2025.

Lack of dividend supports capital ratios

Capital 'bbb'

Norion bank reported a CET1 ratio of 15.9% as of 31 Dec. 2023, a significant improvement from 14.3% at end-2022 due to lower growth and an 80bps improvement following the implementation of the alternative standardised approach for operational risk in the fourth quarter of 2023. We expect the CET1 ratio to remain at 14-15% through 2025, in line with the bank's financial target of maintaining a 200-400bps buffer over regulatory requirements. The bank also plans dividend payments when this financial target has been met and conditions allow. At end-2023, the regulatory CET1 requirement was 9.2% and the bank had a modest 270bps margin to its total capital requirement using CET1 capital alone. Norion bank maintains a 1.1% Pillar 2 requirement and has received a 0.0% additional capital buffer for Pillar 2 guidance from the Swedish regulator.

Figure 6. Nordic niche banks' capital ratios and lending growth, 2023



Source: bank reports.

Our capital assessment typically includes additional Tier 1 capital instruments. However, Norion Bank has indicated that it plans to call its current additional Tier 1 instruments by end-March 2024, without immediately refinancing. The bank has also indicated that it aims to issue a Tier 2 instrument during the first half of 2024, increasing the buffer above its total capital requirement and increasing the possibility of dividend payments. In addition, we forecast that the bank will issue a new additional Tier 1 instrument by end-2024, thereby maintaining its Tier 1 ratio above the 15% we deem necessary to avoid a negative rating action. We note that the current market for capital instruments remains volatile and relatively expensive on the basis of recent peer issuance.

We expect annual lending growth of 10-12% over the next three years, driven by further real estate lending. Given projected margins, we believe that profitability will be sufficient to support growth in our base case but that loan growth and challenging market conditions could limit the opportunity for dividends in 2024. We include a 25% payout in our forecast for 2025 and 2026, though the level of actual payouts remains unclear.

Higher credit spreads in capital markets increase deposit funding

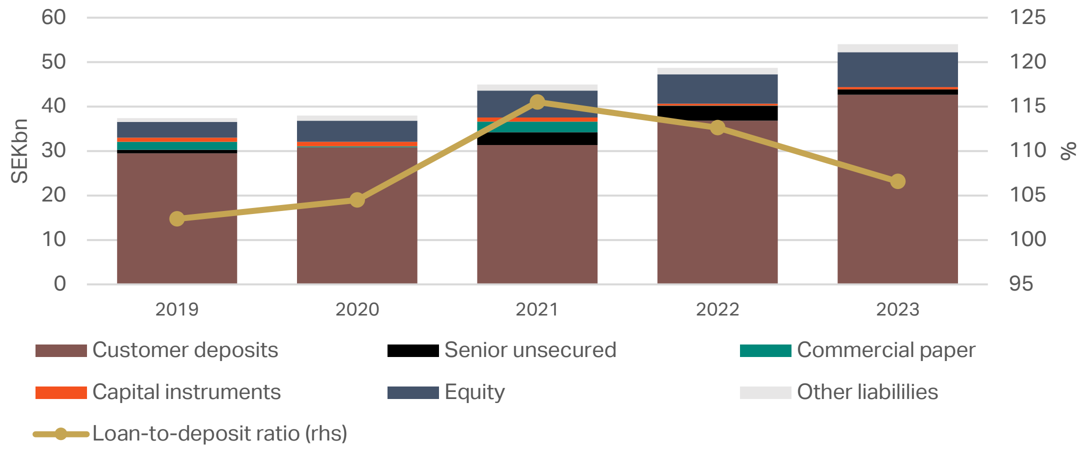
Funding and liquidity 'bbb-'

Customer deposits are Norion Bank's primary funding source, though the deposit base has a more price-sensitive profile than relationship deposits or customers' primary transaction accounts at many other Nordic banks. Norion Bank maintains a diverse deposit base, as evidenced by the 96% proportion of guaranteed deposits. Despite high levels of guarantees, we note that reputational risk could severely reduce liquidity in a digital banking environment.

