

ANNUAL REPORT 2020



Finansieringsselskapenes Forening

From the Managing Director

2020 was an extraordinary year, and we still find ourselves in one of the greatest crises of modern times. The pandemic reached Norway in March 2020 and brought big changes for consumers and businesses alike. Financially, the lockdowns and other restrictions in Norway hit firms and workers hardest in the service sector. Mainland GDP fell 2.5%, and the unemployment rate climbed to 4.5%.



Government support schemes helped keep the economy moving, and the financial sector contributed by distributing government-backed loans and granting payment holidays to struggling businesses and those temporarily laid off.

Business investment fell in 2020. Member companies' lease financing for industrial equipment, machinery and vehicles plummeted 9.5%, driven by the general decline in the Norwegian economy. Leasing is an important form of financing, especially for SMEs. More than 30% of firms' investments in vehicles and machinery were lease-financed in 2020, the same level as in 2019.

Member companies also saw slightly reduced demand for factoring. Turnover was on a par with 2019, and outstanding credit increased by 1.9%, driven by an increase in supply chain finance, while credit volumes for other products declined. Interest in non-recourse factoring continues to grow, and member companies are now financing greater amounts on a non-recourse basis than on a recourse basis. New, fully digital solutions for non-recourse factoring are being developed that are specially tailored to small businesses.

Car sales were much better than anticipated when the pandemic struck. Sales of used cars grew strongly, climbing 8.6%, while sales of new cars fell 0.7%. Member companies financed 52% of all newly registered cars in 2020. Electric cars continued their ascendancy, accounting for 51% of new car sales, up from 42% in 2019, while sales of hybrid cars slipped from 29% to 26%.

The Association has been working with the Automobile Federation and the Association of Motor Car Dealers and Service Organisations on an industry standard on charges for abnormal wear and tear, and this work continued into 2021, with the new standard launched this April. The authorities are expected to begin drafting new regulations for consumer leasing once work on the new Financial Contracts Act is complete.

Concern about the strong growth in consumer loans has resulted in a number of regulatory initiatives in recent years. The new debt information services are enabling more accurate credit

assessments. Together with new regulation of lending practices from May 2019, this led to a decrease in total consumer debt of 7.9%, according to figures from the new debt register. The pandemic has also put a damper on credit card usage, as these cards are the preferred means of payment when travelling abroad. Turnover on credit and charge cards issued by our members dropped more than 20% in 2020. We are pleased to see the government signal its intention for secured debt to be covered by the Debt Information Act as well as unsecured debt.

Both the market and customers' expectations are forever evolving. Digitalisation, automation and other new technology are transforming everyday life. New players are constantly moving in to claim parts of the value chain. Digitalisation, the new sharing economy and the shift towards electric and hybrid cars will increasingly affect both leasing and car finance. There are also extensive regulatory changes afoot both in the EU and nationally.

All in all, member companies' results were somewhat weaker in 2020 than in 2019. Despite increased economic uncertainty, they are well-placed to operate healthily and profitably in the time ahead. Members still command a strong position as a source of finance and help meet the financing needs of both firms and households.

The Association will carry on looking after the interests of its member companies. By providing information and engaging with the authorities, we will continue to promote and ensure good market and regulatory conditions. We look back on a constructive year and forward to the day the economy fully reopens.

A handwritten signature in blue ink, appearing to read 'Christina Åhländer'.

Christina Åhländer
Adm. direktør
FINFO

Highlights

2020 in brief

- Member companies' earnings down somewhat on 2019
- Lower business investment
- Greater pressure on margins in commercial leasing
- Downturn in car finance and consumer loans
- Decrease in factoring volumes
- Negative growth in unsecured consumer debt



NOK billion	2016	2017	2018	2019	2020
Members' total loan/leasing portfolio at 31 December ¹	293.9	345.3	389.8	413.3	386.9
New leasing business, total	54.1	61.7	64.7	68.5	60.3
New leasing business, cars	16.5	21.4	21.6	19.7	17.1
New business, other loans (car loans etc)	49.7	59.1	61.4	59.8	58.4
Factoring turnover, including bulk factoring	198.8	223.3	255	260.3	264.2
Factoring, outstanding credit volume	12.8	15.9	20.5	20.2	20.6
Credit cards, total turnover (international and domestic)	145.7	160.4	187.7	194.6	154.8
Card-based credit and unsecured loans, outstanding credit volume ²	70.9	95.7	103	100.9	85.7

1) Figure for 2020 is provisional.

