Nordic Credit Rating

FINANCIAL INSTITUTION

Sweden
22 Apr. 2024

NOBA Bank Group AB (publ)

Full Rating Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB' long-term issuer rating on Sweden-based NOBA Bank Group AB (publ) reflects the bank's strong risk-adjusted earnings and cost efficiency, increasing economies of scale and diverse funding relative to its peers. It also reflects robust creditor rights across the Nordic region. We expect capital ratios to improve materially due to strong capital generation and supported by the implementation of the Capital Requirements Regulation 3 (CRR3) in 2025, even as the bank pursues significant growth. We view increased secured lending, in particular equity release mortgages for seniors and non-traditional mortgage lending, as a positive contributor to greater diversity.

The rating is constrained by the higher-than-average risk appetite associated with consumer lending, and the relatively higher risk profile of credit cards. The consumer lending industry is subject to tough competition for loans and low customer loyalty within the bank's key markets, with a funding model driven by price-sensitive deposits. In addition, consumer lending is under intensified regulatory scrutiny in all Nordic countries, which could negatively affect the bank's business model and profitability over time.

STABLE OUTLOOK

The outlook is stable, reflecting our expectations of stronger earnings, further synergies from the merger with Bank Norwegian, and the implementation of CRR3 will support capitalisation as the bank expands. These anticipated improvements are partly offset by the high risk profile of the loan book, elevated credit provisions and high loan growth. We project a material increase in loss provisions in 2024 and 2025 as borrowers continue to be affected by cost inflation and declining real wage growth. Nevertheless, the bank's increasing economies of scale improves resilience.

POTENTIAL POSITIVE RATING DRIVERS

- A Tier 1 ratio sustainably above 20%; and
- improved competitive advantage; and
- increased stability in the operating environment for consumer lenders leading to improved asset quality metrics.

POTENTIAL NEGATIVE RATING DRIVERS

- A Tier 1 ratio sustainably below 15% or a common equity Tier 1 ratio margin to regulatory requirements sustainably below 4%.
- Weaker loss performance or increased credit risk appetite.
- Regulatory changes adversely affecting consumer lending operations.

Figure 1. NOBA key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	5.7	3.9	6.4	6.7	6.7	6.8	6.9
Loan losses/net loans	1.6	2.1	3.0	3.9	4.0	3.7	3.4
Pre-provision income/REA	5.5	2.4	5.7	6.8	7.8	8.6	9.1
Cost-to-income	38.3	62.7	46.0	36.2	26.1	22.3	20.6
Return on ordinary equity	17.9	-0.2	5.5	6.4	10.5	15.2	17.7
Loan growth	9.4	155.6	25.6	24.1	16.0	12.0	10.0
CET1 ratio	16.2	16.2	15.1	13.5	13.1	14.7	17.0
Tier 1 ratio	16.2	18.8	17.1	15.1	15.2	17.1	18.6

Source: NCR and company. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

NOBA was founded in 2003 and obtained its banking licence in 2014. Following the 2022 merger with Bank Norwegian, NOBA is the largest niche bank in the Nordic region. The bank specialises in consumer loans, credit cards, non-standard mortgage loans and equity-release mortgages in the Nordic region. NOBA has a strong market position among consumer lenders in Sweden, Norway, Denmark and Finland, as well as a growing credit card and retail deposit franchise in Germany.

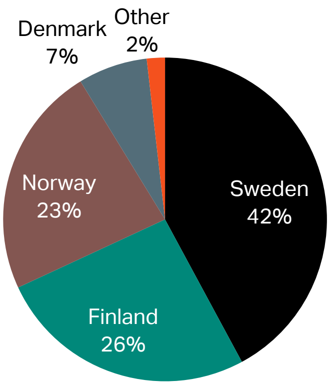
The bank is a fully owned subsidiary of NOBA Group AB, which is ultimately controlled by Nordic Capital (74%) and Sampo (19%) through NOBA Holding AB. An intra-group merger is planned for the second half of 2024 that will merge NOBA Bank Group, NOBA Group and NOBA Holding with NOBA Bank Group AB as the surviving entity. The merger has minimal impact on the credit profile of the merged entity.

OPERATING ENVIRONMENT

Operating environment assessment 'bbb-'

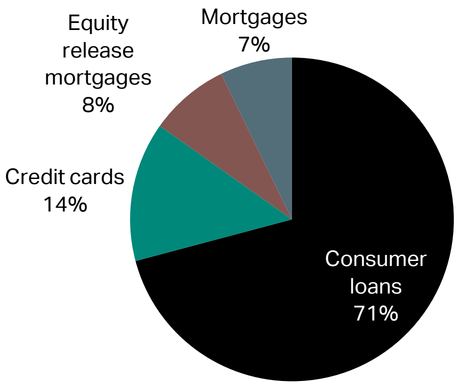
Our assessment of the operating environment reflects our view that unsecured consumer lending and credit cards are more sensitive to shifts in the economy than typical bank lending. It also reflects our view that NOBA and its industry peers are under significant pressure from Nordic regulators and consumer protection agencies. For this reason, we regard the operating environment as posing higher-than-average risk relative to our respective national banking assessments.

