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 AB (publ) reflects the bank's exposure to high-risk segments, persistent single-name concentrations, and shareholder-friendly capital strategy. The bank is operating within several highly competitive segments, where we expect limited customer loyalty and brand awareness. The bank has diversified funding sources but remains reliant on price sensitive retail deposits. The rating also reflects the bank's highly concentrated ownership, and potential challenges in managing conflicts of interest.

The rating is supported by the bank's strong risk-adjusted earnings, diversified loan book across several segments, access to multiple funding sources, and robust capital position. We expect continued growth in consumer finance, payments, real estate and SME lending to support capital generation and business diversification.

STABLE OUTLOOK

The stable outlook reflects our expectation that the bank will continue to grow across its core business segments while maintaining strong risk-adjusted earnings and stable loss performance. We also expect the bank to continue reducing larger Stage 2 and Stage 3 corporate exposures, lowering downside risk from legacy problem exposures. Our base case assumes loan losses will remain stable, although changes in interest rate policies could introduce volatility. We expect the bank's capital generation to stay strong but anticipate dividends and share buybacks to result in a decline in capital ratios towards the bank's capital targets over the forecast period. The stable outlook also reflects our expectation that ownership will remain concentrated, and that related party lending will stay well within internal limits.

POTENTIAL POSITIVE RATING DRIVERS

- Material improvements in ownership diversification, including reduced ownership concentration and a broader base of active shareholders.
- Commitment to maintaining a Tier 1 ratio materially above 15%, for example through a target revision; and,
- Significant reductions in large Stage 3 exposures without material additional losses.

POTENTIAL NEGATIVE RATING DRIVERS

- Material increases in related party lending, or increasing concerns about the bank's management of conflicts of interest.
- A material and sustained deterioration in asset quality metrics affecting capital generation.
- A sustained capital reduction, with a Tier 1 ratio below 14% and CET1 ratio below 2pp over requirements (see Figure 14).

Figure 1. Key credit metrics, 2022–2028e

%	2022	2023	2024	2025	2026e	2027e	2028e
Net interest margin	6.3	6.5	5.6	5.2	5.1	5.2	5.3
Pre-provision income/REA	5.6	5.9	5.2	4.9	4.4	4.7	4.9
Cost-to-income	25.9	25.6	29.1	30.4	33.8	31.5	31.2
Return on ordinary equity	19.0	18.0	15.0	15.5	13.9	14.6	14.5
Loan losses/net loans	2.41	2.48	2.12	1.68	1.68	1.65	1.65
Net Stage 3/net loans	7.6	8.8	13.0	11.4	6.8	6.3	6.2
Tier 1 ratio	15.4	17.0	15.8	16.5	15.6	15.5	15.2

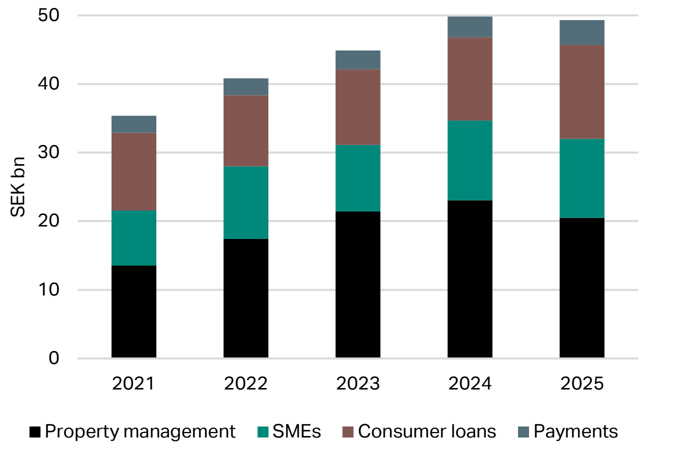
Source: company and NCR. e–estimate. REA–risk exposure amount. CET1-common equity Tier 1. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Norion is a Nordic niche bank offering retail and corporate loans. It received a banking licence in 2015 and was renamed Norion in 2023. Ownership is concentrated around Swedish real estate investor Erik Selin, who directly owns nearly 40% following Balder's divestment of the bank in early 2026.

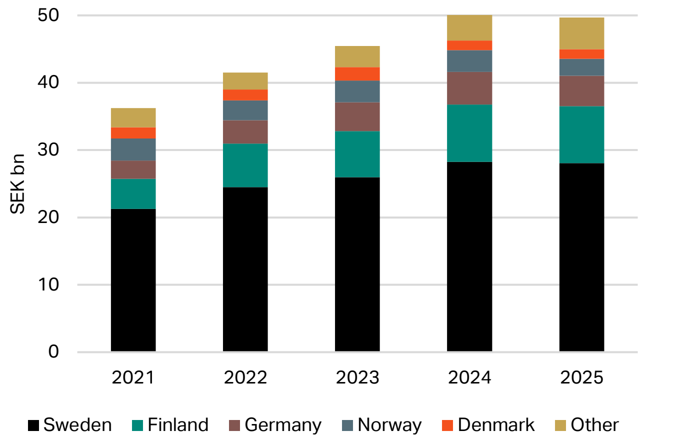
The bank offers loans through its real estate, corporate, consumer and payments segments. Lending is primarily focused on the Nordic region, with some real estate exposure in Germany. The business includes factoring, secured corporate loans, unsecured consumer loans, credit cards and payment solutions for e-commerce operators and retailers under the Walley brand.

