SCOPE | Ratings

# Brage Finans AS

## Rating report

Issuer rating

A-

Outlook

Positive


**Lead Analyst**

Pauline Lambert

+44 203 936 8161

p.lambert@scoperatings.com


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Scope affirms Brage Finans' issuer rating of A- and changes Outlook to Positive, October 2024

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### Summary and Outlook

Brage Finans' issuer rating of A- reflects the following assessments:

- **Business model assessment: Focused (High)**. The company mainly offers equipment leasing to business customers and car loans to individuals. Brage serves as the finance company for its owners, well-established and solid savings banks located primarily in western and southern Norway. The owners account for approximately one third of the company's sales. Supported by its own direct sales channels and equipment and car dealers, Brage operates nationally.
- **Operating environment assessment**: **Very Supportive (Low).** The operating environment in Norway remains very supportive of financial services activities. Norway is a relatively small open economy with one of the world's highest per capita income levels and low unemployment. A very robust government fiscal position provides ample capacity to support the economy when needed. The regulatory environment is well established and rigorous, and the central bank has a strong track record of providing funding support to banks in times of stress.
- **Long-term sustainability assessment (ESG factor): Advanced**. Brage continues to make ongoing enhancements to its relatively up-to-date technology systems to further increase efficiency and drive business growth. The company also demonstrates a proactive approach to managing sustainability-related considerations, with attention being given to both risks and opportunities. Sustainability is integrated into the business strategy and credit risk processes.
- **Earnings and risk exposures assessment: Neutral**. The company aims to generate a good financial return for its owners. Returns have grown steadily over time, supported by market share gains, cost discipline, and controlled credit costs. While Brage benefits from higher margins, the nature of its business involves greater asset risk than traditional banking focused on mortgage lending. Asset quality remains sound, underpinned by a diversified and mainly asset-backed credit portfolio.
- **Financial viability assessment: Comfortable**. Brage's owners consistently provide capital and funding to sustain its growth and development. As a licensed finance company regulated and supervised by the Norwegian FSA, Brage is subject to most of the same prudential requirements as banks. As it is not authorised to gather deposits, Brage relies on market funding.

The Positive Outlook reflects Scope's view that the risks to the current rating are tilted to the upside.

**The upside scenario for the rating:**

- Brage becomes a majority owned subsidiary as the planned merger of its two largest owners is completed.

**The downside scenarios for the rating and Outlook:**

- There is no significant change to Brage's ownership structure as the planned merger of the two largest owners does not materialise.
- A change in the supportive nature of the relationship between Brage and its owners which negatively impacts its business franchise and/or liquidity and funding profile.
- A material deterioration in asset quality or earnings.

## Rating drivers

<table>
<tr><th colspan="2">Rating drivers</th><th colspan="30">Assessment</th></tr>
<tr><td rowspan="7">STEP 1</td><td>Operating environment</td><td colspan="6">Very constraining</td><td colspan="6">Constraining</td><td colspan="6">Moderately supportive</td><td colspan="6">Supportive</td><td colspan="6">Very supportive</td></tr>
<tr><td>Low/High</td><td colspan="15">Low</td><td colspan="15">High</td></tr>
<tr><td>Business model</td><td colspan="6">Narrow</td><td colspan="6">Focused</td><td colspan="6">Consistent</td><td colspan="6">Resilient</td><td colspan="6">Very resilient</td></tr>
<tr><td>Low/High</td><td colspan="15">Low</td><td colspan="15">High</td></tr>
<tr><td>Initial mapping</td><td colspan="30">bbb</td></tr>
<tr><td>Long-term sustainability</td><td colspan="6">Lagging</td><td colspan="6">Constrained</td><td colspan="6">Developing</td><td colspan="6">Advanced</td><td colspan="6">Best in class</td></tr>
<tr><td>Adjusted anchor</td><td colspan="30">bbb+</td></tr>
<tr><td rowspan="4">STEP 2</td><td>Earnings capacity & risk exposures</td><td colspan="6">Very constraining</td><td colspan="6">Constraining</td><td colspan="6">Neutral</td><td colspan="6">Supportive</td><td colspan="6">Very supportive</td></tr>
<tr><td>Financial viability management</td><td colspan="5">At risk</td><td colspan="5">Stretched</td><td colspan="5">Limited</td><td colspan="5">Adequate</td><td colspan="5">Comfortable</td><td colspan="5">Ample</td></tr>
<tr><td>Additional factors</td><td colspan="6">Significant downside factor</td><td colspan="6">Material downside factor</td><td colspan="6">Neutral</td><td colspan="6">Material upside factor</td><td colspan="6">Significant upside factor</td></tr>
<tr><td>Standalone rating</td><td colspan="30">a-</td></tr>
<tr><td>STEP 3</td><td>External support</td><td colspan="30">Not applicable</td></tr>
<tr><td colspan="2">Issuer rating</td><td colspan="30">A-</td></tr>
</table>

## Credit ratings

| | | Credit rating | Outlook |
|---|---|---|---|
| **Issuer** | **Brage Finans** | | |
| | Issuer rating | A- | Positive |
| | Senior unsecured debt rating | A- | Positive |

## Business model

'Focused – high' business model assessment

Brage is a Norwegian finance company offering primarily equipment leasing for business clients and car loans for individuals. The company was founded by ten savings banks in June 2010. Over time, the number of owners has increased to more than twenty. However, the two largest owners remain Sparebanken Vest and Sparebanken Sor with a combined stake of more than 75%. All the other owners, mainly savings banks, have individual stakes below 5%.

