BNP PARIBAS
LEASING SOLUTIONS

Equipment finance for a changing world

# ANNUAL REPORT 2022

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**BNP Paribas Leasing Solutions AS was founded as Landkreditt Finans AS in October 2007 and received approval as a mortgage company from Finanstilsynet in May 2008. The company's purpose is object financing – leasing and sales mortgage financing – as well as activities related to this. BNP Paribas Leasing Solutions AS is headquartered in Ålesund, and has sales offices in Oslo, Gjøvik, Bergen and Trondheim.**

**All shares in the company are owned by BNP Paribas Leasing Solutions S.A. in Luxembourg. The company is contributing to realizing the owners' strategies for growth in Norway.**

### PRODUCT & MARKET

The company has continued its expansion to support the growth of its clients and industrial partners by offering rental and finance solutions with services for their professional equipment sales.

In addition to the strong historical presence in the agriculture market , BNP Paribas Leasing Solutions AS has supported small and medium-size customers in construction and public works, material handling, transportation and forestry. The company is also developing its business in the IT, office equipment, Software, specialized technologies and healthcare markets and energy transition.

New sales in 2022 have been NOK 1 333 million (purchase price of the financed assets). Of this, leasing amounts to NOK 1 321 million and loans to NOK 12 million. Compared to 2021, new sales have increased by 26%.

### RISK

The company seeks to ensure that all types of risks are adequately managed through good work processes and internal control procedures. When Norway implemented parts of Basel III rules, the rules have also been adopted to assess the capital requirements in relation to other types of risk than credit risk (ICAAP).

At the end of 2022, the book value of leasing and loan commitments was NOK 2 331 million after reduction for write-downs for losses totaling NOK 11,9 million. All agreements are secured in the form of property rights or first priority mortgages.

To ensure that the company has sound liquidity, long-term financing agreements have been entered into with BNP Paribas Group.

The company is financed by BNP Paribas S.A. Norway Branch in Oslo and BNP Paribas Leasing Solutions S.A. in Luxembourg. The borrowings are concluded with floating and fixed interest rates.

As of 31 December 2022, the liquidity coverage ratio is calculated at 113,9%. The minimum requirement is 100%.

BNP Paribas Leasing Solutions AS has only a few loans with a fixed interest rate, i.e. most of the loans and leasing contracts are based on floating interest rates. In practice, this means that within a relatively short period of time, interest rate changes can be implemented on all loans if the market interest rate changes.

It is the Board's assessment that financial risk has been treated in a reassuring manner.

The company has established an insurance program for all board members and executives. The coverage includes losses incurred by the board members or employees through work for the company and ensures that the board members or executives does not suffer any personal losses under normal circumstances.

### STATEMENT OF THE ANNUAL ACCOUNTS

The book value of the portfolio at the end of 2022 was NOK 2 331 million. Total assets amounted to NOK 2 605,6 million. BNP Paribas Leasing Solutions AS had a profit after tax of NOK 6,99 million. At the end of the financial year, loss provisions implemented in accordance with the rules in IFRS 9 resulted in reduced loss provisions in 2022 by a total of NOK 3,02 million (NOK +0,15 million on customers in stage 1 and 2, and NOK -2,9 million on customers in stage 3).

Due to the growth of the portfolio, net cash flow from operating activities amounted to NOK -451 million, while cash flow from investing activities amounted to NOK -2,2 million. In addition, loans to credit institutions were repaid for NOK -648 million while new loans have been raised for NOK 1 135 million.

As of 31 December 2022, BNP Paribas Leasing Solutions AS had equity of NOK 262,9 million. The risk-weighted assets amounted to NOK 1 723,8 million.

BNP Paribas Leasing Solutions AS didn't met the Norwegian capital requirements during Q4 2022 (14,96% vs 15,5% required at 31 December 2022). A capital increase of NOK 95 million has therefore been made in March 2023 by the shareholder.

Actions are implemented to better monitor the capital situation and make a more active use of the company's Internal Capital Adequacy Assessment Process (ICAAP). These actions were also discussed at board level and are targeted to ensure to have, at all times, a good overview and adequacy of the capital situation.

After the closing of the accounts, no circumstances have arisen that are of significance for the assessment of the company's position.

## ORGANIZATION, ENVIRONMENT AND GENDER EQUALITY

The company had 37 permanent employees as of 31 December 2022. Of these, 20 are women (54%). The average FTEs amounted to 36,58 in the financial year. Absence due to illness amounted to 2,7%. In the context of work, there have been no injuries or accidents that are the cause of sick leave. It is the board's opinion that the working environment in the company is good. At the end of the financial year, the board consisted of 5 members, of which 1 was a woman. Both the board and the company's management are aware of the societal expectations of measures to promote gender equality in the business.

The company is currently implementing the measures in accordance with the Norwegian Transparency Act.
The company plans to publish a report by 30 June 2023.

## SCALING UP SUSTAINABLE FINANCE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

At the heart of BNP Paribas Group's strategy, there is a strong desire to participate in building a more sustainable and better shared future. This willingness translates our Corporate Engagement approach, in particular by helping to achieve the 17 United Nations Sustainable Development Goals (SDGs).
At BNP Paribas Leasing Solutions AS, we share this belief and want to fully support this approach with concrete measures.

To ensure that BNP Paribas Leasing Solutions has a maximum impact and is able to serve its customers, its partners and the society as a whole, each and every employee of the company embodies and assumes this responsibility.

We're constantly expanding the range of equipment we finance to include those that foster transition to cleaner forms of energy. We also develop solutions and associated services for better life cycle management of equipment. In this way, we also support our clients in reducing waste and conserving natural resources.

For us, diversity and inclusion are not just a matter of responsibility, but also something that concerns collective performance. We're truly committed, alongside our employees, to treasure and respect our differences, while fighting against all forms of discrimination and harassment.

We offer training programs to all our employees allowing them to develop their skills and knowledge around sustainability and diversity. We also offer our employees the opportunity to volunteer with local associations, during their working hours.

## FUTURE PROSPECTS

In collaboration with the parent company, additional opportunities are foreseen in established markets (i.e. agriculture) and new markets including but not limited to specialized technologies, software, energy transition and healthcare.

Several digitization projects have been initiated for automation of work tasks and improvement of web portals. This will optimize both customers and vendors journeys. The company is subject to BNP Paribas guidelines regarding Anti-money laundering, Financial Security, Anti-corruption, KYC and data protection.

The company is optimistic about the possibilities for further growth in the markets mentioned above and will continue to adapt its organization accordingly.

## BOARDS' OPINION

The board confirms that the financial statements give a true picture of its financial position and results as of 31 December 2022. We confirm that, in accordance with §3-3a of the Norwegian Accounting Act, the going concern assumption is satisfied, and this assumption has been applied in the preparation of the financial statements.

## ALLOCATION OF THE RESULT FOR THE YEAR

The board proposes that the profit for the year of NOK 6,99 million is transferred to other equity.