Figure 2. Net loans by type, 2021–2025



Source: company.

Figure 3. Net loans by country, 2021–2025



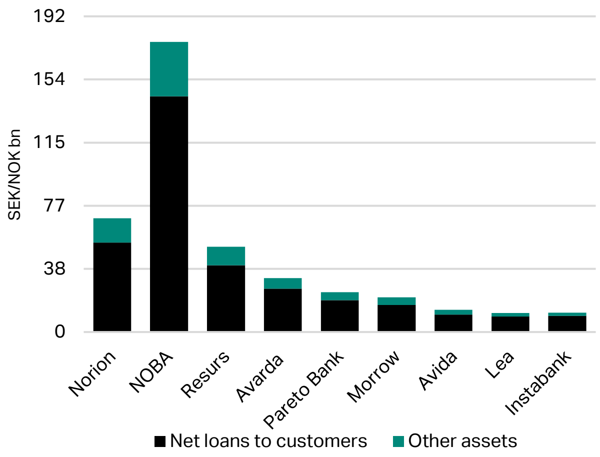
Source: company.

Competitive position

Niche role expands with growth in asset management and payments

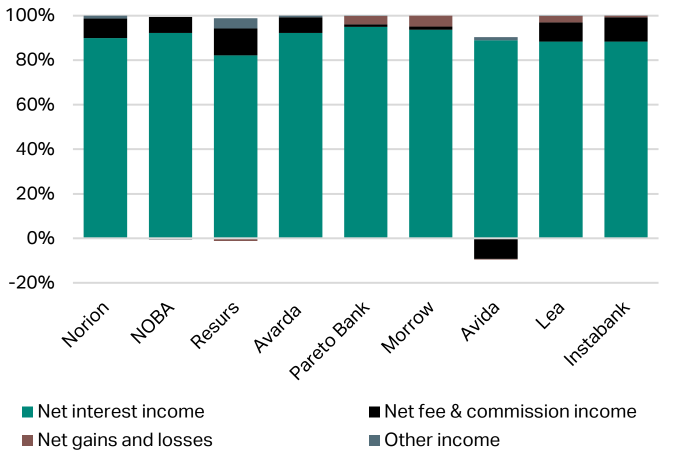
Norion's real estate segment has traditionally been targeted towards real estate borrowers further out on the risk scale, where it offers bridging loans, junior loans, and loans at higher loan-to-value ratios compared with most traditional banks. However, as we expect the bank to lower its risk profile within this segment, competition will likely increase. Also facing increased competition is the bank's corporate segment, in particular its SME lending, which is increasingly targeted by other Nordic niche banks. In 2025 and 2026, Norion acquired Consensus Asset Management and Strand Kapitalförvaltning, expanding into asset and wealth management, primarily in Sweden, adding some additional diversification.

Figure 4. Balance sheet volume comparison, Q2 2026



Source: companies.

Figure 5. Revenue source split comparison, Q2 2026 LTM



Source: companies.

The bank's Payments segment has strengthened its position in Nordic business-to-consumer and business-to-business markets. We expect this segment to grow faster than the bank's other segments in volumes and transactions, but it will likely remain a modest share of the overall loan book, despite generating most fee income. Within consumer lending, competitive pressure has increased in recent years, and we consider brand differentiation within this segment to be relatively weak. However, it contributes to portfolio diversification.

Risk governance

Risk governance reflects a heightened risk appetite

We consider Norion's risk management framework and risk governance to be generally adequate, though indicative of a higher risk tolerance compared with several peers. Earlier in 2026, the bank received the outcome of an investigation into its anti-money laundering practices prior to 2023 (see related publications). We note that the bank has made improvements since then, and the outcome and modest financial punishment do not negatively affect our assessment. In 2025, the bank introduced internal limits on related-party lending and has since 2024 made reductions to the total volume. While this is a positive development, the limit remains relatively high and would permit substantial increases from current levels.