Brage is expected to become a majority-owned subsidiary

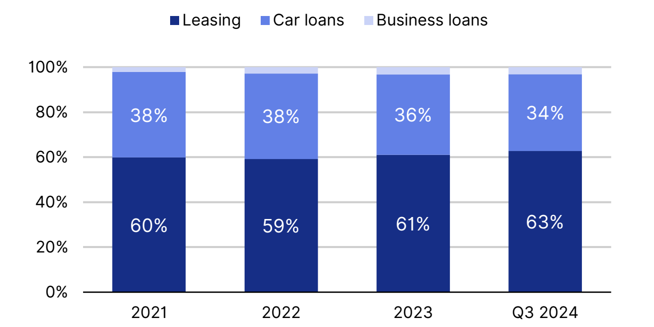
In August 2024, Sparebanken Vest and Sparebanken Sor announced their intention to merge, creating one of Norway's largest savings banks with total assets of more than NOK 490bn (as of 30 June 2024). The transaction is pending regulatory approval, and the banks are targeting a merger around 1 May 2025. Brage will become a subsidiary of the merged bank, which will be called Sparebanken Norge. We expect Brage to be a strategic product company of the merged bank and the Frende Group.

Brage serves as the finance company for its owners, enabling them to offer a broader range of products and services to their customers. The owners receive commissions based on their distribution volume and the asset quality of their respective portfolios. This strategic and close relationship supports sound business growth. As the company has developed new distribution channels, the proportion of business coming from the owners has declined but remains substantial at around a third.

National market presence

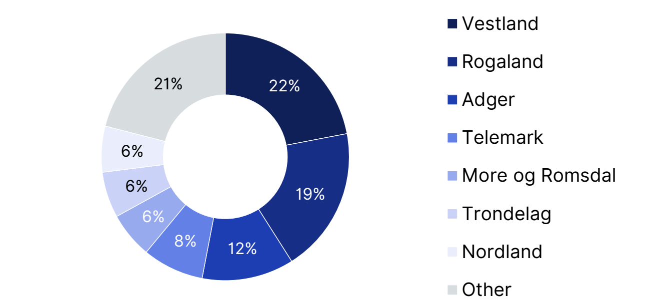
In addition to the more than 100 local offices of the owner banks, Brage distributes products through several hundred equipment and car dealers and directly via its own sales offices and digital platforms. With the opening of several offices in recent years, including one in Oslo in November 2022, Brage benefits from a physical market presence throughout the country. The largest volume of business comes from western and southern Norway, where many of the owners are located.

**Figure 1: Credit portfolio by business**




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

**Figure 2: Geographic split of credit portfolio**




Note: Data as of September 2024
Source: Company data, Scope Ratings

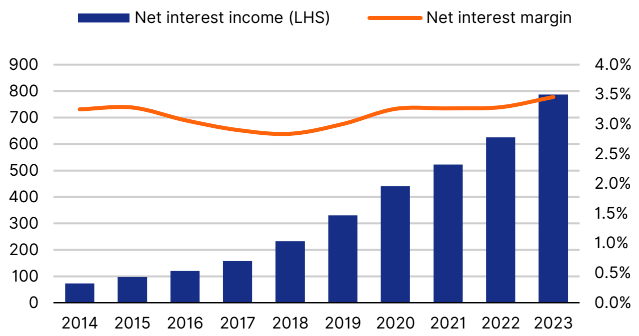
While still limited, Brage is developing capital light products such as payment insurance and factoring. The company has offered car insurance for several years and has expanded into offering insurance on leased equipment. This is done in collaboration with Frende Forsikring, an insurance company which shares many of the same owners as Brage. Since 2021, the company has been increasing its stake in Factoring Finans AS (69.9% as of September 2024), with the aim of developing complementary factoring and invoice purchasing services.

Brage has successfully increased its market share over time (Figure 4). As of September 2024, Brage's market share had reached 7.8% of the overall financing market. Meanwhile, new business market shares in the movable asset leasing and car loan segments were 10.4% and 6.5%, respectively, up from 6.6% and 4%, respectively as of end-2018[1].

Market share has increased over time

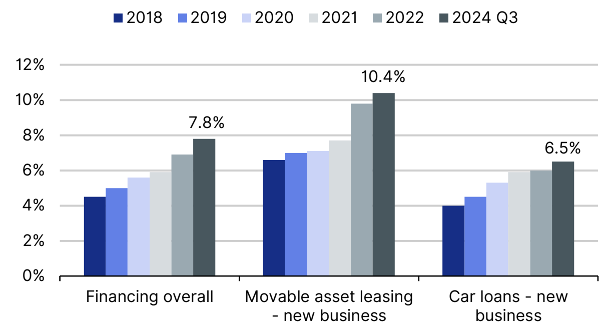
Foreign companies with branches in Norway are material players in the country's finance market, accounting for approximately 29% of finance lending volume[2]. In addition to the three large players, DNB Finans, Nordea Finans, and Santander Consumer Bank AS, other players include the finance companies of auto manufacturers and bank-owned finance companies.