Oslo, 23rd of March 2023

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| Hans Wolfgang Pinner<br>Chairman of the board | Clément Perrin<br>Board member | Lars Horgen Hinze<br>Board member |
| DocuSigned by: 207EBEBE8446428... | DocuSigned by: 3263C69613B0474... | DocuSigned by: Arnault Leglaye 807F5286C7364D2... |
| Denis Delespaul<br>Board member | Claudine Françoise Smith<br>Board member | Arnault Leglaye<br>CEO Nordic cluster |

# INCOME STATEMENT

| (amounts in KNOK) | Notes | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| **Interest incomes** | | | |
| Interest income from loans to customers | 3 | 1 170 | 2 031 |
| Leasing income | 3 | 114 658 | 85 450 |
| **Total interest incomes** | | **115 828** | **87 481** |
| **Interest expenses** | | | |
| Interest expenses from credit institutions | | -54 000 | -20 175 |
| Interest expenses bonds | | 0 | 0 |
| Other interest expenses | | -10 | -9 |
| **Total interest expenses** | | **-54 010** | **-20 184** |
| **Net interest incomes** | | **61 818** | **67 297** |
| **Commissions and fees** | | | |
| Commissions and fees income | 5a | 9 361 | 8 070 |
| Commissions and fees expenses | 5b | -5 155 | -4 459 |
| **Net commissions and fees** | | **4 206** | **3 611** |
| Net income from financial instruments | | 90 | 20 |
| Other incomes and expenses | | 3 172 | -292 |
| **NET BANKING INCOME** | | **69 286** | **70 637** |
| Payroll, fees and other staff costs | 6,22 | -42 390 | -33 423 |
| Other operating expenses | 7 | -10 458 | -9 783 |
| Depreciation and amortisation | 12,13,14 | -4 444 | -4 366 |
| **GROSS OPERATING INCOME** | | **11 994** | **23 064** |
| **COST OF RISK** | 10 | -3 017 | -1 562 |
| **PROFIT BEFORE TAX** | | **8 977** | **21 503** |
| Tax | 8 | -1 987 | -4 759 |
| **PROFIT FOR THE PERIOD** | | **6 990** | **16 744** |

# OTHER COMPREHENSIVE INCOME

| (amounts in KNOK) | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| Profit for the period | | 6 990 | 16 744 |
| Other incomes and expenses | | | |
| **Total comprehensive income for the period** | | **6 990** | **16 744** |
| **Total comprehensive income for the period is attributable to:** | | | |
| Attributable to shareholders | 17 | 6 990 | 16 744 |
| **Total Comprehensive income** | | **6 990** | **16 744** |

# BALANCE SHEET

| (amounts in KNOK) | Notes | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Deposit with credit institutions** | | | |
| Deposit with credit institutions | 19 , 21 | 176 345 | 142 688 |
| **Loans and receivables to customers** | | | |
| Loans to customers | 9 , 10 | 24 247 | 65 818 |
| Finance Lease customers | 4,9,10 | 2 306 674 | 1 844 891 |
| **Total loans and receivables from customers** | | **2 330 920** | **1 910 710** |
| **Certificates and bonds** | | | |
| Treasury Bill | 24 | 9 696 | 9 910 |
| **Total certificates and bonds** | | **9 696** | **9 910** |
| **Intangible assets** | | | |
| Intangible assets | 13 | 5 091 | 4 203 |
| **Total intangible assets** | | **5 091** | **4 203** |
| **Property, Plant and Equipment** | | | |
| Office equipment | 12 | 1 436 | 1 882 |
| Leases (Right to use) | 14 | 13 295 | 16 854 |
| **Property, Plant and Equipment** | | **14 731** | **18 736** |
| **Prepaid expenses and earned, not received incomes** | | | |
| Accounts receivables | | 50 830 | 21 522 |
| Other receivables | 16 | 18 014 | 10 391 |
| **Total prepaid expenses and earned, not received incomes** | | **68 843** | **31 913** |
| **Total assets** | | **2 605 627** | **2 118 159** |

# BALANCE SHEET

| (amounts in KNOK) | Notes | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Loan from credit institutions** | | | |
| Loan from credit institutions | 11 , 21 | 2 236 004 | 1 742 468 |
| **Total due to credit institutions** | | **2 236 004** | **1 742 468** |
| **Deferred tax** | | | |
| Deferred tax | 8 | 29 991 | 28 004 |
| **Total deferred tax** | | **29 991** | **28 004** |
| **Accrued liabilities and commitments** | | | |
| Account liabilities | | 30 891 | 48 424 |
| Lease liability | 14 | 13 909 | 17 024 |
| Payable tax | 8 | 0 | 122 |
| Accrued expenses | 15 | 28 646 | 23 326 |
| Public liabilities | | 3 213 | 2 807 |
| **Total liabilities and commitments** | | **76 659** | **91 703** |
| **Total liabilities** | | **2 342 653** | **1 862 175** |
| **EQUITY** | | | |
| **Paid equity** | | | |
| Share capital | 1 , 17 | 100 000 | 100 000 |
| Retained earnings | 1 | 155 984 | 139 240 |
| Profit of the year | 17 | 6 990 | 16 744 |
| **Total equity** | | **262 974** | **255 984** |
| **Total liabilities and equity** | | **2 605 627** | **2 118 159** |
| **Contingent liabilities** | | | |
| Liabilities off balance sheet | | 0 | 0 |
| **Total contingent liabilities** | | **0** | **0** |

Oslo, 23rd of March 2023

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Hans Wolfgang Pinner
Chairman of the board

DocuSigned by:
Clément Perrin
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Clément Patrick Perrin
Board member

DocuSigned by:
Lars Holgen Hinze
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Lars Holgen Hinze
Board member

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Denis Delespaul
Board member

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Claudine Françoise Smith
Board member

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Arnault Leglaye
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Arnault Leglaye
CEO Nordic cluster

## CASH FLOW STATEMENT

| (amounts in KNOK) | Notes | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| Operating Income | | 8 977 | 21 503 |
| Interest recognized by customers | | -113 488 | -83 419 |
| Payment by tenant from customers leasing | | 108 023 | 86 508 |
| Payment of tenant from customers loans | | 1 310 | 1 826 |
| Write-downs on loans and finance lease | | 3 017 | -1 562 |
| Depreciation | 12,13 | 1 760 | 1 304 |
| Value change Treasury Bill | | 214 | 70 |
| Recognized interest expenses other loans | | 54 000 | 20 175 |
| Payment tenant other loans | | -51 846 | -19 145 |
| Paid taxes | 8 | -122 | -5 642 |
| Dividend paid | | 0 | -9 424 |
| Payments leases | 9 | -1 055 670 | -765 255 |
| Payment installment leases | 9 | 585 268 | 508 424 |
| Disbursements repayment loans | 9 | -22 130 | -83 273 |
| Repayments of loans | 9 | 41 386 | 32 149 |
| Increase/decrease in other operating assets and liabilities | | -11 608 | 268 |
| **Net cash inflow from operating activities** | | **-450 911** | **-295 490** |
| Purchase of property, plant and equipment | 12,13 | **-2 202** | -3 762 |
| **Net cash ouflow from investing activities** | | **-2 202** | **-3 762** |
| New loans from credit institutions | 11 | 1 135 000 | 900 892 |
| Repayment of loans from credit institutions | 11 | -648 230 | -520 470 |
| **Net cash flow from financing activities** | | **486 770** | **380 422** |
| **Net change in cash during the year** | | **33 658** | **81 170** |
| **Deposits with credit institutions as of 01.01.2022** | | **142 687** | **61 517** |
| **Deposits with credit institutions as of 31.12.2022** | | **176 345** | **142 687** |

## STATEMENT OF CHANGES IN EQUITY

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| **Equity 01.01.2021** | **100 000** | **155 984** | **255 984** |
| Dividends paid | | 0 | 0 |
| Profit for the period | | 6 990 | 6 990 |
| **Total Equity 31.12.2022** | **100 000** | **162 974** | **262 974** |

# NOTES

## NOTE 1 ACCOUNTING PRINCIPLES

### GENERAL

The financial statements of BNP Paribas Leasing Solutions AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Norwegian kroner and had no transactions in foreign currency. All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand NOK unless otherwise stated.

BNP Paribas Leasing Solutions AS was founded in October 2007 and the business consists of leasing financing and loans to customers. The business is licensed, and the company received a license from Finanstilsynet on 28 May 2008.

The financial statements have been approved by the Board of Directors on 23 March 2023 and were signed accordingly.

### ASSETS MANDATORILY AT FAIR VALUE THROUGH P&L

The category includes the company's portfolio of certificates (treasury bill), as they are part of a portfolio that is managed and valued on the basis of fair value in accordance with a documented risk management or investment strategy. The portfolio is used as a buffer in LCR's reporting to Finanstilsynet to meet the liquidity requirement.

