BNP PARIBAS
LEASING SOLUTIONS

Equipment finance for a changing world

Quarterly Report
Q3 2021

BNP PARIBAS LEASING SOLUTIONS AS
QUARTERLY REPORT Q3-2021

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 the third quarter of 2021 have been NOK 832 million (purchase price of the financed assets). Most contracts are leasing contracts. Compared to the same period of last year, new sales have increased by 53%.

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 Q3, the book value of leasing and loan commitments was NOK 1 866 million after reduction for write-downs for losses totaling NOK 9,038 million. All agreements are secured in the form of property rights or 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 30 September 2021, the liquidity coverage ratio is calculated at 119,9%.

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 QUARTERLY ACCOUNTS

The book value of the portfolio at the end of the third quarter of 2021 was NOK 1 866 million. Total assets amounted to NOK 2 028 million. BNP Paribas Leasing Solutions AS had a profit after tax of NOK 19,747 million. At the end of the first quarter, loss provisions implemented in accordance with the rules in IFRS 9 resulted in a release of NOK 0,3 million (NOK -0,79 million on customers in stage 1 and 2, and NOK +0,2 million on customers in stage 3).

As of 30 September 2021, BNP Paribas Leasing Solutions AS had equity of NOK 237 million. The risk-weighted assets amounted to NOK 1 419 million.

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 can 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.

BOARD'S OPINION

The board confirms that the financial statements give a true picture of its financial position and results as of 30 September 2021. 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.

INCOME STATEMENT

(amounts in KNOK)	Notes	30.09.2021	30.09.2020
Interest incomes			
Interest incomes from loans to customers	3	1 518	431
Leasing incomes	3 , 4	65 234	67 338
Total interest incomes		**66 752**	**67 769**
Interest expenses			
Interest expenses from credit institutions		-14 107	-15 361
Other interest expenses		-9	-14
Interest expenses bonds		0	-3 492
Total interest expenses		**-14 115**	**-18 867**
Net interest incomes		**52 637**	**48 902**
Commissions and fees			
Commissions and fees incomes	5a	6 616	6 145
Commissions and fees expenses	5b	-3 330	-1 883
Net commissions and fees		**3 286**	**4 263**
Net income from financial instruments		0	120
Other incomes and expenses		-193	283
NET BANKING INCOME		**55 730**	**53 568**
Payroll, fees and other staff costs	6,17	-25 163	-22 183
Other operating expenses	7	-4 310	-3 227
Depreciation and amortisation		-3 219	-2 525
GROSS OPERATING INCOME		**23 038**	**25 632**
COST OF RISK	9	**-1 069**	**-3 651**
PROFIT BEFORE TAX		**21 970**	**21 981**
Tax		-2 223	-4 836
PROFIT FOR THE PERIOD		**19 747**	**17 145**

OTHER COMPREHENSIVE INCOME

Statement of comprehensive income

(amounts in KNOK)	30.09.2021	30.09.2020
Other comprehensive income		
Profit for the period	19 747	17 145
Other incomes and expenses		
Total comprehensive income for the period	**19 747**	**17 145**
Total comprehensive income for the period is attributable to:		
Attributable to shareholders	19 747	17 145
Total Comprehensive income	**19 747**	**17 145**

BALANCE SHEET

(amounts in KNOK)	Notes	30.09.2021	30.09.2020
ASSETS			
Deposit with credit institutions			
Deposit with credit institutions	14 , 16	100 022	49 793
Loans and receivables to customers			
Loans to customers	8 , 9	60 484	14 469
Finance Lease customers	4,8,9	1 797 288	1 494 024
Total loans and receivables from customers		**1 857 772**	**1 508 493**
Certificates and bonds			
Treasury Bill	15	9 980	10 002
Total certificates and bonds		**9 980**	**10 002**
Intangible assets			
Intangible assets		3 575	2 231
Total intangible assets		**3 575**	**2 231**
Property, Plant and Equipment			
Office equipment		1 782	1 021
Leases (Right to use)		16 979	3 797
Property, Plant and Equipment		**18 762**	**4 818**
Prepaid expenses and earned, not received incomes			
Accounts receivables		16 858	9 802
Other receivables	12	21 115	584
Total prepaid expenses and earned, not received incomes		37 973	10 386
Total assets		**2 028 083**	**1 585 722**

