Brage Finans AS
Issuer Rating Report

STABLE
A-

Scope's credit view (summary)

Brage Finans' (Brage) issuer rating of A- reflects a focused leasing and car financing business, solid credit fundamentals and the strategic relationship with its owners.

Brage serves as the finance company for its owners, primarily well-established and solid savings banks located in western and southern Norway. Combined, the owner banks have more than 100 local offices, forming an essential part of the company's distribution network. With five of eight board members coming from the banks, the owners steer the strategic direction of the company. In addition, the owners have consistently provided capital and funding to sustain Brage's growth and development.

Through the considered expansion of distribution channels as well as market share gains, Brage has steadily increased returns. For 2022, Brage reported a return on equity of 12% (excluding commissions paid to its owners), its best annual result, with performance supported by high activity levels, low credit losses and strong cost efficiency.

While benefitting from higher margins, the nature of Brage's business activities entails greater asset risk than traditional banking focused on mortgage lending. In leasing, counterparties are often small businesses in cyclical sectors such as construction and transport. At the same time, Brage has been growing the car financing business, increasing the number of personal customers. Asset quality remains sound, underpinned by a diversified and mainly asset-backed credit portfolio and consistent risk management.

As a licensed finance company regulated and supervised by the Norwegian FSA, Brage is subject to most of the same requirements as banks, including in the areas of solvency and liquidity. Brage maintains prudential metrics above relatively stringent requirements with support from its owners as needed. Given that it is not authorized to collect deposits, Brage relies on wholesale funding and is a frequent issuer in the domestic debt market.

Outlook

The Stable Outlook reflects Scope's expectation that Brage's operating performance and prudential metrics will remain sound as the business continues to grow.

What could move the rating up:

- Sustainable growth underpinned by increased business and geographic diversification
- Further diversification of funding profile

What could move the rating down:

- A change in the supportive nature of the relationship between Brage and its owners
- A material deterioration in asset quality or earnings, potentially stemming from a weaker macroeconomic environment

Ratings & Outlook

Issuer rating	A-
Senior unsecured debt rating	A-
Outlook	Stable

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Issuer profile

Brage Finans is a Norwegian finance company offering primarily equipment leasing for business clients and car loans for individuals. The company serves around 10,000 business and 29,000 personal customers.

Brage was founded by ten savings banks in June 2010. As of year-end 2022, the number of owners had increased to 25, further diversifying the company's business geographically. Nevertheless, the two largest owners remain Sparebanken Vest and Sparebanken Sor with a combined stake of nearly 75%. All the other owners have individual stakes below 3.5%.

Brage serves as the finance company for its owners, primarily well-established savings banks. The business began with equipment leasing for the owner banks (2010), then car loans for the owner banks (2013), and then expanded through equipment (2015) and car dealers (2017). In 2021, Brage acquired a 43% stake in Factoring Finans AS, with the aim of offering factoring and invoice purchasing services to the customers of its owners.

Following the opening of several new offices last year, including one in Oslo in November 2022, Brage now has a physical market presence throughout Norway. As of year-end 2022, the company had total assets of NOK 21bn and 114 employees.

Recent events:

- For 2022, Brage reported a net profit of NOK 278m and a return on equity of 12% (excluding commissions paid to its owners), its best annual result. Credit quality remained sound with the Stage 3 ratio at 2.2%. The CET1 capital ratio increased to 17.1%, from 14.7% in Q3 2022 as the company raised NOK 400m from a planned equity issue with its owners.
- In December 2022, Sparebanken Sor increased its stake in Brage by acquiring the 1.44% which was previously held by Etne Sparebank, bringing its stake to 24.88%. This transaction followed the merger of Etne Sparebank with Sparebanken Vest, Brage's largest owner.
- In November 2022, Fana Sparebank reduced its stake in Brage to 1% from 5.3%. Consequently, Sparebanken Sor increased its stake to 23.4% from 20.8%. In addition, the banks in the DSS and Lokalbank alliances increased their stakes by 0.5% and 0.2%, respectively. Further, three new shareholders (Varig Forsikring Nordmore og Romsdal Gjensidig, Varig Hadeland Forsikring and Varig Orkla Forsikring Gjensidig) each acquired a 0.33% stake. Before becoming owners, the three insurance companies were acting as distributors for Brage.

Summary rationale for the rating construct

Step		Assessment	Summary rationale
STEP 1	Operating environment	Very supportive	• Wealthy economy with well-developed capital markets and a strong track record of economic resilience to shocks • Relatively stringent and active financial regulator • Resilient and growing asset finance market
		Supportive	
		Moderately supportive	
		Constraining	
		Very constraining	
	Business model	Very resilient	• Engaged primarily in equipment leasing and car financing • Serves as the finance company for its owners, mostly savings banks • Nationwide presence although operations are focused in western and southern Norway
		Resilient	
		Consistent	
		Focused	
		Narrow	
	Mapping refinement	High	• Owners actively sustain the company's business growth and development
		Low	
	Initial mapping	**bbb/bbb+**	
	Long-term sustainability	Best in class	• Relatively up-to-date IT systems tailored to business • Sustainability considerations incorporated in business strategy and risk processes • Independently assessed green bond framework, with active issuance
		Advanced	
		Developing	
		Constrained	
		Lagging	
	Adjusted anchor	**bbb+**	
STEP 2	Earnings capacity & risk exposures	Very supportive	• While leasing and car financing are higher margin businesses, they entail greater asset risk than traditional banking focused on mortgage lending • Exposed to SMEs in more cyclical industries • Diversified credit portfolio and commission agreement with owners support sound asset quality profile
		Supportive	
		Neutral	
		Constraining	
		Very constraining	
	Financial viability management	Ample	• Maintains sound prudential metrics • Owner banks have consistently provided capital and funding support • Reliant on market funding as not authorised to collect deposits
		Comfortable	
		Adequate	
		Limited	
		Stretched	
		At risk	
	Additional factors	Significant support factor	• No further considerations
		Material support factor	
		Neutral	
		Material downside factor	
		Significant downside factor	
	Standalone	**a-**	
STEP 3	External support	Not applicable	
Issuer rating		**A-**	

Successful mid-sized player in growing Norwegian finance market focused on lease financing and car loans

The 'focused' business model assessment reflects Brage's focus on two businesses, equipment leasing and car financing. As well, activities are concentrated primarily in western and southern Norway where Brage's owners operate.

The 'very supportive' operating environment assessment reflects Norway's wealthy economy with well-developed capital markets and a strong track record of economic resilience to shocks. The regulatory environment is conducive to financial activities, with Brage being subject to the supervision of the Norwegian FSA. The Norwegian asset finance market continues to grow.