Changes in the value of financial assets determined at fair value are included in "Net income from financial instruments".

### LOANS & ADVANCES AT AMORTIZED COSTS

The category includes "Loans to and receivables from credit institutions" and "Loans to and receivables from customers".

BNP Paribas Leasing Solutions AS capitalizes loans and receivables at fair value with the addition of transaction costs. In subsequent periods, these balance sheet items are measured at amortized cost calculated using the effective interest rate.

Impairment is made in accordance with IFRS 9, which involves a three-step approach, where loans and receivables go through three categories as the credit risk changes. Loans and receivables are presented after taking into account impairment in the company's balance sheet

BNP Paribas Leasing Solutions AS considers loans and advances at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

### FINANCE LEASE AGREEMENTS

In accordance with IFRS 16, a financial lease is defined as a lease in which substantially all the risks and rewards of ownership of an asset are transferred. Property rights can, but do not have to be transferred. Based on this definition, all the company's leases entered into are classified as financial. Such agreements are therefore entered in the balance sheet as rental financing at cost price, reduced by any advances and less annuity depreciation in accordance with the payment schedule for the individual contract.
Impairment is done in accordance with IFRS 9, which involves a three-step approach, where loans and receivables go through three categories as the credit risk changes. Rental financing contracts are presented net in the company's balance sheet.

Contracts with a guaranteed residual value (from the supplier) are depreciated to this residual value over the term of the contract.

The depreciation part (instalment) of the forward amount is entered in a separate account in the income statement, but in the annual settlement this is netted against gross rental income. Net rental income consists of the interest portion of the forward amount.

Upon termination of leasing contracts, a gain / loss calculation is performed. This can happen both at the end of the leasing contract and at early termination during the contract period. Gains from the sale of leased assets arise when they are sold at a price that is higher than the book value. Otherwise, losses will occur. Both capital gains and losses are included as part of the rental financing income.

In accordance with IFRS 16, an estimate of future gains from the realization of the objects in the leasing portfolio has been carried out. Expected realized amounts are distributed over the lease period and are recognized as income as part of the effective interest under lease financing income in the income statement.

For tax purposes, depreciation is carried out on the leasing objects according to the balance method.

### PROVISION FOR LOSSES MODEL

According to IFRS 9, the provision for losses must be recognized based on expected credit loss (ECL). The general model for write-downs of financial assets in IFRS 9 applies to financial assets that are measured at amortized cost or at fair value with changes in value over other income and expenses and which did not incur losses on initial recognition. In addition, loan commitments, financial guarantee contracts that are not measured at fair value through profit or loss and lease receivables are also included.

Impairment losses in accordance with IFRS 9 are described in more detail in Note 2 Risk management and internal control.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded in the balance sheet at acquisition cost, including depreciation and write-off. Expenses are added to the cost of fixed assets and are depreciated in line with these.

Maintenance costs are considered as a cost directly in the year they arise. Depreciable fixed assets are depreciated on a straight-line basis over their estimated useful lives at the following rates:

| | |
|---|---|
| Office Furniture | 20 % |
| Office Machines | 20 % |
| Computer Equipment (hardware) | 33 % |

### LEASING – BNP AS A LESSEE

A lease is a contract that conveys the user the right to control the use of an asset for a period of time in exchange for consideration. The right to use an asset is recognized on the commencement date as a right-of-use (ROU) asset and the obligation to pay lease payments is recognized as a lease liability. The ROU asset is initially measured as the present value of the lease payments plus initial direct costs and the cost of obligations to refurbish the asset less any lease incentives. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate. The lease payments are adjusted with KPI, and any subsequent measurement is expensed accordingly. Judgement has to be exercised when assessing the lease term and it considers the economic incentive to exercise an option or termination option.

Leases are related to office premises contracts mainly.

In this connection, reference is made to note 14.

### INTANGIBLE ASSETS

Expenses for intangible assets are capitalized to the extent that the criteria for capitalization are met. This means that such expenses are capitalized when it is considered probable that the future financial benefits associated with the asset will flow to the company and the acquisition cost can be measured reliably.

Capitalized intangible assets are amortized on a straight-line basis over their expected useful lifetime (5 years). Intangible assets entered in the accounts as of 31 December 2022 apply to specially adapted software programs.

### FINANCIAL LIABILITIES ACCOUNTED AT AMORTIZED COSTS

Financial liabilities accounted for at amortized cost are initially recognized at fair value less transaction costs and with the addition of accrued effective interest. In subsequent periods, loans are recognized at amortized cost calculated using the effective interest rate. The difference between the disbursed loan amount (less transaction costs) and the redemption value is recognized in the income statement over the term of the loan.

### ASSESSMENT OF OTHER OBLIGATIONS

Other liabilities (for example accounts payable, tax payable and accrued expenses) are booked at nominal value and are not adjusted for interest rate adjustments.

## PROVISIONS

BNP Paribas Leasing Solutions AS provisions are recorded when the company has an obligation (legally or self-imposed) relating to a prior event, it is probable (more probable than not) that a financial settlement will take place as a result of the obligation and the actual amount can be reliably measured.

## INTEREST AND FEE INCOME

Interest income is recognized as income using the effective interest method (internal interest rate). The internal rate of return is determined by discounting contractual cash flows within the expected term. Cash flows include set-up fees and direct transaction costs.

Interest income on financial assets in stage 1 and stage 2 is calculated using the effective interest method on the gross value of the financial asset, while interest income on financial assets in stage 3 is calculated based on the amortized cost of the financial asset.

## OTHER INCOME AND EXPENSES

Other income is recognized as income in the period in which the service has been rendered. Administration and operating costs are expensed in the period in which they are incurred.

## INTEREST AND COMMISSION COSTS

Interest expenses related to liabilities measured at amortized cost are recognized in the income statement on an ongoing basis based on an effective interest method. All fees related to interest-bearing borrowing are included in the calculation of the effective interest rate and are thus amortized over the expected term. The effective interest method is a method for calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period.

If lending or leasing contracts have been arranged from external parties, an agreement on commission payment has been established with some distributors. In such cases, the commission amount is expensed at the start of the contract.

## INCOME TAX

The tax expense consists of the tax payable and changes to deferred tax. Temporary differences are calculated between the carrying amount of assets and liabilities for financial reporting and the amounts used for taxation purpose. Calculation and specification of tax costs are shown in a separate note.

Temporary differences are the difference between the carrying amount of an asset or a liability and the tax value of the asset or liability. Deferred tax is determined by tax rates and rules that apply on the balance sheet date.

## CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, liquid investments that can be immediately and with insignificant exchange rate risk converted into known cash amounts and with a maturity date shorter than three months from the acquisition date.

## ACCOUNTING ESTIMATES AND DISCRETIONARY EVALUATIONS

The preparation of annual financial statements in conformity with generally accepted accounting principles requires that occasionally management must make estimates and assumptions. Estimates and discretionary evaluations are regularly assessed. They are based on historic experience as well as the expectations of future events that are considered to be probable under the current circumstances.

Accounting estimates are used for: (i) the calculation of estimated consideration on sale of leased property (ii) write-down on loans and leasing contracts. The most important assumption for estimated future gains on the sale of leases is described in note 4 and the risk management in note 2.

# NOTE 2 RISK MANAGEMENT AND INTERNAL CONTROL

## RISK MANAGEMENT

Financial activities entail a need for management, administration and control of risk. Good risk management shall be a strategic tool for increasing value creation in BNP Paribas Leasing Solutions AS. Risk management shall contribute to ensure efficient operations, control the most significant risks to contribute to the company's goals, ensure high quality internal and external reporting and contribute to compliance with all relevant laws, regulations and internal guidelines. The company's board adopts the general principles for risk management and internal control.

