

Nordic niche banks focus on optimisation and scalability in 2026

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Nordic Credit Rating (NCR) expects Nordic niche banks to enter 2026 in a stronger credit position than during the peak of the rate and inflation shock of recent years, but expects increasing differentiation across the sector. Strong capital buffers, improving asset quality and visible progress on cost efficiency are encouraging most banks to seek growth, particularly in scalable credit card and payment products. However, some banks continue to undergo transformations and weakened asset quality.

At the same time, structural change is accelerating. Capital optimisation is a prominent strategy, with redomiciliations, lower risk weights, subordinated capital issuance and risk-transfer solutions actively reshaping balance sheets. Meanwhile, multi-year transformation programs are beginning to translate into structurally lower cost bases and more resilient earnings.

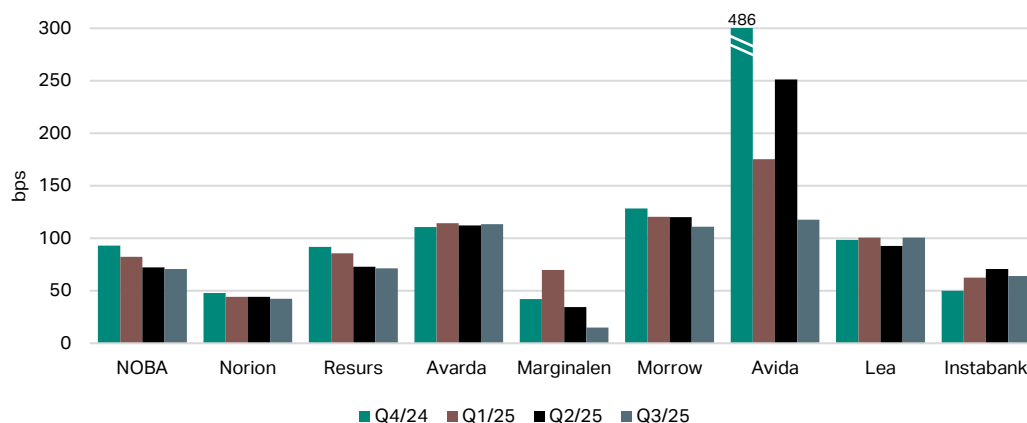
Asset quality is also steady at elevated levels as credit losses and NPLs trend modestly downward. Further, lower interest rates, reduced inflationary pressures, regulatory tightening and more stable economies have reduced the likelihood of materially weaker asset quality over the next few years. While regulatory focus on the consumer lending sector remains high, we believe regulatory risk to larger Nordic niche banks has declined.

Against this improving backdrop, NCR revised the rating outlooks for NOBA Bank Group and Norion Bank to positive from stable in December, reflecting positive momentum for these banks (see recent rating actions).

KEY CREDIT THEMES FOR NORDIC NICHE BANKS IN 2026

- Capital optimisation and operating flexibility underpinned by AT1 and Tier 2 issuance, redomiciliations from Norway, risk-transfer tools, and NPL offloading.
- Asset quality normalization as credit losses and NPLs trend downward and banks signal higher growth targets.
- Strategic transformations support improved cost efficiency and scalable growth.

Figure 1. Quarterly loan loss provisions as a share of net loans, Q4 2024- Q3 2025



Source: bank reports.

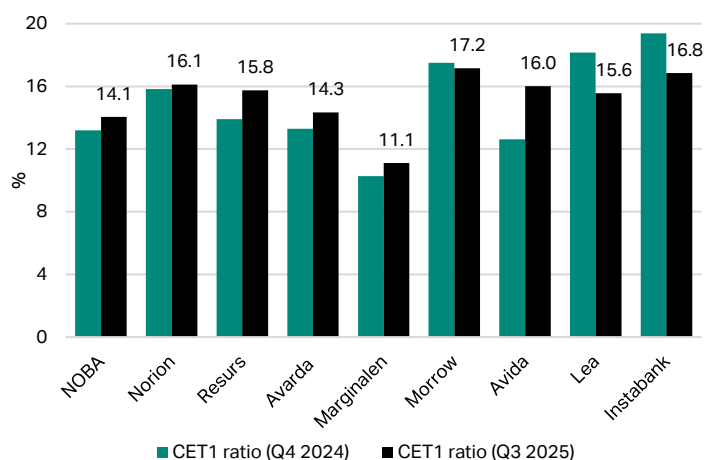
CAPITAL OPTIMISATION AND OPERATING FLEXIBILITY

Capital optimisation is a key credit theme for Nordic niche banks entering 2026. Most peers maintain strong capital positions and earnings buffers, enabling them to pursue growth, invest in technology and acquire portfolios. However, weaker niche banks face strategic decisions: raise equity, deleverage, sell portfolios or consolidate.