Figure 2. NOBA net loans by country, 2023



Source: company.

Figure 3. NOBA net lending by product type, 2023



Source: company.

NOBA's largest exposures are to the Swedish, Finnish and Norwegian consumer lending markets

National factors 'a-'

In our national banking assessments, we apply a score of 'a-' to the Swedish, Danish and Finnish markets and 'a' to the Norwegian market. The operating environment for banks has changed dramatically in recent years, as the sharp rise in interest rates since early 2022 has boosted bank earnings, mitigating the negative impact of lower loan growth and rising loan losses. We expect interest rates across the region to remain elevated in early 2024, but then see rate paths beginning to deviate. Yield curves indicate a steep reduction in market rates in Sweden and the eurozone, and a more gradual decline in Norway. These declines could provide relief to indebted borrowers, though we maintain our view that loan-loss provisions will remain elevated throughout 2024.

Consumer lending remains under intense regulatory scrutiny

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

NCR views NOBA's consumer lending as more sensitive to shifts in the economy than a typical retail loan portfolio in the Nordic markets and we give more weight to the operational environment for consumer lending in our assessment. We expect that the significant strain on households' cash positions over the past two years will continue to affect consumer banks and their customers through most of 2024. Furthermore, we anticipate that earnings margins will face pressure due to intensified competition for profitable loan growth and deposit funding. We expect this combination of negative factors to drive weaker performance across the sector in 2024.

NOBA's private loans are extended primarily to borrowers in Sweden, Norway, and Finland, which have strong legal frameworks that 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 rate costs for unsecured loans, following a set of proposals issued by a government committee in July 2023. While the proposals from July 2023 are likely primarily positive for larger, more established consumer lenders, the removal of the tax deduction will mainly impact bigger-ticket consumer loans. Under the current proposal, deductions will be phased out starting in the fiscal year 2025, and we consequently expect consumer lenders will face an intensive workload in 2024 to prepare for the change (see Relevant Research (i)).

RISK APPETITE

Risk appetite assessment 'bbb'

NOBA has a well-defined risk appetite, which permits higher credit risk while enabling a low risk profile in other areas. In our view, the bank's risk appetite increased with the acquisition of Bank Norwegian, though we note improvements in the risk profile of new exposure from Bank Norwegian distribution. We view NOBA's secured lending as a positive diversification, but also see the high growth rate as a risk factor. High growth will pressure the bank's capital ratios during 2024, before the benefits of new capital requirements (CRR3) from 2025 and strong capital generation are projected to materially improve the capital position.

Risk governance remains robust despite higher risk appetite

Risk governance 'bbb'

We view NOBA's risk governance framework in the light of its appetite for higher credit risk and high-margin loans. The bank has robust internal risk monitoring and reporting arrangements in place, which increase transparency of risk appetite and allow the bank to adapt its underwriting to minor changes in the risk performance of its credit portfolios. NOBA has established risk appetites, risk indicators and limits for all identified risk areas and compares its financial risk exposure across risk types. We view the revision of the bank's European expansion plans due to poor credit performance in Spain and in German consumer loans as a sign of active and effective risk management. Thus far, NOBA has avoided regulatory scrutiny of underwriting practices, which we view as a positive sign of the bank's internal processes in a heavily scrutinised segment.

NOBA has increased its sustainability focus in recent years, with key initiatives targeted at the bank's internal and societal impact. The bank defined strategic KPIs to monitor its progress in financial health and sustainable operations for its customers and the bank. Each KPI is aligned with the UN's Sustainable Development Goals, with material weight on inclusivity, responsible lending and corporate governance, among other focus areas.

Capital ratios set for material improvement due to CRR3 implementation

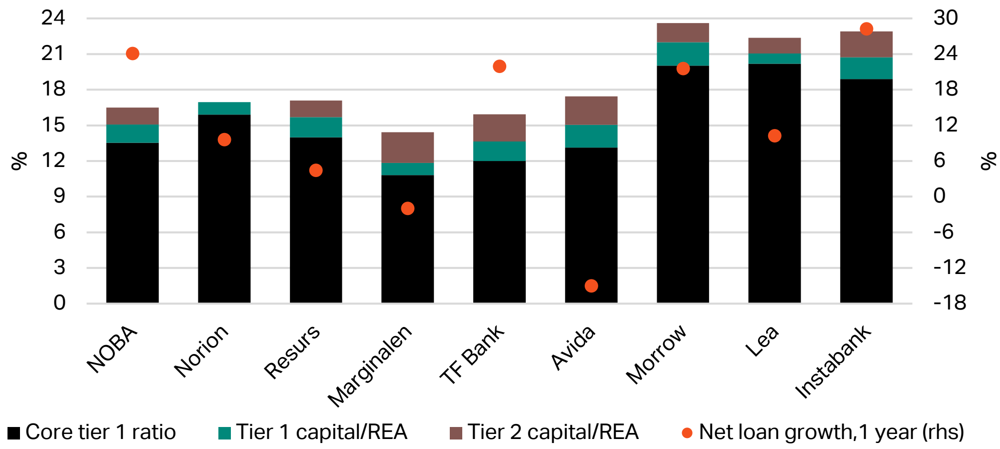
Capital 'bbb'