The company's profitability depends, among other things, on the ability to identify, manage and price risks that arise in connection with financial services. The board of BNP Paribas Leasing Solutions AS aims to help in ensuring that the company's operations maintain a low risk profile.

The board of BNP Paribas Leasing Solutions AS determines the overall risk limits for, among other things, the following areas:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The board is responsible for ensuring that the company has equity that is prudent based on the risk and scope of the company's activities and for ensuring that capital requirements that follow from laws and regulations are complied with. According to current rules, the tier 1 capital requirement shall be 11% and the total capital requirement 15,5%.

BNP Paribas Leasing Solutions AS has no equity items in the accounts other than tier 1 capital.

The board is also responsible for establishing appropriate systems and routines for risk management and internal control.

The management of the company is responsible for ensuring that all adopted routines are implemented to uncover all risk factors, and that changes in the risk exposure are identified and necessary improvement measures can be implemented.

A risk assessment is carried out annually which includes review of:

- Established control measures
- Assessment of own compliance with external and internal regulations

The result of the review is reported to the board.

Independent and effective auditing shall contribute to appropriate internal control and reliability in financial reporting. This also applies to the internal audit. The results of the audit activities are reported on an ongoing basis to the board and the operational management.

## CREDIT RISK

Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms.
Evaluating accurately the probability of default and the expected recovery on the loan or receivable in the event of default are key components of credit quality assessment.

Credit risk is the largest risk element in the company's operations, and the loan portfolio therefore receives close follow-up and monitoring. BNP Paribas Leasing Solutions AS uses an externally developed system for assessing credit risk (based on accounts, equity, payment remarks, trends for the individual industry, etc.). All new customers are scored in connection with credit processing in this system.
Large customers are rescored at least once a year, while other customers are rescored when requesting new engagements.

For assessing credit risk levels for new customers, BNP Paribas Leasing Solutions AS has adopted the Group's methodology for measuring counterparty Risk at the time of on boarding. Every customer is rated into a specific risk class based on the external score achieved and converted into BNP Paribas Group's internal risk rating scale ranging from 1-10. (Strong – Weak).

The assigned ratings can be divided into the following buckets.

- Ratings 1 - 5+ = Strong
- Ratings 5 - 7+ = Good
- Ratings 7 - 8+ = Average
- Ratings 8 - 10 = Weak

In addition, ratings 11-12 are assigned to customers in default.

The board is responsible for the company's lending and has delegated authorization limits to persons involved in lending in accordance with standards from the Group BNP Paribas Leasing Solutions. The authorizations are personal and are linked to competence, size of commitment and risk. Credit proposals may be decided between the Risk Management Function and the business to secure adherence to the 4 eyes principle. Business proposals that are considered significant require the involvement of Group's RISK department prior to a credit decision.

When activating new commitments, a depreciation plan is also registered for the individual financed asset. This depends on the type of asset and life expectancy and secondary market value. The depreciation plan is the basis for calculating market value during the leasing period.

As mentioned in note 1, the company has from 1 January 2018 introduced loss provisions in accordance with IFRS 9. In accordance with this standard, an industry approach has been chosen for estimating the loss ratio (LGD). This is based on the above risk assessment, as well as own experience with any expanded risk for certain industries. Although the company has historically had low losses, an extended loss ratio has been historically applied used for counterparties based on market segmentation:

- Group 1: Agriculture and ELS other – 0,08%
- Group 2: Construction, TLS – 0,28

The rationale for the distinction of markets is that Agriculture portfolio which is the vast majority of group 1 is related with a considerably lower risk and less volatility than the construction portfolio providing the overall payment behavior and stability of the farming industry.

To calculate expected losses (ECL) in accordance with IFRS 9, the portfolio is divided into 3 stages based on credit risk. The division is based on default lists for the individual customer:

**STAGE 1**
At the first accounting, the company calculates a day-1 loss, corresponding to 12 months' expected credit loss.

Stage 1 comprises all financial assets that do not have a significantly higher credit risk than on initial recognition. The provision for losses corresponds to the expected loss for the next 12 months. All loans and receivables that have not been transferred to stage 2 or 3 are placed in this category

**STAGE 2**
Includes loans and receivables that have had a significant increase in credit risk since initial recognition, but where there is no objective evidence of losses. For these assets, the company sets aside for expected losses over the entire contractual life. The company has defined that a significant increase in credit risk when lending to customers occurs if payment is delayed by 30 days or more (after the end of the leasing period for the individual invoice), and / or where impaired serviceability is revealed in the group's internal risk management and classification models.

**STAGE 3**
Consists of loans and receivables that have had a significant increase in credit risk since granting, and / or there is objective evidence of losses on the balance sheet date. Provisions are also made for these assets for expected losses over the entire life of the contract.

The company has defined a significant increase in credit risk since granting, and where there is objective evidence of loss on the balance sheet date, to occur in the event of overdrafts and arrears older than 90 days (after the end of the leasing period for the individual invoice) and the amount in arrears have breached regulatory threshold qualifying the customer as being in default.

In addition, an individual assessment is made for loss provisions on customers where there is objective evidence of loss. This can be:

- Significant financial problems with the debtor
- Default or other significant breach of contract
- It is considered probable that the debtor will enter into debt negotiations, other financial restructuring or that the debtor's estate will be taken into bankruptcy proceedings

Such individual loss provisions are booked in Stage 3.

Estimated losses in accordance with the above are entered as a provision for losses on the accounting line «Losses on customers» in the income statement with a counter-item in own write-downs accounts in the balance sheet.

**Determination of loss**
When any collateral has been realized and all possibilities for further recovery have been explored, the loss is defined as established.

In such cases, all receivables related to commitments are derecognized from the balance sheet and recognized as established losses on the accounting line "Losses and write-downs on loans" in the profit and loss statement. At the same time, any previous loss provisions are reversed on the commitment.

It is otherwise referred to note 10.

The result of loss calculation in accordance with IFRS 9 is shown in note 10.

## MARKET RISK

Market risk for BNP Paribas Leasing Solutions AS is mainly related to interest rate risk.

The company has very few loans with a fixed interest rate and therefore most of the loans and leasing contracts are based on floating interest rates. In practice, this means that within a relatively short period of time (according to current rules 4 weeks for business customers), interest rate changes can be implemented on all loans if the market interest rate changes.

The company is financed with loans from group companies (BNP Paribas S.A. Norway Branch). The loan agreements with the bank are based on floating interest rates with repayment over 4-5 years. The market risk for BNP Paribas Leasing Solutions AS is therefore considered small.

## LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to honor its commitments or unwind or settle a position due to the market environment or idiosyncratic factors (i.e. specific to BNP Paribas), within a given timeframe and at a reasonable cost.

Liquidity risk reflects the risk of the Group being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements, across all time horizons, from the short to the long term.

The liquidity risk is managed globally at Group and local levels under governance, steering actions, monitoring tools and mitigation strategies defined in a dedicated Group Liquidity Risk Management Policy document. This ensures that liquidity is globally managed and balanced in terms of businesses' funding needs and related liquidity risk management.

BNP Paribas Leasing Solutions AS funds its activity through intragroup funding, respecting the operational limits allocated to it by BNP Paribas Leasing Solutions ALCO, monitored locally, and reported quarterly through Sub-ALCO.

## OPERATIONAL RISK

The BNP Paribas general policy regarding operational risk is to have the operating management be accountable for managing the risks generated by the activity under his/her responsibility. Risk Management, an independent control function, acts as a second line of defence, defining the global framework, challenging output from risk and control assessment, testing the risk mitigation framework and independently reporting risks to the Senior Management. This second line of defence function is made fully independent and under the hierarchical supervision of the Corporate Risk Function.