Aiming for a balance between leasing and car financing

Brage offers primarily lease financing and loans to businesses and car loans to individuals. The proportion of unsecured consumer and business loans has materially declined as these are not core business areas. Over time, management foresees the business mix becoming more evenly balanced between corporate and retail customers, enhancing the diversification and risk profile of the credit portfolio. Leasing currently accounts for just under 60% of the credit portfolio (Figure 1).

Brage serves as the finance company for its 25 owners, enabling them to offer a broader range of services to their customers. The owners are primarily well-established savings banks, with the two largest being Sparebanken Vest and Sparebanken Sor, with stakes of 49.99% and 24.88%, respectively (Figure 7).

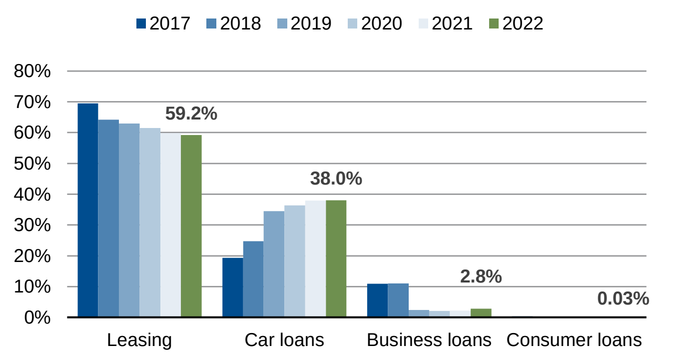
Owners are integral to three-pronged distribution strategy

The owners receive commissions based on their distribution volume as well as the credit losses in their respective portfolios. This strategic and close relationship supports sound business growth. As new distribution channels have been developed, the proportion of business derived from the owners has declined but remains substantial at around 40%.

In addition to the more than 100 local offices of the owner banks, Brage distributes products through several hundred equipment and car dealers and directly via its own sales offices and digital platforms. Last year, Brage continued opening sales offices to expand its geographic presence. In addition to its headquarters in Bergen, the company now has ten sales offices and a national presence.

Operations are concentrated in the geographical markets of the owner banks which are primarily in western and southern Norway (Figure 2). The largest exposure is to western Norway (27%), followed by Rogaland (21%) and Agder (14%).

Figure 1: Credit portfolio development



Note: Car loans includes both retail and business clients.
Source: Company data, Scope Ratings

Figure 2: Geographic footprint of owner banks

Source: Company data.

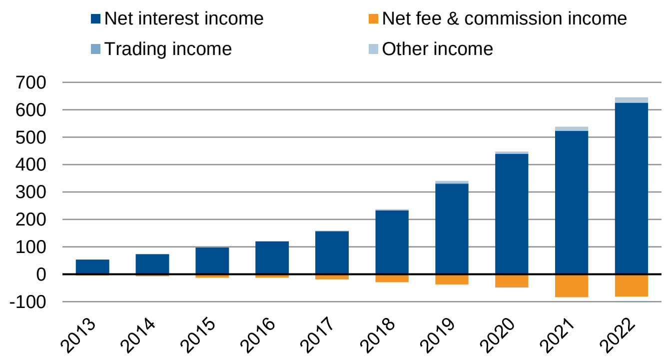
Although still limited, Brage is developing capital-light products such as payment insurance and factoring. The company has offered car insurance for several years and has expanded into offering insurance on leased equipment. This is being done in collaboration with Frende Forsikring, an insurance company which shares many of the same owners as Brage.

In Norway, foreign companies are material players in the finance market, accounting for approximately 30% of finance lending volume[1]. In addition to the three large players, DNB Finans, Nordea Finans, and Santander Consumer Bank AS, other players include the finance companies of auto manufacturers and bank-owned finance companies.

Steadily growing market share

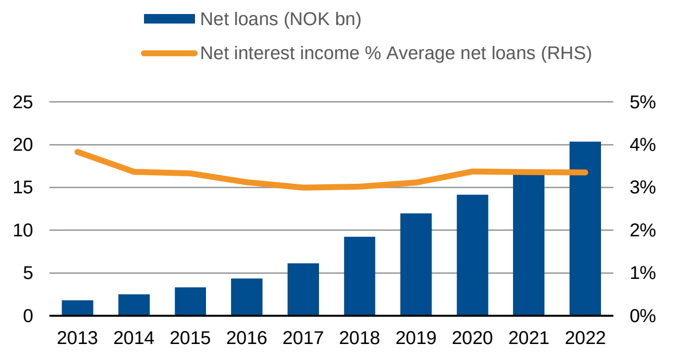
As of year-end 2022, Brage's market share had increased to 6.9% of the overall financing market. Meanwhile, new business market share in the movable asset leasing and car loan segments were 9.8% and 6.0%, respectively, up from 6.6% and 4%, respectively as of year-end 2018[2]. Over time, the company has successfully increased market share in the segments it operates in (Figure 6).

Figure 3: Revenue composition (NOK m)



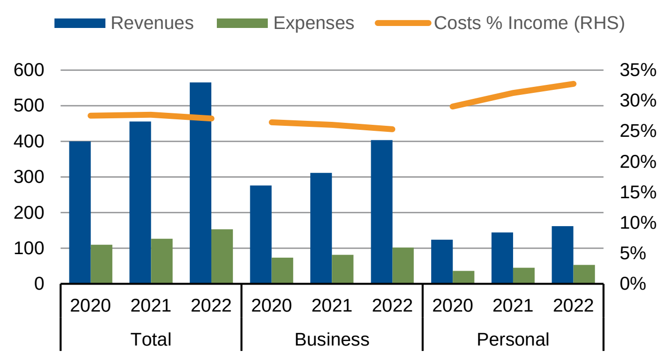
Source: Company data, Scope Ratings.

Figure 4: Net loans and net interest income development



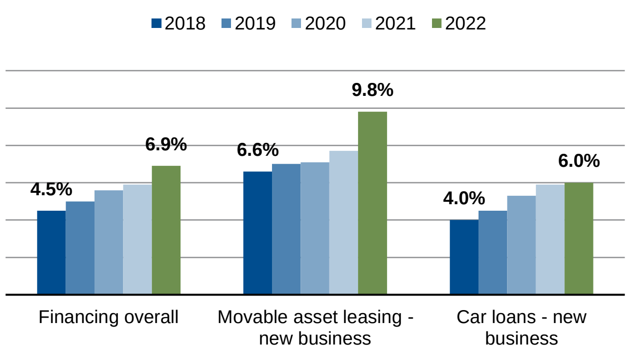
Source: Company data, Scope Ratings.