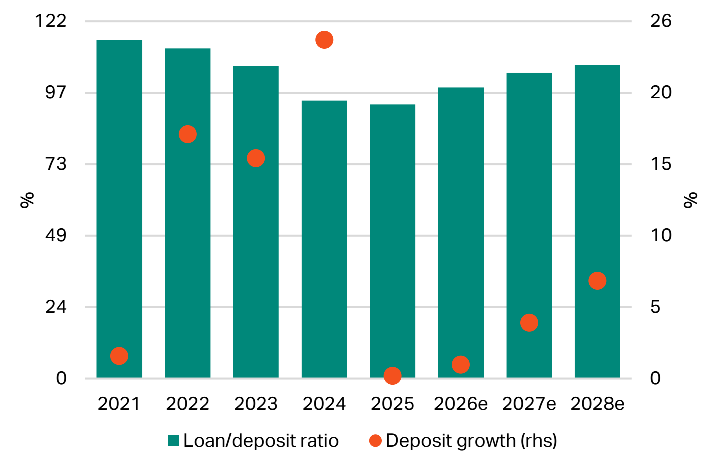
Funding and liquidity

Strong funding buffers, but reliant on price-sensitive deposits

Norion's funding and liquidity management is considered adequate, with stronger aspects partially offset by its reliance on price-sensitive retail deposits. In addition to deposits sourced through its own channels, the bank holds a significant proportion of deposits from European deposit platforms. Since the end of 2024, Swedish banks are required to apply a lower weight to deposit-sourced funds in their net stable funding ratio (NSFR) calculations, indicating that the bank's 125% NSFR as of 30 Jun. 2026 reflects some degree of stress testing.

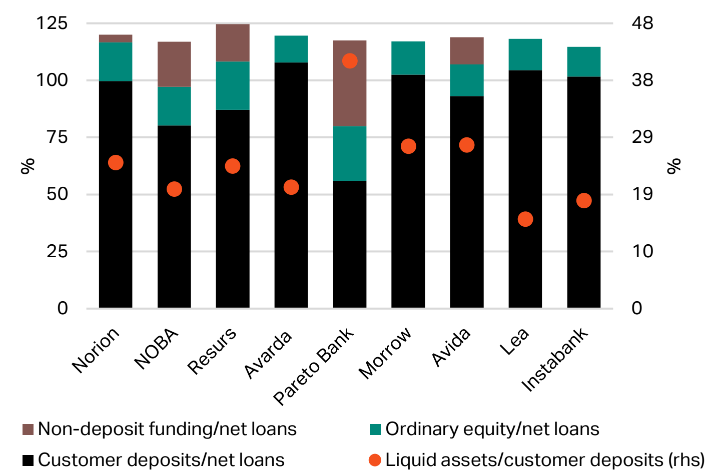
The change in calculation also led the bank to increase its liquidity buffers, with the liquid assets/deposit ratio reaching 35% during most of 2025. The bank has since reduced its liquidity buffers somewhat. We expect this trend to continue through our forecast period, but that buffers will remain adequate. We also expect the bank to increase its share of senior unsecured and commercial paper funding over the coming years.

Figure 6. Deposit metrics, 2020-2028e



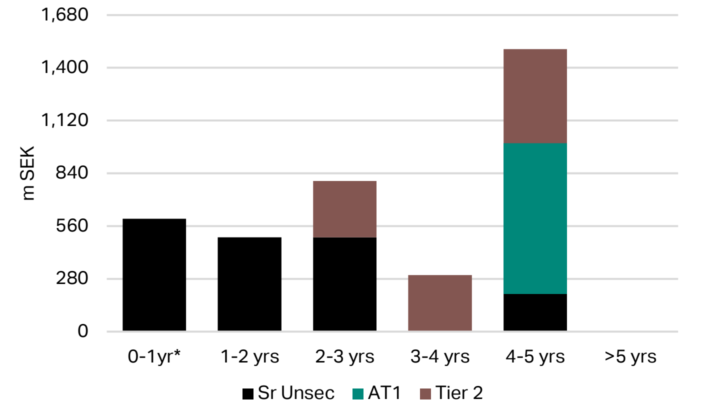
Source: company and NCR. e–estimate.

Figure 7. Nordic niche banks' funding profiles, 30 Jun. 2026



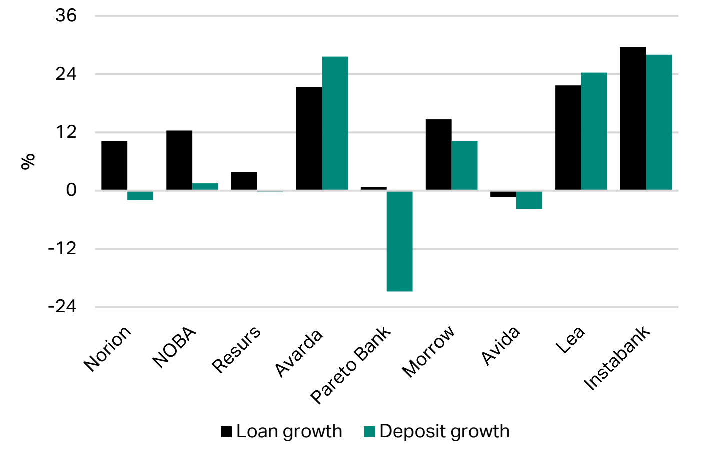
Source: companies.