This principle presupposes that the managers identify and assess their risks, formalize and disclose them transparently, and take measures to prevent and correct any vulnerability identified in this manner. while doing so in consistency with the Risk Appetite Statement defined by the BNP Paribas Group and its translation throughout the entities for which they are responsible. The major steps of the risk and control self-assessment (RCSA) exercise for operational risk are:

- The identification, analysis and the assessment of the inherent risks.
- The analysis of the actual functioning of the control system and of dynamic risk indicators.
- The residual risk, which provides an assessment of the risk having taken into account the actual functioning of the control framework and its results in terms of risks at a given point of time.

The RCSA (Risk Control Self Assessment) exercise should be conducted on a yearly basis.
The most material risks identified need then be analyzed more deeply for risk management purposes. On a half yearly basis, BNP Paribas group runs a formal process of reporting of key attention points in terms of operational risk through a bottom up approach, each level being subject to a formal sign-off from the Head of the entity concerned. This exercise is made from the RCSA outputs, analysis of actual incidents, results from controls & key risks indicators and output from audits assignments (internal audits, external audits, supervisory reviews, etc.). It is challenged by the independent control function ORM in charge of operational risk and permanent control framework.

## NOTE 3 INTEREST INCOMES FROM LOANS AND LEASING TO CUSTOMERS

Interests and similar incomes from loans to customers apply to interests on repayment loans. Revenues from lease payments are recorded in accordance with the annuity principle.

## NOTE 4 EARNED INCOMES ON FUTURE SALES GAIN FOR FINANCE LEASES

As described in note 1, an estimate of future sales gains from finance lease agreements is made.
The estimation is made on the current leasing portfolio. It is recognized within the finance lease incomes in the income statement and as finance lease customers agreements in the balance sheet.
The assessment is prepared based on historical data for the sale of a leased object at the end of its normal leasing term.

Below is the amount recognized within the income statement:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Open Balance** | **56 129** | **50 736** |
| Flow of the year | 5 847 | 5 393 |
| **Closing Balance** | **61 975** | **56 129** |

## NOTE 5 COMMISSIONS AND FEES INCOME

5.a. These are fees associated to the administration of customers' contracts. It includes establishment fees, reminder fees, invoicing fees and those are earned when the service is rendered and accounted for in the appropriate accounting period. The establishment fees are spread over the lifetime of the contracts.

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Income Fee on Finance Lease | 9 288 | 7 565 |
| Income Fee on Loans | 73 | 505 |
| **Total Income Fees** | **9 361** | **8 070** |

5.b. Commissions costs consist of brokerage commissions for loans and finance lease agreements with partners and vendors.

## NOTE 6 PAYROLL EXPENSES AND REMUNERATION

| **Payroll Expenses** (KNOK) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Salaries/wages | 29 966 | 25 268 |
| Social security fees | 5 185 | 4 161 |
| Pension expenses | 3 346 | 2 479 |
| Other remuneration | 3 893 | 1 515 |
| **Payroll, fees and other staff costs** | **42 390** | **33 423** |

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Number of employees | 37 | 33 |
| Number of Full Time Equivalent | 36,58 | 31,04 |

| Remuneration of the CEO (KNOK) | Salary | Bonus | Other Benefits | Pension | Total 2022 | Total 2021 | Loan |
|---|---|---|---|---|---|---|---|
| Arnault Leglaye | 2 366 | 323 | 441 | 0 | **3 130** | **1 036** | 0 |

| Remuneration to the board (KNOK) | Fee | Bonus | Other | Pension | Total | Loan |
|---|---|---|---|---|---|---|
| Hans Wolfgang Pinner (Chairman of the Board) | 0 | 0 | 0 | 0 | **0** | **0** |
| Lars Horgen Hinze | 50 | 0 | 0 | 0 | **50** | **0** |
| Denis Delespaul | 50 | 0 | 0 | 0 | **50** | **0** |
| Claudine Françoise Smith | 0 | 0 | 0 | 0 | **0** | **0** |

## REMUNERATION SCHEME IN BNP PARIBAS LEASING SOLUTIONS AS

BNP Paribas Leasing Solutions AS has established a remuneration scheme in accordance with regulations on remuneration in financial institutions, etc. As an overriding principle, BNP Paribas Leasing Solutions AS's practice of remuneration conditions must be competitive.

The variable remuneration shall be balanced against the company's risk exposure and control so that unnecessary and undesirable risk is not taken. The company's total remuneration schemes must be good, simple and predictable in order to contribute to a good performance culture. The remuneration scheme for BNP Paribas Leasing Solutions AS shall be in accordance with the company's overall goals, risk tolerance and long-term interests.

In 2022, a variable remuneration of approximately NOK 2,358 million was paid. This remuneration was accrued in 2021 and set aside in the accounts this year. The variable remuneration is distributed to all employees based on the objectives achieved. Correspondingly, variable remuneration has been set aside in the accounts for 2022 of NOK 2,430 million.

# NOTE 7 OTHER OPERATING EXPENSES

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Statutory Audit | 893 | 335 |
| Tax advisory fee (incl. Technical assistance with tax return) | 59 | 34 |
| Other assistance | 53 | 119 |
| **Total audit Fees** | **1 005** | **488** |
| Office running costs | 4 128 | 3 835 |
| External fees (3rd parties providers) | 5 326 | 5 461 |
| **Other Operating Expenses** | **10 458** | **9 783** |

## NOTE 8 TAX COSTS

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **This year's tax expense** | | |
| Entered tax on ordinary profit/loss: | | |
| Payable tax | -1 | 122 |
| Changes in deferred tax | 1 987 | 4 637 |
| **Tax expense on ordinary profit/loss** | **1 986** | **4 759** |
| Taxable income: | | |
| Ordinary profit/loss before tax | 8 977 | 21 503 |
| Permanent differences | 91 | 59 |
| Changes temporary differences | -155 305 | -12 655 |
| Allocation of loss to be brought forward | 0 | -10 897 |
| **Taxable income** | **-146 237** | **-1 990** |
| Payable tax in the balance: | | |
| Payable tax on this year's result | 0 | 122 |
| **Total payable tax in the balance** | **0** | **122** |
| Calculation of effective tax rate | | |
| Profit before tax | 8 977 | 21 503 |
| Calculated tax on profit before tax | 1 975 | 4 731 |
| Tax effect of permanent differences | 20 | 28 |
| **Total** | **1 995** | **4 759** |
| Effective tax rate | 22,2 % | 22,1 % |

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Tangible fixed assets | -2 506 360 | -2 036 974 |
| Accounts receivable | 2 428 237 | 1 849 098 |
| Lease agreeements brought to the balance | -614 | -170 |
| Other differences | 361 296 | 315 300 |
| **Total** | **282 559** | **127 254** |
| Accumulated loss to be brought forward | -146 237 | 0 |
| **Basis for calculation of deferred tax** | **136 322** | **127 254** |
| **Deferred tax (22%)** | **29 991** | **27 996** |

## NOTE 9 LOANS & FINANCE LEASE CONTRACTS

| **Loans by type of receivable:** | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Finance lease contracts | 2 318 531 | 1 854 223 |
| Loans contracts | 24 247 | 65 818 |
| **Total gross Loans and Finance Lease** | **2 342 777** | **1 920 041** |
| Provision Stage 1 | -1 603 | -1 405 |
| Provision Stage 2 | -95 | -146 |
| Provision Stage 3 | -10 158 | -7 780 |
| **Total Net Loans and Finance Lease** | **2 330 920** | **1 910 710** |

BNP Paribas Leasing Solutions AS has ownership of all leased assets. For loans, first priority mortgage security and / or bail has been established. The company has no customers with committed credit facilities.

