Bane NOR Eiendom AS

Full Rating Report

LONG-TERM RATING

A

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'A' long-term issuer rating on Norway-based property manager and developer Bane NOR Eiendom AS reflects the company's low leverage, solid average remaining lease term and a high share of government-funded tenants. The rating is also supported by the company's de facto monopoly over domestic railway stations and workshops and its importance to the Norwegian railway infrastructure. The company's large and central land bank supports future development opportunities in city centres in close proximity to existing stations.

The rating is constrained by the size of Bane NOR Eiendom's management portfolio, though this is mostly offset by the specialised nature of the properties. It is also constrained by the company's revenue concentrations and the risks associated with development projects.

We add two notches to our standalone credit assessment to reflect Bane NOR Eiendom's 100% indirect ownership by the Norwegian government and our view that the government has a strategic interest due to the company's role as a provider of critical public-transport infrastructure.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Bane NOR Eiendom's credit metrics will remain strong, despite increasing interest rates and potential financial headwinds in the form of high inflation and the potential reduction in economic activity during our forecast period. It also reflects our belief that the company will achieve competitive prices on sales in its development portfolio, allowing it to reduce leverage and improve its liquidity position. In addition, we expect footfall through the company's railway stations to return towards pre-pandemic levels, supporting occupancy and increasing the attractiveness of its property locations.

POTENTIAL POSITIVE RATING DRIVERS

- An NCR-adjusted loan to value (LTV) ratio of around 20% and an NCR-adjusted EBITDA margin above 65% for a prolonged period.
- Improved profitability and revenue stability.
- Strengthened financial policy through tighter leverage targets.

POTENTIAL NEGATIVE RATING DRIVERS

- NCR-adjusted net LTV above 35% and NCR-adjusted net interest coverage below 3.5x over a prolonged period.
- Weaker profitability or an inability to achieve competitive prices on development properties.

Figure 1. Bane NOR Eiendom key credit metrics, 2019–2025e

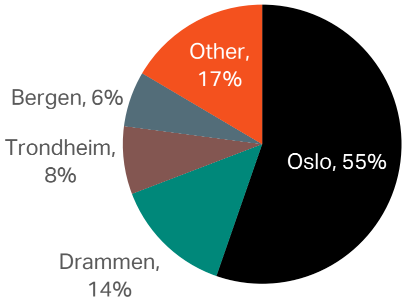
SEKm	2019	2020	2021	2022	2023e	2024e	2025e
Rental income	795	888	939	1,081	1,136	1,192	1,229
Other income*	966	655	964	239	349	757	470
NCR-adj. EBITDA	1,259	1,036	1,321	638	739	1,170	880
NCR-adj. EBITDA margin (%)*	71.5	67.1	69.4	48.3	49.8	60.0	51.8
NCR-adj. investment property**	17,918	19,168	23,584	25,918	26,291	25,872	25,532
NCR-adj. net debt	5,091	5,748	6,653	8,326	9,065	8,472	7,947
NCR-adj. total assets**	19,490	20,999	24,980	27,585	27,968	27,543	27,208
NCR-adj. net debt/EBITDA (x)	4.0	5.6	5.0	13.1	12.3	7.2	9.0
NCR-adj. EBITDA/net interest (x)	14.8	10.2	13.8	4.8	2.2	3.1	2.7
NCR-adj. net LTV (%)	28.4	30.0	28.2	32.1	34.5	32.7	31.1
NCR-adj. FFO/net debt (%)	20.7	15.8	17.0	5.3	3.9	16.7	22.5

Based on NCR estimates and company data. e–estimate. FFO–funds from operations. All metrics adjusted in line with NCR methodology. *Includes dividends from JVs related to sales of properties. **Includes market value of the property portfolio.

ISSUER PROFILE

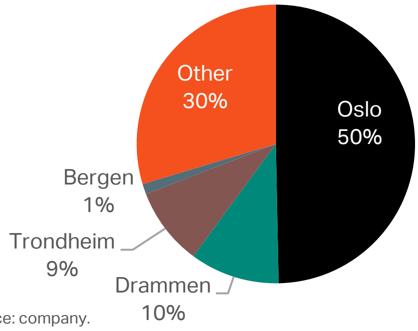
Bane NOR Eiendom is a Norwegian property management and development company, which develops, owns and manages railway stations and workshops and also develops commercial and residential real estate for sale. Bane NOR Eiendom is wholly owned by government-held Bane NOR SF, which owns and operates Norway's rail network and platforms. Previously known as ROM Eiendom AS, the company was established in its current form in 2017 following a restructuring of Norway's railway system. All domestic railway stations and workshops were transferred to Bane NOR Eiendom, along with a substantial land bank in areas close to railway stations. The company's total property portfolio had a market value of NOK 25.9bn at year-end 2022, of which the investment portfolio's market value was NOK 15bn, reflecting only 23 of 882 properties. The investment properties are primary located in Norway's largest cities, with a majority of value associated with train stations and workshops. The company also has wholly owned development projects with a market value of NOK 11bn, reflecting 24 properties, and participates in additional development projects via joint ventures.