2) The Association has admitted a number of new members in recent years. Their data are included from the date of admission.

Source: Association of Norwegian Finance Houses

Business areas

Leasing:

- Strong position as financing solution for business sector
- Less leasing of machinery and commercial vehicles
- Dominated by industrial equipment, machinery and commercial vehicles
- Satisfactory earnings and further low loan losses

Car finance:

- Further decrease in lease financing of cars by consumers
- Fall in new loan financing for cars
- Member companies still dominant source of car finance
- Volkswagen Møller Bilfinans no longer a member after a central decision that the group will no longer participate in European trade associations, meaning that the figures for car finance are not directly comparable with 2019

Factoring:

- Stable turnover and increase in volumes for supply chain finance but other volumes down
- Stable number of invoices factored
- Online solutions making product more attractive for firms
- Increase in fully digital non-recourse factoring solutions for small businesses

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Credit and charge cards:

- Substantial decrease in turnover and credit volume
- Reduction in number of international charge and credit cards
- International credit and charge cards attractive as means of payment and source of financing

Consumer loans

- Decrease in lending
- Loan losses down, but loan loss rate up due to lower volumes

Key developments

JAN ALD Automotive accepted as new member of the Association
FINFO's general terms for consumer car leasing updated

FEB Meeting with Ministry of Finance together with the Association of Motor Car Dealers and Service Organisations on the implementation of the EU Mortgage Credit Directive in Norwegian law and the consequences for dealers
FINFO establishes its own money-laundering risk database

MAR Dialogue with Ministry of Finance's political and administrative management on coronavirus measures
Ministry of Finance provides clarifications on the Consumer Loan Regulations
Industry standard for marketing of credit cards and consumer loans withdrawn

APR Compensation scheme for business sector becomes operational
New Financial Contracts Act put before Parliament

MAY FINFO holds AGM online due to coronavirus restrictions
Amendments to the Consumer Loan Regulations

JUN Consumer Authority issues guidance on the Credit Marketing Regulations

AUG Agreement with Consumer Council on interpretation of Financial Contracts Act's Section 54b

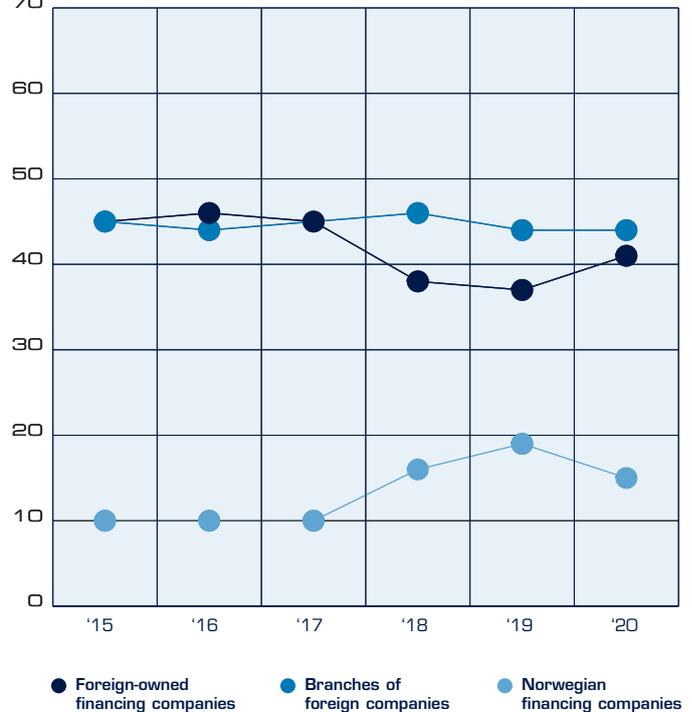
SEP New lending regulations for all loans to consumers (including sole traders) out for consultation
EU court rules Privacy Shield arrangement between EU and US invalid
Norway to follow EBA Guidelines on Loan Origination and Monitoring
FINFO publishes articles in business daily DN and on trade website Bilnytt on proposed regulation of secured consumer loans

OCT Supreme court rules on liability for misuse of BankID to take out loans

NOV Enova's support scheme for purchases of electric vans is adjusted
FINFO publishes article in business daily Finansavisen on proposed regulation of secured consumer loans