Figure 5: Revenues and expenses by segment (NOK m)



Source: Company data, Scope Ratings.

Figure 6: Market share development (%)



Source: Association of Norwegian Finance Companies, Scope Ratings.

[1] Norges Bank, Norway's Financial System, 2022.
[2] Market share data reflects the activity of members of the Association of Norwegian Finance Companies. Members' activities include leasing, factoring, car financing, credit cards and consumer loans.

Box A: Focus on Brage's country of domicile: Norway

Macroeconomic assessment

- With a population of 5.4m and a GDP of USD 482bn, Norway is a relatively small open economy with one of the world's highest per capita income levels.
- The Norwegian economy proved relatively resilient to the pandemic shock, with a limited GDP contraction in 2020 and a strong rebound from 2021.
- Due to robust growth, low unemployment and higher than targeted inflation, the central bank has been increasing the policy rate since September 2021.
- A very strong government fiscal position provides ample capacity to support the economy as needed. Savings are accumulated through the world's largest sovereign wealth fund, the Government Pension Fund Global (GPFG).
- The high home ownership rate of around 80% is a driver for high levels of household debt, both in historical terms and in comparison to other countries. Macroprudential measures concerning mortgages and consumer debt are in place to manage related risks. Mortgage debt is primarily floating rate.
- Property prices are elevated. House prices have risen over a long period and remain higher than prior to the pandemic although price growth is moderating. Commercial property prices have also risen over many years.
- A reliance on the oil and gas sector exposes the country to long-term transition challenges.

Soundness of banking sector

- The Norwegian banking system is dominated by DNB Bank with about 25% market share. Nordea and other foreign banks account for about 20% of the retail market and 35% of the corporate market. There are also nearly 90 savings banks, with their size ranging from NOK 3bn to NOK 350bn in assets. Savings banks tend to operate locally or regionally and are part of alliances.
- Smaller savings banks are consolidating due to increasing competitive and regulatory pressures.
- Residential mortgages account for nearly 50% of total lending while the commercial real estate sector accounts for almost half of corporate lending.
- Digitalisation is high and the use of cash is amongst the lowest in the world.
- A comparatively rigorous regulatory framework, with Norwegian banks being subject to some of the highest solvency requirements amongst European banks.
- Norwegian banks are generally profitable, cost efficient and exhibit sound asset quality and solvency metrics. The use of market funding is material, with covered bonds being an important funding source.
- Volume growth in the leasing market is linked to the overall economy as well as the investment cycle. The leasing market has generally grown each year since 2010. The exceptions were in 2015 when the Norwegian economy suffered from a sharp drop in oil prices and in 2020 due to the Covid-19 pandemic.

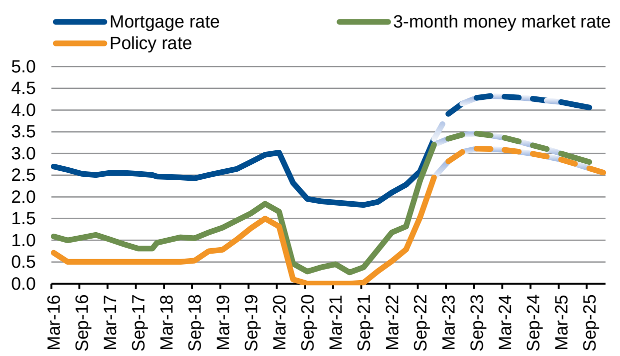
Key economic indicators	2019	2020	2021	2022F	2023F
GDP per capita (USD'000s)	76.5	68.0	90.0	NF	NF
Real GDP, % change	1.1	-1.9	4.0	3.4	2.0
Unemployment rate, %	3.7	4.6	4.4	3.2	3.4
CPI, % change	2.2	1.3	3.5	NF	NF
Policy rate, %	1.5	0.0	0.5	2.75	2.75
General government debt, % of GDP	40	47	43	39	38

Note: NF = not forecasted.
Source: SNL, Scope Macroeconomic Board forecasts.

Banking system indicators	2017	2018	2019	2020	2021
ROAA, %	0.9	1.0	1.1	0.8	1.0
ROAE, %	10.1	11.0	11.3	8.6	10.3
Net interest margin, %	1.6	1.8	1.8	1.7	1.7
CET1 ratio, %	16.2	16.4	17.4	17.9	18.1
Problem loans % Gross customer loans	1.1	1.4	1.4	1.7	1.5
Loan-to-deposit ratio, %	152.6	154.4	151.4	139.9	130.8

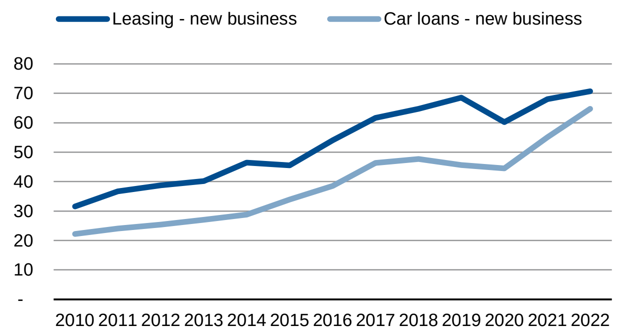
Source: SNL.

Figure A: Interest rates (%)



Source: Norges Bank, Dec 2022 MPR.

Figure B: New business volumes – leasing and car loans (NOK bn)



Source: Norwegian Association of Finance Companies.

Figure 7: Selected metrics of owner banks with stakes of 1% or more

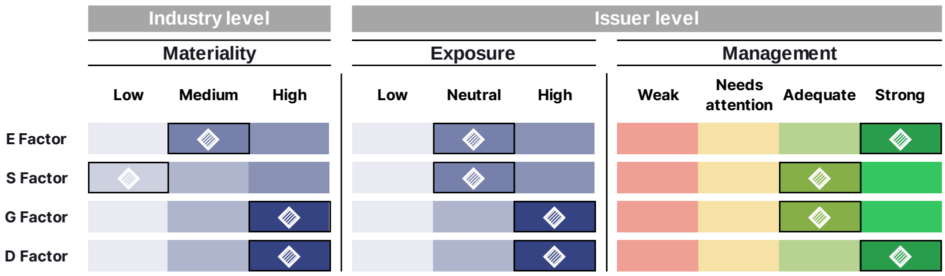
	Stake in Brage (%)	Assets (NOK bn)	Return on Avg Equity (%)	Costs % Income	NPLs % Gross loans	CET1 capital ratio (%)
Sparebanken Vest	49.99%	263.8	14.0	32.5	0.2	18.1
Sparebanken Sør	24.88%	157.4	8.4	40.4	0.5	17.1
Haugesund Sparebank	3.11%	13.3	6.1	46.4	0.7	21.4
Voss Sparebank	2.26%	5.7	6.1	38.6	0.2	30.2
Spareskillingsbanken	2.15%	11.1	6.0	48.1	0.6	25.5
Flekkefjord Sparebank	2.09%	8.3	4.1	58.9	0.2	21.4
Skudenes & Aakra Sparebank	1.90%	11.1	8.5	41.5	0.2	21.4
Søgne & Greipstad Sparebank	1.72%	5.0	8.1	53.5	0.1	18.8
Luster Sparebank	1.64%	4.4	6.4	44.1	0.5	24.5
Lillesands Sparebank	1.56%	3.8	6.9	57.5	0.1	23.2
Fana Sparebank	1.00%	29.8	8.1	49.5	0.6	17.8