Most of Norion Bank's deposits are denominated in Swedish krona, though the bank has increased the proportion of euro-denominated deposits via the Raisin deposit system in Germany, as well as from the Netherlands and Spain. Euro deposits represent about 40% of deposits, with 60% in Swedish krona. The increase in euro-denominated deposits reduces currency risk for the bank's euro and Danish krone-denominated lending. As of end-2023, about 20% of the bank's deposits had fixed terms of more than six months. The bank also attracts corporate deposits in Norwegian krone via the Fixrate system and has introduced retail deposits denominated in the Norwegian currency. We see the diversification of deposit funding as positive. However, we expect euro-denominated deposits to generate lower customer loyalty and to be more price dependent.

Norion Bank has the ability to issue bonds under a SEK 15bn medium-term note programme and had over SEK 5bn via senior unsecured bonds and commercial paper outstanding in 2021. However, higher spreads and rising market rates have reduced the current level of senior unsecured funding to SEK 1.2bn and led the bank to target new customer deposit markets. As a result, the loan-to-deposit ratio has fallen in successive years to 107%. We believe that the bank intends to diversify its funding further and to increase capital market issuance over the next few years.

Figure 7. Norion Bank's funding by source and loan-to-deposit ratio, 2019-2023



Source: bank reports.

Norion Bank's liquidity exposure is of high quality and fulfils both regulatory liquidity coverage requirements and the bank's internal survival horizon requirements by good margin. However, liquid assets, including deposits held by highly rated banks, represent only 16% of the deposit base. Positively, the short duration of corporate and payment lending enables the bank to improve liquidity by restricting new lending when necessary. The bank maintains strong compliance with its regulatory ratios; at end-2023 the reported liquidity coverage ratio was 363% (internal limit 120%) and the net stable funding ratio was 139% (internal limit 110%).

Stage 2 corporate and real estate lending increasing

Credit risk 'b+'

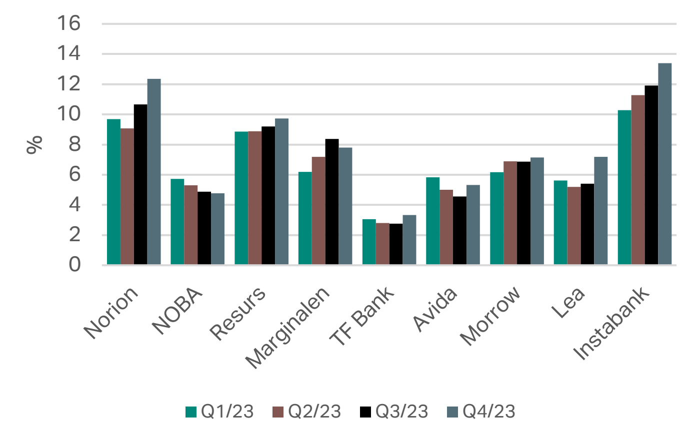
Norion Bank's increased focus on corporate and real estate lending in the Nordic and German markets has changed its credit risk profile and increased the risk associated with large single-name exposures (see Figure 12). Since 2022, the bank has focused on increasing customer selectivity and recurring business with real estate companies, which have increased their use of secured bank financing. We expect the bank to continue to focus its future growth strategy on corporate and real estate lending, with household lending remaining relatively stable in the absence of a structural reduction of consumer NPLs.

Real estate lending accounts for 47% of net lending, including about one-fourth of construction credits for pre-sold development projects. The bank saw a sharp increase in Stage 2 corporate lending during the second half of 2023, which increases the likelihood of higher provisions in respect of single-name exposures. As of end-2023 the proportion of impaired loans and NPLs in the corporate loan book was almost 20% of net loans. The bank also has a high level of junior lien real estate lending (42%), 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 for corporate Stage 2 lending, which currently has a 4.1% coverage ratio. However, larger loans add uncertainty to the forecast given the impact and volatility of single-customer defaults on loss provisions and interest income.

The remaining corporate exposures consist of factoring and SME loans to a variety of sectors across the Nordic region. The average corporate loan is SEK 44m, though there are a few customers with relatively large exposures.