DEC Regulation of lending practices retained with limited changes
New Financial Contracts Act passed by Parliament
EFTA Surveillance Authority approves extension of electric car VAT exemption to end of 2022
Scope of Automobile Liability Act extended

Member companies' credit volume. Share of total credit volume



About FINFO

The Norwegian Association of Finance Houses (FINFO) is a trade body for financing companies operating in Norway. Members are financing companies and other financial institutions with a licence to carry on business in the areas of leasing, factoring, secured loans, credit cards, card acquisition services and other consumer finance. Companies that provide operating leases and do not have a licence may also be members. The Association may also admit associate members.

The Association covers around 65-90% of these markets and had 39

members at the end of the year: 17 Norwegian-owned companies, seven foreign-owned companies and 14 branches of foreign financial institutions, including one company carrying on cross-border activities from Sweden. The Association engages with the authorities to protect member companies' interests, responds to legislative proposals affecting their business, and assists them on legal, accounting and administrative matters. The Association is a member of Eurofinas, Leaseurope and the EU Federation for the Factoring and Commercial Finance Industry (EUF) and has a co-operation agreement with Finance Norway.

Developments at member companies

Member companies' business in 2020

Member companies saw reduced volumes of new business in both the commercial market and the consumer market. Total lending fell 6% to NOK 387 billion. Data for Volkswagen Møller Bilfinans are not included in the statistics for 2020 after a central decision at Volkswagen no longer to participate in European trade associations, which means that the figures are not directly comparable.

Earnings

The market for our members is complex, resulting in major variations between companies in terms of both earnings and assets. Several members have been reintegrated into their parent banks in recent years and are therefore no longer independent companies. Some members no longer produce independent financial statements, and so we have decided not to present totals for earnings, net interest income and loan losses in the annual report.

Leasing

Downturn in leasing of business assets and cars

Lease financing of new business assets and cars dropped 12% to NOK 60.3 billion. Consumer leasing of cars fell 8.4%. A high share of electric cars may be part of the explanation. Business leasing of cars and commercial vehicles plummeted 19.8%, while leasing of other assets dropped 4.6%.

Wide variety of leased assets

Member companies' leasing portfolio shrank 1.2% in 2020 after expanding 8.3% in 2019, and amounted to NOK 159 billion at the end of the year. Industrial equipment and machinery made up around 30% of the portfolio, heavy goods vehicles 26%, and cars 27%. Manufacturing, construction and services are the sectors that make the greatest use of leasing to finance assets.

High levels of leasing

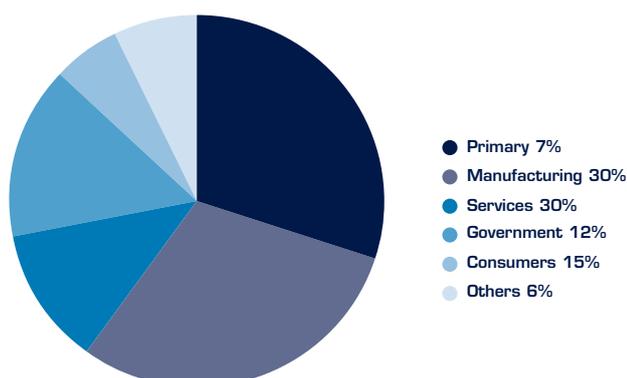
Provisional figures from Statistics Norway show that business investment in commercial vehicles, machinery and equipment in Norway totalled NOK 163 billion in 2020, down from NOK 172 billion in 2019.

Member companies lease-financed around 30% of these investments and so command a strong position as a source of finance for the business sector.

New leasing business NOK billion



Nye leasinginvesteringer Fordelt etter næring



Car finance

Slightly lower sales of new cars but substantial increase in used car sales

After climbing for several years, sales of new cars have fallen for the past three years. According to the Norwegian Road Federation, 141 412 new cars were registered in Norway in 2020, down 0.7% on 2019. This compares with 158 650 in 2017, which was the highest since 1986.

The number of cars changing hands was 519 351, up 44 614 on 2019, an increase of 8.6%.