Figure 8. Bond maturity profile, as of 30 Jun. 2026



Source: companies.

Figure 9. Niche banks' loan vs deposit growth, LTM to Q2 2026



Source: companies.

CREDIT RISK PROFILE

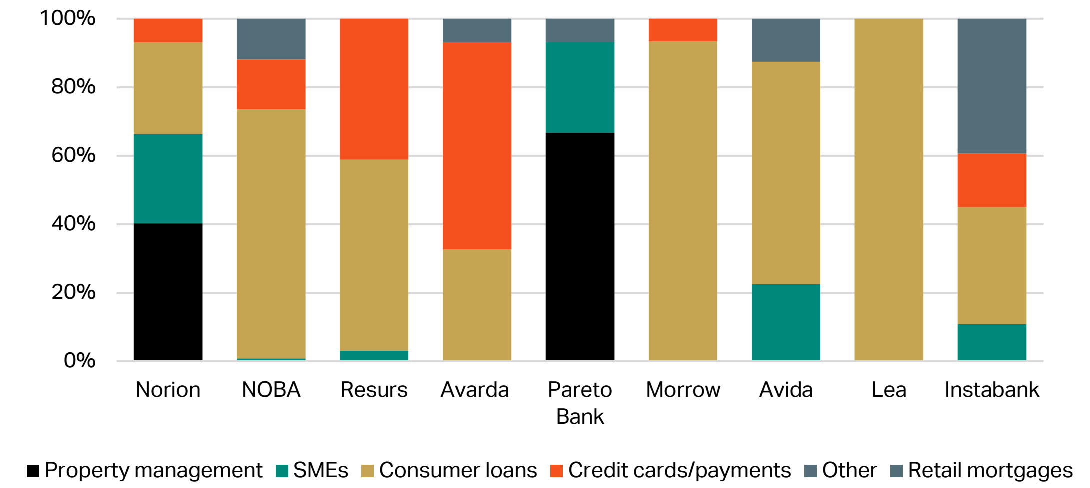
Operating environment

Lending is more diversified than peers, but single-name concentrations remain

Our assessment of Norion's operating environment is based on a combination of Sweden's banking environment and the bank's sector exposures to unsecured consumer lending, payments, property management, and SME lending in the Nordic region and Germany.

We view unsecured consumer lending and payments as more sensitive to economic shifts than traditional bank lending. However, strong legal frameworks in the Nordic region support creditors and promote debt repayment. Regulatory scrutiny of the Nordic consumer lending sector remains high, but we believe regulatory risk for Norion and its larger Nordic peers has decreased. We consider the bank's real estate and SME lending to be at the higher end of the risk spectrum for those segments.

Figure 10. Sector breakdown of Nordic niche banks' loan books, 30 Jun. 2026



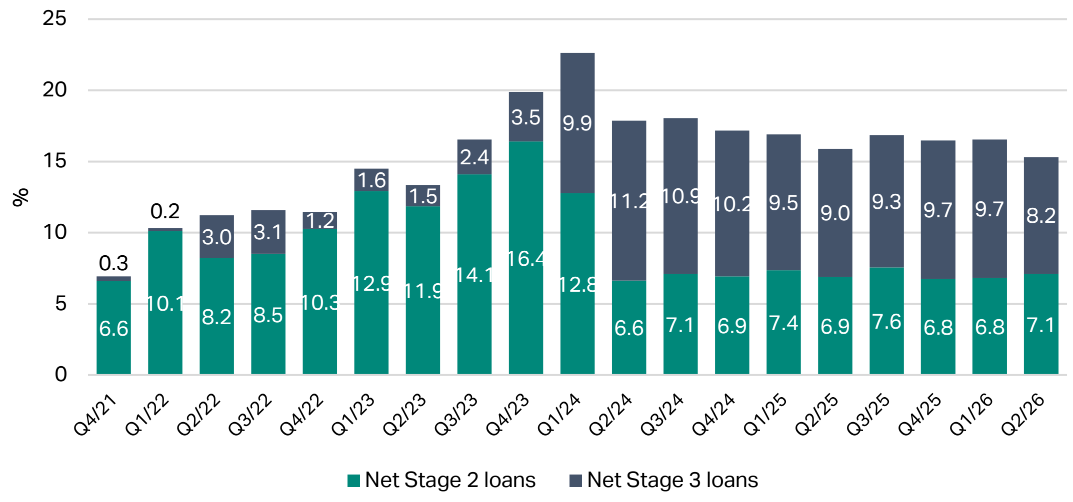
Source: companies.

Credit and market risk

Norion's SME and real estate lending increases risk from large single-name exposures, distinguishing it from peers focused on consumer lending. However, this approach also provides diversification and collateral to the loan book. The bank offers both senior and junior real estate loans, with approximately two-thirds of real estate loans classified as senior. In recent years, Norion has shifted towards slightly smaller loan sizes, while increasing the average loan-to-value to 63% for senior and 78% for junior loans as of Q2/26. Office properties represent the largest share of the real estate portfolio at 34%, followed by residential properties.