Figure 2. Bane NOR Eiendom market value of investment properties by region, 31 Dec. 2022



Source: company.

Figure 3. Bane NOR Eiendom market value of wholly owned development properties by region, 31 Dec. 2022



Source: company.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bbb+'

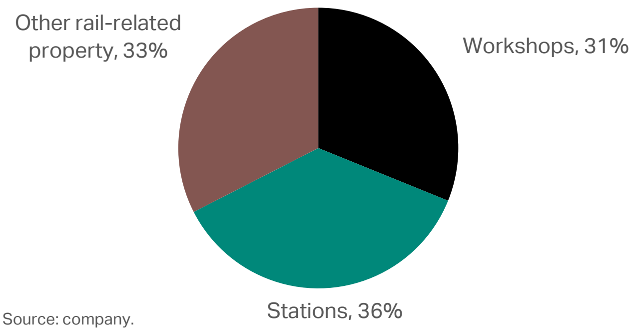
Our business risk assessment reflects Bane NOR Eiendom's de facto monopoly position over railway stations and workshops, tenant and geographic concentrations, and high proportion of government-funded tenants. We view the company's strong occupancy rate and long average remaining lease term as positive rating factors, but project development risk weighs on our assessment.

Market fundamentals strong as foot traffic approaches pre-pandemic levels

Operating environment 'bbb+'

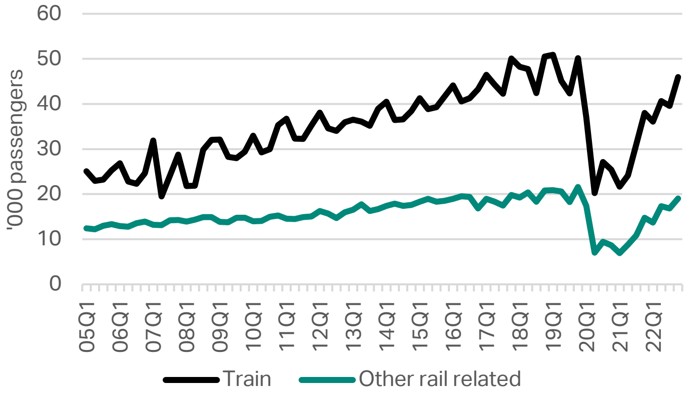
Bane NOR Eiendom's properties are mainly located at railway stations throughout Norway. Occupants include commercial and public-sector tenants, as well as train operators on government contracts. The company's commercial premises are dependent on footfall, which is approaching pre-COVID-19 pandemic levels, supporting rental and other station-related revenues for the company. The company's core strategy is to develop areas around railway stations to increase the use of the railway system. While there are headwinds to these objectives from the increase in working from home and digital meetings, greater commercialisation of station space is expected to improve the company's revenue per passenger.

Figure 4. Bane NOR Eiendom rental value by property type, 31 Dec. 2022



Source: company.

Figure 5. Norway passenger throughput, 2005Q1–2022Q4



Source: Statistics Norway.

The Norwegian government aims to increase the use of public transport and encourage the use of rail freight. We expect future governments to maintain this environmental focus and continue to use Bane NOR SF as a conduit for this strategy. Following the restructuring of the country's railway system, under which freight and passenger services were privatised, commercial train operators bid competitively for specific routes, but are effectively obliged to use Bane NOR Eiendom's workshops and stations, thereby diversifying the company's counterparties.

Figure 6. Bane NOR Eiendom rental value from top 10 exposures, 31 Dec. 2022

Train station/Workshop	Municipality	Share of rental value (%)
Oslo Central Station	Oslo	16
Grorud Workshop	Oslo	6
Støren Workshop	Midtre Gauldal	4
Sundland Workshop	Drammen	4
Bergen Workshop	Bergen	3
Skien Workshop	Skien	2
Lodalen Workshop	Oslo	2
Kvaleberg Workshop	Stavanger	2
Marienborg Workshop	Trondheim	2
Voss Knutepunkt (offices)	Voss	2
Total	**-**	**43**

Source: company,

Our operating environment assessment reflects the volatility associated with the importance of property development to the company's strategy. In addition to managing its existing properties, the company is an active developer of commercial and residential properties in prime locations in connection to railway stations. Many of these projects are long term in nature and the company maintains a long-term approach to development. However, risk related to delays, cost fluctuations, increasing raw material prices or lack of demand could reduce the attractiveness of these properties.