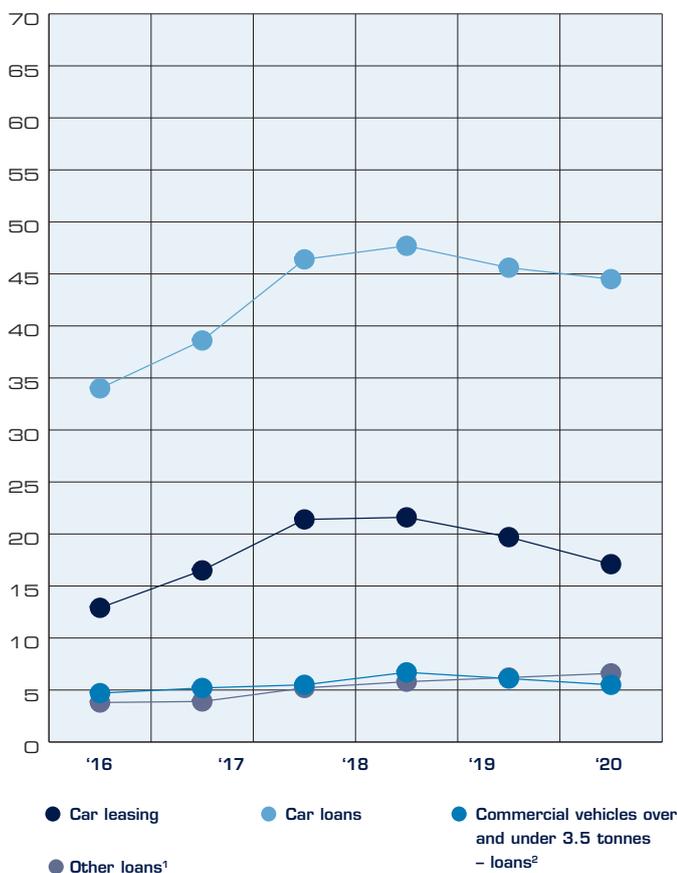
Member companies' fleet solutions covered 66 108 cars at the end of the year, compared with 69 824 at the end of 2019.

A changing market

The Norwegian car market is changing. Zero-emission cars increased their market share from 42.4% in 2019 to 51% in 2020, while sales of hybrid cars slipped from 29% to 26%. Meanwhile, diesel cars' share of new registrations has plummeted, from 76% in 2011 to 16% in 2019 and 10% in 2020.

Member companies loan- or lease-financed 73 336 new cars (52% of the total, down from 63% in 2019) and 136 548 used and imported used cars (26%, down from 29%). Note that the figures for 2020 are skewed by Volkswagen Møller Bilfinans no longer being a member of the Association.

Car finance
New business NOK billion



1) Caravans, motorhomes, trailers under 3.5 tonnes, motorbikes, snow scooters, boats over and under 10 metres
2) Including trailers over 3.5 tonnes

Decline in car leasing

Car leasing decreased 13.4% to NOK 17.1 billion in 2020. Consumer leasing accounted for 58% of the total volume, up from 55% in 2019. Leasing of commercial vehicles under 3.5 tonnes, mainly vans, was down 21% on 2019. The transport and construction sectors have traditionally made extensive use of vehicle leasing, and the substantial decrease in housing starts may have affected sales of vans.

High share of consumer car loans

Both firms and consumers also finance car purchases with loans from member companies, generally secured against the vehicle. Consumers accounted for 90% of total car loans in 2020.

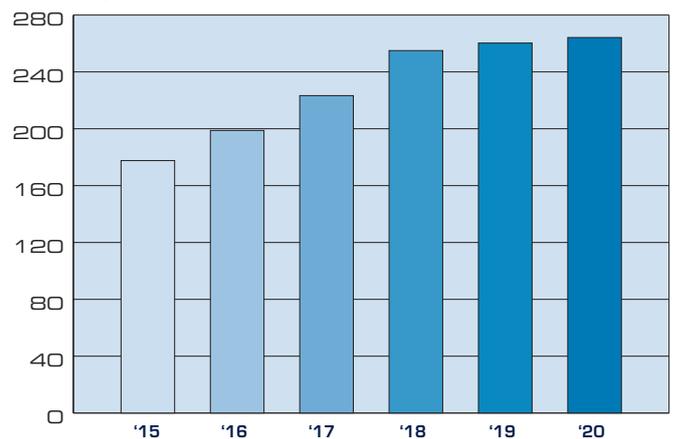
Member companies' sales of new car loans decreased 2.9% to NOK 48.2 billion (including commercial vehicles under 3.5 tonnes).