Notes. Ownership stakes as of YE 2022. Data for Sparebanken Vest, Sparebanken Sor, Voss Sparebank and Lillesands Sparebank are for FY 2022 while for the others it is for 9M 2022. Source: SNL, Scope Ratings.

Effective management of sustainability considerations supports business growth

The 'advanced' long-term sustainability assessment reflects Brage's effective and proactive approach to managing sustainability-related considerations, with attention being given to both risks and opportunities. Ongoing enhancements to the company's relatively up-to-date technology systems support the business franchise.

Figure 8: Exposure and management of key ESG-D factors[3]



Source: Scope Ratings

Governance: Owners steer strategic direction

Brage benefits from an experienced and stable senior management team. The CEO, the Deputy CEO, and the head of credit each have more than 30 years of experience in the finance industry and have been with the company since its founding in 2010.

Reflective of its ownership structure, the company's eight-member board includes five representatives from the owner banks. As well, there is an employee representative and two independent members.

[3] The overview table illustrates how each factor informs our overall long-term sustainability assessment. The materiality table shows how we view the credit relevance of each factor for the industry at large. The exposure table shows our view on the degree of exposure an issuer has to each ESG-D factor. The management table shows how we view the issuer's management of these exposures.

Digital: Relatively new and updated systems

Brage's operations have been digital from its founding. The company continuously enhances its IT systems and client facing digital platforms but there is no need for major investments as the systems are relatively new and up-to-date. All employees are encouraged to be involved in improving the company's systems. Recent projects include updates to the e-signing system and the self-service digital platform for corporate customers.

Environmental: Addressing risks and opportunities

Brage has incorporated ESG considerations such as the environmental performance of equipment and vehicles in its credit approval and risk assessment process. Management recognises that these factors influence the value of the assets being financed. Further, Brage avoids financing objects or businesses in industries which are prohibited in its internal guidelines, such as power production based on coal or oil sands.

At the same time, the company aims to increase the proportion of "green" assets in its portfolio and support businesses contributing to sustainable development and the greater use of renewable energy. Through more attractive terms and conditions as well as advice, Brage encourages customers to lease or buy "greener" alternatives. Last year, Brage well exceeded its goal to have electric cars account for 40% of new car financing.

The company has developed an internal system for classifying "green" objects in its portfolio which can be used for the issuance of green bonds. Brage established a green bond framework in 2020 which has been independently assessed by CICERO Shades of Green. The company has since issued several green bonds.

Brage continues to develop disclosures in line with the recommendations of the Task Force on Climate Related Financial Disclosures as well as with the requirements of the Norwegian Transparency Act which will enter into force on 30 June.

Social: Focused on being a good employer

Brage aims to be a good employer, with satisfied and motivated employees. Policies are in place to support skill development, a good working environment and work-life balance.

Brage continues to work on achieving the goals set for the finance industry by Finans Norge in regard to equality. The senior management team is evenly distributed between women and men. Further, in middle management, the proportion of women is within the 40% recommendation. In recruitment processes, active efforts are made to maintain a balance between men and women, and as well a balanced distribution in age.

Improving returns while preserving a sound asset quality profile

The "neutral" earnings capacity and risk exposure assessment reflects the nature of Brage's business activities which benefit from higher margins but also greater asset risks. At the same time, the company continues to maintain a sound asset quality profile.

Through the considered expansion of distribution channels as well as market share gains, Brage's returns have steadily increased. For 2022, Brage reported a return on equity of 12% (excluding commissions paid to the owners), its best annual result, with performance benefitting from high activity levels, low credit losses and strong cost efficiency.

Higher returns but also higher credit costs compared to banks

As show in Figure 10, Brage enjoys higher returns compared to banking peers but also higher credit costs. The nature of Brage's business activities entails greater asset risk than traditional banking focused on mortgage lending. In the leasing business, counterparties are often small businesses in cyclical sectors. Within the corporate portfolio, the largest exposures include construction as well as transport and storage, industries which tend to be more cyclical. At the same time, Brage has been growing the car financing business, increasing the number of personal customers.

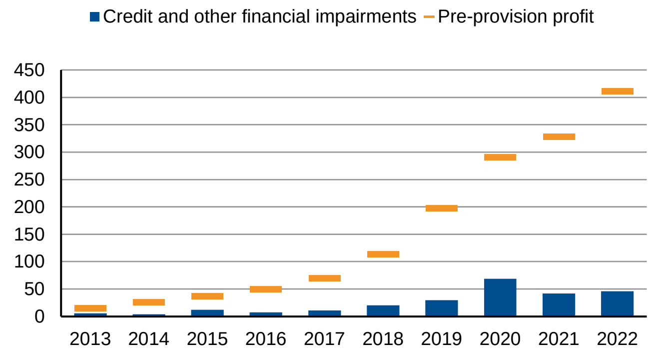
Brage performs its own credit assessment of all clients, including those which have been referred by the owner banks. Credit and concentration risks are also actively managed and monitored. While management foresees some weakening in macroeconomic conditions, there has been no material change in customer behaviour so far. As of year-end 2022, asset quality remained sound with Stage 3 exposures accounting for 2.2% of the credit portfolio.

Diversified credit portfolio and consistent risk management

The credit portfolio is diversified by both industry and asset type, with concentration risk being low (Figures 11 and 12). As of year-end 2022, over 85% of the portfolio was comprised of contracts on individual assets with values below NOK 5m each. The remainder of the portfolio was comprised of contracts on individual assets with a value between NOK 5 and NOK 50m. Further, 59% of the portfolio was comprised of customer engagements totaling less than NOK 5m each.