We consider NOBA's consolidated regulatory capital position in our capital assessment. The consolidated group reported a common equity Tier 1 (CET1) ratio of 13.5% and a Tier 1 ratio of 15.1% as of 31 Dec. 2023. The CET1 ratio fell more than expected in 2023 due to strong growth, and is projected to fall to 13.1% in 2024 as capital generation from earnings is more than offset by the reduction of IFRS9 transitional rules (-25bps) and a negative impact from the intra-bank merger (-30bps). The Tier 1 ratio is projected to increase, however, due to a SEK 800m additional Tier 1 issuance in March 2024 and the removal of minority interest adjustments following the merger (+25bps).

The implementation of CRR3 is expected to improve the bank's capital ratios by about 30bps from 2025, in particular due to changes to the standardised calculation of operational risk and the reduction in risk weights for equity-release mortgages, which have very low leverage, to 20% from 35%.

The CRR3 changes, strong earnings, lower credit provisions and lower loan growth result in material improvements in the group's capital ratios in our projections for 2025 and 2026. The changes are expected to improve the bank's CET1 and Tier 1 ratios to 17.0% and 18.6% by 2026, raising the bank's capital ratios from average for its Nordic consumer finance peer group to among the highest of its Swedish-based peers. We do not anticipate the same magnitude of capital ratio improvement for the bank's consumer lending peers from CRR3 due to a lack of low-leverage mortgage loans.

Figure 4. Selected Nordic niche banks' capitalisation, 2023



Source: bank reports.

We include Tier 1 capital instruments, which add 1–2pp to our assessment of the bank's capital position. Our forecast includes our expectations that NOBA will maintain this level of additional Tier 1 instruments even as it calls SEK 1.4bn in Tier 1 instruments in 2026. We expect the bank to expand lending at a lower rate than over the last two years, with annual growth expected to be around 14% over our forecast period. We also anticipate improved cost efficiency due to synergies from the merger. We do not forecast any dividend payments in our forecast but believe that dividend payments could offset some of the improvement in capital ratios by 2026.

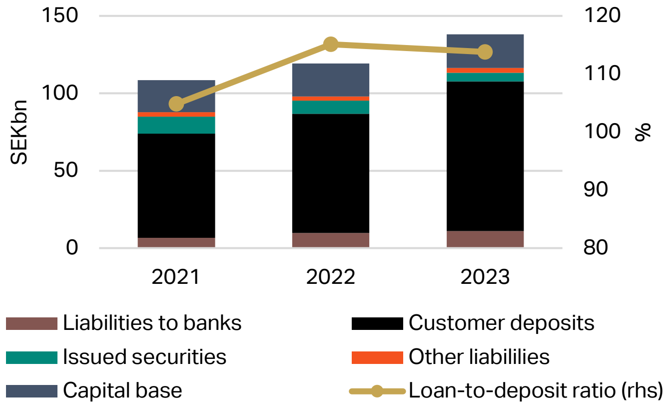
As of 31 Dec. 2023, the bank's regulatory CET1 requirement was 10.2% and the total capital requirement was 14.3%, compared with the reported total capital ratio of 16.5% (17.5% proforma, given newly issued capital instruments through March 2024). NOBA uses standardised capital models and had a Basel leverage ratio of 9.7% as of 31 Dec. 2023, compared with the regulatory minimum of 3%.

Diverse funding across instruments and currencies

Funding and liquidity 'bbb'

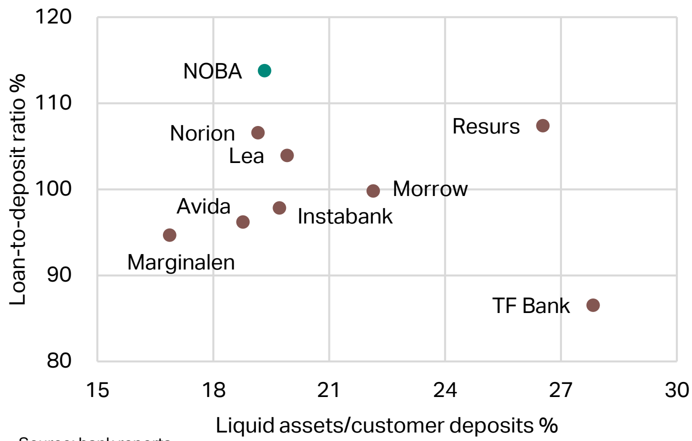
NOBA has a Nordic, German and Dutch deposit base with retail customers that have chosen the bank primarily because it offers higher interest rates than their transactional banks. We expect the bank to continue to increase its share of deposit financing and to diversify into new European deposit markets as it grows in the coming years. Deposit funding is 86% on-demand, but has become increasingly granular, with 97% covered by the Swedish deposit guarantee scheme. The bank has an adequate currency balance from its retail depositors and collecting deposits in its four relevant currencies mitigates foreign exchange risk.