The bank's real estate lending contributed significantly to the rapid increase in corporate Stage 3 loans in 2024, resulting in more volatile growth within the segment as some loans have exited the portfolio. We expect a continued gradual reduction in these loans, which will affect overall growth. In the third quarter of 2026, the bank announced the divestment of SEK 6.2bn in gross consumer non-performing loans (NPLs), representing the entire portfolio of consumer loan NPLs. Excluding these effects, we anticipate that underlying growth across all four segments will remain broadly similar, keeping the segment split largely unchanged.

Figure 11. Corporate and real estate lending; share of net Stage 2 and 3, Q4 2021 – Q2 2026

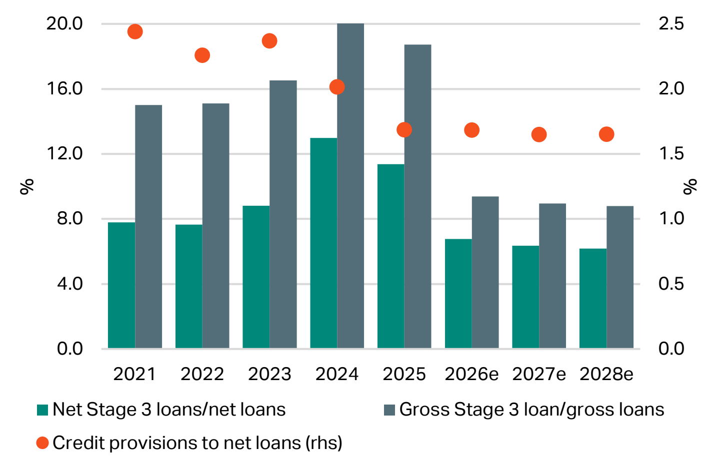


Source: company.

Loss performance

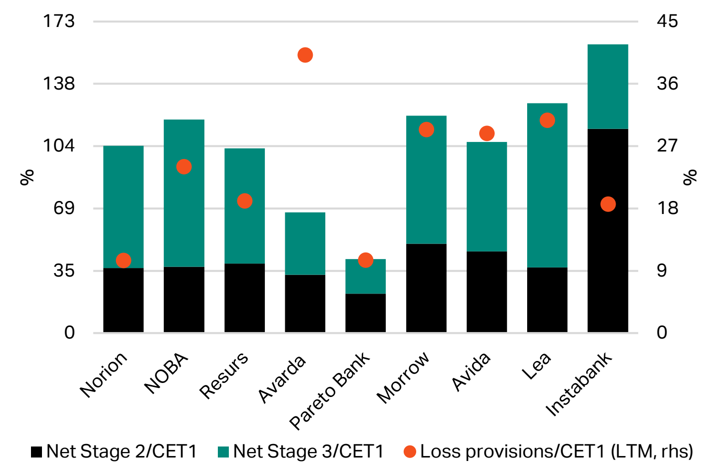
The large sale of consumer loan NPLs was reportedly completed at around book value, resulting in no additional losses for the bank. We attribute this to the bank's higher-than-average coverage ratios for non-performing consumer loans, which have exceeded 60% for the past three quarters. This proactive provisioning, together with lower coverage ratios in secured lending, has contributed to modest loan losses in recent years, averaging 225bps in 2021–2025 and declining annually. We do not expect a material further decline, but consider current and projected loss levels to be supportive of strong internal capital generation.

Figure 12. Asset quality metrics, 2021–2028e



Source: company and NCR. e–estimate.

Figure 13. Asset quality relative to capitalisation, 30 Jun. 2026



Source: companies. CET1-Common Equity Tier 1. LTM-last twelve months.

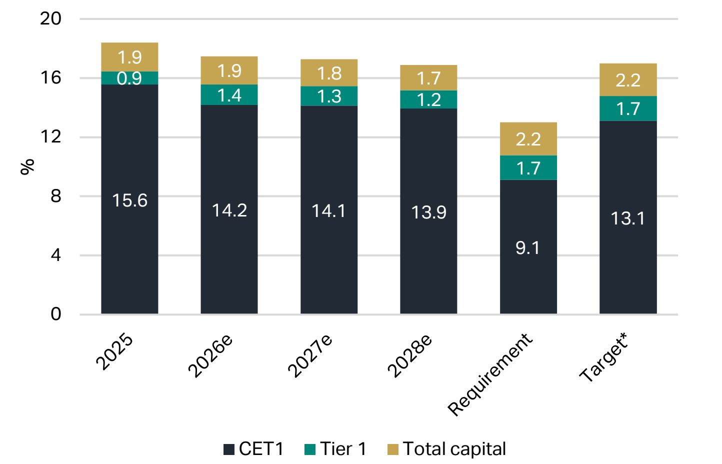
CAPITAL GENERATION

Strong earnings and disciplined growth support ongoing capital distribution.