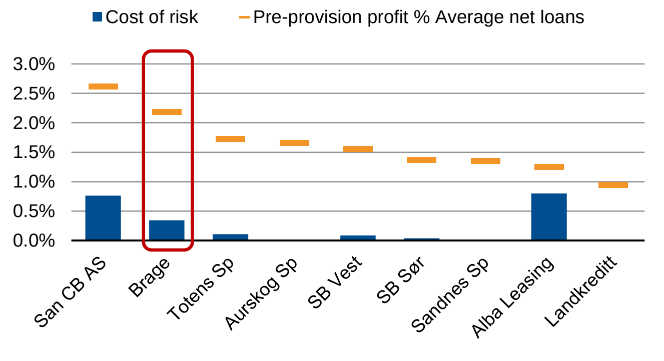
The credit portfolio proved to be resilient during the Covid-19 pandemic. Brage had low exposure to more impacted industries such as hospitality and oil and offshore, and only a limited number of three-month payment deferrals were granted, primarily to business customers.

Figure 9: Pre-provision income vs impairments (NOK m)



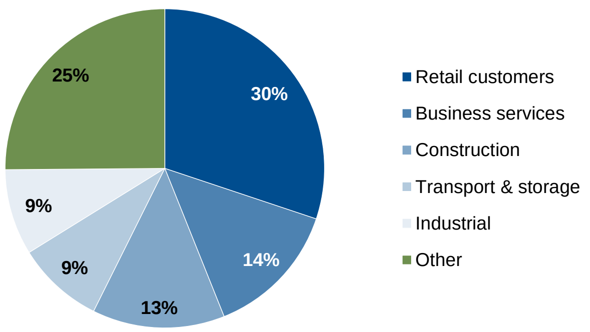
Source: Company data, Scope Ratings.

Figure 10: Pre-provision income vs cost of risk – peer comparison (%)



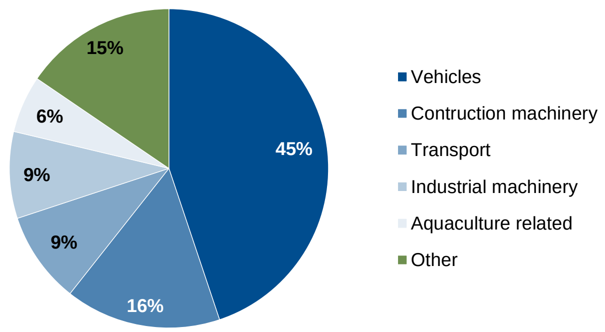
Note: Averages for 2020-2022 except for Alba Leasing which is for 2019-2021.
San CB AS = Santander Consumer Bank AS.
Source: SNL, Scope Ratings.

Figure 11: Portfolio by industry (%)



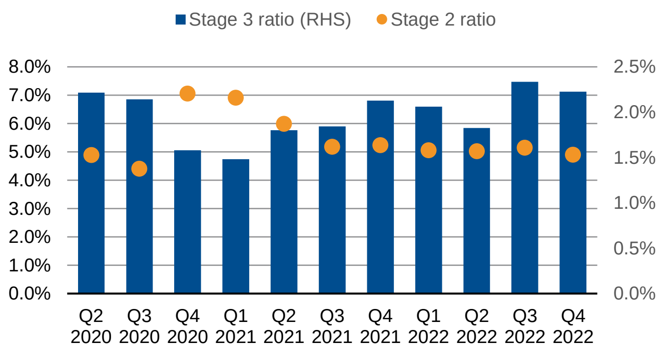
Note: Data as of YE 2022.
Source: Company data, Scope Ratings.

Figure 12: Portfolio by asset type (%)



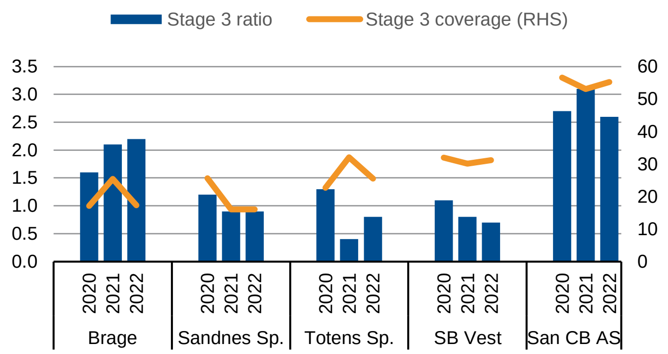
Note: Data as of YE 2022.
Source: Company data, Scope Ratings.

Figure 13: Stage 2 and Stage 3 ratio development (%)



Source: Company data, Scope Ratings.

Figure 14: Stage 3 loans and coverage – selected peer comparison (%)



Note: San CB AS = Santander Consumer Bank AS.
Source: SNL, Scope Ratings.

Maintaining sound prudential metrics with support from its owners as needed

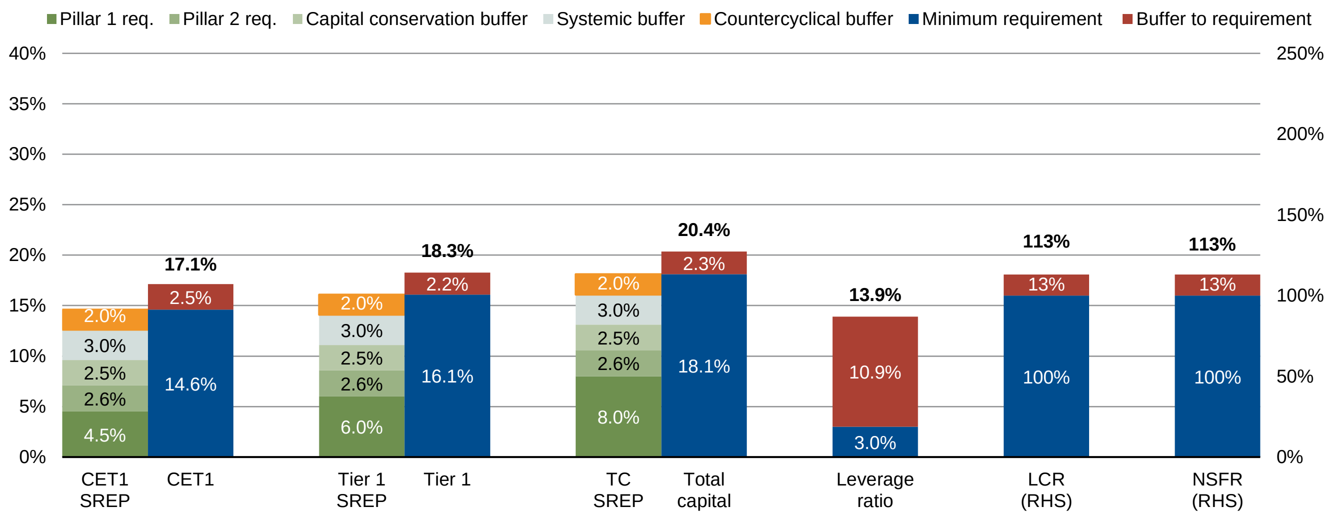
The "comfortable" financial viability management assessment reflects Brage's sound prudential metrics. The quality of the company's capital as well as absolute solvency levels are relatively high. The owners continue to provide capital and funding support to ensure that prudential metrics are met with an appropriate buffer.