Figure 5. NOBA funding profile since the acquisition of Bank Norwegian



Source: company.

Figure 6. Selected Nordic niche banks' funding and liquidity ratios (%), 2023



Source: bank reports.

NOBA also has demonstrated access to senior secured, senior unsecured and capital instrument investors, though the bank continues to reduce its use of senior unsecured bonds. The bank has a SEK

5.0bn medium-term note programme and a EUR 1.5bn medium-term note programme. Issued senior unsecured securities totalled about SEK 3.3bn as of 31 Dec. 2023 with all but SEK 500m maturing in 2024. We expect matured bonds to be refinanced using retail deposits.

Secured financing remains a part of the bank's funding as the equity-release and non-standard mortgage book grows. Secured financing provides longer-term funding and reduces the maturity mismatch with the loan assets, and we expect the bank to maintain secured financing even as bond financing diminishes. The equity release mortgage portfolio is financed in part by warehouse facilities totalling SEK 7.3bn. The bank also has warehouse facilities of SEK 4.0bn backed by consumer loans and of SEK 2.0bn backed by Swedish mortgages. In total, the bank pledged consumer loans, Swedish mortgage loans and equity release mortgages totalling SEK 15.4bn as of 31 Dec. 2023 against these financing sources.

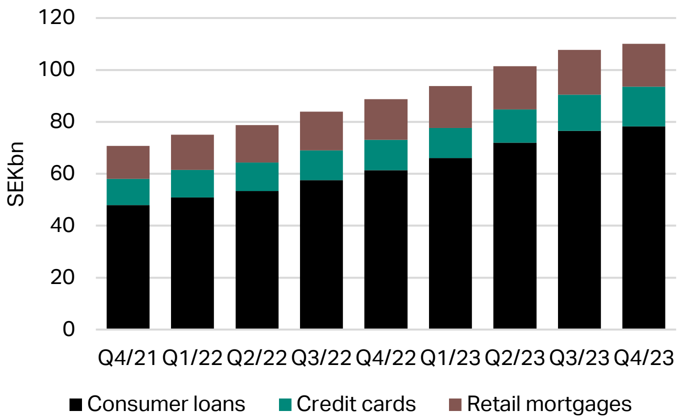
NOBA generally maintains solid buffers against regulatory and internal requirements; its net stable funding ratio stood at 118% and its liquidity coverage ratio (LCR) at 139% at 31 Dec. 2023. The relatively low LCR ratio at year-end 2023 was due to the maturity of a secured bond in January and we expect the ratio to be at or above 200% in most quarters. At the same time, the bank had a liquidity reserve of SEK 18.8bn (19% of customer deposits), which is about average for the peer group.

Higher credit risk profile and aggressive growth following merger

Credit risk 'bb+'

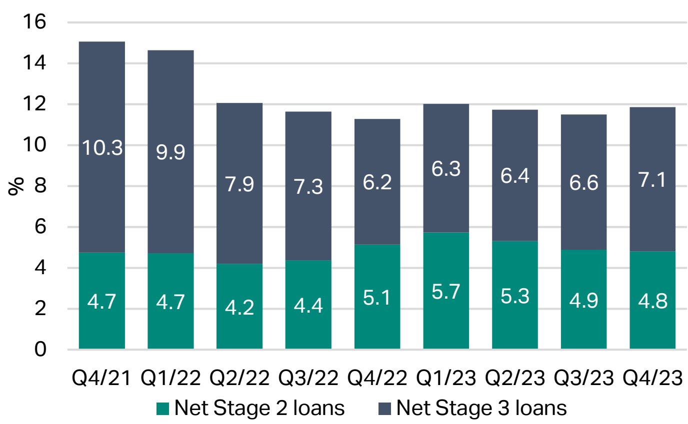
Our assessment of credit risk balances NOBA's blend of lending products and granular loan portfolio with the higher risk profile of loans and credit cards from the Bank Norwegian franchise on the one hand and the bank's material recent and projected growth on the other. Although NOBA is also increasing levels of secured lending, we expect credit card exposures to rise as a share of loans through 2026. We project credit cards will grow to around 16% by year-end 2026 (12% at year-end 2022), driven in part by growth in Germany. Consumer loans have driven recent lending growth and are expected to remain around 70% of exposures through our forecast. Mortgage and equity release mortgages are expected to account for the remaining 14% (15%) by year-end 2026.

Figure 7. NOBA net lending by product type, Q4 2021–Q4 2023



Source: company.

Figure 8. NOBA's net Stage 2 and Stage 3 loans as % of net loans, Q4 2021–Q4 2023



Source: company.