Factoring

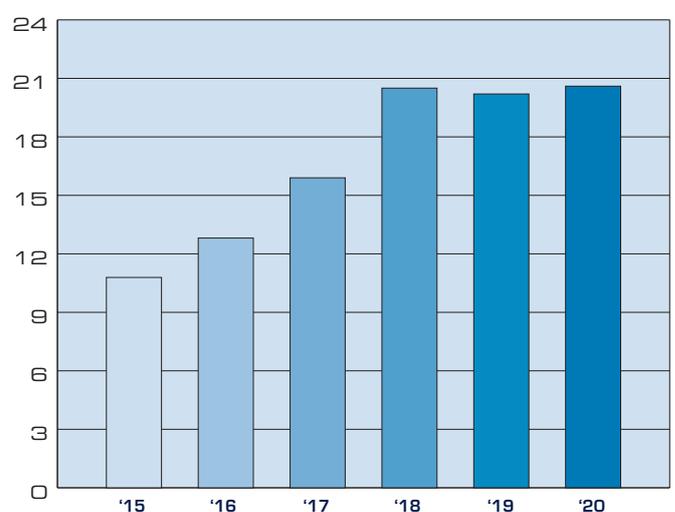
Stable turnover and credit volume, but fewer invoices factored

Factoring turnover was on a par with 2019. Outstanding credit increased 1.9% due to an increase in supply chain finance. The number of invoices factored fell 4.3% to 6.7 million.

Factoring turnover NOK billion



Factoring, outstanding credit NOK billion



Diverse client base

Firms in many different industries use factoring services, and awareness of the product is growing among CFOs and CEOs. Firms that opt for factoring are those that sell their goods and services on credit, mainly to other businesses. Many operate domestically, but importers and exporters also use factoring services.

Online solutions

The online solutions offered by factoring companies have improved efficiency. Active sales work and growing awareness of factoring as a product, combined with ongoing product development, are expected to boost demand further and bring continued growth.

Factoring without recourse

Non-recourse factoring is a growing area with products specially tailored to small businesses. Members are developing fully digital solutions that can be integrated into firms' ERP and billing systems.

Payment cards

Outstanding credit on member companies' charge and credit cards totalled NOK 34 billion at the end of 2020, down 23% on a year earlier. Card turnover fell more than 20% to NOK 154.8 billion, largely due to the sharp drop in foreign travel as a result of the pandemic. Charge cards fell furthest, with turnover down almost 60%.

Credit and charge cards

Member companies reported a total of 5.1 million international and domestic payment cards in issue in Norway at the end of 2020, down more than 1 million on 2018. The available credit on these cards counts towards the calculation of debt by the debt information services that started up in 2019, which is assumed to have led some customers to reduce the number of cards they hold.

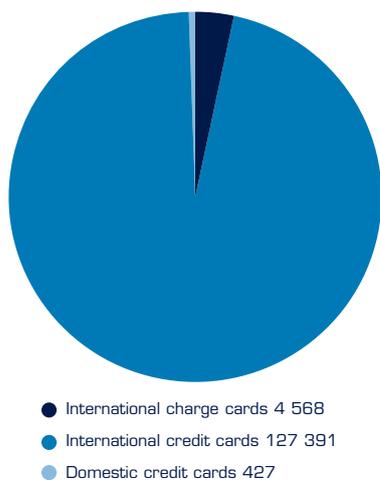
International credit cards accounted for the bulk of the cards in issue and 96% of payment card transactions.

The average transaction value for international credit cards fell to NOK 631.

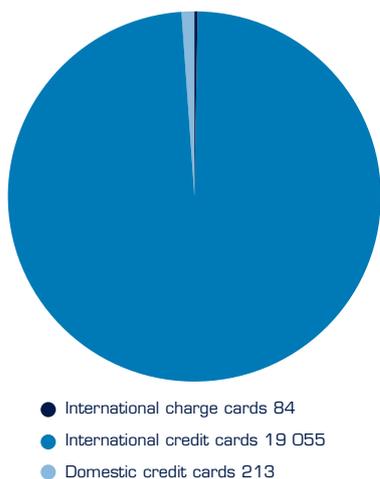
International charge cards, which are mostly used for business purchases, accounted for 4% of total turnover on international and domestic charge and credit cards. However, many international payment cards in the consumer market are also used widely for business purchases.