CET1 ratios are typically in the mid-teens or higher, while total capital ratios often approach or exceed 20%, supporting flexibility to manage growth and absorb cyclical credit losses. However, some niche banks have increased efforts to reduce what shareholders view as excess capital. As ordinary equity declines, AT1 and Tier 2 issuance is expected to help maintain Tier 1 and total capital ratios and support balance sheet growth. In addition, redomiciliations from Norway to Sweden (Lea and Morrow are complete) and Instabank's eventual move to Finland will release significant capital to shareholders, which we expect will be utilised for growth and substantial dividend payments in 2026.

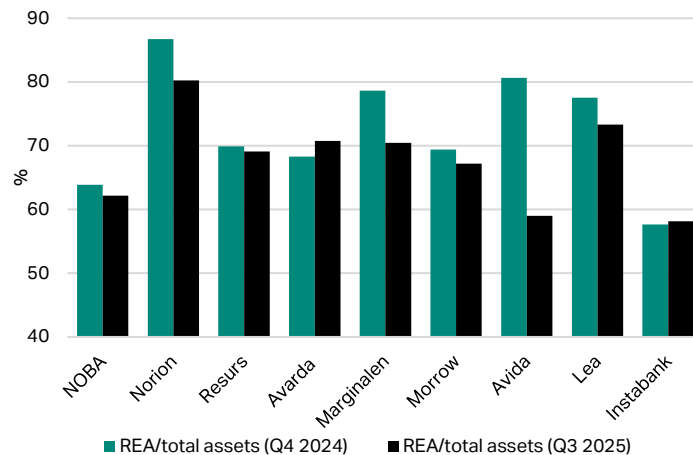
In parallel, regulatory changes are reshaping capital intensity. The implementation of EU Capital Requirements Regulation III (CRR3) in 2025 lowered risk weights for certain portfolios, particularly in secured lending and credit cards, and lowered the operational risk component, supporting higher capital ratios. This has directly increased capital ratios for some banks and enhanced potential return on equity gains as capital structures are adjusted.

Figure 2. CET 1 ratios, as of Q4 2024 and Q3 2025



Source: bank reports. Marginalen's consolidated capital situation is for ESCO Marginalen AB.

Figure 3. Risk exposure amount (REA)/total assets, as of Q4 2024 and Q3 2025



Source: bank reports.

Risk-transfer tools are expected to play a greater role in capital optimisation for Nordic niche banks. In the second half of 2025, significant risk transfer (SRT) transactions led to material improvements in capital ratios for Marginalen and Avida Finans. We expect banks with stronger capital positions to adopt SRTs to reduce risk exposure amounts and release additional excess capital for growth or distribution to shareholders. Additionally, the NPL market has gradually opened up through 2025, and higher activity in the coming year is expected to lower Stage 3 loan balances and free tied-up capital. For example, Instabank's late December announcement of NPL sales in Norway and Finland reduced their gross Stage 3 loans by 35%, to 5.8% of gross loans based on Q3 2025 levels. We see it as likely that companies such as Hoist Finance and Alektum Group will become approved Specialised Debt Restructurers in 2026, providing an additional avenue for NPL disposals.

