Norion Bank AB (publ)

Rating Action Report

LONG-TERM RATING
BB+

OUTLOOK
Stable

SHORT-TERM RATING
N4

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Norion Bank outlook revised to stable; 'BB+' long-term issuer rating affirmed

Nordic Credit Rating (NCR) has revised the outlook on its 'BB+' long-term issuer rating on Sweden-based niche bank Norion Bank AB (publ) to stable from positive. The long-term rating, 'N4' short-term issuer rating, 'BB+' senior unsecured instrument rating, 'BB-' Tier 2 instrument rating, and 'B' additional Tier 1 instrument rating have been affirmed.

Rating rationale

The outlook revision reflects our expectation that Norion will continue to distribute excess capital above its target, based on the assumption that earnings and asset quality will remain strong as most of its markets have stabilised. We expect the bank's growth in the first half of 2026 to continue through our forecast period, supporting a return on ordinary equity just below 15% in 2027–2028.

Over the past two years, the bank has announced, and mostly completed, share buyback programmes totalling SEK 2bn, resulting in a CET1 ratio of 13.2% and a Tier 1 ratio of 14.5% as of 30 Jun. 2026. These levels mostly fall within the bank's capital buffer target of 200–400bps above regulatory requirements, which correspond to a CET1 ratio of 11.1–13.1% and a Tier 1 ratio of 12.8–14.8%. The large non-performing loan (NPL) transaction communicated in Aug. 2026 will provide immediate capital relief of approximately 1.5pp. However, we expect the bank to distribute and grow into this additional capital, though not necessarily within the remainder of 2026. The bank has clearly shown its intention to reach its capital target range, and we therefore include continued capital distributions in our forecast, leading to a Tier 1 ratio of 15.2% as of end-2028. As the bank has not announced a dividend policy or payout target, we have not adjusted our current assessment of capital. However, the revision of the outlook to stable reflects our expectation that, provided the bank's performance remains strong, it will aim to reach capital levels consistent with a weaker assessment.

We have revised our view of the bank's credit and market risk upward to reflect the gradual exit from its large Stage 3 loans and its intention to focus on a more moderate risk segment within real estate lending. Following the sale of nearly all its consumer NPL portfolio in the latter half of 2026, the bank's share of Stage 3 loans has decreased materially. However, we considered this portfolio to be adequately provisioned, and thus it did not weigh significantly on our earlier assessment. We have also raised our assessment of the bank's risk governance, following the conclusion of the anti-money laundering (AML) investigation earlier this year and our view of further improvement in internal risk management.

We continue to apply a negative peer adjustment notch to the bank's rating, reflecting its highly concentrated ownership and potential challenges in managing conflicts of interest. Following Fastighets AB Balder's exit in May, Erik Selin is the largest owner with 37.8% of shares as of 30 Jun. 2026, about 30pp above the second-largest owner. We expect this change to have a limited practical impact. We note that Mr. Selin appears to be exempt from mandatory bid requirements applicable above 30% ownership. Related-party lending totalled SEK 1.9bn at year-end 2025, or 3.8% of total lending, a decrease from the year before and below internal limits, but still requiring robust underwriting standards and controls.

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.

We could raise the rating to reflect material improvements in ownership diversification, including reduced ownership concentration and a broader base of active shareholders. We could also raise the rating to reflect a commitment to maintaining a Tier 1 ratio materially above 15%, for example through a target revision, combined with significant reductions in large Stage 3 exposures without material additional losses.

We could lower the rating to reflect material increases in related party lending, or increasing concerns about the bank's management of conflicts of interest. We could also lower the rating to reflect a material and sustained deterioration in asset quality metrics affecting capital generation, or a sustained capital reduction, with a Tier 1 ratio below 14% and CET1 ratio below 2pp over requirements (see Figure 14 in full report).

Relevant research and rating actions

(i) NCR Comments: Norion 'BB+' rating and outlook unchanged following finalised AML investigation, 28 May 2026.

(ii) NCR comments: Norion ‘BB+’ rating and positive outlook unchanged following Balder share distribution, 11 May 2026.

(iii) Norion Bank outlook revised to positive; 'BB+' long-term issuer rating affirmed, 16 Dec. 2025.

(iv) Norion Bank long-term issuer rating lowered to 'BB+'; Outlook stable, 18 Dec. 2024.

Rating list	**To**	**From**
Long-term issuer credit rating:	BB+	BB+
Outlook:	Stable	Positive
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 banking environment	5.0%	a-	a-
Sector exposure assessment	15.0%	bbb-	bbb-
Regional assessment	-	-	-
Cross border assessment	-	-	-
Operating environment	20.0%	bbb	bbb
Risk governance	7.5%	bb+	bb
Capital	17.5%	bbb	bbb
Funding and liquidity	15.0%	bbb	bbb
Credit and market risk	10.0%	bb-	b+
Risk appetite	50.0%	bbb-	bbb-
Competitive position	15.0%	bb+	bb+
Earnings	7.5%	aa	aa
Loss performance	7.5%	bb+	bb+
Performance indicators	15.0%	a-	a-
Indicative credit assessment		**bbb-**	**bbb-**
Peer comparison		-1 notch	-1 notch
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		**bb+**	**bb+**
Ownership		Neutral	Neutral
Capital structure protection		Neutral	Neutral
Rating caps		Neutral	Neutral
Issuer rating		**BB+**	**BB+**
Outlook		Stable	Positive
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 12 May 2025 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 have been provided in the last 12 months.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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