Subject to many of the same stringent requirements as banks

Licensed as a finance company, Brage is regulated and supervised by the Norwegian FSA. The company is subject to most of the same requirements as banks, including in the areas of solvency and liquidity. With the support of the owner banks, Brage maintains sound prudential metrics in line with relatively stringent requirements. Over the years, the owner banks have contributed nearly NOK 2bn in capital to support growth and ensure a sound solvency position.

Brage's CET1 capital position was 17.1% as of year-end 2022, compared to a current requirement of 14.6% (Figure 15). There are two pending increases to capital requirements. The countercyclical capital buffer is scheduled to fully revert to 2.5% in March. Further, the systemic risk buffer which was originally slated to increase to 4.5% from 3% at year-end 2022 has been postponed until year-end 2023.

Figure 15: Overview of positioning against requirements as of YE 2022



Source: Company data, Scope Ratings

Managing solvency levels to meet supervisory expectations

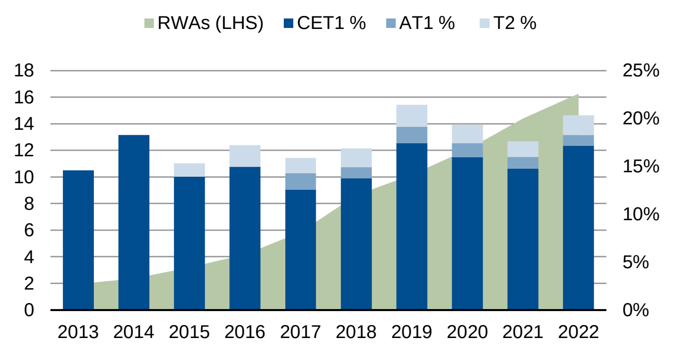
In addition, Brage is expecting an update to its current Pillar 2 requirement of 2.6%. Management currently targets a buffer of at least 50bps above minimum requirements but is aware that the Norwegian FSA has become more explicit about Pillar 2 guidance levels. Upon further clarification, Brage intends to adjust its management buffer appropriately.

Regular debt issuer as not authorised to collect deposits

As Brage has grown, management has successfully obtained different sources of funding to sustain its development. However, as a finance company, Brage is not authorized to collect deposits. Over time, the proportion of funding from the owner banks has declined while senior unsecured debt has become the primary source (Figure 18). Nevertheless, the owner banks have indicated a willingness to provide support as needed.

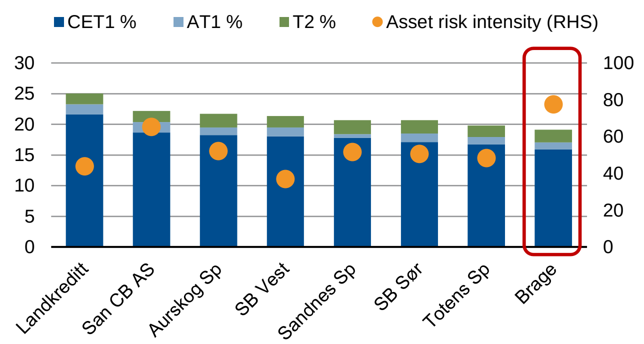
In 2014, Brage issued senior unsecured debt for the first time and in 2017 began issuing AT1 securities. As well, in 2018 Brage obtained its first loan of NOK 175m from the Nordic Investment Bank to support SMEs with lease financing. In 2020, another loan of NOK 250m was obtained to support sustainable financing and which has been used for green car loans.

Figure 16: Capital (%) and RWA (NOK bn) development



Source: Company data, Scope Ratings.

Figure 17: Capital position (YE 2022) – peer comparison (%)



Source: Company data, Scope Ratings.

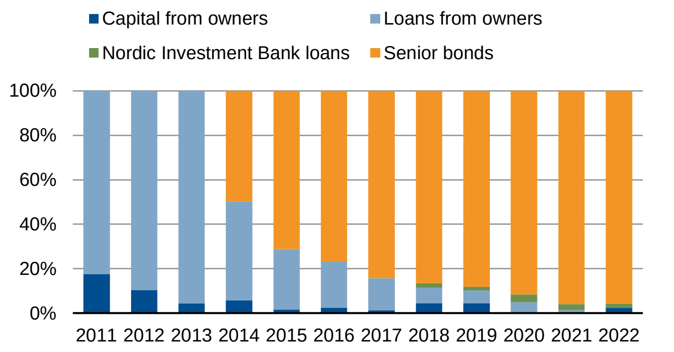
In the current market environment, Brage has maintained good access to capital markets although the cost of funding has increased. Management continues to consider different funding options, including issuing with a fixed rate, with a longer duration and in other currencies.

Cash generative nature of business underpins liquidity position

To manage liquidity and funding risks, Brage aims to ensure that quarterly operating cash flows from customer payments are more than sufficient to cover future debt maturities. There are internal limits on the amount of debt that can be borrowed and the amount of debt maturing each quarter. In addition, the company maintains a liquidity buffer comprised of cash and bond funds.

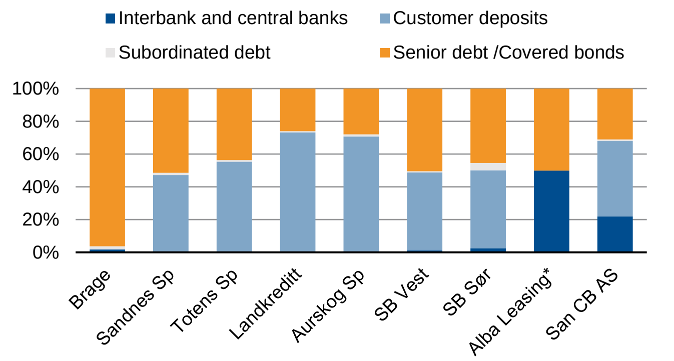
Liquidity metrics remain above internal targets and minimum requirements but have declined compared to last year (LCR at 113% as of year-end 2022 vs. 153% as of year-end 2021), reflecting efforts to manage funding costs more efficiently in a higher interest rate environment and with support from core shareholders.