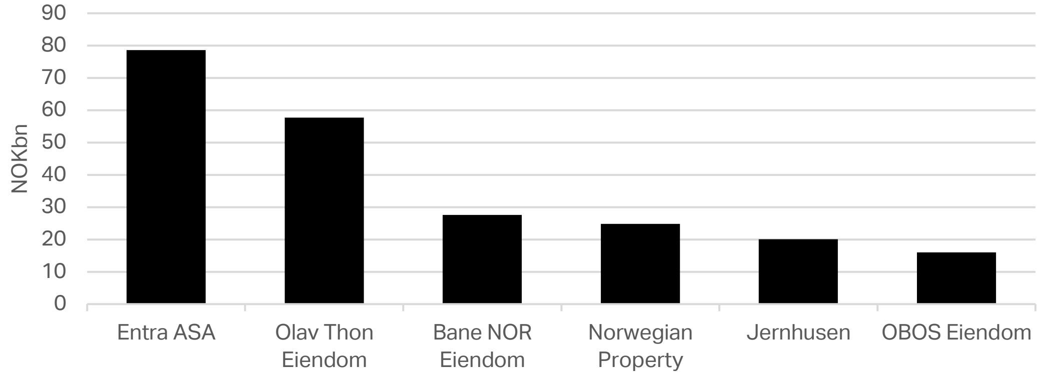
Market position supported by de facto monopoly

Market position, size and diversification 'a-'

The company has a strong market position due to its portfolio mix and the fact that two-thirds of its rental revenues are earned via a de facto monopoly and position as the nationally appointed manager of train stations and workshops. The remainder of the portfolio is subject to competition within the hotel, restaurant, office and retail segments.

Bane NOR Eiendom's property portfolio is of average size in comparison with those of its domestic peers. As of 31 Dec. 2022, the property portfolio was valued at NOK 25.9bn with an annual rental income of NOK 1.1bn. The company's market position is strengthened by its substantial land bank in - properties adjacent to stations and its position as one of Norway's leading hub developers. Compared with its peers, Bane NOR Eiendom (like Jernhusen, its Swedish equivalent) has a significant share of public-sector and government-funded tenants. Moreover, the company's specialised properties increase the likelihood of high occupancy rates and long-term tenant relationships and contracts, given the expectations of the increasing role for sustainable train transportation.

Figure 7. Bane NOR Eiendom peer group by property value, 31 Dec. 2022



Source: companies.

By value, Bane NOR Eiendom's properties are primarily in Oslo and Norway's other major cities (see Figure 2 and Figure 3). However, the geographic concentration is lower by rental value, with Oslo representing one-third of rental income and the top four markets representing 57% (compared with 78% of combined property value). In addition, development projects are located throughout Norway, and proximity to public transport generally increases footfall.

Although Bane NOR Eiendom's tenant concentrations are significant (the top 10 tenants generate 60% of rental revenue), most tenants are government funded or government owned, including its parent company. Around two-thirds of revenues are linked to either the Norwegian or Swedish governments. Of the top 10 tenants, the largest commercial tenant without government association is Reitan, which owns one of Norway's largest supermarket chains, Rema 1000, and major convenience stores Narvesen, and Pressbyrån in Sweden, as well as 7-Eleven stores across Scandinavia.

Figure 8. Bane NOR Eiendom tenant concentration, April 2023

Tenant	Type of tenant	Share of rental income
Bane NOR SF	Government	15%
Vy	Commercial tenant, government funded	13%
Mantena AS	Commercial tenant, government funded	10%
SJ Norge AS	Commercial tenant, government funded	8%
Reitan Convenience Norway AS	Commercial tenant, retail	3%
Go-Ahead Norge AS	Commercial tenant, government funded	3%
Spordrift AS	Commercial tenant, government funded	2%
Hotel Østbanehallen AS	Commercial tenant, hotel	2%
Select Service Partner AS	Commercial tenant, government funded	2%
Alstrom Transport Norway AS	Commercial tenant, government funded	1%
Top 10 tenants	**-**	**60%**

Source: company.

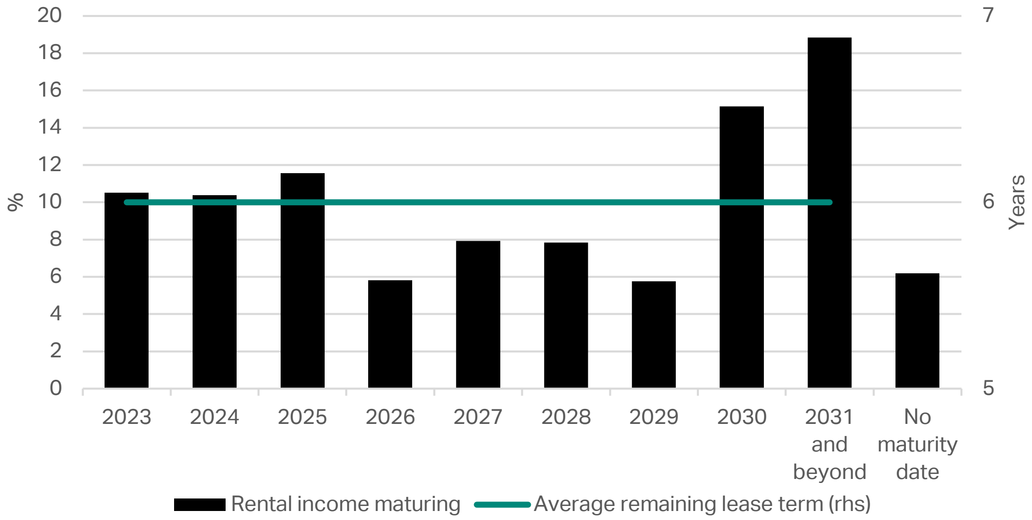
Specialised properties support long-term contracts

Portfolio assessment 'a-'

Bane NOR Eiendom's properties are located throughout Norway. We view the company's position as a leading hub developer as a strength, while the proximity of its properties to railway stations and transportation hubs increases the attractiveness of the overall portfolio.