Total transactions using domestic credit cards rose 3.3% in 2020 but were modest in relation to international charge and credit cards. An average transaction value of NOK 3 157 and an average of just 1.5 transactions per year suggest that domestic credit cards were largely used only for one-off purchases. By way of comparison, international charge and credit cards were used for an average of 48 and 33 transactions respectively.

Cards, breakdown of turnover
Purchases 2020 NOK million

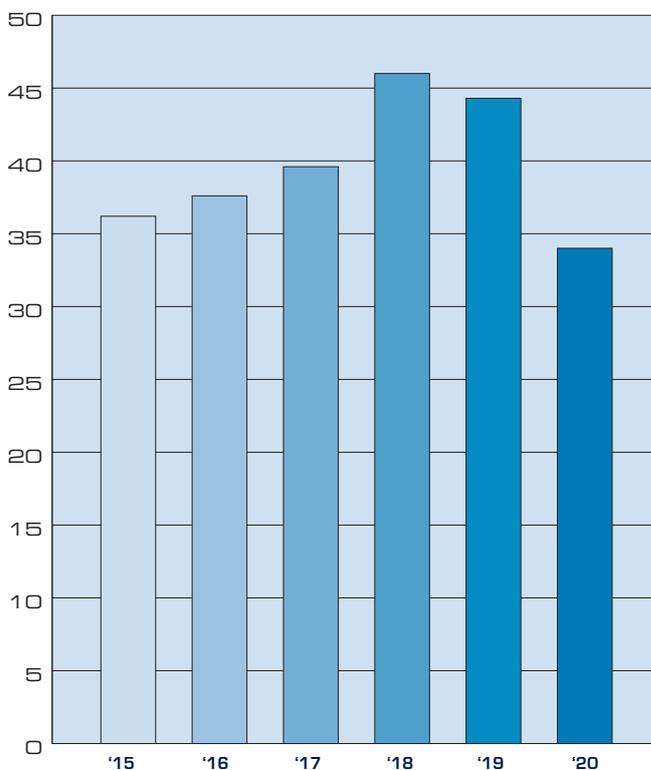


Cards, breakdown of turnover
Withdrawals 2020 NOK million



Credit and charge cards

Outstanding credit, NOK billion





Transactions abroad accounted for 12% of the turnover on international credit cards (down from 21%) and 28% on international charge cards (down from 29%).

Technological advances

Payments in Norway and abroad are increasingly card-based and/or electronic. Technological advances are also opening up new opportunities for product development and new distribution channels for card-based services. New players are moving in to claim parts of the value chain. The interface with players outside the traditional financial sector is therefore an important issue.

Consumer loans

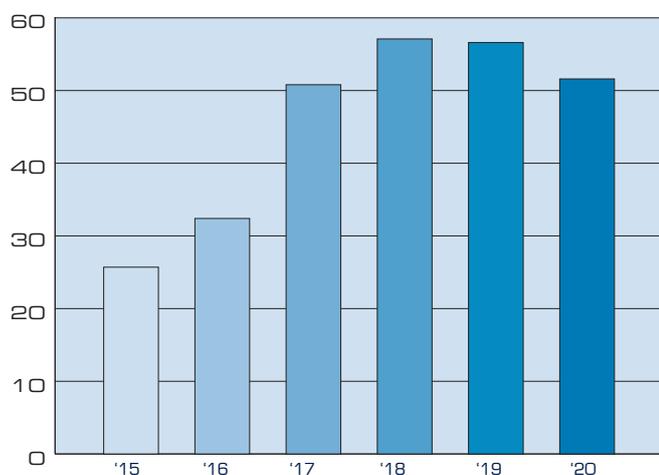
Member companies' unsecured lending to consumers (loans and lines of credit) came to NOK 51.6 billion at the end of 2020, down almost 9% on a year earlier.

Debt information services

The new debt information services show much higher figures for unsecured credit – around NOK 161 billion rather than NOK 86 billion for our members – but they include loans secured with third-party collateral.

The Association has stressed the need for a credit database that includes more types of debt to ensure reduced loan losses in the years ahead. We are pleased to see the government signal its intention to include secured loans as well as unsecured debt.

Unsecured debt.