Figure 18: Funding sources (%)



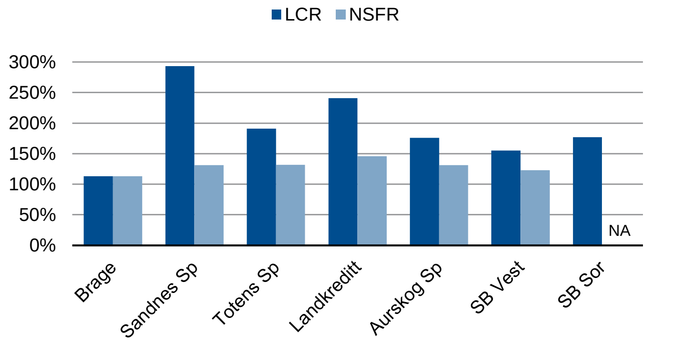
Source: Company data, Scope Ratings.

Figure 19: Funding profile – peer comparison (%)



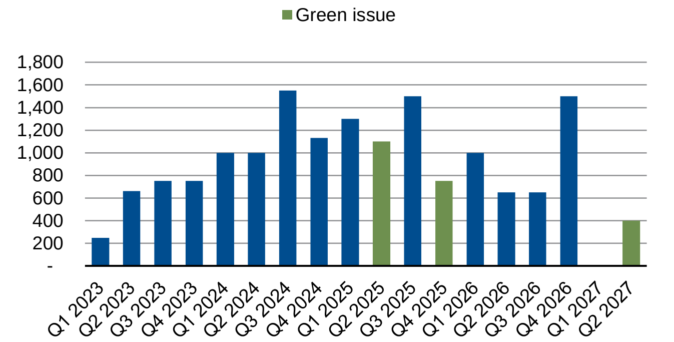
Notes: Data as of YE 2022 except for Alba Leasing which is as of YE 2021.
Source: SNL, Scope Ratings.

Figure 20: LCR and NSFR (YE 2022) – peer comparison (%)



Source: SNL, Scope Ratings.

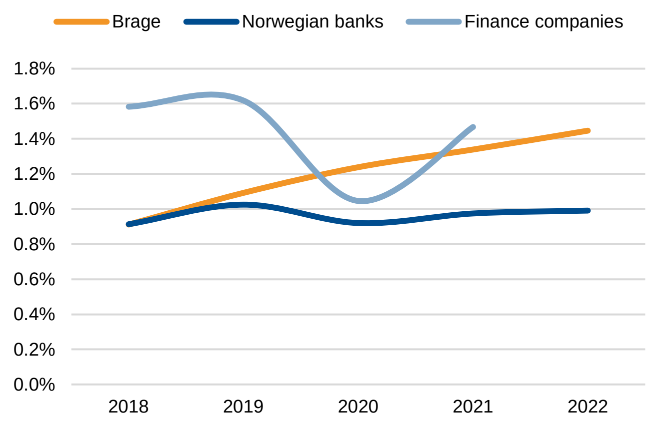
Figure 21: Debt maturity profile as of YE 2022 (NOK m)



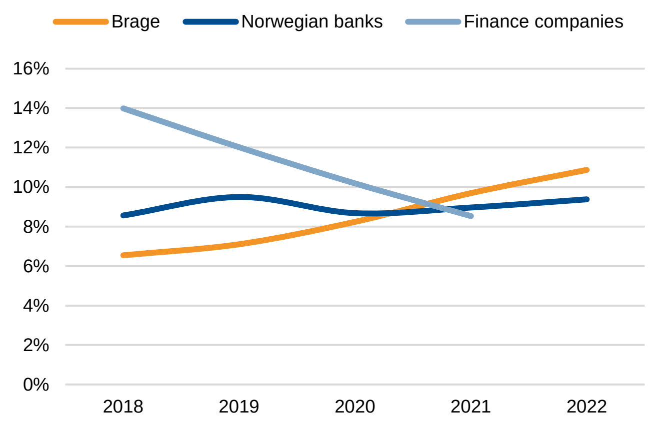
Source: Company data, Scope Ratings.

I. Appendix: Peer comparison

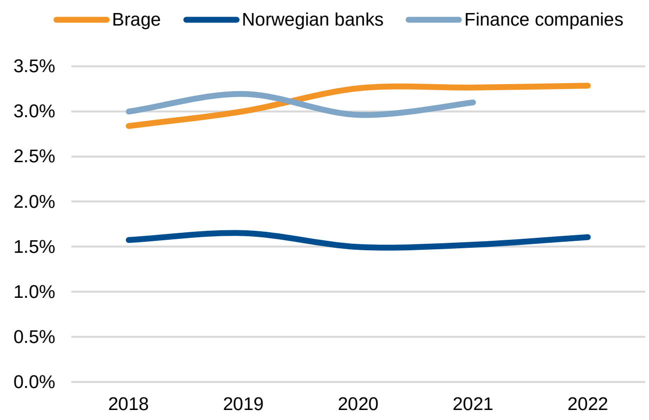
Return on average assets (%)



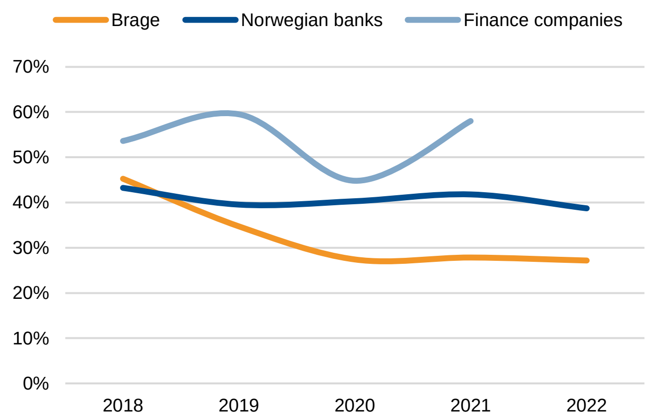
Return on average equity (%)



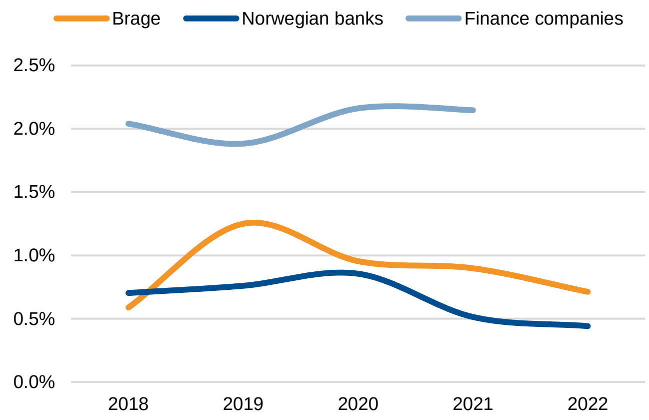
Net interest margin (%)