BALANCE SHEET

(amounts in KNOK)	Notes	30.09.2021	30.09.2020
LIABILITIES			
Loan from credit institutions			
Loan from credit institutions	10 , 16	1 690 346	1 277 017
Total due to credit institutions		**1 690 346**	**1 277 017**
Bonds			
Bonds		0	0
Total Bonds		**0**	**0**
Deferred tax			
Deferred tax		25 590	12 195
Total deferred tax		**25 590**	**12 195**
Accrued liabilities and commitments			
Account liabilities		23 373	24 966
Lease liability		17 953	1 193
Payable tax		-5 642	4 808
Accrued expenses	11	15 791	14 811
Public liabilities		1 683	2 062
Total liabilities and commitments		**53 158**	**47 840**
Total liabilities		**1 769 095**	**1 337 052**
EQUITY			
Paid equity			
Share capital	13	100 000	100 000
Retained earnings	13	139 242	131 525
Profit/Loss of the period		19 747	17 145
Total equity		**258 988**	**248 670**
Total liabilities and equity		**2 028 083**	**1 585 722**
Contingent liabilities			
Liabilities off balance sheet		0	0
Total contingent liabilities		0	0

Oslo, 30th of September 2021

Hans Wolfgang Pinner
Chairman of the board

Clément Perrin
Board member

Lars Horgen Hinze
Board member

Denis Delespaul
Board member

Claudine Françoise Smith
Board member

Arnault Leglaye
CEO Nordic cluster

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 30 September 2021 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).

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.

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 -0,04%
- Group 2: Construction, TLS -0,14%

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 9.

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

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:

	30.09.2021	30.09.2020
Open Balance	**50 736**	**45 797**
Flow of the year	5 119	4 919
Closing Balance	**55 855**	**50 716**

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.

	30.09.2021	30.09.2020
Income fees on Finance Lease	6 544	6 077
Income fees on Loans	72	69
Total Income Fees	**6 616**	**6 145**

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)	30.09.2021	30.09.2020
Salaries/wages	17 832	15 896
Social security fees	2 965	2 533
Pension expenses	1 816	1 598
Other remuneration	2 551	2 157
Payroll, fees and other staff costs	**25 163**	**22 183**

NOTE 7 OTHER OPERATING EXPENSES

	30.09.2021	30.09.2020
Statutory Audit	251	284
Tax advisory fee (incl. Technical assistance with tax return)	26	20
Other assistance	127	100
Total audit Fees	**404**	**403**
Office running costs	2 811	2 429
External fees (3rd parties providers)	-7 524	-6 060
Other Operating Expenses	**-4 310**	**-3 227**

NOTE 8 LOANS & FINANCE LEASE CONTRACTS

Loans by type of receivable:	30.09.2021	30.09.2020
Finance lease contracts	1 806 326	1 504 382
Loans contracts	60 484	14 469
Total gross Loans and Finance Lease	**1 866 810**	**1 518 851**
Provision Stage 1	-1 429	-783
Provision Stage 2	-189	-44
Provision Stage 3	-7 421	-9 531
Total Net Loans and Finance Lease	**1 857 772**	**1 508 493**