Bane NOR Eiendom has an average remaining lease term of more than six years (excluding contracts with no maturity date, which account for 6% of the rental income). The top 10 tenants are generally on long lease agreements and contracted through many agreements and facilities, reducing vacancy risk. Maturities are well spread, with no more than 15% of expiries (as measured by rental value) falling in a single year.

Figure 9. Bane NOR Eiendom lease maturity profile, April 2023



Source: company.

Bane NOR Eiendom has significant market value in its wholly owned development pipeline (47% of reported market value) and a proven track record of property development. The projects are often large in scale and constructed over several phases. We expect ongoing projects to represent 5–10% of the total portfolio going forward, with the ability to postpone projects, given a long-term approach. Bane NOR Eiendom typically seeks 50% pre-letting for commercial properties and 50% pre-sales for residential properties prior to construction start (depending on the location and the company's assessment of associated risk). Accordingly, the project portfolio contains some speculative elements, even though risk is mitigated by the projects' generally attractive locations. In most cases, commercial properties are sold at completion. However, the company also maintains completed properties on its own balance sheet for future divestment when markets are less favourable.

Figure 10. Bane NOR Eiendom large projects in progress, April 2023

Project	Property type	Total investment (NOKm)	Estimated completion
Proffen Hageby phase 2	Residential	400	2023
Quadrum building A & B	Community service	600	2023
Trondheim Central Station	Commercial/retail/public	1,200	2025
Kongsvinger Central Station	Commercial	400	2025
Total	-	**2,600**	-

Source: company.

Besides its wholly owned projects, Bane NOR Eiendom is involved in several joint venture (JV) development projects with large established partners. In our opinion, JV structures reduce the related development risk. Bane NOR Eiendom's equity contributions to JVs are often in the form of land acquired at low cost. Moreover, the company provides no guarantees to its JVs.

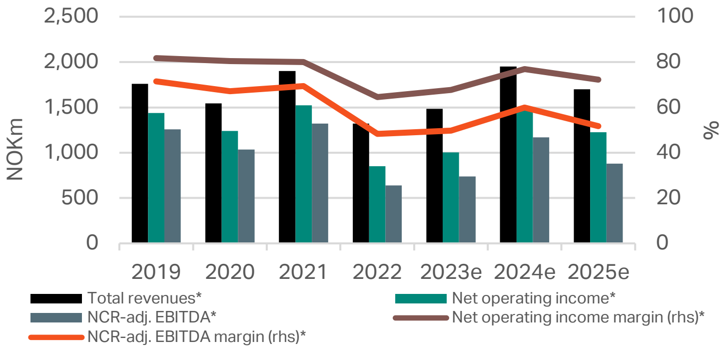
Margins dependent on sales activity

Operating efficiency 'bbb-'

Bane NOR Eiendom's historical revenues and EBITDA are volatile, reflecting the timing of sales of development properties. In addition, the company's EBITDA margin from property management is lower than those of its purely commercial peers, due in part to regulated rents for its workshops and the low-margin sale of diesel fuel. The company is expected to report diesel fuel sales on a net basis going forward, which we have also adjusted in our historical figures for comparability. We expect adjusted EBITDA margins (including dividends from JVs) to remain between 52% and 60% over our forecast period, while EBITDA margins associated with rental income are around 45–50%.

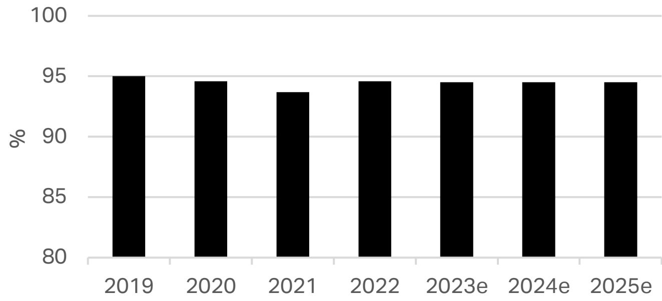
Historically, Bane NOR Eiendom's occupancy ratio has been stable, with a minor decline in 2020 and 2021 due to the COVID-19 pandemic. We expect it to remain close to 95% during our forecast period, due to the company's long average remaining lease term, long-term public-sector contracts and the large number of city centre locations.