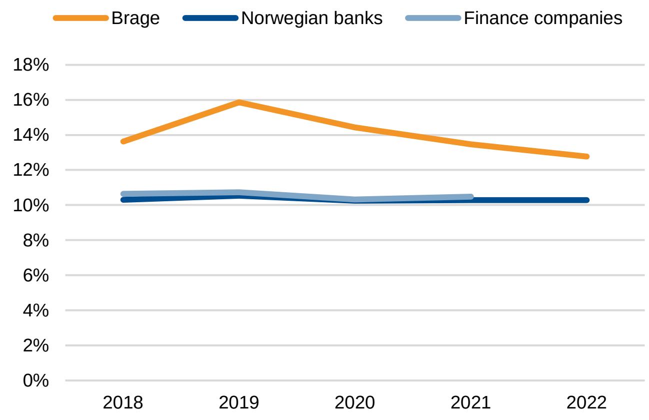
Costs % Income



Problem loans % Gross loans



Total equity % Total assets



Note: FY 2022 data unavailable for finance companies.
Norwegian banks: Aurskog Sparebank, Landkreditt, Sandnes Sparebank, Totens Sparebank, Sparebanken Vest, Sparebanken Sor.
Finance companies: Alba Leasing SpA, BNP Paribas Lease Group SA, Nordea Finans Sverige AB, Nordea Finance Equipment AS, Santander Consumer Bank AS.
Source: SNL.

II. Appendix: Selected financial information – Brage Finans AS

	2018	2019	2020	2021	2022
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	237	281	389	118	269
Total securities	63	105	117	117	119
of which, derivatives	NA	NA	0	0	0
Net loans to customers	9,248	11,973	14,150	16,956	20,375
Other assets	78	103	104	174	204
Total assets	**9,626**	**12,462**	**14,759**	**17,364**	**20,967**
Liabilities					
Interbank liabilities	775	775	1,026	585	331
Senior debt	7,230	9,250	11,172	13,868	16,845
Derivatives	NA	NA	0	0	0
Deposits from customers	0	0	0	0	0
Subordinated debt	170	235	236	236	337
Other liabilities	NA	NA	195	336	439
Total liabilities	**8,314**	**10,487**	**12,628**	**15,025**	**17,952**
Ordinary equity	1,212	1,801	1,956	2,164	2,829
Equity hybrids	100	175	175	175	185
Minority interests	0	0	0	0	0
Total liabilities and equity	**9,626**	**12,462**	**14,759**	**17,364**	**20,967**
Core tier 1/ common equity tier 1 capital	*1,185*	*1,770*	*1,923*	*2,127*	*2,788*
Income statement summary (NOK m)					
Net interest income	232	331	440	523	626
Net fee & commission income	-29	-37	-48	-84	-81
Net trading income	1	3	-1	0	1
Other income	3	6	8	15	19
Operating income	**208**	**303**	**400**	**455**	**564**
Operating expenses	94	105	110	126	153
Pre-provision income	**114**	**198**	**290**	**328**	**411**
Credit and other financial impairments	20	30	69	42	46
Other impairments	NA	NA	NA	NA	NA
Non-recurring income	NA	NA	NA	NA	NA
Non-recurring expense	NA	NA	NA	NA	NA
Pre-tax profit	**94**	**168**	**222**	**286**	**365**
Income from discontinued operations	0	0	0	0	0
Income tax expense	18	47	53	70	87
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	**75**	**121**	**169**	**216**	**278**

Source: SNL.

III. Appendix: Selected financial information – Brage Finans AS

	2018	2019	2020	2021	2022
Funding and liquidity					
Net loans/ deposits (%)	NM	NM	NM	NM	NM
Liquidity coverage ratio (%)	125%	262%	174%	153%	113%
Net stable funding ratio (%)	129%	116%	118%	121%	113%
Asset mix, quality and growth					
Net loans/ assets (%)	96.1%	96.1%	95.9%	97.6%	97.2%
Problem loans/ gross customer loans (%)	0.6%	1.2%	1.0%	0.9%	0.7%
Loan loss reserves/ problem loans (%)	49.1%	28.2%	52.5%	84.7%	89.7%
Net loan growth (%)	50.4%	29.5%	18.2%	19.8%	20.2%
Problem loans/ tangible equity & reserves (%)	4.2%	7.6%	6.3%	6.3%	4.7%
Asset growth (%)	49.9%	29.5%	18.4%	17.7%	20.7%
Earnings and profitability					
Net interest margin (%)	2.8%	3.0%	3.3%	3.3%	3.3%
Net interest income/ average RWAs (%)	3.2%	3.4%	4.0%	4.0%	4.1%
Net interest income/ operating income (%)	111.6%	109.2%	110.1%	115.1%	110.9%
Net fees & commissions/ operating income (%)	-13.7%	-12.3%	-11.9%	-18.5%	-14.4%
Cost/ income ratio (%)	45.3%	34.7%	27.4%	27.8%	27.2%
Operating expenses/ average RWAs (%)	1.3%	1.1%	1.0%	1.0%	1.0%
Pre-impairment operating profit/ average RWAs (%)	1.6%	2.0%	2.6%	2.5%	2.7%
Impairment on financial assets / pre-impairment income (%)	17.6%	15.0%	23.7%	12.7%	11.1%
Loan loss provision/ average gross loans (%)	0.3%	0.3%	0.5%	0.3%	0.2%
Pre-tax profit/ average RWAs (%)	1.3%	1.7%	2.0%	2.2%	2.4%
Return on average assets (%)	0.9%	1.1%	1.2%	1.3%	1.4%
Return on average RWAs (%)	1.0%	1.3%	1.5%	1.6%	1.8%
Return on average equity (%)	6.5%	7.1%	8.2%	9.7%	10.9%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	13.7%	17.4%	15.9%	14.8%	17.1%
Common equity tier 1 ratio (%, transitional)	13.7%	17.4%	15.9%	14.8%	17.1%
Tier 1 capital ratio (%, transitional)	14.9%	19.1%	17.4%	16.0%	18.3%
Total capital ratio (%, transitional)	16.9%	21.4%	19.3%	17.6%	20.3%
Leverage ratio (%)	12.5%	14.9%	13.3%	13.0%	13.9%
Asset risk intensity (RWAs/ total assets, %)	89.6%	81.6%	81.7%	83.0%	77.6%

Source: SNL.

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