Outlook

The coronavirus outbreak has affected economic activity over the past year and brought drastic measures in Norway and elsewhere. Although much of the lost ground has been recovered, there are major variations between industries. The stresses on the economy are expected to remain considerable in the time ahead, even in the most optimistic scenarios, and there is great uncertainty about when the economy can fully reopen.

The IMF is forecasting GDP growth of 3.9% for Norway this year. Statistics Norway expects activity in the Norwegian economy to pick up over the summer once enough people are vaccinated for restrictions to be relaxed. The aftershocks from the lockdowns will nevertheless affect the economy for a long time to come, and unemployment will be higher than normal. Statistics Norway forecasts a further decrease in business investment in 2021, which points to somewhat lower demand for leasing than in 2020. Housing investment, on the other hand, is expected to grow through to 2024 after many years in decline.

Pent-up demand, especially for consumer spending, could bring somewhat stronger growth than normal during the autumn. This presupposes that the steps taken to reduce infection are gradually eased so that some of the lost demand and activity return in the third quarter. Turnover on credit and charge cards will pick up once we are again free to travel and the hospitality industry reopens. We also expect the downturn in consumer loans to level off as activity recovers.

Sales of new cars in the first quarter this year were in line with the average for the past three years. A linear extrapolation of this gives total sales of 145,000 cars for the year as a whole. The Norwegian Road Federation's forecast for the year is 146,600. Historically, however, the quarterly figures have varied widely. Together with the possibility of increased imports of used cars, this means that the outlook for 2021 is very uncertain. There is, however, a clear trend for traditional fossil fuel cars to be replaced with electric cars and, to some extent, plug-in hybrids.

Our members will put considerable resources into preparing for regulatory changes in 2021, with both the EBA guidelines and the new Financial Contracts Act impacting on how they operate. We welcome the government's intention for the Debt Information Act also to cover all secured debt. This will put our members in an even better position to make more accurate credit assessments in the future.

There is still great uncertainty about the future development, extent and duration of the pandemic, as well as its impact on the Norwegian economy and our members' business. 2021 will nevertheless be an exciting year where members are once again put to the test in terms of operating profitably and healthily in a challenging market.

Member companies have a long track record of profitably financing a substantial share of investments by both firms and consumers. Although results were somewhat weaker in 2020, members have a sound foundation from which to deliver good results overall again in 2021.

Board and administration

Board

Chair:	Sjur Loen	Nordea Finans Norge AS
Deputy chair:	Hanne Karoline Kræmer Stefan Davidsson Carsten Thorne Knut Øvernes	SpareBank 1 Finans Nord-Norge AS DNB ASA, finance division Nordea Finance Equipment AS Santander Consumer Bank AS Freddy Syversen EnterCard Group

Deputy members

Per Magne Hansen	Toyota Kreditbank GmbH NUF
Frank Øien	Danske Finans, part of Danske Bank
Eldar Larsen	SpareBank 1 Factoring

Nominating committee

Chair:	Tore Haugstvedt Steinar Sætre Rune Surland	Nordea Finans Norge AS Nordea Finance Equipment AS SpareBank 1 Finans Østlandet AS
Deputy	Eskil Myrmo	DNB ASA, finance division

Administration

Christina Åhlander	Managing Director
Tom Slungaard	Legal Director
Torill Alsaker	Administrative officer