Capital

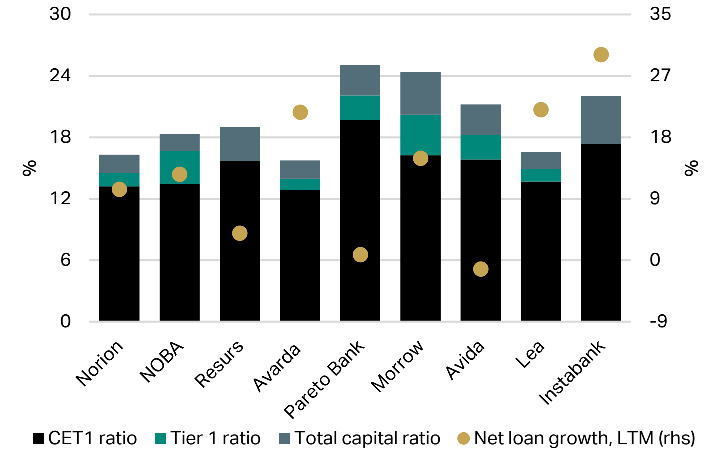
Following share buybacks totalling SEK 2bn since May 2025, Norion's CET1 ratio declined to 13.2% as of 30 Jun. 2026, down from 15.5–16% in recent years. Including the NPL transaction in Q3, the pro forma CET1 ratio for Q2 2026 was 14.7%, and the Tier 1 ratio was 16% (reported: 14.5%).

Figure 14. Forecast capital ratios versus requirements, 2024–2028e



Source: company and NCR. e–estimate. Pillar 2 requirement (P2R) is 0.9%. *Target of 200–400bps above requirement.

Figure 15. Niche banks' capital ratios and loan growth, 30 Jun. 2026



Source: companies.

The bank's capital generation is sufficient to support ongoing loan growth, resulting in stronger capitalisation unless excess capital is distributed. Given the bank's target to maintain capital ratios within 200–400bps of regulatory requirements, we expect continued capital distributions. We have included an additional SEK 500m share buyback programme in the second half of 2026, as well as annual payouts of approximately SEK 1,000m in 2027 and 2028, representing about 70% of forecast net profit. This results in a projected Tier 1 ratio of 15.2% at end-2028, 440bps over current requirements.

Figure 16. Capital projection assumptions

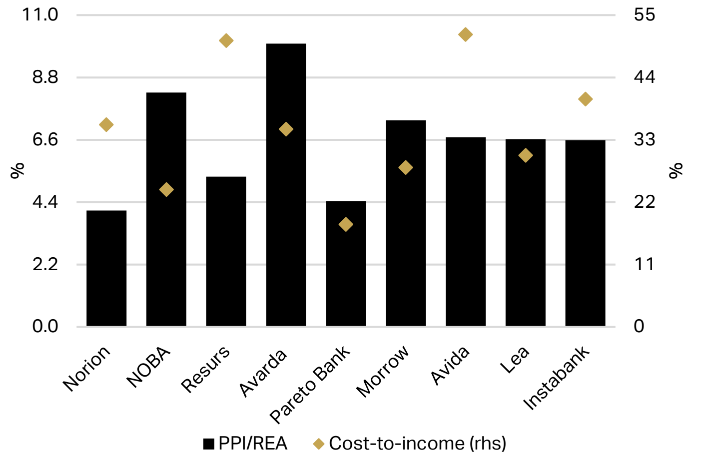
%	2026e	2027e	2028e
Net interest margin	5.05	5.15	5.25
Loan growth	7.3	9.2	9.6
Return on equity	13.9	14.6	14.5
Dividends/share buybacks, % of net profit	0.0	70.0	70.0

Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Earnings

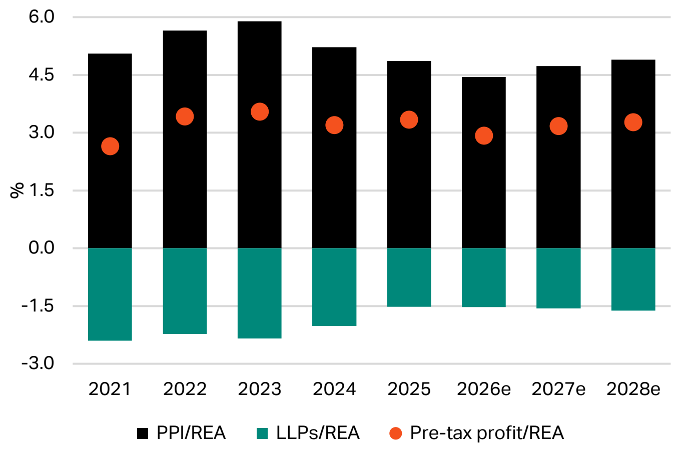
Like many peers, the bank maintains a strong earnings profile, with pre-provision income (PPI) ranging from 4% to 6% of risk exposure amount (REA) in recent years. The decline in earnings is primarily due to lower interest margins, partly because the bank excludes non-paying Stage 3 loans from reported interest income. In the first half of 2026, operating costs were adversely affected by the regulatory fine related to the completed anti-money laundering (AML) investigation and expenses associated with acquisitions. We expect risk-adjusted earnings to rise in our forecast, reaching 4.7% in 2028 from 4.1% in the twelve months to 30 Jun. 2026. This reflects modest improvements in net interest margin, growth in fees and commissions, and some gains in cost efficiency.