Figure 11. Bane NOR Eiendom revenues, net operating income, EBITDA*, and margins, 2019–2025e



Based on NCR estimates and company data. e–estimate. *Including dividends from JVs.

Figure 12. Bane NOR Eiendom occupancy rate, 2019–2025e



Based on NCR estimates and company data. e–estimate.

FINANCIAL RISK ASSESSMENT

Financial risk assessment 'bbb'

Our financial risk assessment reflects our expectation that Bane NOR Eiendom's credit metrics will remain robust, even as interest rate costs increase and property valuations are reduced by rising yield requirements. In our view, the company's financial policy is aligned with its financial risk appetite, given a relatively long debt maturity profile, a high share of interest rate hedging, a high portion of shareholder loans and a modest dividend policy.

Low leverage supports credit metrics

Ratio analysis 'bbb'

Bane NOR Eiendom runs its operations with low financial gearing; the company's NCR-adjusted net LTV has been below 30% since 2018, but is expected to increase somewhat due to a decline in market values, as well as ongoing capital investments in development projects. Volatile cash inflows from sales of development projects have supported relatively strong, but volatile, earnings and net interest coverage, though material increases in the Norwegian Interbank Rate (NIBOR) over the last year have lowered interest coverage expectations materially. We project interest costs to increase further in the near term due before declining towards the end of our forecast period, given the declining yield curve and our projections that the company will use excess cash from the sales of completed properties to reduce leverage in the coming years.

We adjust EBITDA to include cash dividends rather than the company's share of profits from JVs. We include shareholder loans in our calculation of net debt due to their relatively short tenor of 5–7 years. Although the company uses Norwegian GAAP accounting and the book values of its property portfolio, we include market values from industry standard external valuation companies, as well as right-of-use assets, in our calculation of its LTV metrics.

Our base-case forecast of Bane NOR Eiendom's future performance assumes:

- rental revenue growth of 5% per year in 2023 and 2024, and 3.1% in 2025 due to the sale of properties;
- total sales revenue of NOK 855m in 2023–25, based on the timing of the expected sales;
- average annual revenue from marketing, facility fees and net diesel sales of NOK 130m from 2023 to 2025;
- an EBITDA margin, including dividends from JVs, of 52–60%;
- annual capital spending of NOK 1,250m per year;
- annual dividend payments to Bane NOR SF of 30% of net profit;
- average annual dividends from JVs of NOK 110m; and
- an underlying decline in the market value of 5% and 3% of investment properties in 2023 and 2024, respectively.

On the basis of these assumptions, we estimate the following metrics for 2023–2025:

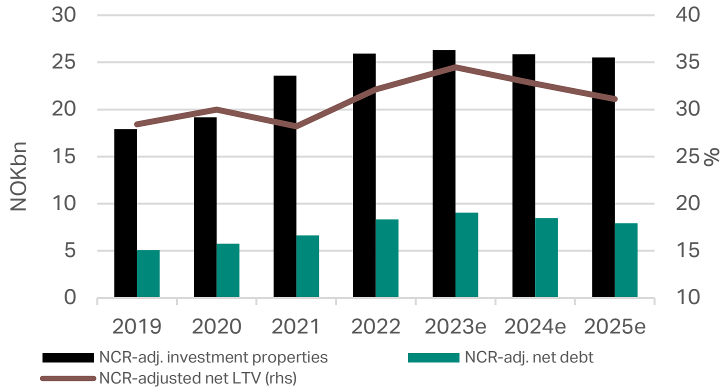
- NCR-adjusted net LTV of 31–34%;
- NCR-adjusted EBITDA/net interest of 2.2–3.5x; and
- NCR-adjusted net debt/EBITDA of 6.4–12.8x.

Figure 13. NCR's adjustments to Bane NOR Eiendom's credit metrics, 2019–2025e

NOKm	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA	878	929	720	564	580	1,060	770
Dividends received from JVs	382	107	114	74	110	110	110
Sale of Oslo Utvikling			487				
One-off adj. for capitalised project costs*					50		
NCR-adj. EBITDA	1,259	1,036	1,321	638	739	1,170	880
Net financial items	-85	-92	-77	-89	-268	-304	-259
Interest expenses, shareholder loans		-9	-19	-42	-65	-73	-68
NCR-adj. net interest	-85	-102	-95	-132	-333	-377	-326
NCR-adj. EBITDA	1,259	1,036	1,321	638	739	1,170	880
NCR-adj. net interest	-85	-102	-95	-132	-333	-377	-326
Current tax	-122	-28	-96	-63	-50	-36	-59
Cash flow adj. for sales expenses					0	662	1,296
NCR-adj. FFO	1,052	906	1,129	443	356	1,419	1,790
Book value investment property	4,801	6,361	6,729	7,252	7,252	7,252	7,252
Book value assets held for sale	2,328	2,042	3,869	4,610	5,756	6,426	6,380
Non-current right-of-use assets		26	24	21	21	21	21
Market value adjustments	10,789	10,738	12,962	14,035	13,261	12,173	11,879
NCR-adj. investment property	17,918	19,168	23,584	25,918	26,291	25,872	25,532
Cash and cash equivalents			59	64	74	67	72
NCR-adj. cash and equivalents	0	0	59	64	74	67	72
Gross interest-bearing debt	4,801	4,644	5,344	6,733	7,483	6,883	6,363
Shareholder loans	290	1,077	1,344	1,635	1,635	1,635	1,635
Lease liabilities	0	26	24	21	21	21	21
NCR-adj. cash and equivalents	0	0	-59	-64	-74	-67	-72
NCR-adj. net debt	5,091	5,748	6,653	8,326	9,065	8,472	7,947

