

Norion Bank AB (publ)

Rating Action Report

LONG-TERM RATING

BB+

OUTLOOK

Stable

SHORT-TERM RATING

N4

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geir.kristiansen@nordiccreditrating.com**Norion Bank 'BB+' long-term issuer rating affirmed; Outlook stable**

Nordic Credit Rating has affirmed its 'BB+' long-term issuer rating on Sweden-based Norion Bank AB (publ). The outlook is stable. The 'N4' short-term issuer rating has also been affirmed, as have the 'BB+' senior unsecured issue rating and the 'BB-' Tier 2 issue rating. The bank currently has no outstanding Additional Tier 1 instruments, but we would expect to rate such instruments 'B'.

Rating rationale

The long-term rating 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. We have incorporated a notch of peer adjustment into the long-term-issuer rating to reflect these risk factors.

The rating is supported by Norion 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. We believe the bank's increased liquidity buffers has improved the bank's overall funding and liquidity resilience.

Stable outlook

The stable outlook reflects 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. The outlook 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.

We could raise the rating to reflect an improvement in transparency and management of conflicts of interest and related-party exposures or material reduction in downside risk associated with Stage 3 loans.

We could lower the rating to reflect a Tier 1 ratio below 15% over a protracted period, a lasting increase in loan-loss provisions above 4% of net lending, or material expansion of related-party exposures in relation to common equity Tier 1.

Rating list

	To	From
Long-term issuer credit rating:	BB+	BB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N4	N4
Senior unsecured issue rating:	BB+	BB+
Tier 2 issue rating:	BB-	BB-
Additional Tier 1 issue rating:	B	B

Figure 1. Norion Bank rating scorecard

Subfactors	Impact	To	From
National factors	5.0%	a-	a-
Regional, cross border, sector	15.0%	bb+	bb+
Operating environment	20.0%	bbb-	bbb-
Risk governance	5.0%	bb-	bb-
Capital	17.5%	bbb	bbb
Funding and liquidity	15.0%	bbb	bbb-
Credit risk	10.0%	b+	b+
Market risk	-	-	-
Other risks	2.5%	bb-	bb-
Risk appetite	50.0%	bb+	bb+
Competitive position	15.0%	bb	bb
Earnings	7.5%	aa	aa
Loss performance	7.5%	bb-	bb-
Performance indicators	15.0%	bbb+	bbb+
Indicative credit assessment		bbb-	bbb-
Transitions		Neutral	Neutral
Peer calibration		-1 notch	-1 notch
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		bb+	bb+
Material credit enhancement		Neutral	Neutral
Rating caps		Neutral	Neutral
Support analysis		Neutral	Neutral
Issuer rating		BB+	BB+
Outlook		Stable	Stable
Short-term rating		N4	N4

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	BB+	BB+
Tier 2	BB-	BB-
Additional Tier 1	B	B

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 18 Mar. 2021.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 14 Feb. 2024 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
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Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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