NOBA's mortgage portfolio carries higher risk than a traditional mortgage portfolio, given the bank's focus on non-traditional borrowers such as entrepreneurs and individuals with volatile incomes. All loans in the Swedish mortgage portfolio have first-lien collateral, although the higher risk profile is compensated by materially higher margins than standard mortgages. The Norwegian mortgage book has a higher risk profile, with a minority of lending issued as second-lien mortgages. These loans have a higher interest margin than their Swedish counterparts and are extended to a higher proportion of customers classified as belonging to high-risk groups.

Equity-release mortgages have low credit risk, supporting our overall view of NOBA's credit risk profile. The loans are aimed at elderly borrowers with low loan to value (LTV) and interest is added to the principal, eliminating the risk that active loans will become non-performing. However, the bank maintains risk on the loans if collateral values are unable to cover the loan principal when a home is sold by the borrower or the borrower's estate and can report non-performing loans (NPLs) due to delays in disposing of the estate.

Weak NPL market affecting the ability to dispose of bad loans

Other risks 'bbb'

Since the merger with Bank Norwegian, NOBA has mitigated its balance sheet risk and the capital impact of the NPL backstop regulation by reducing its gross non-performing loans via sales to third-party debt collectors. The back-stop regulation incentivises banks 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 NOBA and its peers to seek alternatives, such as securitisations and other channels, to reduce the capital impact of retaining NPLs on their own balance sheets, possibly leading to one-off charges or increased provisions.

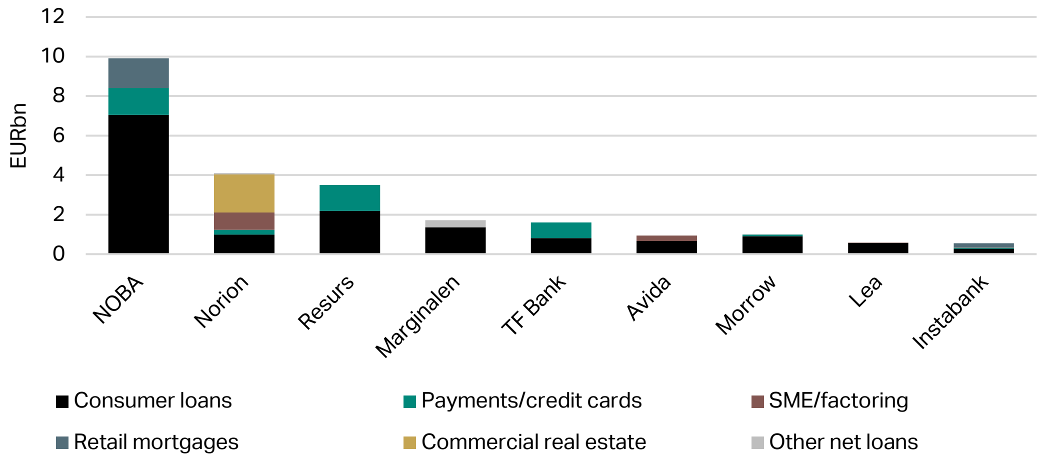
We do not view market risk as a significant factor for NOBA given its low-risk liquidity portfolio. Interest rates on the bank's loans can be adjusted to increased funding costs, mitigating the risk of increased interest rates on net interest margins.

COMPETITIVE POSITION

Competitive position assessment 'bbb-'

Our view of the NOBA's competitive position reflects the increasing diversity of its revenues and the improvements in scale benefits across the bank. NOBA is the largest and most diverse niche bank in the Nordic market in terms of geographic and product footprint. Following the acquisition, NOBA has improved its market position, particularly in Norway and Finland, and added exposures in Denmark. The Nordic consumer loan and credit card markets are characterised by fierce competition. While we believe it is difficult for banks to gain an advantage in terms of driving pricing or attracting stronger customers on the basis of reputation, we nonetheless feel that NOBA's scale advantages and cost efficiency provide advantages in competitive markets.

Figure 9. Nordic consumer banks' net loans by product type, 2023



Source: bank reports.

NOBA does not have a large environmental impact but plays an important social role, both positively and negatively. The bank has a strategy of providing mortgage loans to under-banked individuals and providing income streams to elderly customers with high levels of housing equity. The bank has also contributed to promoting financial literacy and researching the impact of money on equality within personal relationships.

PERFORMANCE INDICATORS

Performance indicators assessment 'bbb+'

We expect integration costs from the Bank Norwegian merger to be minimal from 2025, further improving NOBA's earnings capacity and resulting in strong cost efficiency. Margins have increased since the acquisition, in part due to the higher risk profile, though our forecast expects rising costs of deposit financing to partly offset margin gains from a higher share of credit card lending. The bank's loan losses have also increased since the merger. We expect NOBA's loan loss ratio to remain elevated in 2024 and 2025, with a higher share of non-performing loans contributing to loss provisions.