## LOANS AND LEASING CONTRACTS BY GEOGRAPHICAL AREA AND INDUSTRY:

| Breakdown by region | 31/12/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| Viken | 614 780 | 26,2% | 435 009 | 22,7% |
| Vestfold og Telemark | 197 074 | 8,4% | 172 740 | 9,0% |
| Agder | 66 131 | 2,8% | 43 794 | 2,3% |
| Troms og Finnmark | 124 896 | 5,3% | 108 523 | 5,7% |
| Innlandet | 385 329 | 16,4% | 335 509 | 17,5% |
| Vestland | 200 851 | 8,6% | 197 405 | 10,3% |
| Møre og Romsdal | 159 656 | 6,8% | 98 788 | 5,1% |
| Nordland | 114 671 | 4,9% | 89 424 | 4,7% |
| Trøndelag | 295 733 | 12,6% | 236 082 | 12,3% |
| Oslo | 109 062 | 4,7% | 137 778 | 7,2% |
| Rogaland | 74 593 | 3,2% | 64 990 | 3,4% |
| **Total gross Loans and Finance Lease** | **2 342 777** | **100%** | **1 920 042** | **100%** |

| Breakdown by industry | | | | |
|---|---|---|---|---|
| Public administration | 92 308 | 3,9% | 84 078 | 4,4% |
| Agriculture, forestry and fishing | 960 533 | 41,0% | 858 385 | 44,7% |
| Construction | 653 672 | 27,9% | 534 119 | 27,8% |
| Wholesale and retail trade | 77 900 | 3,3% | 65 937 | 3,4% |
| Transport and storage | 96 829 | 4,1% | 51 149 | 2,7% |
| Real estate activities | 87 988 | 3,8% | 72 009 | 3,8% |
| Information and communication | 24 586 | 1,0% | 39 215 | 2,0% |
| Other services | 348 961 | 14,9% | 215 150 | 11,2% |
| **Total gross Loans and Finance Lease** | **2 342 777** | **100%** | **1 920 042** | **100%** |

BNP Paribas Leasing Solutions AS has its own classification system for assessing credit risk for all customers (both for loans and finance leases). This takes into consideration both the customer's financial situation and the asset / mortgage's market value in relation to the book value of the commitment. The company places the entire portfolio in different buckets (scale from 1-12). An annual reclassification is done based on the customer's financial situation on commitments above a certain size. The assessments also include a separate write-down plan for the mortgage's stipulated custody value.

| | | 31/12/2022 | | 31/12/2021 | |
|---|---|---|---|---|---|
| ***Risk Group*** | ***BNP Paribas Notation*** | ***Loans & Finance Lease*** | ***Doubtful*** | ***Loans & Finance Lease*** | ***Doubtful*** |
| Strong | Ratings 1 - 5+ | 603 875 | 0 | 839 854 | 0 |
| Good | Ratings 5 - 7+ | 1 527 880 | 0 | 944 871 | 0 |
| Average | Ratings 7 - 8+ | 47 285 | 0 | 32 571 | 0 |
| Weak | Ratings 8 - 10 | 16 054 | 0 | 34 810 | 0 |
| Default | Ratings 11 - 12 | 80 731 | 66 952 | 2 761 | 65 174 |
| **Total gross Loans and Finance Lease** | | **2 275 825** | **66 952** | **1 854 868** | **65 174** |

| ***Risk Group*** | ***BNP Paribas Notation*** | ***Loans & Finance Lease*** | ***Doubtful in %*** | ***Loans & Finance Lease*** | ***Doubtful in %*** |
|---|---|---|---|---|---|
| Strong | Ratings 1 - 5+ | 26,5% | 0% | 45,3% | 0% |
| Good | Ratings 5 - 7+ | 67,1% | 0% | 50,9% | 0% |
| Average | Ratings 7 - 8+ | 2,1% | 0% | 1,8% | 0% |
| Weak | Ratings 8 - 10 | 0,7% | 0% | 1,9% | 0% |
| Default | Ratings 11 - 12 | 3,5% | 2,9% | 0,1% | 3,5% |
| **Total gross Loans and Finance Lease** | | **100%** | **2,9%** | **100%** | **3,5%** |

Accounting default is defined as a commitment with a delay of more than 90 days, or when there is objective evidence of events that indicate a default on the part of the customer. At the end of 2022, the book value of commitments with arrears over 90 days amounted to NOK 67 million.

## LOANS WITH OVERDUE INSTALLMENTS

Below is the total commitment on all customers who have loans with overdue installments.

| Total balance on loan accounts with overdue installments | Below 1 month | 1 - 3 months | 3 - 12 months | > 12 months |
|---|---|---|---|---|
| Retail market | 20 109 | 510 | 733 | 2 895 |
| Corporate market | 0 | 0 | 0 | 0 |
| **Total** | **20 109** | **510** | **733** | **2 895** |

Loans and leasing contracts – movements during the year:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Loans to customers as of 01.01.2022** | 65 818 | 14 502 |
| Additions during the year | 22 130 | 83 272 |
| Repayments during the year | -41 386 | -32 149 |
| Earned not billed interest | -22 315 | 193 |
| **Loans to customers as of 31.12.2022** | **24 247** | **65 818** |

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Finance Leases to customers as of 01.01.2022** | 1 854 223 | 1 564 035 |
| Additions during the year | 1 055 670 | 765 255 |
| Retirement during the year | -585 268 | -508 424 |
| Accounts Receivables and Earned not billed interest | -6 094 | 33 357 |
| **Finance Leases to customers as of 31.12.2022** | **2 318 531** | **1 854 223** |

## FINANCE LEASE AGREEMENTS WHERE THE COMPANY IS THE LESSOR (IFRS 16)

As mentioned, the company leases out different types of equipment under the rules for financial leasing. The table below shows expected payments represented by capital and interest from these contracts after the end of the accounting period:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Less than 1 year | 557 689 | 464 325 |
| Between 1 and 2 years | 501 821 | 411 280 |
| Between 2 and 3 years | 420 057 | 343 800 |
| Between 3 and 4 years | 315 280 | 263 946 |
| Between 4 and 5 years | 221 808 | 172 145 |
| Over 5 years | 301 874 | 198 728 |
| **Total** | **2 318 531** | **1 854 223** |

The company has no contracts in the leasing portfolio under the rules for operational leasing.

# NOTE 10 PROVISIONS FOR LOSSES ON LOANS AND LEASING CONTRACTS TO CUSTOMERS

Impairment losses in accordance with IFRS 9 are described in note 1 Accounting principles and note 2 Risk management and internal control. As stated here, the portfolio as of 31 December 2022 is divided into sectors (industry) for estimating the loss ratio. The estimate is based on historical experience with the individual industry:

| | 31/12/2022 | | | 31/12/2021 | | |
|---|---|---|---|---|---|---|
| | % Provision | Portfolio | *in %* | % Provision | Portfolio | *in %* |
| Agriculture | 0,08% | 960 533 | *41%* | 0,08% | 858 385 | *45%* |
| Contractor | 0,28% | 653 672 | *28%* | 0,28% | 534 119 | *28%* |
| Other industries | 0,08% | 728 572 | *31%* | 0,08% | 527 537 | *27%* |
| **Total Portfolio** | | **2 342 777** | ***100%*** | | **1 920 042** | ***100%*** |

As shown in the table above, a large part of BNP Paribas Leasing Solutions AS's portfolio as of 31 December 2022 is contracts to Agriculture and forestry (approx. 41%). Customers belonging to Agriculture and forestry have historically shown a pattern for little loss. No factors have been identified that indicate increased risk and thus a need for increased provisions for this customer group. This also applies to Other industries (31%). Furthermore, approximately 28% of the portfolio consists of loans to Contractors (industry, construction, etc.). Based on BNP Paribas Leasing Solutions' experience, there is a higher risk of loss in this customer group and that is reflected in calculating the loss provisions in accordance with IFRS 9.

Following the IFRS9 regulation the portfolio is divided into Stage 1, 2 and 3, where stage 3 is based on default lists. Customers with up to date and until up to 30 days in arrears are considered as Stage 1, customers beyond 30 days and up to 90 days are considered as Stage 2 and all customers above 90 days are considered as Stage 3 exposures, providing regulatory thresholds native to the IFRS9 regulation are triggered with terms to absolute and relative thresholds.