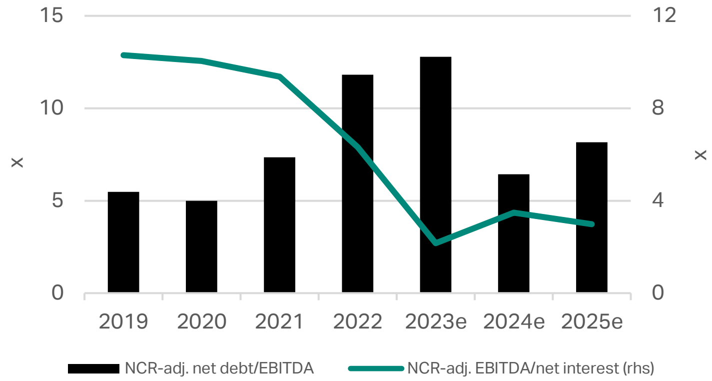
Based on NCR estimates and company data. e–estimate. *Reflects that only part of projected expenses for early-phase project costs in 2023 are historical adjustments that do not affect cash flows.

Figure 14. Bane NOR Eiendom NCR-adj. investment properties, net debt, and net LTV, 2019–2025e



Based on NCR estimates and company data. e–estimate.

Figure 15. Bane NOR Eiendom NCR-adj. net debt/EBITDA and EBITDA/net interest, 2019–2025e



Based on NCR estimates and company data. e–estimate.

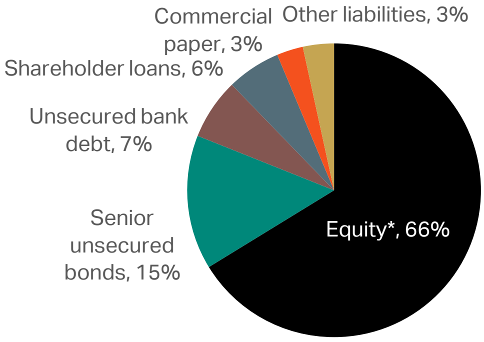
Covenant headroom significant, funding profile solid

Risk appetite 'bbb'

In our view, Bane NOR Eiendom's financial policy and risk appetite are similar to the risk reflected by its financial ratios, given a relatively long debt maturity profile, a high share of interest rate hedging and a modest dividend policy. Although we include shareholder loans as 100% debt in our credit metrics, we consider them to have a lower refinancing risk.

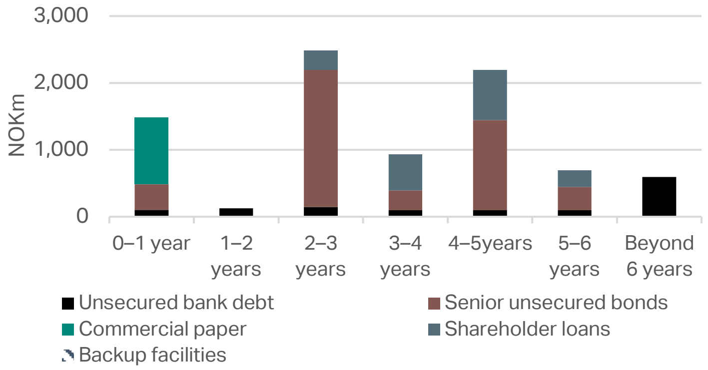
Bane NOR Eiendom finances its operations primarily through common equity, unsecured bank loans, commercial paper backed by NOK 1.5bn in unutilised credit facilities and senior unsecured bonds. In addition, the company has a NOK 0.5bn overdraft facility which renews annually. The company's last three bonds as of 31 Mar. 2023 have been issued under its Green Bond Framework, totalling NOK 1.85bn and demonstrating the company's commitment to sustainability. As of 31 Dec. 2022, the average debt maturity was around 3.5 years with maturities distributed. Bane NOR Eiendom uses interest rate swaps to reduce the impact of interest rate fluctuations, with about 50% of current interest rates hedged with an average fixed interest period of 3.6 years as of 31 Dec. 2022.

Figure 16. Bane NOR Eiendom funding profile, 31 Dec. 2022



Source: company. *Equity adjusted to reflect market value of properties.