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	30.09.2021		30.09.2020	
Agder	40 788	2 %	20 356	1 %
Innlandet	322 314	17 %	249 502	16 %
Møre og Romsdal	89 864	5 %	74 101	5 %
Nordland	82 619	4 %	60 830	4 %
Oslo	127 739	7 %	81 128	5 %
Rogaland	69 734	4 %	66 340	4 %
Troms og Finnmark	103 926	6 %	80 509	5 %
Trøndelag	231 567	12 %	173 100	11 %
Vestfold og Telemark	174 955	9 %	165 181	11 %
Vestland	190 070	10 %	198 024	13 %
Viken	433 234	23 %	349 781	23 %
Total gross Loans and Finance Lease	**1 866 810**	**100 %**	**1 518 851**	**100 %**
Breakdown by industry				
Agriculture, forestry and fishing	863 045	46 %	753 192	50 %
Construction	504 826	27 %	364 067	24 %
Information and communication	32 579	2 %	0	0 %
Other services	213 280	11 %	163 679	11 %
Public administration	66 827	4 %	104 587	7 %
Real estate activities	75 286	4 %	64 256	4 %
Transport and storage	48 118	3 %	48 507	3 %
Wholesale and retail trade	62 848	3 %	20 563	1 %
Total gross Loans and Finance Lease	**1 866 810**	**100 %**	**1 518 851**	**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.

		30.09.2021		30.09.2020	
Risk Group	*BNP Paribas Notation*	Loans & Finance Lease	*Doubtful*	Loans & Finance Lease	*Doubtful*
Strong	Ratings 1 - 5+	673 156	*0*	727 281	*0*
Good	Ratings 5 - 7+	1 119 251	*0*	760 808	*0*
Average	Ratings 7 - 8+	36 404	*0*	30 512	*0*
Weak	Ratings 8 - 10	39	*0*	465	*0*
Default	Ratings 11 - 12	37 960	*36 976*	-216	*0*
Total gross Loans and Finance Lease		**1 866 810**	***36 976***	**1 518 851**	***0***

Risk Group	*BNP Paribas Notation*	Loans & Finance Lease	*Doubtful in %*	Loans & Finance Lease	*Doubtful in %*
Strong	Ratings 1 - 5+	36,1%	*0 %*	47,9%	*0 %*
Good	Ratings 5 - 7+	60,0%	*0 %*	50,1%	*0 %*
Average	Ratings 7 - 8+	2,0%	*0 %*	2,0%	*0 %*
Weak	Ratings 8 - 10	0,0%	*0 %*	0,0%	*0 %*
Default	Ratings 11 - 12	2,0%	*2,0%*	0,0%	*0,0%*
Total gross Loans and Finance Lease		**100 %**	***2,0%***	**100 %**	***0,0%***

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 Q3 2021, the book value of commitments with arrears over 90 days amounted to NOK 36,976 million.

NOTE 9 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 30 September 2021 is divided into sectors (industry) for estimating the loss ratio. The estimate is based on historical experience with the individual industry:

	30.09.2021			30.09.2020		
	% Provision	Portfolio	*in %*	% Provision	Portfolio	*in %*
Agriculture	0,08 %	863 045	46 %	0,04 %	753 192	50 %
Contractor	0,28 %	504 826	27 %	0,14 %	364 067	24 %
Other industries	0,08 %	498 938	27 %	0,04 %	401 591	26 %
Total Portfolio		**1 866 810**	**100 %**		**1 518 851**	**100 %**

As shown in the table above, a large part of BNP Paribas Leasing Solutions AS's portfolio as of 30 September 2021 is contracts to Agriculture and forestry (46%). 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 (27%). Furthermore, approximately 27% 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 2021. The total loss provision as of 30 September 2021 amounts to NOK 9,038 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 01.01.2021	**- 479**	**- 25**	**- 9 596**	**- 10 100**
Transfers :				
Transfer from stage 1 to stage 2	0	0		-
Transfer from stage 1 to stage 3	0		0	-
Transfer from stage 2 to stage 3		0	0	-
Transfer from stage 3 to stage 2		- 1	1	-
Transfer from stage 3 to stage 1	0		0	-
Transfer from stage 2 to stage 1	0	0		-
Financial assets deducted during the period				-
New financial assets issued or acquired	-949	-163	2 174	1 062
Increase/(Decrease) of the contract in the same stage	0	0	0	-
Provision for losses 30.09.21	**- 1 429**	**- 189**	**- 7 421**	**- 9 038**

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. 01.01.2021).