**Figure 3: Net interest income (NOK bn) and margin (%)**




Source: SNL, Scope Ratings

**Figure 4: Market share development (%)**




Source: Association of Norwegian Finance Companies, Scope Ratings

**Figure 5: Selected metrics of owner banks with stakes of 1% or more**

| | Stake in Brage (%) | Assets (NOK bn) | Return on average equity (%) | Cost to income ratio (%) | Stage 3 gross loans (%) | CET1 capital ratio (%) |
|---|---|---|---|---|---|---|
| Sparebanken Vest | 49.99% | 322.8 | 20.0 | 24.8 | 0.5 | 17.8 |
| Sparebanken Sør | 26.76% | 167.9 | 12.7 | 34.4 | 0.7 | 16.7 |
| Rogaland Sparebank | 4.00% | 35.7 | 12.3 | 37.9 | 1.3 | 17.5 |
| Voss Sparebank | 2.19% | 6.4 | 8.9 | 34.8 | NA | 29.0 |
| Spareskillingsbanken | 2.09% | 12.2 | 8.3 | 42.4 | 0.7 | 24.0 |
| Flekkefjord Sparebank | 2.03% | 10.3 | 8.2 | 48.4 | 1.5 | 21.1 |
| Søgne & Greipstad Sparebank | 1.67% | 5.8 | 8.2 | 52.1 | 2.1 | 17.5 |
| Luster Sparebank | 1.59% | 4.7 | 9.4 | 37.6 | 1.7 | 25.9 |
| Fana Sparebank | 1.00% | 31.0 | 12.1 | 42.1 | 0.6 | 19.5 |

Note: Ownership stakes as of November 2024. Financial data as of June 2024. Return on average equity and cost to income ratio are based on H1 2024 annualised.
Source: SNL, Scope Ratings

[1] Market share data reflects the activity of members of the Association of Norwegian Finance Companies. Members' activities include leasing, factoring, car financing, credit cards and consumer loans.
2 Norges Bank, Norway's Financial System, 2024.

## Operating environment

**Focus on Brage Finans' country of domicile: Norway (AAA/Stable)**

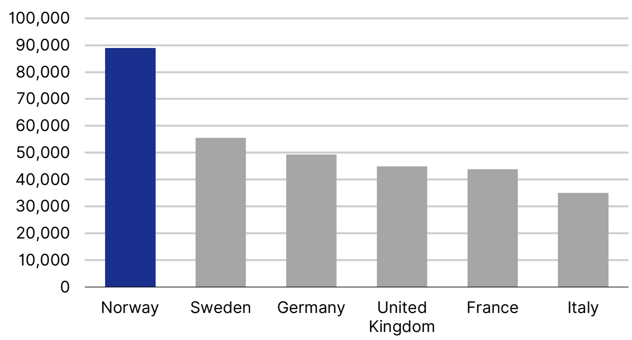
**Economic assessment:**

- With a population of 5.4m and a nominal GDP of USD 490bn, Norway is a relatively small open economy with one of the world's highest levels of per capita income.
- Norway demonstrated significant economic resilience during the Covid-19 pandemic and the energy crisis following the escalation of the Russia-Ukraine war. Economic growth slowed in 2023 due to high inflation and as interest rates increased borrowing costs for firms and households, dampening consumer spending and investment. Scope expects GDP growth to rise to 1.2% in 2024 and 2.0% in 2025 before converging towards Norway's growth potential of around 1.8%.
- A very strong government fiscal position provides ample capacity to support the economy as needed. Fiscal flexibility is supported by the world's largest sovereign wealth fund.
- The high home ownership rate of around 80% is a driver for high levels of household debt, both in historical terms and in comparison, to other countries. Macroprudential measures concerning mortgages and consumer debt are in place to manage these risks. Mortgage debt is primarily on floating rate terms.
- The country faces long-term transition risks to a non-commodity-dependent economy.

| Key economic indicators | 2021 | 2022 | 2023 | 2024F | 2025F |
|---|---|---|---|---|---|
| Real GDP growth, % | 4.0 | 3.0 | 0.7 | 1.2 | 2.0 |
| Inflation, % change | 3.5 | 5.8 | 5.5 | 3.4 | 2.6 |
| Unemployment rate, % | 4.4 | 3.2 | 3.6 | 4.1 | 4.2 |
| Policy rate, % | 0.5 | 2.75 | 4.5 | 4.25 | 3.5 |
| Public debt, % of GDP | 41 | 37 | 42 | 39 | 36 |
| General government balance, % of GDP | 10.3 | 25.6 | 16.3 | 14.4 | 13.3 |