Figure 17. Bane NOR Eiendom debt maturity profile, 30 Apr. 2023



Source: company.

Bane NOR Eiendom's debt is governed by LTV covenants with significant headroom. We expect the level of covenant headroom to remain strong in our forecast. Historically, the company has paid dividends to its owner amounting to about NOK 250m annually, some of which has been retained on the balance sheet in the form of a shareholder loan. The company's revised policy is to pay 30% of net profits to Bane NOR SF, which we expect to be flexible, if necessary, to support financial metrics.

Figure 18. Bane NOR Eiendom financial covenants and reported metrics

Metric	Financial policy	Common loan covenants	Reported 31 Dec. 2022
LTV	<50%	<65%	32.2%

Source: company.

ADJUSTMENT FACTORS

Adjustment factors neutral

Adjustment factors are assessed as neutral and have no effect on our standalone credit assessment.

Liquidity

Liquidity adequate

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect an investment grade company to cover all liquidity needs over the coming 12 months.

We assess Bane NOR Eiendom's liquidity profile as adequate, despite uses exceeding sources by around NOK 900m for the 12 months ending 31 Dec. 2023. Our neutral assessment reflects the ability of the company to postpone a large portion of the assumed capital investment, if necessary. In addition, our neutral assessment considers an annually renewed credit facility of NOK 500m, which is excluded from the calculated shortfall due to its short maturity.

We estimate the following primary funding sources for the 12 months ending 31 Dec. 2023, totalling NOK 2.2bn:

- NOK 64m in cash and equivalents as of 31 Dec. 2022;
- NOK 350m from senior unsecured bonds issued in 2023;
- NOK 267m in funds from operations (FFO) (75% of estimated FFO in 2023); and
- NOK 1.5bn in unutilised revolving credit facilities.

We estimate the following uses of funds for the 12 months ending 31 Dec. 2023, totalling NOK 3.1bn:

- NOK 1.8bn in maturing debt and amortisation;
- NOK 1.25bn in projected capital spending; and
- NOK 43m in dividends to shareholders.

Environmental, social and governance factors

ESG factors adequate

We assess Bane NOR Eiendom's environmental, social and governance (ESG) efforts as adequate. The main ESG factors that could affect our overall assessment of the company's creditworthiness are factors that might contribute to loss of revenues, increased costs, or higher capital spending, or that could affect its relationship with its owner or the government. The company issues green bonds under a framework classified as 'Medium Green' by climate research agency CICERO. The framework is intended to finance projects to provide clean transport and environmentally sustainable buildings.

In line with the Norwegian government's goal of reducing road traffic emissions and increasing rail and other forms of transport, one of Bane NOR Eiendom's main aims is to promote rail transport. It also seeks to develop office premises and housing near train stations with a view to increasing mobility while reducing emissions. The company is committed to obtaining environmental certification for its larger development projects under the BREEAM-NOR certification system. Specifically, it is targeting Energy Performance Certificate Level A for new-builds and Level B for renovation work. We expect such certification to support property values and selling prices for new developments.

Figure 19. Bane NOR Eiendom ESG considerations

Issue	Risk	Mitigating efforts	Result
CO_2 emissions	Increased costs due to regulatory and/or taxation changes.	Efforts to increase energy efficiency and reduce CO_2 emissions. Environmental certification of properties. Entered agreement to guarantee 100% renewable energy sources.	Goals established to reduce climate and environmental impact. Improving data quality resulted in a lack of comparability of 2021 figures with previous years. However, a higher share of renewable energy is expected to reduce total CO_2 emissions.
Impact of climate change on operations	Loss of revenues or increased capital spending.	Environmental certification of project properties. Ongoing efforts to identify climate risk at properties.	All ongoing office projects are to be environmentally certified.
Increased environmental focus from owners and financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO_2 dependence.	Strong financial position, limiting dependence on single projects. Environmental certification of development and refurbishment projects.	Successful issuance of green bonds since 2022, green bond framework established.

Source: company. See ESG factors in corporate ratings.

OWNERSHIP ANALYSIS

Ownership drives two-notch uplift

We add two notches of support to our standalone credit assessment due to parent company Bane NOR SF's 100% ownership by the Norwegian government. Our assessment also considers the parent to be a 'strategic interest' of the Norwegian government. Bane NOR SF is categorised as a 'Category 3' holding, reflecting its role in pursuing highly efficient public policy targets on behalf of the Norwegian Ministry of Transport and supporting our view of the parent's importance to national infrastructure. Bane NOR Eiendom's plays a vital role in Bane NOR SF's role by managing railway stations and workshops, as well as developing areas directly connected to transportation hubs in order to increase train usage.

We view government support for Bane NOR SF as effectively transferrable to Bane NOR Eiendom, given the latter's strategic importance to Norway's railway infrastructure. We consider that most of the company's operations are critical for national infrastructure and believe it would receive support from the government via Bane NOR SF if its role were jeopardised.