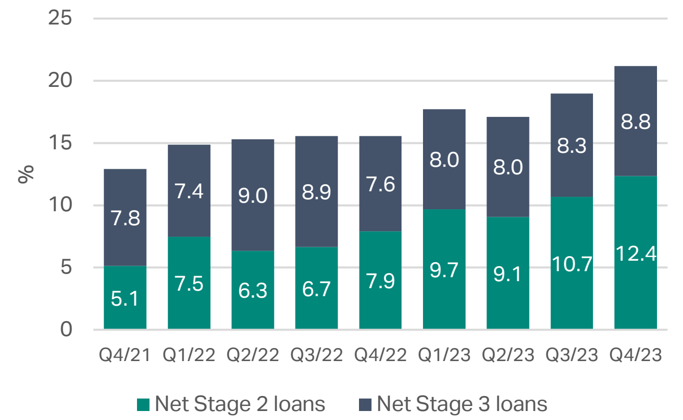
Consumer loans and payment credits account for a much higher proportion of NPLs, reflecting the bank's history of consumer loan collection and its preference for retaining consumer NPLs and related cash flows on its balance sheet. While less pronounced than corporate loans, the bank has experienced an increase in impaired loans as a proportion of net consumer lending.

Figure 8. Nordic niche banks' net Stage 2 loans to net loans, Q1 2023–Q4 2023



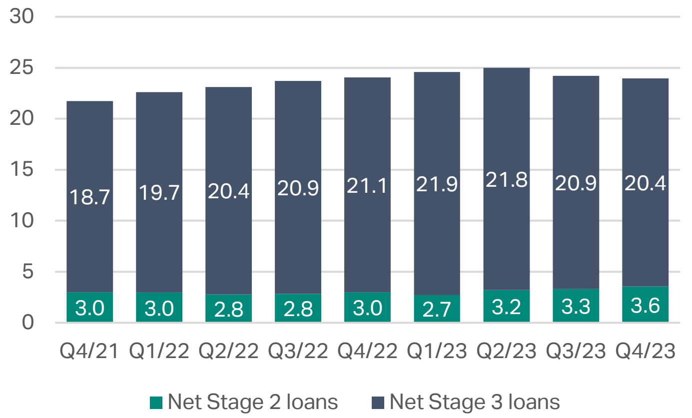
Source: bank reports.

Figure 9. Norion Bank's net Stage 2 and Stage 3 loans as a % of net loans, Q4 2021-Q4 2023



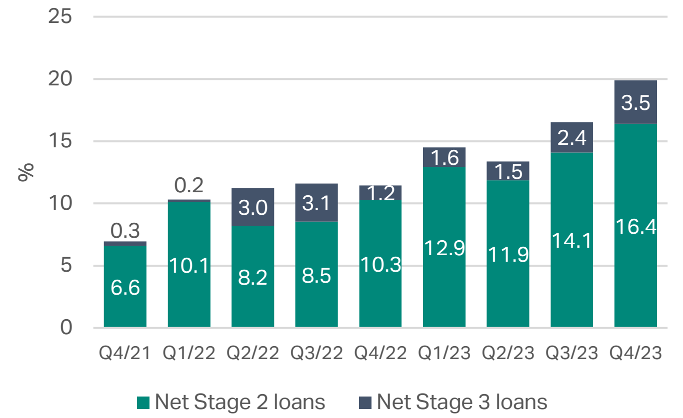
Source: bank reports.

Figure 10. Norion Bank's net Stage 2 and Stage 3 private loans as a % of net private loans, Q4 2021-Q4 2023



Source: bank reports.

Figure 11. Norion Bank's net Stage 2 and Stage 3 corporate loans as a % of net corporate loans, Q4 2021-Q4 2023



Source: bank reports.