Source: Scope Ratings

**GDP per capita (USD) – peer comparison**




Note: Data for 2023 Source: Macrobond, Scope Ratings

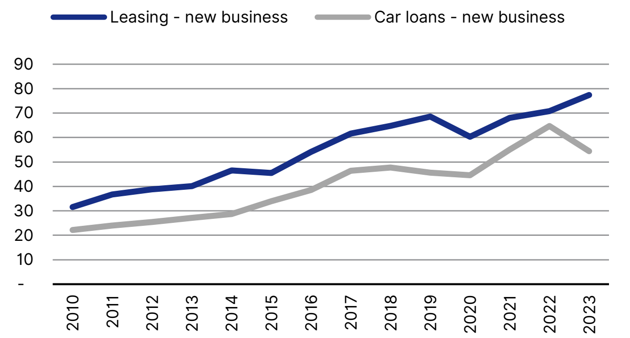
**Soundness of the financial sector:**

- The Norwegian banking system is dominated by DNB Bank, with a market share of around 30%. Nordea and other foreign banks account for about 20% of the retail market and 30% of the corporate market. There are also about 90 savings banks, with their size ranging from less than NOK 5bn to NOK 385bn in assets. Savings banks tend to operate locally or regionally and are part of alliances (SpareBank 1, Eika).
- Savings banks are consolidating due to increasing competitive and regulatory pressures.
- Residential mortgages account for more than half of total lending while the commercial real estate sector accounts for 15% of total lending (or nearly half of corporate lending).
- Exposure to commercial real estate firms is a longstanding vulnerability of the financial system.
- Digitalisation is high and the use of cash is amongst the lowest in the world.
- A rigorous regulatory framework is in place, with banks subject to some of the highest solvency requirements among European banks.
- Norwegian banks are generally profitable, cost efficient and exhibit sound asset quality and solvency metrics.
- While customer deposits are the primary source of funding, the use of market funding is material, especially covered bonds.

| Banking system indicators | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| ROAA, % | 1.1 | 0.8 | 1.0 | 1.0 | 1.1 |
| ROAE, % | 11.2 | 8.5 | 10.1 | 10.9 | 12.2 |
| Net interest margin, % | 1.8 | 1.7 | 1.6 | 1.7 | 2.0 |
| CET1 ratio, % | 17.8 | 18.3 | 18.4 | 18.1 | 18.0 |
| Problem loans/gross customer loans, % | 1.3 | 1.6 | 1.4 | 1.2 | 1.1 |
| Loan-to-deposit ratio, % | 163.3 | 152.2 | 143.7 | 144.7 | 145.0 |

Source: SNL, Scope Ratings

**New business volumes: leasing and car loans (NOK bn)**




Source: Association of Norwegian Finance Companies, Scope Ratings

## Long-term sustainability (ESG-D)

'Advanced' long-term sustainability assessment

Brage demonstrates proactive management of sustainability-related issues, with attention being given to both risks and opportunities. These efforts strengthen the long-term sustainability of the business.

Digital

Brage continuously enhances its IT systems and customer-facing digital platforms to support its business franchise and efficiency. All employees are encouraged to participate in improving the company's systems. Brage's operations have been digital since its inception and there is no need for major investment as the systems are relatively up to date. The systems are specifically adapted to the needs of the business.

Environment

Brage has incorporated ESG considerations such as the environmental performance of equipment and vehicles in its credit approval and risk assessment process, recognising that these factors influence the value of the assets being financed. At the same time, the company aims to increase the proportion of green assets in its portfolio. Through more attractive terms and conditions as well as advice, Brage encourages customers to lease or buy more sustainable alternatives.

Brage established a green bond framework in 2020 which has been independently assessed as being in line with the ICMA Green Bond Principles. The company has developed an internal system for mapping and classifying green assets and has issued several green bonds. Brage also continues to develop its disclosures in line with the recommendations of the Task Force on Climate Related Financial Disclosures.

Governance

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

Reflective of its ownership structure, the company's eight-member board includes four representatives from the owner banks. In addition, there is an employee representative and two independent members. As Brage has grown, separate risk and audit committees at board level have been established, in line with requirements.

Social

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

The company also continues to work towards Finans Norge's equality targets for the finance industry. Active efforts are made in recruitment processes to maintain a balance between men and women, as well as a balanced age distribution.

**Figure 6: Long-term sustainability overview table**[3]

| | Industry level | | | Issuer level | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Materiality | | | Exposure | | | Management | | | |
| | Low | Medium | High | Low | Neutral | High | Weak | Needs attention | Adequate | Strong |
| E Factor | | ◇ | | | ◇ | | | | ◇ | |
| S Factor | ◇ | | | | ◇ | | | | ◇ | |
| G Factor | | | ◇ | | ◇ | | | | ◇ | |
| D Factor | | | ◇ | | ◇ | | | | | ◇ |

Source: Scope Ratings

[3] The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

## Earnings capacity and risk exposures

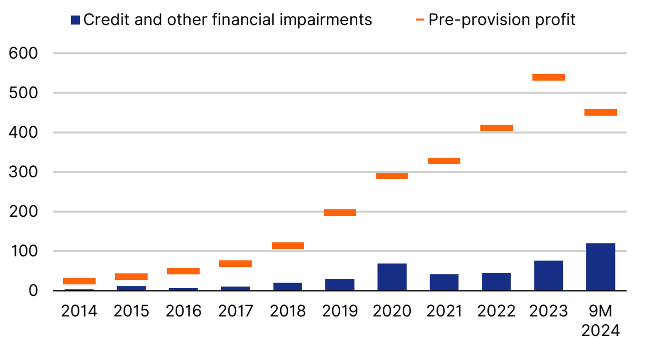
'Neutral' earnings capacity and risks exposures' assessment

Brage's returns have grown steadily over time. This has been achieved by expanding distribution channels, gaining market share, and maintaining a sound credit portfolio. For 9M 2024, the company reported a return on equity of 8.3% (before commissions paid to owners), down from 11.2% for full year 2023. Results were heavily impacted by loan losses related to a single customer. Excluding these exceptional losses, performance remained solid.