ISSUE RATINGS

We rate Bane NOR Eiendom's senior unsecured bonds 'A', in line with the long-term issuer rating, reflecting the company's focus on unsecured debt financing and lack of mortgaged assets. The company is projected to have NCR-adjusted net LTV of 31–34% in our forecast and the share of secured debt to gross debt is 0%, which supports meaningful recovery prospects for bondholders in the event of distress.

METHODOLOGIES USED

(i) Corporate Rating Methodology, 8 May 2023.
(ii) Rating Principles, 24 May 2022.
(iii) Group and Government Support Rating Methodology, 18 Feb. 2022.

Figure 20. Bane NOR Eiendom key financial data, 2018–2022

NOKm Period-end	FY 31 Dec. 2018	FY 31 Dec. 2019	FY 31 Dec. 2020	FY 31 Dec. 2021	FY 31 Dec. 2022
INCOME STATEMENT					
Rental income	739	795	888	939	1,081
Other income	125	585	548	363	165
Total costs from operations	-310	-322	-302	-380	-468
Net operating income	**554**	**1,058**	**1,134**	**922**	**779**
Administrative expenses	-200	-181	-206	-202	-214
Administrative expenses, project portfolio	–	–	–	–	–
EBITDA	354	878	929	720	564
Share of profit in associated companies and joint ventures	259	523	214	604	20
Interest expenses	-127	-93	-103	-86	-111
Interest income	19	8	10	9	21
Interest expenses, shareholder loans	–	–	-9	-19	-42
Financial costs from leasing	–	–	–	–	–
Other financial costs	-0	-2	-4	-1	-3
Changes in investment property	–	–	–	–	–
Gain (loss) on financial assets held at fair value	–	11	-60	84	103
Disposals of investment properties	1,174	–	–	–	–
Gain (loss) on derivatives	22	–	–	–	–
Depreciation and amortisation	-277	-216	-256	-281	-347
Restructuring activities	–	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–	–
Pre-tax profit	**1,425**	**1,108**	**721**	**1,030**	**206**
Current taxes	-60	-122	-28	-96	-63
Deferred taxes	–	–	–	–	–
Net profit	**1,365**	**986**	**693**	**934**	**143**
BALANCE SHEET					
Investment property	4,455	4,801	6,361	6,729	7,252
Other non-current assets	878	1,063	1,350	1,010	983
Total non-current assets	**5,332**	**5,865**	**7,711**	**7,739**	**8,235**
Cash and cash equivalents	115	–	–	59	64
Other current assets	3,375	2,837	2,549	4,221	5,251
Total current assets	**3,490**	**2,837**	**2,549**	**4,280**	**5,315**
Total assets	**8,823**	**8,701**	**10,261**	**12,019**	**13,550**
Total equity	**2,184**	**3,220**	**3,663**	**4,346**	**4,239**
Non-current borrowings	3,150	3,950	2,900	4,100	5,200
Non-current borrowings, shareholder loans	–	–	827	537	1,635
Deferred tax liabilities	–	1	–	–	–
Other non-current liabilities	–	–	392	381	370
Total non-current liabilities	**3,150**	**3,951**	**4,119**	**5,018**	**7,206**
Total current liabilities	**3,488**	**1,530**	**2,479**	**2,654**	**2,105**
Total equity and liabilities	**8,822**	**8,701**	**10,261**	**12,019**	**13,550**
CASH FLOW STATEMENT					
Pre-tax profit	1,425	1,108	721	1,030	206
... of which changes in investment property	–	–	–	–	–
Depreciation and amortisation	–	–	256	281	347
Tax paid	-25	-66	-66	-48	-85
Adjustment for items not in cash flow	-1,222	-778	-620	-932	-118
Cash flow from operating activities before changes in working capital	**177**	**264**	**291**	**331**	**350**
Changes in working capital	95	-280	89	229	-84
Cash flow from operating activities	**272**	**-16**	**380**	**560**	**266**
Cash flow from investment activities	**-589**	**1,418**	**-223**	**-1,209**	**-1,442**
Cash flow from financing activities	**103**	**-1,517**	**-157**	**708**	**1,180**
Cash and cash equivalents at beginning of period	–	115	–	–	59
Cash flow for period	-214	-115	0	59	5
Cash and cash equivalents at end of period	**115**	**–**	**–**	**59**	**64**

Source: company. FY–full year.

Figure 21. Bane NOR Eiendom rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb+
Market position, size and diversification	12.5%	a-
Portfolio assessment	12.5%	a-
Operating efficiency	5.0%	bbb-
Business risk assessment	50.0%	bbb+
Ratio analysis		bbb
Risk appetite		bbb
Financial risk assessment	50.0%	bbb
Indicative credit assessment		**bbb+**
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
Stand-alone credit assessment		**bbb+**
Support analysis		+2 notch
Issuer rating		**A**
Outlook		Stable
Short-term rating		**N2**

Figure 22. Capital structure ratings

Seniority	Rating
Senior unsecured	A

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