Figure 17. Nordic niche banks' earnings metrics, Q2 2026 LTM



Source: companies.

Figure 18. Pre-tax capital generation, 2021 – 2028e



Source: company and NCR. e-estimate.

ADJUSTMENT FACTORS

Peer comparison

We have adjusted our indicative credit assessment downward by one notch, reflecting our view of risks associated with ownership concentration and potential challenges in managing conflicts of interest.

Following the divestment by former largest owner Fastighets AB Balder of its entire holdings in the bank (see Relevant Research (iii)) in May 2026, Erik Selin, a Swedish real estate investor and the largest owner in Balder, is now the bank's largest owner, at 37.8% of shares as of 30 Jun. 2026, approximately 30pp more shares than the second-largest owner (see Figure 19). Although Mr. Selin's direct ownership decreased after the divestment, we expect limited practical impact on the representation of broader interests within the bank's board and day-to-day management.

Mr. Selin's ownership share has increased by approximately 0.4pp since May, based on four reported transactions in the Swedish PDMR transactions registry (*Persons Discharging Managerial Responsibilities and persons closely associated*). Generally, a shareholder controlling more than 30% of a public company's shares must make an offer for the entire company when acquiring additional shares. However, in our understanding of a statement from the Secretariat of the Swedish Securities Council in May, Mr. Selin has received an exemption from this requirement, allowing him to further increase his ownership share.

The bank reports related-party lending (RPL) in its annual reports, with a total volume of SEK 1.9bn at year-end 2025, down nearly SEK 0.5bn from the previous year. At year-end 2025, this volume represented 3.8% of total lending, below the internal limit. In our view, material volumes of RPLs require significantly higher underwriting standards and can lead to substantial conflicts of interest between these owners and other stakeholders in the bank.

SUPPORT ANALYSIS

We assess the company's ownership as neutral according to our group and government methodology. We incorporate risks associated with owner concentration in our adjustment factors. We believe there is potential for support from shareholders and factor this into our assessment of the bank's capital flexibility. However, on a going-concern basis we believe the investors expect the bank to generate its own capital.

Figure 19. Largest owners as of 30 Jun. 2026

	%
Erik Selin	37.8
State Street Bank and Trust Company	7.9
The Bank of New York Mellon SA/NV	4.0

Provobis Holding AB	3.3
JME Invest AB	2.2
Others*	44.8

Source: company. *including 7.2% owned by the bank.

ISSUE AND SHORT-TERM RATINGS

Figure 20. Issue and short-term ratings

	Rating
Senior unsecured	BB+
Tier 2	BB-
Additional tier 1	B
Short-term rating	N4; not strong due to lack of access to central bank funding.

Short-term and issue ratings are mapped to the long-term issuer rating, in accordance with our Financial Institutions Rating Methodology. In cases where two alternatives for short-term ratings are possible, the short-term rating is assigned based on liquidity being strong, adequate, or weak, as applicable. See definitions in the methodology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

We consider ESG factors throughout our analysis, when they are material to our credit assessment.

Figure 21. 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 (-)
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 (0)
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.

METHODOLOGIES USED

(i) Financial Institutions Rating Methodology, 12 May 2025.
(ii) Rating Principles, 14 Feb. 2024.
(iii) Group and Government Support Rating Methodology, 14 Feb. 2024.

RELEVANT RESEARCH

(i) SME lending gains momentum among Nordic niche banks, 8 Sep. 2026.
(ii) NCR Comments: Norion 'BB+' rating and outlook unchanged following finalised AML investigation, 28 May 2026.
(iii) NCR comments: Norion 'BB+' rating and positive outlook unchanged following Balder share distribution, 11 May 2026.
(iv) NCR Comments: Swedish plan could increase funding costs for domestic niche banks, 17 Mar. 2026.
(v) Nordic niche banks focus on optimisation and scalability in 2026, 13 Jan. 2026.
(vi) Swedish niche lenders face regulatory changes in funding metrics, 21 Oct. 2024.