Higher margins but also higher credit costs

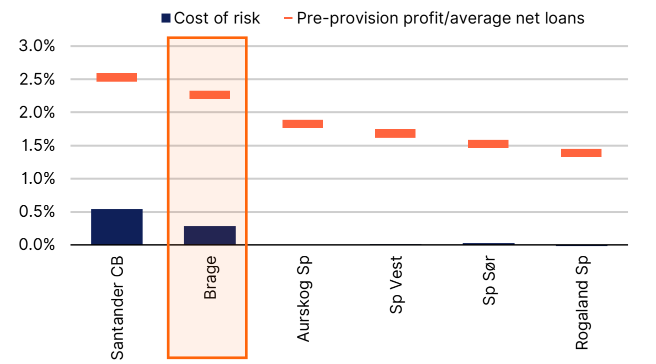
Brage benefits from higher returns compared to banking peers but incurs higher credit costs. The nature of Brage's business activities entails greater asset risk than traditional banking focused on mortgage lending. In the leasing business, counterparties are often small businesses in cyclical sectors. Within the corporate portfolio, the largest exposures include construction as well as transport and storage, industries which tend to be more cyclical. At the same time, Brage has grown its car finance business, increasing the number of personal customers, who now account for around 25% of the portfolio (Figure 9).

**Figure 7: Pre-provision income and provisions (NOK m)**




Source: SNL, Scope Ratings

**Figure 8: Peer comparison**




Note: Three-year averages based on 2021-2023.
Source: SNL, Scope Ratings

Consistent risk management

Brage maintains a sound asset quality profile, with credit and concentration risks being actively managed and monitored. The company performs its own credit assessment of all clients, including those referred by the owners.

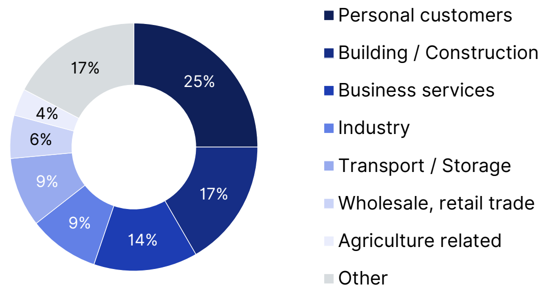
As of September 2024, Stage 3 exposures accounted for 3% of the credit portfolio, down from 3.2% as of YE 2023. Given the more challenging operating environment, asset quality has somewhat weakened over the past twelve months. However, Stage 3 levels remain moderate, and pre-provision income continues to be sufficient to absorb credit costs.

Diversified credit portfolio supports asset quality

The credit portfolio is well diversified by industry and asset type, and concentration risk is low (Figures 9 and 10). As of September 2024, more than 85% of the portfolio consisted of contracts on individual assets with a value of less than NOK 5m each. The remainder of the portfolio consisted of contracts on individual assets with a value between NOK 5m and NOK 50m.

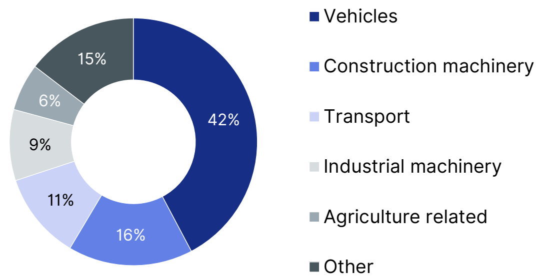
In addition, 55% of the portfolio consisted of customer commitments of less than NOK 5m each. Due to the nature of the contracts, Brage has no direct exposure to residual value risk.

**Figure 9: Credit portfolio by industry (Sep 2024)**



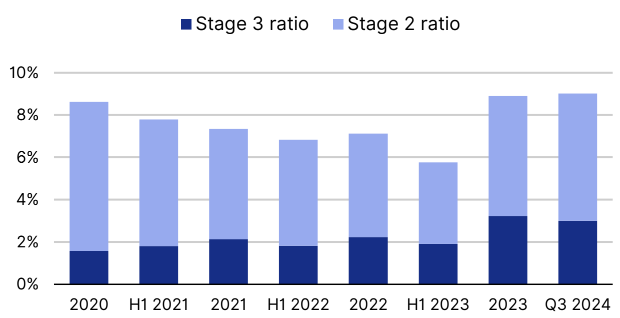

Note: Individual industries within 'Other' account for less than 4% of the total portfolio.
Source: Company data, Scope Ratings