New financial assets issued or acquired
Shows the effect of accessing new leases in the quarter.

Financial assets deducted during the period
Shows the effect of access contracts that have been terminated during the quarter.

Modification of contractual cash flows from financial assets that have not been derecognized
Shows the effect of contracts in the portfolio from 01.01.2021 which are still ongoing at the end of the period 30.09.2021, but where the book value has been reduced by instalment payments throughout the year. Changed balance on contracts that have changed steps in the reporting period are also included (see transfer between stages).

NOTE 10 LOANS FROM CREDIT INSTITUTIONS

	30.09.2021	30.09.2020
Loans from group companies	1 690 346	1 277 017
Average interest rate	1,10 %	1,60 %

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	30.09.2021	30.09.2020
Loans from credit institutions 01.01.	**1 361 016**	**912 498**
Installments Reimbursed	-358 871	-250 042
New loans	687 892	615 500
Increase in accrued interest	309	-939
Loans from credit institutions 31.03.	**1 690 346**	**1 277 017**

NOTE 11 ACCRUED COSTS

	30.09.2021	30.09.2020
Accruals on Commissions, Subsidies	9 785	7 543
Accruals on Management fees	0	643
Accruals on Staff costs	6 006	6 625
Total Accrued Costs	**15 791**	**14 811**

NOTE 12 OTHER RECEIVABLES

	30.09.2021	30.09.2020
Prepaid costs	663	453
Refund VAT	13 272	-2 065
Refund Tax	6 662	24
Other accruals	517	2 172
Receivables from Group companies	0	0
Total other receivables	**21 115**	**584**

NOTE 13 CAPITAL ADEQUACY

	30.09.2021	30.09.2020
OWN FUNDS	**237 344**	**229 284**
TIER 1 CAPITAL	**237 344**	**229 284**
COMMON EQUITY TIER 1 CAPITAL	**237 344**	**229 284**
Capital instruments eligible as CET1 Capital	100 000	100 000
Paid up capital instruments	*100 000*	*100 000*
Retained earnings	140 929	131 525
Adjustments to CET1 due to prudential filters	-10	-10
Other intangible assets	-3 575	-2 231
Total Risk Exposure Amount	**1 419 616**	**1 351 706**
Risk Weighted Assets for Credit, Counterparty Credit and Dilution Risks and Free Deliveries	**1 291 477**	**1 237 304**
Institutions	20 004	9 959
Corporates	244 438	154 206
Retail	874 365	948 282
Exposures in default	31 643	52 930
Other items	121 026	71 929
Total Risk Exposure for Operational Risk	**128 139**	**114 402**
OpR Basic indicator Approach (BIA)	128 139	114 402
CET1 Capital ratio	16,72 %	16,96 %
T1 Capital ratio	16,72 %	16,96 %
Unweighted tier 1 capital	11,33 %	13,92 %

NOTE 14 RELATED PARTIES

	30.09.2021	30.09.2020
Interest and similar costs on debt to credit institutions	13 927	15 353
Management fees	5 659	5 285
Rent for group companies	1 534	867
Loans and advances to credit institutions	67 241	33 821
Loans from credit institutions with agreed maturity	1 690 346	1 277 017
Accrued expenses and received unearned income	0	643

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 15 Treasury Bill

	Investment	Risk Category	Procurement Cost	Book Value	Share Listed	Fair Value
NO0010870777	10 000	0 %	9 980	9 980	100 %	9 980

BNP Paribas Leasing Solutions AS invests in certificates that satisfy the requirements for the Liquidity Coverage Ratio. The due date is 15 December 2021.

NOTE 16 RESTRICTED BANK DEPOSITS

As requested, a bank account is dedicated to cover the tax deductions. The balance as of 30 September 2021 is KNOK 907.

NOTE 17 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 18 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.

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