Weak NPL market could derail strategy for disposing of bad loans

Other risks 'bb+'

Historically, Norion Bank has retained consumer NPLs on its own balance sheet. The EU's NPL backstop regulation is now incentivising the bank to change this strategy and to sell NPLs to debt purchasers to reduce the impact on its capital ratios. However, the debt-purchasing market is currently weak and we believe this could impair banks' ability to offload NPLs throughout 2024. We understand that some banks' forward flow contracts are expiring rather than being renegotiated due to a lack of attractive pricing. Given few offloading opportunities, we expect Norion Bank and its peers to seek alternatives to reduce the capital impact of retaining NPLs on their own balance sheets, possibly leading to one-off charges or increased provisions.

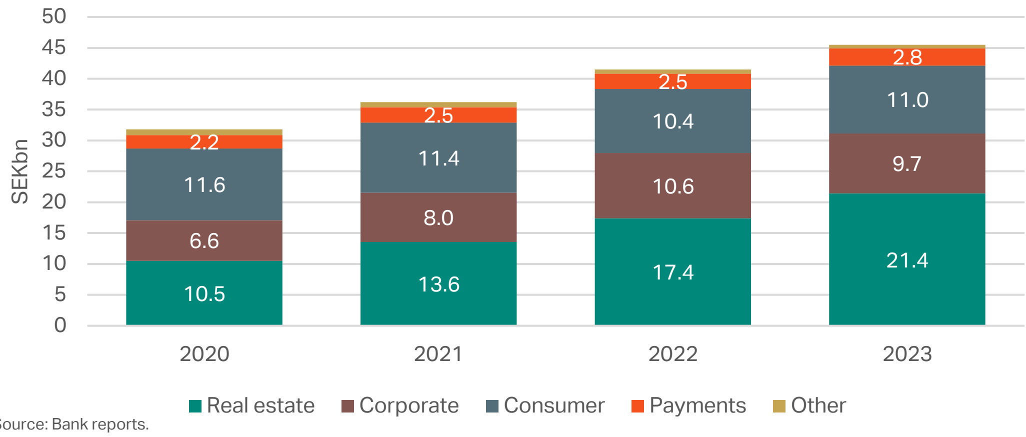
COMPETITIVE POSITION

Competitive position assessment 'bb'

Norion Bank serves as an alternative lender within the estate sector, filling a void where other banks and bond issuers are less willing to compete. Strong demand from real estate companies and a limited willingness to lend among banks has generated a beneficial competitive landscape in recent years. The bank used the opportunity to double its real estate lending since 2020 due to strong demand in Sweden, Germany, Finland and Denmark. Similarly, the bank has grown in less competitive areas of corporate lending by offering factoring and credits to SMEs in niches not typically filled by other regional banks, but with increasing competition from other niche banks.

Consumer loans still account for a quarter of net loans. However, Norion Bank has reduced its consumer loan book over time and proposed changes to tax deductibility in Sweden could reduce demand for the big-ticket loans in which the bank specialises. The fiercely competitive climate in the consumer lending and credit card markets results in low pricing power among banks and difficulties in attracting customers on the basis of reputation. Consumer lending in Swedish is highly competitive, though bank has reduced its reliance on agents to attract consumer borrowers. Norion Bank's Payments segment has an improving market position and a leading role in the Nordic business-to-consumer and business-to-business markets.

Figure 12. Norion Bank's net lending by segment, 2020-2023



Source: Bank reports.

PERFORMANCE INDICATORS

Performance indicators assessment 'bbb+'

Norion Bank's risk profile indicates strong profitability, which provides a significant buffer against higher credit provisions. The bank's return on equity was 18.0% in 2023, reflecting improved margins and exceptional cost efficiency despite somewhat higher loss provisions. We expect earnings to remain strong in 2024 before contracting in subsequent years. Realised loan losses have remained modest and exceeded our expectations for 2023. However, we project higher losses in 2024 given the increase in impaired loans and NPLs and the cumulative impact of high interest rates and cost inflation on customers' ability to repay Norion's high-margin loans.