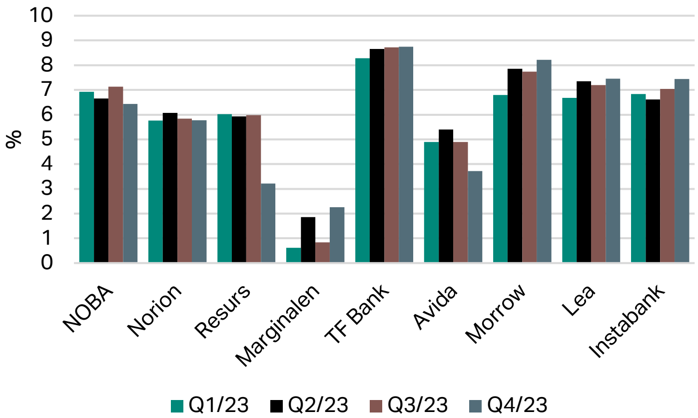
Cost efficiency synergies forecast to grow

Earnings 'aa'

We anticipate further improvements in NOBA's earnings and cost efficiency as synergies from the merger are realised. In our forecast, we expect the combination of lower capital requirements, high margin lending and improved cost efficiency to drive NOBA's pre-provision earnings from 6.8% of the bank's risk exposure amount (REA) in 2023 to an exceptional 9% by 2026.

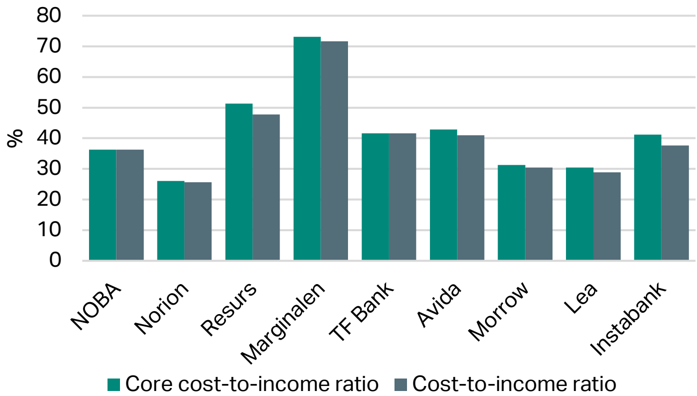
We expect earnings to primarily improve as a result of cost efficiencies, due to fewer one-off integration costs and greater economies of scale as the loan book grows. Integration costs of about SEK 300m are included in our projections in 2024 and 2025. We project the cost-to-income ratio to fall towards the bank's goal of 20% by 2026 (from 45% in 2022), providing an exceptional earnings buffer to manage elevated credit losses.

Figure 10. Nordic niche banks' annualised pre-provision income to average REA, Q1 2023–Q4 2023



Source: bank reports.

Figure 11. Nordic niche banks' cost-to-income ratios, 2023



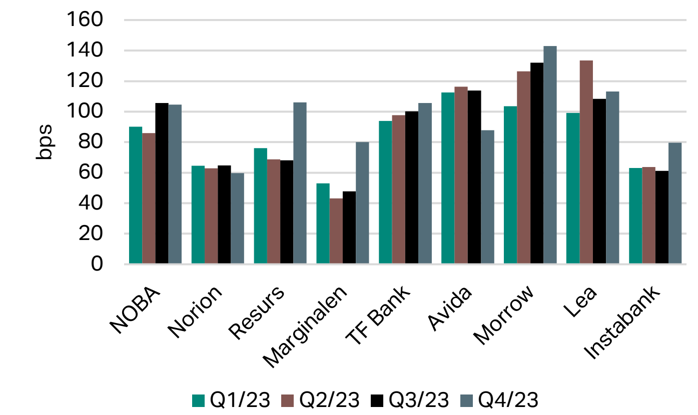
Source: bank reports. Core cost-to-income ratios excluding finacial gains/losses and other revenues.

Asset quality metrics likely to improve, but loss provisions remain high

Loss performance 'bb-'

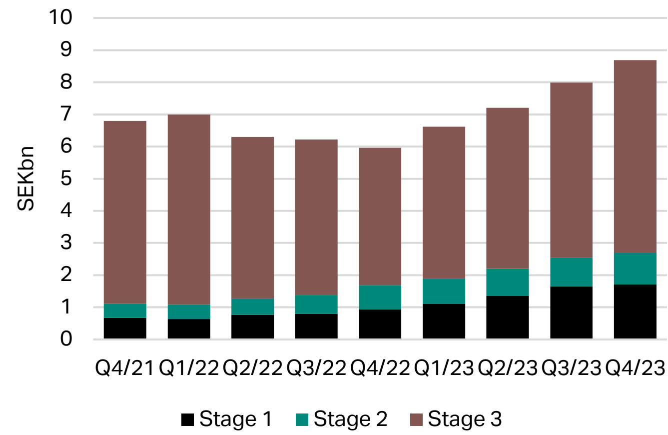
NOBA's loss provisions and credit provisioning to net loans increased to 3.9% in 2023 (3.0% in 2022), in large part due to higher risk in the Bank Norwegian portfolio and credit cards. The strong growth in the loan book also resulted in a rather large increase in reserves for Stage 1 loans, which contributed to 0.8pp of the bank's 3.9% in loss provisions in 2023. An additional 0.2pp were due to the since-cancelled expansion into Spain and German consumer loans. We expect the Stage 1 share of provisions to fall back to normal 0.1pp levels in our forecast. Therefore, our projections of 4.0% loss provisions in 2024 and 3.7% in 2025 reflect an expected increase in non-payments and reserves for NPLs in 2024 before falling as interest rates fall across the Nordic region.