An individual assessment of customers with an increased risk of loss has also been carried out. This assessment also includes the leasing object's probable net market value and potential risk mitigators in place including personal / company guarantees. The loss provision after this assessment has been added to Stage 3.

The individual assessment where there is objective evidence of loss takes into consideration:
- Significant financial problems with the debtor
- Default or other significant breach of contract
- Granted deferral of payment or new credit for payment of instalments, agreed changes in the interest rate or in other contract terms as a result of financial problems with the debtor
- It is considered probable that the debtor will enter into debt negotiations, other financial restructuring or that the debtor's estate will be taken into bankruptcy proceedings
- Large mismatch between book value and estimated market value of the fixed asset

The tables below show the loss provision for the individual stage and how this has changed since 1 January 2022. The total loss provision as of 31 December 2022 amounts to NOK 11,9 million.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Classification for first-time capitalization and fresh loans | Significant increase in credit risk since the first recognition in the balance sheet | Significant increase in credit risk since initial recognition and objective evidence of losses | |
| | Expected loss over 12 months | Expected loss over the life of the instrument | Expected loss over the life of the instrument | |
| **Provision for losses 01.01.2022** | **1 405** | **146** | **7 780** | **9 332** |
| Transfers : | | | | |
| Transfer from stage 1 to stage 2 | - 9,91 | 9,91 | | 0 |
| Transfer from stage 1 to stage 3 | - 23,51 | | 23,51 | 0 |
| Transfer from stage 2 to stage 3 | | -29 | 29 | 0 |
| Transfer from stage 3 to stage 2 | | 0 | 0 | 0 |
| Transfer from stage 3 to stage 1 | 970 | | -970 | 0 |
| Transfer from stage 2 to stage 1 | 72 | -72 | | 0 |
| Financial assets deducted during the period | | | | 0 |
| New financial assets issued or acquired | -191 | 100 | 7 584 | 7 492 |
| Modification of contractual cash flows from financial assets that have not been derecognised | -620 | -59 | -4 288 | -4 967 |
| **Provision for losses 31.12.22** | **1 603** | **95** | **10 158** | **11 857** |

Provisions for losses are calculated based on expected credit loss (ECL) using the 3-stage method as described in note 1.

| Specification of the period's loss expense on lease financing agreements and loans | 2022 | 2021 |
|---|---|---|
| Variation in Stage 1 | 198 | 926 |
| Variation in Stage 2 | -51 | 122 |
| Variation in Stage 3 | -5 206 | -3 601 |
| New individual provision | 7 584 | 1 637 |
| Established losses covered by previous individual write-downs | 0 | 0 |
| Reversal of previous individual write-downs | 0 | 0 |
| Write off made during the year | 491 | 2 477 |
| **Write-downs on lease financing agreements and loans** | **3 017** | **1 562** |

## EXPLANATION OF THE TABLES ABOVE:

### Transfer between stages

Shows the effect of customers who have changed steps during the period. The amounts in the tables show value at the beginning of the period (i.e. 01.01.2022).

### New financial assets issued or acquired

Shows the effect of accessing new leases in the financial year.

### Financial assets deducted during the period

Shows the effect of access contracts that have been terminated during the financial year.

### Modification of contractual cash flows from financial assets that have not been derecognized

Shows the effect of contracts in the portfolio from 01.01.2022 which are still ongoing at the end of the period 31.12.2022, but where the book value has been reduced by instalment payments throughout the year. Changed balance on contracts that have changed steps in the financial year are also included (see transfer between stages).

## LOANS TO CUSTOMERS DISTRIBUTED BY CUSTOMER GROUPS AND STAGING

| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross Amount | Provision for losses | Gross Amount | Provision for losses | Gross Amount | Provision for losses | Gross Amount | Provision for losses |
| Agriculture | 888 783 | 440 | 44 568 | 27 | 27 182 | 2 745 | 960 533 | 3 212 |
| Contractor | 604 844 | 1 075 | 30 330 | 55 | 18 498 | 4 334 | 653 672 | 5 464 |
| Other industries | 674 150 | 88 | 33 805 | 13 | 20 618 | 3 079 | 728 572 | 3 180 |
| **Total** | **2 167 778** | **1 603** | **108 703** | **95** | **66 297** | **10 158** | **2 342 777** | **11 857** |

# NOTE 11 LOANS FROM CREDIT INSTITUTIONS

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Loans from group companies | 2 236 004 | 1 742 468 |
| Average interest rate | 2,71% | 1,14% |

The interest rate is calculated as net interest expenses divided by the average debt in the year.

| Change in loans from credit institutions during the financial year | | |
|---|---|---|
| **Loans from credit institutions 01.01.** | **1 742 468** | **1 361 016** |
| Installments Reimbursed | -648 230 | -520 470 |
| New loans | 1 135 000 | 900 892 |
| Increase in accrued interest | 6 766 | 1 030 |
| **Loans from credit institutions 31.12** | **2 236 004** | **1 742 468** |

## NOTE 12 PROPERTY, PLANT AND EQUIPMENT - COSTS AND DEPRECIATION

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Acquisition cost 01.01 | 4 020 | 2 542 |
| Access during the year | 136 | 1 478 |
| Departure of the year | 0 | 0 |
| **Acquisition cost 31.12** | **4 156** | **4 020** |
| Accumulated depreciation | -2 720 | -2 139 |
| **Book Value 31.12** | **1 436** | **1 882** |
| Depreciation for the year (linear) | -582 | -532 |
| Depreciation for the year in % | 20% - 33% | 20% - 33% |

## NOTE 13 INTANGIBLE ASSETS - COSTS AND AMORTIZATION

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Acquisition cost 01.01 | 8 740 | 6 457 |
| Additions during the year | 2 066 | 2 283 |
| Departure of the year | 0 | 0 |
| **Acquisition cost 31.12** | **10 806** | **8 740** |
| Accumulated Depreciation | -5 716 | -4 537 |
| **Book Value 31.12** | **5 091** | **4 203** |
| Depreciation for the year (linear) | -1 178 | -773 |
| Depreciation for the year in % | 20% | 20% |

## NOTE 14 LEASES (RIGHT-OF-USE) - FOR THE LESSEE

This will apply to all leases over EUR 5,000. Maturities are ranging from 3 to 10 years. Most agreements contain an option clause to continue the lease after the expiration date. The option clause has not been considered in calculating the right to use and lease liability. The rent is usually adjusted according to the consumer price index.

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Acquisition cost | 21 179 | 24 911 |
| Additions during the year | 614 | 1 298 |
| Departure of the year | -3 278 | -5 030 |
| **Acquisition cost** | **18 515** | **21 179** |
| Accumulated Depreciation | -5 220 | -4 325 |
| **Booked value** | **13 295** | **16 854** |
| Depreciation for the year (based on rental period) | -2 684 | -3 062 |

The impact on the income statement for the year is as below:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Interest cost on rental obligation | 1 140 | 297 |
| Depreciation of tenancy | 2 684 | 3 062 |
| **Total** | **3 824** | **3 359** |

## NOTE 15 ACCRUED COSTS

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Accruals on Commissions, Subsidies | 19 417 | 17 375 |
| Accruals on Management fee | 0 | 214 |
| Accruals on Staff costs | 9 229 | 5 736 |
| **Total Accrued Costs** | **28 646** | **23 326** |

## NOTE 16 OTHER RECEIVABLES

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Prepaid costs | 940 | 514 |
| Refund VAT | 4 562 | 5 366 |
| Refund Tax | 28 | 73 |
| Other accruals | 867 | 4 437 |
| Receivables from Group companies | 11 617 | 0 |
| **Total other receivables** | **18 014** | **10 391** |

## NOTE 17 SHARE CAPITAL AND EQUITY

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| **Equity 01.01.2022** | **100 000** | **155 984** | **255 984** |
| Dividends paid | | 0 | 0 |
| Profit for the period | | 6 990 | 6 990 |
| **Total Equity 31.12.2022** | **100 000** | **162 974** | **262 974** |

As of 31 December 2022, the share capital consists of 100,000,000 shares of NOK 1.
All shares are owned by BNP Leasing Solutions S.A. in Luxembourg.