Capital generation supported by strong margins and cost efficiency

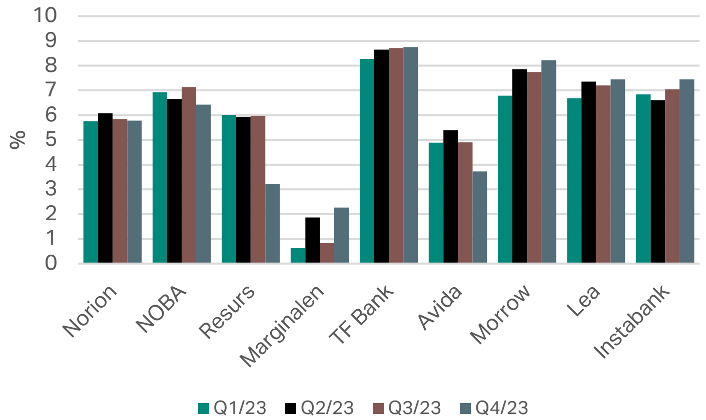
Earnings 'aa'

High risk premiums on real estate and corporate loans and rising interest rates have supported earnings since 2022. We expect higher funding costs to result in lower margins as policy rates decline over the next few years. In our base case, we expect some decline in pre-provision earnings but that efficiency and profits will remain robust. The bank has experienced some volatility in net interest income when larger loans have become NPLs, restricting net interest income recognition according to

IFRS 9. We believe this could exacerbate the negative impact if loans to large customers are reclassified as Stage 3.

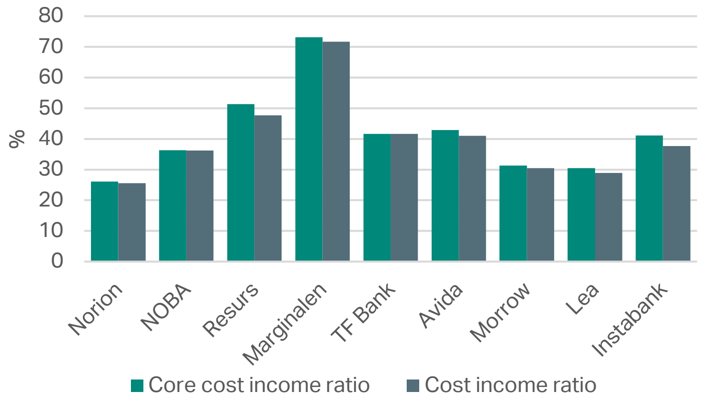
Higher net interest margins increased risk-adjusted earnings and pre-impairment profit to average REA to 5.9% in 2023, up from 5.7% a year earlier. We project this metric will fall moderately through 2026 towards 5%, indicating strong capital generation. The cost/income ratio for 2023 was 26% for a second consecutive year, outperforming the rest of the bank's Nordic peer group and contributing to strong earnings buffers. We expect the cost/income ratio to increase over the next few years.

Figure 13. Nordic niche banks' annualised pre-provision income to average REA, Q1 2023–Q4 2023



Source: bank reports.

Figure 14. Nordic niche banks' cost-income ratios, 2023



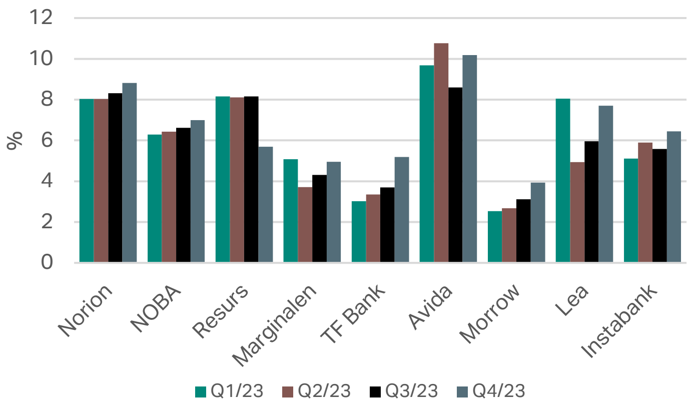
Based on NCR analysis of bank reports. Core cost income ratios excluding finacial gains/losses and other revenues.