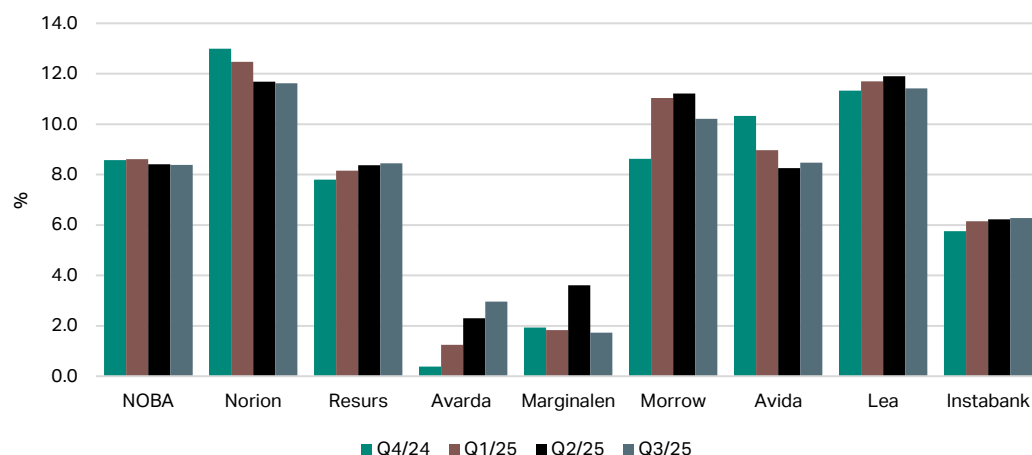
ASSET QUALITY NORMALIZATION AND HIGHER GROWTH TARGETS

Asset quality trends across Nordic niche banks improved through 2025, providing a stronger starting point for 2026. Several peers reported lower credit loss ratios over the last four quarters, supported by better payment behaviour and tighter underwriting, and in some cases strong growth in new, performing loans. Declining loss levels at Norion Bank, NOBA Bank Group, and Resurs Bank point to a normalization of credit losses after a period of interest rate and inflation shocks. Avida's sharp improvement following portfolio disposals and model recalibration shows how it has accelerated its transformation.

An improving macroeconomic environment is encouraging for borrowers, but high-margin consumer loans remain sensitive, especially for borrowers with large balances. Regulatory tightening has reduced fee options and tenor flexibility and increased the importance of underwriting and loan distribution outside of agent platforms. In Sweden, the tax deduction for interest payments on unsecured loans was reduced by half in 2025 and will be fully eliminated in 2026. The initial impact on tax refund-driven deleveraging may appear in the second quarter of 2026, with the full effect

expected in 2027. While we do not anticipate higher credit losses, we have observed a modest decline in Stage 2 loans in previous second quarters, which we attribute partly to tax refunds for borrowers with larger loans, including mortgages, where interest remains deductible.

Figure 4. Quarterly net Stage 3 loans/net loans, Q4 2024- Q3 2025



Source: bank reports.

Nonetheless, we expect declining loss provisions and structural reductions in NPLs to support renewed growth in 2026. Several banks are indicating higher growth targets, particularly in scalable products like credit cards, payments and consumer finance lending. Banks continue to prioritise profitability over volume and maintain risk appetite standards. However, balancing growth ambitions with risk control can be a difficult calibration for these highly scalable lenders, especially as improved macroeconomic conditions support stronger asset quality and customers' credit scores.