## NOTE 18 CAPITAL ADEQUACY

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **OWN FUNDS** | **257 873** | **251 771** |
| **TIER 1 CAPITAL** | **257 873** | **251 771** |
| **COMMON EQUITY TIER 1 CAPITAL** | **257 873** | **251 771** |
| Capital instruments eligible as CET1 Capital | 100 000 | 100 000 |
| *Paid up capital instruments* | *100 000* | *100 000* |
| Retained earnings | 162 974 | 155 984 |
| Adjustments to CET1 due to prudential filters | -10 | -10 |
| Other intangible assets | -5 091 | -4 203 |
| **Total Risk Exposure Amount** | **1 723 779** | **1 456 105** |
| Risk Weighted Assets for Credit, Counterparty Credit and Dilution Risks and Free Deliveries | **1 580 903** | **1 317 331** |
| Institutions | 35 269 | 28 538 |
| Corporates | 262 874 | 234 909 |
| Retail | 1 179 371 | 912 111 |
| Exposures in default | 45 467 | 17 457 |
| Other items | 57 923 | 124 316 |
| **Total Risk Exposure for Operational Risk** | **142 876** | **138 775** |
| OpR Basic indicator Approach (BIA) | 142 876 | 138 775 |
| Overall capital requirement ratio (OCR) | 15,50% | 14,50% |
| CET1 Capital ratio | 14,96% | 17,29% |
| T1 Capital ratio | 14,96% | 17,29% |
| Unweighted tier 1 capital | 9,62% | 11,88% |

BNP Paribas Leasing Solutions AS didn't meet the Norwegian capital requirements during Q4 2022 (14,96% vs 15,5% required at 31 December 2022). A capital increase of NOK 95 million has therefore been made in March 2023 by the shareholder. Actions are implemented to better monitor the capital situation and make a more active use of the company's Internal Capital Adequacy Assessment Process (ICAAP). These actions were also discussed at board level and are targeted to ensure to have, at all times, a good overview and adequacy of the capital situation.

## NOTE 19 RELATED PARTIES

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Interest and similar costs on debt to credit institutions | 53 924 | 19 898 |
| Management fees | 8 820 | 10 384 |
| Rent for group companies | 2 352 | 2 029 |
| Loans and advances to credit institutions | 102 186 | 43 141 |
| Loans from credit institutions with agreed maturity | 2 236 004 | 1 742 468 |
| Accrued expenses and received unearned income | 0 | 214 |

Transactions with Group companies consists of three items:

- Bank borrowings in order to support the activity of the company: The company is financed by BNP Paribas S.A. Norway Branch in Oslo and BNP Paribas Leasing Solutions S.A. in Luxembourg.
- Office rent.
- Management fees generated by the central functions of BNP Paribas Leasing Solutions or BNP Paribas Group.

## NOTE 20 SPECIFICATIONS OF MAIN ITEMS IN THE BALANCE SHEET GROUPED BY MATURITY

| | < 1month | 1-3 months | 3-12 months | 1-5 years | No maturity | 31/12/2022 Total | |
|---|---|---|---|---|---|---|---|
| Loans and advances to credit institutions | 176 345 | 0 | 0 | 0 | 0 | **176 345** | 176 345 |
| Net Loans to and receivables from customers | 2 268 945 | 0 | 0 | 0 | 61 975 | **2 330 920** | 2 330 920 |
| Treasury Bill | 0 | 0 | 9 696 | 0 | 0 | **9 696** | 9 696 |
| Fixed assets | 0 | 0 | 0 | 0 | 1 436 | **1 436** | 1 436 |
| Other intangible assets | 0 | 0 | 0 | 0 | 5 091 | **5 091** | 5 091 |
| Total advance and not received | 55 340 | 0 | 0 | 26 798 | 0 | **82 138** | 82 138 |
| **Total assets** | **2 500 630** | **0** | **9 696** | **26 798** | **68 502** | **2 605 626** | **2 605 627** |
| Loans from credit institutions | 0 | 2 236 004 | 0 | 0 | 0 | **2 236 004** | 2 236 004 |
| Supplier tax, payable tax, etc | 62 750 | 0 | 0 | 13 909 | 0 | **76 659** | 76 659 |
| Deferred tax | 0 | 0 | 0 | 0 | 29 991 | **29 991** | 29 991 |
| Equity | 0 | 0 | 0 | 0 | 262 974 | **262 974** | 262 974 |
| **Total libailities** | **62 750** | **2 236 004** | **0** | **13 909** | **292 964** | **2 605 627** | **2 605 627** |

The disclosure has been done based on the book value of the assets, debts and equity. The fair value is estimated to close to the book value.

| | **< 1 month** | **1-3 months** | **3-12 months** | **1-5 years** | **More than 5 Years** | **No maturity** | **31/12/2022 Total** |
|---|---|---|---|---|---|---|---|
| Loans from credit institutions | 0 | 129 710 | 464 522 | 1 506 047 | 116 790 | 0 | **2 217 068** |
| Rental obligation | 213 | 428 | 1 970 | 8 705 | 2 592 | 0 | **13 909** |
| Provision for accrued costs and liabilities | 56 026 | 9 703 | 6 874 | 9 083 | 0 | 292 964 | **374 650** |
| **Total Debt & Equity** | **56 239** | **139 841** | **473 366** | **1 523 835** | **119 382** | **292 964** | **2 605 627** |

## NOTE 21 RESTRICTED BANK DEPOSITS

As requested, a bank account is dedicated to cover the tax deductions. The balance as of 31 December 2022 is NOK 1,56 million.

## NOTE 22 PENSIONS

The company has established a defined contribution pension scheme for all employees (OTP). The pension scheme meets the requirements of the Act on Mandatory Occupational Pensions. An agreement has also been entered into on the AFP scheme for all employees. Reference to note 6.

## NOTE 23 OBLIGATIONS

BNP Paribas Leasing Solutions AS has no assets that are pledged. The portfolio also does not contain any contracts where the company has guaranteed residual value.

## NOTE 24 Treasury Bill

| | Investment | Risk Category | Procurement Cost | Book Value | Share Listed | Fair Value |
|---|---|---|---|---|---|---|
| **NO0012779471** | 10 000 | 0% | 9 696 | **9 696** | **100%** | **9 696** |

BNP Paribas Leasing Solutions AS invests in certificates that satisfy the requirements for the Liquidity Coverage Ratio. The due date is 20 December 2023.

## NOTE 25 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The Group uses the following level division when assessing fair value :

- Level 1 : Applies to investments in government securities and units in fixed income funds with a quoted price in an active market for an identical asset or liability
- Level 2 : Applies to investments in interest rate swaps, covered bonds and own bonds where valuation is based on other observable factors, either directly (price) or indirectly (derived from price), than quoted price (level 1)
- Level 3 : Applies to investments where valuation is based on factors that are not taken from observable markets

As of 31 December 2022, BNP Paribas Leasing Solutions AS only has a treasury bill with a 0-coupon interest rate that is accounted for at fair value. The certificate expires in December 2023 and belongs to level 1 when determining fair value. There has been no transfer between levels 1 and 2 during the period.

## NOTE 26 EVENTS OCCURING AFTER THE REPORTING PERIOD

After 31 December 2022, BNP Paribas Leasing Solutions AS has made a capital increase in March 2023 by issuing 95,000,000 shares which corresponds to NOK 95 million. The new share capital is then amounting to NOK 195 million.
The capital increase has been registered to "Enhetsregisteret" on 13 March 2023.