Single-name provisions could affect loss performance

Loss performance 'bb'

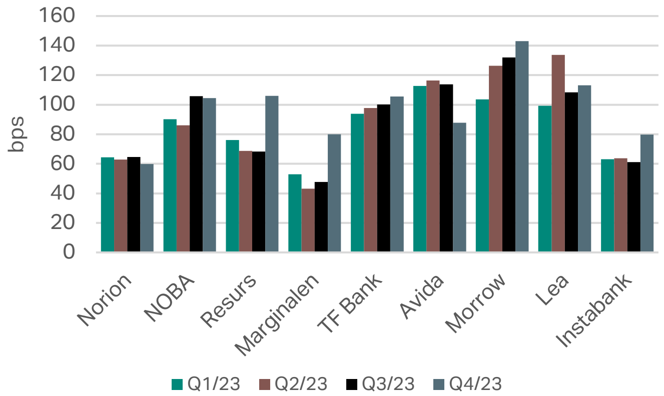
We believe that economic conditions will lead to higher credit provisions over our forecast period. All of the bank's core operating segments have weakened since 2022 as a result of cost inflation, higher interest costs, and low economic growth in Sweden and other core markets. In addition, the high proportion of Stage 2 loans and rising levels of Stage 3 loans in recent quarters indicate a prospective rise in credit provisions. We expect the bank to increase credit reserves and to make one-off reserves in respect of specific customers. We project loan losses of 3.5% of net lending during 2024 (2.5% in 2022). In addition, we expect losses to remain elevated through 2025 before normalising as economic activity rises and interest rate pressure is reduced. We project an increase in net Stage 3 NPLs towards 19% (16.5% at end-2023) without a structural transaction to reduce the high proportion of legacy NPLs in the consumer loan book.

Figure 15. Nordic niche banks' net Stage 3 NPLs to net loans, Q1 2023–Q4 2023



Source: bank reports.

Figure 16. Nordic niche banks' quarterly loan-loss provisions to average net loans, Q1 2023–Q4 2023



Source: bank reports. Resurs's Q4/23 provisions exclude the one-off impact of securitising NPLs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Moderately negative aggregate ESG impact

We consider ESG factors 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 17. Norion Bank's priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
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 (-) Loss performance (0)
Anti-money laundering capacity	Risk of sanctions and fraud. Insufficient control of customers.	Risk governance (0)
Risk governance	Reputational risk associated with ownership structure. Focus on consumer lending.	Risk governance (-) Competitive position (-)
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

Support analysis

Support analysis neutral

We do not adjust the rating on Norion Bank to reflect expectations of additional shareholder support. In addition, we believe that investors expect the bank to generate its own capital. Erik Selin is the chairman of the board of directors and the bank's main owner (both directly and indirectly) through a 34.1% stake in affiliate Fastighets AB Balder (as at end-2023) and his own shareholdings of 18%. The bank reports related-party lending in its annual report, with the most recent reported figure being SEK 695m at end-2022.

Figure 18. Norion Bank's ownership structure, 31 Dec. 2023

Owner	Share of capital
Fastighets AB Balder	44.1%
Erik Selin	18.0%
Provobis Holding AB	6.9%
State Street Bank and Trust Co.	4.6%
Helichrysum Gruppen AB	3.0%
Other	23.4%
Total	100.0%

Source: Norion Bank.

ISSUE RATINGS

Our rating on Norion Bank's unsecured medium-term note programme is in line with the 'BBB-' issuer rating. The bank has an outstanding additional tier 1 instrument with a call date on 28 Mar. 2024, which we rate four notches below the issuer rating at 'B+'. The bank has indicated that it aims to issue a tier 2 instrument in early 2024, which we expect to rate two notches below the issuer rating at 'BB'.

SHORT-TERM RATING

The 'N3' short-term rating is the higher of two possible alternatives given the 'BBB-' long-term issuer rating and reflects our assessment that the bank's liquidity is adequate, with an average liquidity coverage ratio of 380% 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) The pressure is rising for Nordic consumer banks, 13 Mar. 2024.
(ii) Nordic consumer banks increase credit losses, 29 Nov. 2023.
(iii) Nordic consumer banks' earnings compensate elevated credit losses, 11 Sep. 2023.
(iv) Nordic consumer banks' loss provisions remain elevated, 28 Jun. 2023.
(v) Nordic consumer banks increase loss provisions amid rising cost of living, 31 Mar. 2023.