Figure 22. Norion Bank key financial data, 2022–Q2 2026 YTD

Key credit metrics (%)	FY 2022	FY 2023	FY 2024	FY 2025	Q2 2026 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	90.3	90.2	89.6	89.9	88.2
Net fee income to op. revenue	9.3	8.1	8.8	7.9	9.4
Net gains and losses/operating revenue	-0.7	0.7	0.8		1.8
Net other income to op. revenue	1.2	1.0	0.8	2.2	0.7
EARNINGS					
Net interest income to financial assets	6.3	6.5	5.6	5.2	4.9
Net interest income to net loans	7.5	7.6	6.9	6.9	6.4
Pre-provision income to REA	5.6	5.9	5.2	4.9	4.0
Core pre-provision income to REA (NII & NF&C)	5.6	5.8	5.1	4.7	3.8
Return on ordinary equity	19.0	18.0	15.0	15.5	11.4
Return on assets	2.5	2.5	2.1	2.1	1.6
Cost-to-income ratio	25.9	25.6	29.1	30.4	38.9
Core cost-to-income ratio (NII & NF&C)	26.0	26.0	29.5	31.1	39.9
CAPITAL					
CET1 ratio	14.3	15.9	15.8	15.6	13.2
Tier 1 ratio	15.4	17.0	15.8	16.5	14.5
Capital ratio	15.4	17.0	16.9	18.4	16.3
REA to assets	92.9	86.7	79.9	83.3	88.4
Dividend payout ratio					
Leverage ratio	13.8	14.4	12.4	0.0	0.0
Consolidated CET1 ratio				15.6	
Consolidated Tier 1 ratio				16.5	
Consolidated Capital ratio				18.4	
Consolidated Leverage ratio	0.0	0.0	0.0	0.0	0.0
GROWTH					
Asset growth	9.9	11.1	24.3	0.5	2.5
Loan growth	14.6	9.6	10.6	-1.2	9.6
Deposit growth	17.5	15.8	24.3	0.2	2.2
LOSS PERFORMANCE					
Credit provisions to net loans	2.41	2.48	2.12	1.68	1.70
Stage 3 coverage ratio	54.34	52.15	42.48	45.08	47.28
Stage 3 loans to gross loans	15.11	16.53	20.35	18.72	17.35
Net stage 3 loans to net loans	7.65	8.82	12.99	11.37	10.08
Net stage 3 loans/ordinary equity	48.28	51.40	72.17	59.59	59.57
FUNDING & LIQUIDITY					
Loan to deposit ratio	112.6	106.6	94.8	93.5	100.2
Liquid assets to deposit ratio	17.1	17.6	29.5	31.3	24.6
Net stable funding ratio	136.0	138.8	112.4	126.0	125.0
Liquidity coverage ratio	313.0	363.0	320.0	464.0	526.0

Key financials (SEKm)	FY 2022	FY 2023	FY 2024	FY 2025	Q2 2026 YTD
BALANCE SHEET					
Total assets	48,676	54,056	67,206	67,527	69,188
Total tangible assets	48,597	53,952	67,065	67,365	68,933
Total financial assets	47,777	53,024	65,948	66,988	68,480
Net loans and advances to customers	41,490	45,470	50,286	49,675	54,421
Liquid assets	6,288	7,507	15,650	16,629	13,346
Customer deposits	36,842	42,663	53,017	53,121	54,298
Issued securities	3,837	1,748	2,991	2,896	2,895
of which other senior debt	3,337	1,248	2,393	1,800	1,799
of which subordinated debt	500	500	598	1,096	1,096
Total equity	7,070	8,303	9,052	9,977	10,008
of which ordinary equity	6,570	7,803	9,052	9,477	9,208
CAPITAL					
Common equity tier 1	6,461	7,453	8,499	8,762	8,088
Tier 1	6,961	7,953	8,499	9,262	8,888
Total capital	6,961	7,953	9,097	10,358	9,984
REA	45,244	46,862	53,713	56,283	61,191
INCOME STATEMENT					
Operating revenues	3,212	3,648	3,697	3,847	1,901
Pre-provision operating profit	2,380	2,714	2,623	2,676	1,161
Impairments	938	1,078	1,014	838	442
Net Income	1,141	1,294	1,265	1,438	533

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

Figure 23. Norion Bank rating scorecard

Subfactors	Impact	Score
National banking environment	5.0%	a-
Sector exposure assessment	15.0%	bbb-
Regional assessment	-	-
Cross border assessment	-	-
Operating environment	20.0%	bbb
Risk governance	7.5%	bb+
Capital	17.5%	bbb
Funding and liquidity	15.0%	bbb
Credit and market risk	10.0%	bb-
Risk appetite	50.0%	bbb-
Competitive position	15.0%	bb+
Earnings	7.5%	aa
Loss performance	7.5%	bb+
Performance indicators	15.0%	a-
Indicative credit assessment		**bbb-**
Peer comparison		-1 notch
Transitions		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bb+**
Ownership		Neutral
Capital structure protection		Neutral
Rating caps		Neutral
Issuer rating		**BB+**
Outlook		Stable
Short-term rating		**N4**

Figure 24. Capital structure ratings

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

DISCLAIMER

NORDIC CREDIT RATING AS

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