**Figure 10: Credit portfolio by asset type (Sep 2024)**



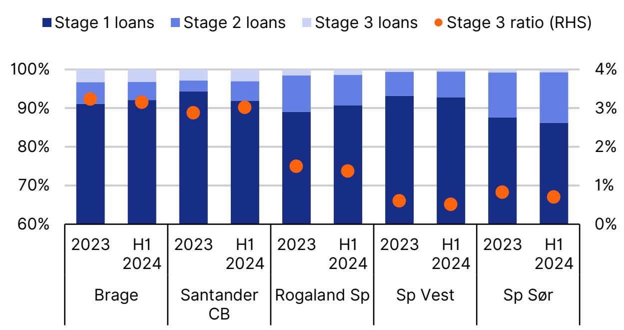

Note: Individual items within 'Other' account for less than 6% of the total portfolio.
Source: Company data, Scope Ratings

**Figure 11: Stage 2 and Stage 3 development**




Source: SNL, Scope Ratings

**Figure 12: Asset quality metrics – peer comparison**



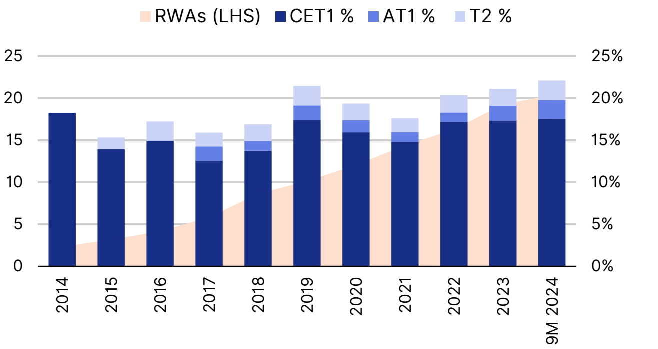

Source: SNL, Scope Ratings

## Financial viability management

Brage is licensed as a finance company and is regulated and supervised by the Norwegian FSA. The company is subject to most of the same requirements as banks, including in the areas of solvency and liquidity. With support from its owners, Brage maintains solid prudential metrics in line with relatively demanding requirements, including a systemic risk buffer of 4.5% and a countercyclical buffer of 2.5%. Over the years, the owners have provided capital to support growth and ensure a sound solvency position. The most recent capital increase of NOK 250m was completed in Q2 2024.

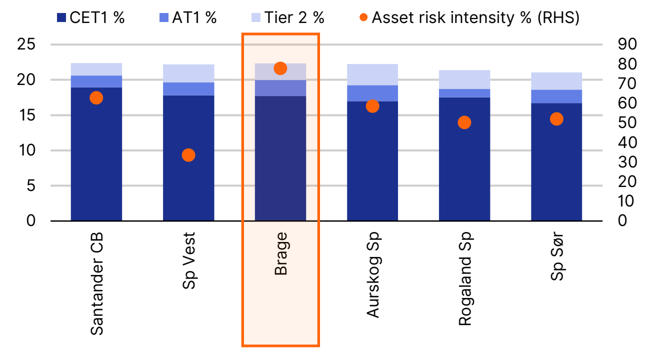
'Comfortable' financial viability management assessment

**Figure 13: Capital profile**




Source: Company data, Scope Ratings

**Figure 14: Capital profile – peer comparison**




Note: Data as of June 2024.
Source: SNL, Scope Ratings

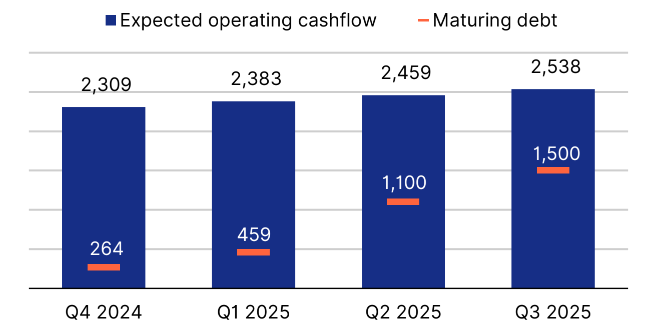
Brage is not authorised to collect deposits and is therefore dependent on market funding. When the company started operations, the owners provided all the necessary funding. As Brage grew, management successfully obtained various sources of funding to sustain its development, including AT1 securities and loans from the Nordic Investment Bank.

Despite periods of market turbulence in recent years, Brage has maintained good access to the capital markets. The owners have also been ready and willing to assist when needed. In March 2024, the owners subscribed to a new NOK 2bn senior unsecured certificate loan to support Brage's financing needs.