Figure 19. Norion Bank key financial data, 2020–2023

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023
INCOME COMPOSITION				
Net interest income to op. revenue	85.8	88.1	90.3	90.2
Net fee income to op. revenue	13.0	11.1	9.3	8.1
Net trading income to op. revenue	-0.2	0.7	-0.7	0.7
Net other income to op. revenue	1.4	0.1	1.2	1.0
EARNINGS				
Net interest income to financial assets	5.0	5.7	6.3	6.5
Net interest income to net loans	5.9	6.8	7.5	7.6
Pre-provision income to REA	3.9	5.1	5.6	5.9
Core pre-provision income to REA (NII & NF&C)	3.8	5.0	5.6	5.8
Return on ordinary equity	8.8	14.9	19.0	18.0
Return on assets	0.9	1.8	2.5	2.5
Cost-to-income ratio	38.9	29.3	25.9	25.6
Core cost-to-income ratio (NII & NF&C)	39.4	29.5	26.0	26.0
CAPITAL				
CET1 ratio	13.7	13.9	14.3	15.9
Tier 1 ratio	14.6	15.1	15.4	17.0
Capital ratio	15.8	16.4	15.4	17.0
REA to assets	92.0	88.1	92.9	86.7
Dividend payout ratio				
Leverage ratio	12.6	13.0	13.8	0.0
GROWTH				
Asset growth	2.3	17.4	9.9	11.1
Loan growth	6.9	12.3	14.6	9.6
Deposit growth	4.8	1.6	17.5	15.8
LOSS PERFORMANCE				
Credit provisions to net loans	2.75	2.58	2.41	2.48
Stage 3 coverage ratio	45.72	52.99	54.34	52.15
Stage 3 loans to gross loans	15.82	15.01	15.11	16.53
Net stage 3 loans to net loans	9.38	7.78	7.65	8.82
Net stage 3 loans/ordinary equity	64.32	52.05	48.28	51.40
FUNDING & LIQUIDITY				
Loan to deposit ratio	104.5	115.5	112.6	106.6
Liquid assets to deposit ratio	16.6	23.8	17.1	17.7
Net stable funding ratio	0.0	133.6	136.0	139.0
Liquidity coverage ratio	225.0	337.5	313.0	363.0

Key financials (SEKm)	FY 2020	FY 2021	FY 2022	FY 2023
BALANCE SHEET				
Total assets	37,738	44,294	48,676	54,056
Total tangible assets	37,623	44,205	48,597	53,952
Total financial assets	37,374	43,667	47,777	53,024
Net loans and advances to customers	32,242	36,214	41,490	45,470
Total securities	1,339	2,225	3,237	4,351
Customer deposits	30,855	31,351	36,842	42,663
Issued securities	500	5,729	3,337	1,248
of which other senior debt	–	5,229	3,337	1,248
of which subordinated debt	500	500	–	–
Total equity	5,203	5,916	7,070	8,303
of which ordinary equity	4,703	5,416	6,570	7,803
CAPITAL				
Common equity tier 1	4,769	5,409	6,461	7,453
Tier 1	5,082	5,909	6,961	7,953
Total capital	5,474	6,409	6,961	7,953
REA	34,730	39,011	45,244	46,862
INCOME STATEMENT				
Operating revenues	2,158	2,637	3,212	3,648
Pre-provision operating profit	1,318	1,864	2,380	2,714
Impairments	871	907	938	1,078
Net Income	345	753	1,141	1,294

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

Figure 20. Norion Bank rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bb+
Operating environment	20.0%	bbb-
Capital	17.5%	bbb
Funding and liquidity	15.0%	bbb-
Risk governance	5.0%	bb
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		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb-**
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		**BBB-**
Outlook		Negative
Short-term rating		**N3**

Figure 21. Capital structure ratings

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

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