Figure 12. Nordic niche banks' quarterly loan loss provisions to average net loans, Q1 2023–Q4 2023



Source: bank reports. Resurs's Q4 2023 provisions exclude the one-off impact of securitising NPLs.

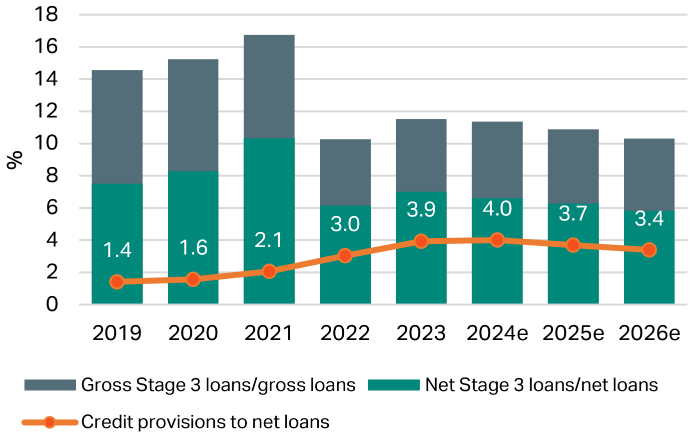
Figure 13. Loss reserves by credit stage, Q4 2021–Q4 2023



Source: company.

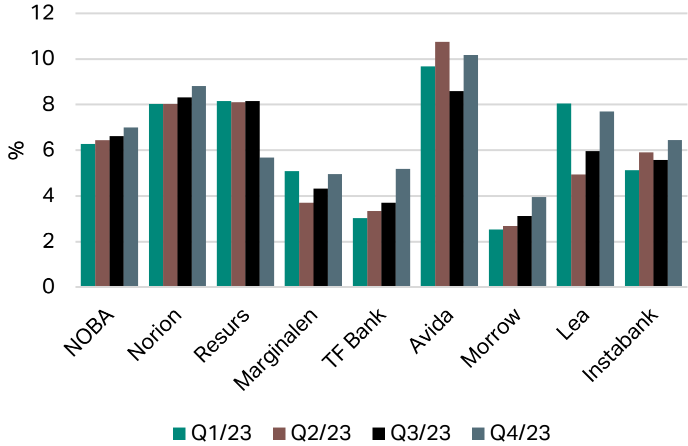
The Bank Norwegian merger also resulted in a material increase in Stage 3 NPLs, at 10.3% of the net loan book at year-end 2021. Subsequently, non-performing loans decreased significantly to 6.2% at year-end 2022, mainly driven by strong lending growth and high activity within sale of NPL portfolios to third-party collectors. However, during 2023, the share of net NPLs increased in each quarter and were 7.0% at year-end 2023 We expect the bank to look for opportunities to offload NPLs affected by the NPL backstop where possible. We also anticipate that the bank and its peers will need to increase reserve ratios to reflect weaker pricing of NPLs, given financing concerns among some of the largest debt-purchasing companies in the Nordics. Our forecast assumes problem loans will rise in nominal terms but will be offset by a larger loan book, resulting in declining NPLs as a share of lending.

Figure 14. NPLs and credit provision metrics, 2019–2026e



Source: company. e–estimate.

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



Source: bank reports.

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 the bank's ESG profile as having a moderately negative impact on its creditworthiness.

Figure 16. NOBA'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 NPL backstop.	Operating environment (-) Risk governance (-) Other risks (-)
Anti-money laundering capacity	Risk of sanctions and fraud. Insufficient control of customers.	Risk governance (0)
Risk management frameworks	Risk-taking beyond limits in bank operations. Legal non-compliance, e.g. with regards to the Consumer Credit Act.	Risk governance (0)
Financial accessibility and literacy	Providing mortgage loans to under-served banking segment and seniors. Improving financial literacy and contributing research on the social impact of money.	Competitive position (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

NOBA Holding is owned by Nordic Capital and Sampo, which control 80% and 20%, respectively, of the share capital in NOBA Holding. Given the nature of the investors, we do not consider these owners to be part of the NOBA group structure. Both primary owners are active within the Nordic financial sector and are important to the bank's strategic development. The reverse merger planned for the second half of 2024 will simplify the legal structure by merging the Holding company and NOBA Group AB into NOBA Bank Group AB.

Figure 17. NOBA Holding direct and indirect ownership, 31 Dec. 2023

Owner	Ownership share (%)
Cidron Xingu Sarl (Nordic Capital Fund IX)	45.2%
Cidron Humber Sarl (Nordic Capital Fund VIII)	34.7%
Sampo	20.0%
Other	0.1%
Total	100.0%

Source: annual report.