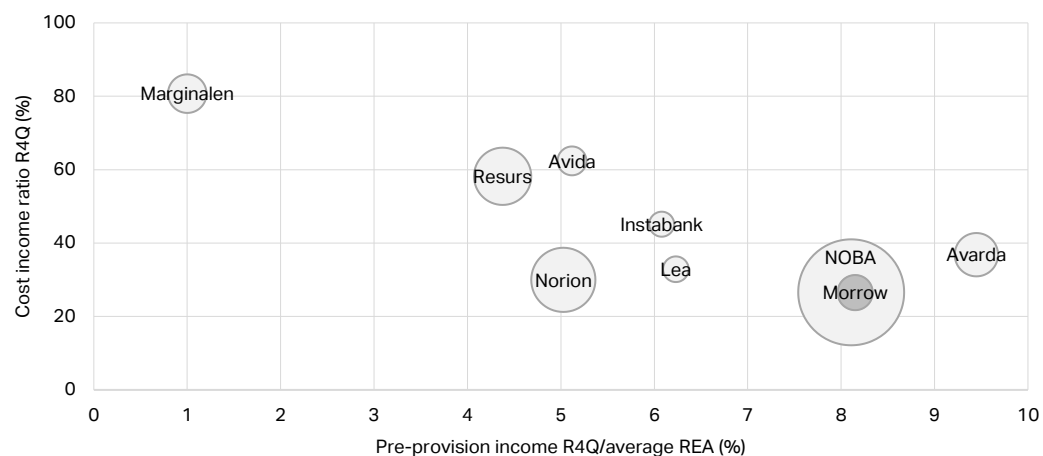
PROFITABILITY, EFFICIENCY, AND STRATEGIC REPOSITIONING

Strategic transformation is increasingly shaping the earnings profile of Nordic niche banks, with tangible improvements in cost efficiency and profitability emerging across the peer group. Several banks now report strong or improving returns on equity, supported by disciplined growth, tighter cost control and scalable operating models. NOBA and Norion stand out with robust ROE and low cost-to-income ratios, reflecting the benefits of completed core-platform migrations and focused segment strategies. Morrow and Instabank have also raised growth and profitability ambitions, citing scalable infrastructure, pricing optimisation and capital relief from redomiciliations to support growth.

Turnaround cases are progressing as well. Resurs has shifted firmly toward profitability over volume, improving underlying earnings despite costs related to its strategic transformation following its ownership change. Avida has returned to profitability following headcount reductions, platform migration and the onboarding of a credit card and retail finance portfolio from Santander. Marginalen has improved its capital situation, but maintains weaker earnings metrics and is subject to an ongoing investigation by the Swedish FSA. All of these banks have securitised loan portfolios to make step-wise improvements in capital and capital flexibility since December 2024.

Technology and process upgrades are supporting scalability and future profitability. Core system migrations, automation and early phases of AI in customer service and collections are lowering unit costs and enabling expansion without proportional cost growth. While execution risk remains, pre-provision earnings and cost efficiency are building on already strong bases for most banks. Overall, scalable earnings are translating into structurally lower cost bases and improved credit resilience going into 2026.

Figure 5. Key earnings metrics, last 12 months to Q3 2025



Source: bank reports. Bubble size reflects net loans.

SUMMARY

The 2026 credit outlook for Nordic niche banks reflects renewed opportunities as banks seek to demonstrate scalability. Capital remains robust, while asset quality concerns are less pronounced than in previous years. Strategic transformations and investments in scalability are also expected to drive further efficiency gains across the sector.

Consumer credit sensitivity, regulatory changes affecting distribution and tax deductibility, and the risk of overextending as the macroeconomic cycle improves remain key watchpoints. If managed effectively, the sample niche banks could end 2026 in a stronger position than they entered it.

NCR-RATED NORDIC NICHE BANKS

The following table summarises NCR's ratings on Nordic niche banks as of 12 Jan. 2026.

Figure 6. NCR ratings on Nordic niche banks

Issuer	Long-term issuer rating	Outlook
NOBA Bank Group AB (publ)	BBB	Positive
Norion Bank AB (publ)	BB+	Positive
Resurs Bank AB (publ)	BBB-	Stable

See NCR's [company reports](#) for details.

RELEVANT RESEARCH

- (i) [NCR comments: Norion Bank 'BB+' rating unchanged following start of buyback programme](#), 29 Oct. 2025
- (ii) [NCR Comments: NOBA Bank Group 'BBB' rating and outlook unchanged following IPO announcement](#), 11 Sep. 2025
- (iii) [Nordic niche banks; building a foundation for growth](#), 4 Sep. 2025
- (iv) [NCR comments: Norion Bank 'BB+' rating unchanged following Balder proposal](#), 25 Mar. 2025
- (v) [NCR comments: Norion Bank's 'BB+' rating unchanged following news on AML investigation](#), 31 Jan. 2025

RECENT RATING ACTIONS

- (i) [Norion Bank outlook revised to positive; 'BB+' long-term issuer rating affirmed](#), 16 Dec. 2025
- (ii) [NOBA Bank Group outlook revised to positive; 'BBB' long-term issuer rating affirmed](#), 16 Dec. 2025
- (iii) [Resurs Bank 'BBB-' long-term issuer rating affirmed; Outlook stable](#), 16 Dec. 2025
- (iv) [Resurs Bank long-term issuer rating lowered to 'BBB-'; Outlook stable](#), 13 Mar. 2025

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