Owners provide funding support

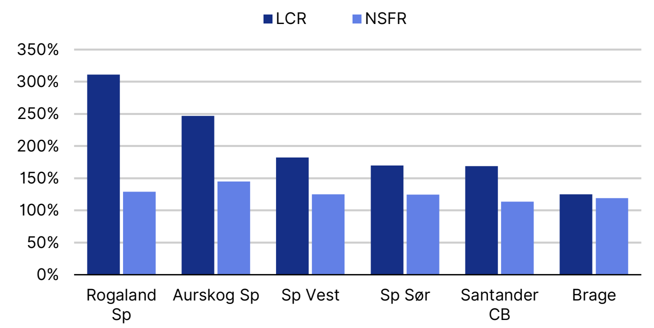
To manage liquidity and funding risks, Brage aims to ensure that quarterly operating cash flows from customers are more than sufficient to cover future debt maturities. There are internal limits on the amount of debt that can be borrowed and the amount of debt maturing each quarter. In addition, the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

**Figure 15: Operating cashflows and maturing debt (NOK m)**



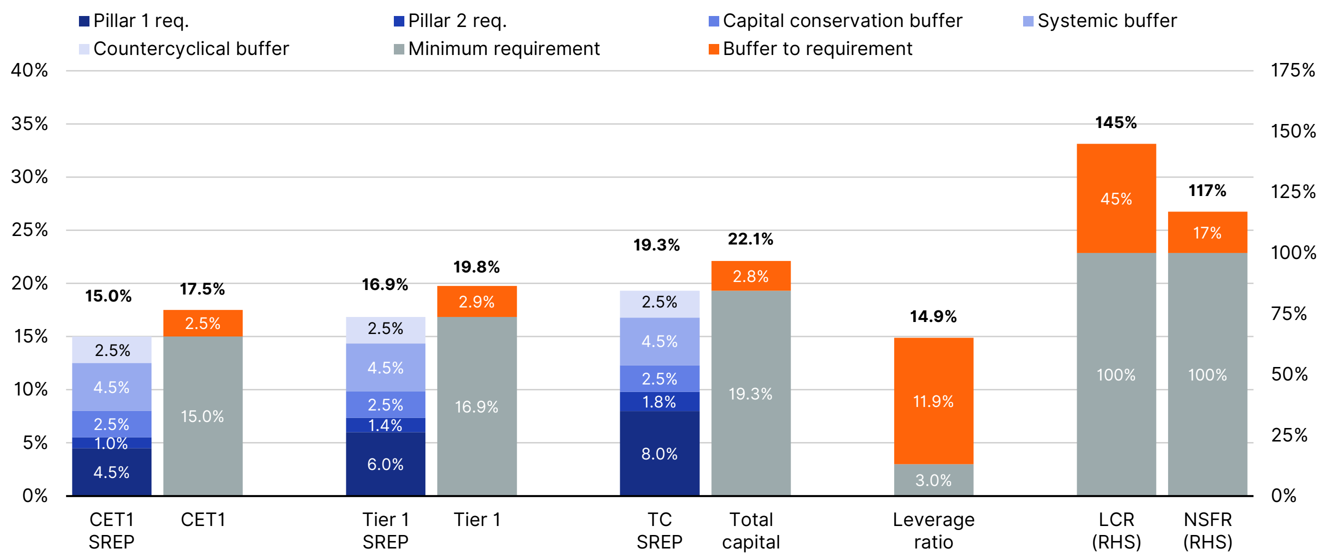

Note: Maturing debt excludes the NOK 2bn loan from the owners.
Source: Company data, Scope Ratings

**Figure 16: LCR and NSFR – peer comparison**




Note: Data as of June 2024.
Source: Company data, SNL, Scope Ratings

**Figure 17: Overview of distance to requirements as of Sep 2024**




Source: Company data, Scope Ratings

## Financial appendix

**I. Appendix: Selected financial information – Brage Finans**

| | 2020 | 2021 | 2022 | 2023 | 9M 2024 |
|---|---|---|---|---|---|
| **Balance sheet summary (NOK m)** | | | | | |
| **Assets** | | | | | |
| Cash and interbank assets | 389 | 118 | 269 | 1,348 | 742 |
| Total securities | 117 | 117 | 119 | 124 | 156 |
| of which, derivatives | 0 | 0 | 0 | 0 | 0 |
| Net loans to customers | 14,150 | 16,956 | 20,375 | 23,499 | 25,228 |
| Other assets | 104 | 174 | 204 | 219 | 273 |
| **Total assets** | **14,759** | **17,364** | **20,967** | **25,190** | **26,399** |
| **Liabilities** | | | | | |
| Interbank liabilities | 1,026 | 585 | 331 | 812 | 750 |
| Senior debt | 11,140 | 13,868 | 16,845 | 19,698 | NA |
| Derivatives | 0 | 0 | 0 | 0 | 0 |
| Deposits from customers | 0 | 0 | 0 | 0 | 0 |
| Subordinated debt | 236 | 236 | 337 | 388 | 475 |
| Other liabilities | 227 | 336 | 439 | 545 | NA |
| **Total liabilities** | **12,628** | **15,025** | **17,952** | **21,443** | **22,052** |
| Ordinary equity | 1,956 | 2,164 | 2,829 | 3,363 | 3,838 |
| Equity hybrids | 175 | 175 | 185 | 335 | 460 |
| Minority interests | 0 | 0 | 0 | 49 | 50 |
| **Total liabilities and equity** | **14,759** | **17,364** | **20,967** | **25,190** | **26,399** |
| *Common equity tier 1 capital* | *1,923* | *2,127* | *2,788* | *3,348* | *3,562* |
| **Income statement summary (NOK m)** | | | | | |
| Net interest income | 440 | 523 | 626 | 787 | 655 |
| Net fee & commission income | -48 | -84 | -81 | -79 | -56 |
| Net trading income | -1 | 0 | 1 | 5 | 6 |
| Other income | 8 | 15 | 19 | 34 | 25 |
| **Operating income** | **400** | **455** | **564** | **747** | **630** |
| Operating expenses | 110 | 126 | 153 | 207 | 179 |
| **Pre-provision income** | **290** | **328** | **411** | **539** | **451** |
| Credit and other financial impairments | 69 | 42 | 46 | 76 | 119 |
| Other impairments | 0 | 0 | 0 | 0 | 0 |
| Non-recurring income | 0 | 0 | 0 | 0 | 0 |
| Non-recurring expense | 0 | 0 | 0 | 0 | 0 |
| **Pre-tax profit** | **222** | **286** | **365** | **463** | **332** |
| Income from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| Income tax expense | 53 | 70 | 87 | 110 | 74 |
| Other after-tax Items | 0 | 0 | 0 | 0 | 0 |
| Net profit attributable to minority interests | 0 | 0 | 0 | 0 | 1 |
| **Net profit attributable to parent** | **169** | **216** | **278** | **353** | **257** |