ISSUE RATINGS

Our rating on NOBA's unsecured senior debt is in line with the issuer rating, i.e. 'BBB'. We rate the bank's Tier 2 capital instruments two notches below the issuer rating at 'BB+' and its outstanding additional Tier 1 instrument 'BB-' (NO0013177964). We do not rate the bank's internal capital instruments (NO0011134439, NO0011134421), which are owned in full by NOBA Group AB (publ), nor do we rate any external capital instruments issued by NOBA Holding AB (publ). These instruments will be transferred to NOBA Bank Group as part of the intra-group merger.

SHORT-TERM RATING

The short-term rating is 'N3', in line with our definition for the long-term rating level ('BBB').

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) NOBA Bank Group Additional Tier 1 capital instrument assigned 'BB-' issue rating, 13 Mar. 2024.
(iii) Nordic consumer banks increase credit losses, 29 Nov. 2023.
(iv) Nordic consumer banks' earnings compensate elevated credit losses, 11 Sep. 2023.
(v) Nordic consumer banks' loss provisions remain elevated, 28 Jun. 2023.
(vi) Nordic consumer banks increase loss provisions amid rising cost of living, 31 Mar. 2023.

Figure 18. NOBA key financial data, 2020–2023

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023
INCOME COMPOSITION				
Net interest income to op. revenue	96.6	96.3	95.9	94.0
Net fee income to op. revenue	3.9	6.3	6.0	5.9
Net trading income to op. revenue	-0.6	-2.6	-1.8	0.1
Net other income to op. revenue				
EARNINGS				
Net interest income to financial assets	5.7	3.9	6.4	6.7
Net interest income to net loans	6.6	5.1	8.4	8.0
Pre-provision income to REA	5.5	2.4	5.7	6.8
Core pre-provision income to REA (NII & NF&C)	5.6	2.6	5.9	6.8
Return on ordinary equity	17.9	-0.2	5.5	6.4
Return on assets	1.7	0.0	0.9	0.9
Cost-to-income ratio	38.3	62.7	46.0	36.2
Core cost-to-income ratio (NII & NF&C)	38.0	61.2	45.2	36.3
CAPITAL				
CET1 ratio	16.2	16.2	15.1	13.5
Tier 1 ratio	16.2	18.8	17.1	15.1
Capital ratio	17.2	20.8	18.9	16.5
REA to assets	63.0	55.9	59.6	63.5
Dividend payout ratio				
Leverage ratio	10.2	10.8	10.1	9.3
GROWTH				
Asset growth	6.7	228.3	9.9	15.7
Loan growth	9.4	155.6	25.6	24.1
Deposit growth	25.8	178.8	14.4	25.5
LOSS PERFORMANCE				
Credit provisions to net loans	1.57	2.06	3.04	3.93
Stage 3 coverage ratio	50.95	43.78	43.83	43.68
Stage 3 loans to gross loans	15.25	16.74	10.27	11.52
Net stage 3 loans to net loans	8.27	10.32	6.16	7.00
Net stage 3 loans/ordinary equity	68.26	42.42	29.88	41.37
FUNDING & LIQUIDITY				
Loan to deposit ratio	114.4	104.8	115.1	113.8
Liquid assets to deposit ratio	17.7	42.4	27.6	19.8
Net stable funding ratio	120.1	134.5	122.0	118.0
Liquidity coverage ratio	472.0	124.0	253.2	139.0

Key financials (SEKm)	FY 2020	FY 2021	FY 2022	FY 2023
BALANCE SHEET				
Total assets	33,071	108,580	119,325	138,065
Total tangible assets	32,067	99,536	110,433	129,857
Total financial assets	31,943	99,297	110,006	129,305
Net loans and advances to customers	27,656	70,681	88,756	110,121
Total securities	2,458	23,612	14,195	14,846
Customer deposits	24,180	67,424	77,104	96,788
Issued securities	3,739	12,681	10,015	5,120
of which other senior debt	3,391	10,948	8,484	3,391
of which subordinated debt	348	1,733	1,531	1,729
Total equity	3,352	18,953	19,754	19,991
of which ordinary equity	3,352	17,196	18,284	18,637
CAPITAL				
Common equity tier 1	3,384	9,837	10,710	11,860
Tier 1	3,384	11,382	12,138	13,214
Total capital	3,582	12,643	13,434	14,453
REA	20,839	60,690	71,148	87,643
INCOME STATEMENT				
Operating revenues	1,814	2,630	6,954	8,503
Pre-provision operating profit	1,120	980	3,754	5,422
Impairments	416	1,013	2,425	3,907
Net Income	549	-23	973	1,187

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

Figure 19. NOBA 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%	bbb
Credit risk	10.0%	bb+
Market risk	-	-
Other risks	2.5%	bbb
Risk appetite	50.0%	bbb
Competitive position	15.0%	bbb-
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		Stable
Short-term rating		**N3**

Figure 20. Capital structure ratings

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

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