Finansieringsselskapenes Forening

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Members in 2021

Member	Address	Phone (+47)	Website
ALD Automotive AS	Postboks 64, 1368 STABEKK	67 10 87 00	www.aldautomotive.no
Arval AS	Postboks 4748 Nydalen, 0421 OSLO	23 00 70 70	www.arval.no/nb
AS Finansiering	Postboks 2023 Vika, 0125 OSLO	400 02 259	www.finansiering.no
Bank Norwegian AS	Postboks 338 Sentrum, 0101 OSLO	2929	www.banknorwegian.no
BB Bank, a branch of TFBank AB	Postboks 956 Sentrum, 5808 BERGEN	56 99 92 00	www.bbf.no/
BMW Financial Services Norge NUF	Postboks 1, 1330 FORNEBU	67 11 80 40	www.bmw.no/finans
BNP Paribas Leasing Solutions AS	Postboks 4014 Moa, 6048 ÅLESUND	70 15 40 00	www.leaseingsolutions.bnpparibas.no
BRABank ASA	Holbergsgate 21, 0166 OSLO	22 99 14 99	www.easybank.no
Brage Finans AS	Postboks 7780, 5020 BERGEN	55 61 00 50	www.brage.no
Danske Bank, branch	Postboks 1170, 0107 OSLO	6030	www.danskebank.no
De Lage Landen Finans Norge NUF	Postboks 184, 1325 LYSAKER	67 18 70 00	www.delagelanden.com
DNB ASA, finance division	Postboks 1600 Sentrum, 0021 OSLO	915 048 00	www.dnb.no
Eika Kredittbank AS	Postboks 2349 Solli, 0201 OSLO	22 87 81 00	www.eika.no
Ekspress Bank NUF (BNP Paribas Personal Finance)	Postboks 1189 Sentrum, 0107 OSLO	815 45 300	www.ekspressbank.no
EnterCard Norge, a branch of EnterCard Group AB	Postboks 6783 St. Olavs plass, 0130 OSLO	21 31 66 00	www.entercard.no
Factoring Finans AS	Søndre gate 16, 7011 TRONDHEIM	480 77 600	www.factoringfinans.no
Handelsbanken NUF	Postboks 1342 Vika, 0113 OSLO	22 39 70 00	www.handelsbanken.no
Ikano Bank AB (publ), Norway branch	Postboks 295, 1372 ASKER	66 85 86 40	www.ikanobank.no
Instabank ASA	Drammensveien 177, 0277 OSLO	974 85 610	www.instabank.no
Komplett Bank ASA	Vollsveien 2 b, 1366 LYSAKER	21 00 74 50	www.komplettbank.no
LeasePlan Norge AS	Postboks 6019 Etterstad, 0601 OSLO	23 06 98 00	www.leaseplan.no
Nordax Bank AB	Boks 23124, 104 35 STOCKHOLM, SWEDEN	21 54 44 00	www.nordax.no
Nordea Finans Equipment	Postboks 105, 1325 LYSAKER	21 63 20 00	www.nordeafinance.com
Nordea Finans Norge AS	Postboks 1166 Sentrum, 0107 OSLO	22 48 66 00	www.nordeafinans.no
Optin Bank ASA	Munkedamsveien 53 B, 0250 OSLO		www.optinbank.no/privat
Resurs Bank AB NUF	Postboks 979 Sentrum, 0104 OSLO/ Langkaia 1, 0150 OSLO	63 00 18 15	www.resursbank.no
Santander Consumer Bank AS	Postboks 177, 1325 LYSAKER	21 08 30 00	www.santander.no
Scania Finans AB, Norway branch	Postboks 250 Leirdal, 1011 OSLO	22 79 34 00	www.scania.no
SEB Kort Bank AB, Oslo branch	Postboks 1373 Vika, 0114 Oslo	21 01 51 00	www.seb.no
Siemens Financial Services AB NUF	Postboks 1 Alnabru, 0613 OSLO	22 63 30 80	www.siemens.no/finance
SpareBank 1 Factoring AS	Postboks 1347 Sentrum, 6001 ÅLESUND	70 11 36 00	www.factoring.no
SpareBank 1 Finans Midt-Norge AS	Postboks 4797 Sluppen, 7467 TRONDHEIM	91 507 301	www.sb1finans.no
SpareBank 1 Finans Nord-Norge AS	Postboks 6801 Langnes, 9298 TROMSØ	91 502 248	www.snnfinans.no
SpareBank 1 Finans Østlandet AS	Postboks 223, 2302 HAMAR	91 507 790	www.sb1fo.no
Sparebank 1 Kreditt AS	Postboks 4794, 7467 TRONDHEIM	73 88 44 25	www.sparebank1.no
SpareBank 1 SR-Bank ASA	Postboks 114, 4065 STAVANGER	4002	www.sparebank1.no/sr-bank
Svea Finans NUF	Postboks 2220 Sentrum, 7412 TRONDHEIM	73 93 06 00	www.sveafinans.no
Toyota Kreditbank GmbH NUF	Postboks 704, 3003 DRAMMEN	32 20 84 00	www.toyotafinans.no
Volvo Finans Norge AS	Postboks 27, 0614 OSLO	23 17 66 00	www.vfsc.com

Associate member

Kreditor Finans AS	Postboks 782 Sentrum, 0106 OSLO	22 60 92 00	www.kreditor.no
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