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

### II. Appendix: Selected financial information – Brage Finans

| | 2020 | 2021 | 2022 | 2023 | 9M 2024 |
|---|---|---|---|---|---|
| **Funding and liquidity** | | | | | |
| Net loans/ deposits (%) | NA | NA | NA | NA | NA |
| Liquidity coverage ratio (%) | 174% | 153% | 113% | 122% | 145% |
| Net stable funding ratio (%) | 118% | 121% | 113% | 110% | 117% |
| **Asset mix, quality and growth** | | | | | |
| Net loans/ assets (%) | 95.9% | 97.6% | 97.2% | 93.3% | 95.6% |
| Problem loans/ gross customer loans (%) | 1.0% | 0.9% | 0.7% | 1.5% | 1.8% |
| Loan loss reserves/ problem loans (%) | 52.5% | 84.7% | 89.7% | 51.9% | 46.7% |
| Net loan growth (%) | 18.2% | 19.8% | 20.2% | 15.3% | 9.8% |
| Problem loans/ tangible equity & reserves (%) | 6.3% | 6.3% | 4.7% | 8.9% | 10.1% |
| Asset growth (%) | 18.4% | 17.7% | 20.7% | 20.1% | 6.4% |
| **Earnings and profitability** | | | | | |
| Net interest margin (%) | 3.3% | 3.3% | 3.3% | 3.5% | 3.4% |
| Net interest income/ average RWAs (%) | 4.0% | 4.0% | 4.1% | 4.4% | 4.4% |
| Net interest income/ operating income (%) | 110.1% | 115.1% | 110.9% | 105.4% | 104.0% |
| Net fees & commissions/ operating income (%) | -11.9% | -18.5% | -14.4% | -10.5% | -8.9% |
| Cost/ income ratio (%) | 27.4% | 27.8% | 27.2% | 27.8% | 28.4% |
| Operating expenses/ average RWAs (%) | 1.0% | 1.0% | 1.0% | 1.2% | 1.2% |
| Pre-impairment operating profit/ average RWAs (%) | 2.6% | 2.5% | 2.7% | 3.0% | 3.0% |
| Impairment on financial assets / pre-impairment income (%) | 23.7% | 12.7% | 11.1% | 14.1% | 26.5% |
| Loan loss provision/ average gross loans (%) | 0.5% | 0.3% | 0.2% | 0.3% | 0.6% |
| Pre-tax profit/ average RWAs (%) | 2.0% | 2.2% | 2.4% | 2.6% | 2.2% |
| Return on average assets (%) | 1.2% | 1.3% | 1.4% | 1.5% | 1.3% |
| Return on average RWAs (%) | 1.5% | 1.6% | 1.8% | 2.0% | 1.7% |
| Return on average equity (%) | 8.2% | 9.7% | 10.9% | 10.7% | 8.4% |
| **Capital and risk protection** | | | | | |
| Common equity tier 1 ratio (%, fully loaded) | 15.9% | 14.8% | 17.1% | 17.4% | 17.5% |
| Common equity tier 1 ratio (%, transitional) | 15.9% | 14.8% | 17.1% | 17.4% | 17.5% |
| Tier 1 capital ratio (%, transitional) | 17.4% | 16.0% | 18.3% | 19.1% | 19.8% |
| Total capital ratio (%, transitional) | 19.3% | 17.6% | 20.3% | 21.1% | 22.1% |
| Leverage ratio (%) | 13.3% | 13.0% | 13.9% | 14.2% | 14.9% |
| Asset risk intensity (RWAs/ total assets, %) | 81.7% | 83.0% | 77.6% | 76.6% | 77.0% |

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

## Analyst

Pauline Lambert
+44 203 936 8161
p.lambert@scoperatings.com

## Team Leader

Marco Troiano, CFA
+44 77 69320373
m.troiano@scoperatings.com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## Applied methodology

Financial Institutions Rating Methodology, February 2024


## Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
scoperatings.com

in
Bloomberg: RESP SCOP
info@scoperatings.com
Scope contacts


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