



Interim financial statement Q3 2021

Unaudited figures

Nordea Finance Equipment

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Report of the Board of Directors as of September 30, 2021

In the first nine months of 2021, Nordea Finance Equipment AS has:

- established new financing to clients for MNOK 11 758 (MNOK 11 872 for the same period in 2020).
- net banking income of MNOK 1 140,6 (MNOK 1 120,9).
- net cost of risk of MNOK 12,9 or 0,04 % of average funded assets (MNOK 143,1 or 0,48%).
- total comprehensive income of MNOK 520,1 (MNOK 596,8).
- total assets of MNOK 40 118 (MNOK 41 790).
- capital adequacy ratio of 22,1 % (20,4 %) for tier 1 capital and 23,9% (22,2 %) for total capital.

Business activities

New business volume in Scandinavia is less impacted by the Covid-19 pandemic and the measures taken by governments to meet the potential consequences of the pandemic in the third quarter. At the end of the second and the beginning of the third quarter of 2021 the global economy are improving, with vaccine roll-outs gaining speed and more or less fully reopened. Recently, however, the pace of recovery of global activity has shown signs of slowing. Even so the three Scandinavian countries have been among the best performing economics globally during the pandemic.

For the first nine months in 2021 the new financing in Scandinavia is lower compared to 2020. In the first nine months, Nordea Finance Equipment AS has established new financing in Scandinavia of MNOK 11 758 compared to MNOK 11 872 for the same period in 2020. This is a decrease of 0,9%. Margins for new financing are at the same level as the same period last year.

In equipment finance, we maintain our position as market leader in Norway. We observe that the volume of new financing is lower, and therefore that our market share in Q3 2021 is lower compared to last year. In both Sweden and Denmark, new financing volumes are stable compared to last year and we estimate that we maintain our market share.

Total assets at end of third quarter 2021 are MNOK 40 118,5 which is 4,0 % lower than MNOK 41 789,9 at end of September 2020. A part of this decrease is driven by the strengthening of NOK against SEK and DKK as approximately one third of our portfolio is in these currencies.

311 people were employed in Nordea Finance Equipment AS at the end of the third quarter. This is a decrease in staff of 34 since year end 2020. Turn-over in the period ends at 11,5% compared to 5,6% in the same period last year.

Financial Results

Nordea Finance Equipment AS has Net Banking Income of MNOK 1 140,6 in the first nine months of 2021 compared to MNOK 1 120,9 in the same period in 2020. Net Interest Income after nine months ends at MNOK 917,0 which is higher compared to MNOK 885,6 at end of third quarter of 2020. Net fees, income on other activity and net gains on financial instruments at fair value have decreased with 5 % to MNOK 223,6 compared with MNOK 235,3 in the same period last year. The main driver for this decrease is lower fee and commission income as well as lower net gains on financial instruments.

Operating expenses amount to MNOK 461,5 in the period ending September 30, 2021, compared to MNOK 524,0 in the same period in 2020. This represents a decrease of MNOK 62,5 or 11,9%. The

decrease in operating expenses is mainly due to the intragroup services and lower staff costs in the third quarter 2021.

Total Cost of Risk year to date amounts to MNOK 12,9 compared to MNOK 143,1 in the same period last year. This represents 0,04% of average outstanding loans in the period, which is a reduction compared to 0,48% last year. Total write-down for impairment represents 1,31% of outstanding loans at end of the quarter compared to 1,26% at end of third quarter last year.

The operating profit is MNOK 666,2 in the first nine months of 2021, compared to MNOK 453,8 in the first nine months of last year. The main drivers for the MNOK 212,4 increase in operating profit is related to the less net loan losses and staff costs in the third quarter 2021.

Nordea Finance Equipment AS produces a net result after tax of MNOK 521,9 for the period from January 1 to September 30, 2021. This compares to a net result after tax of MNOK 593,8 in the same period last year.

Risk management and Capital adequacy

The regulatory capital as of September 30 is MNOK 7 233,9. The regulatory capital consists of MNOK 6 683,9 tier one capital, and MNOK 550,0 tier two capital.

The basis for the calculation of capital requirements and capital adequacy at the end of third quarter was MNOK 30 266,6, with credit risk weighted assets of MNOK 27 444,3, and a capital requirement for operational risk corresponding to risk weighted assets of MNOK 2 822,3.

The capital adequacy at end of September 2021 was 23,9 %. Tier 1 capital ratio was 22,1 %. At end of September 2021, the countercyclical buffer requirements in Sweden and Denmark have been lowered to 0% and in Norway to 1% as a response to the Corona situation. The other capital buffer requirements are constant in the period and the total capital buffer requirement above the prudential minimum capital levels is 7,63% compared to 6,12% at end of third quarter 2020. The additional prudential pillar 2 requirement is maintained at 1,5%. The capital coverage is thus satisfactory compared to regulatory minimum requirements and the company's internal requirements and guidelines for solidity and capital adequacy. As part of the company's capital management procedures, stress testing of all relevant risks is performed and the change in the capital requirement under various stress scenarios evaluated. The capital adequacy is considered satisfactory also considering the results of the performed stress tests.

Q3 – Main regulatory development

In September, Norges Bank decided to maintain the new level of the countercyclical capital buffer of 1.5% being effective from 30 June 2022. Norges Bank's assumes a further increase to 2.0%, which may be decided in December, and expected to be effective from 31 December 2022, if adopted. The buffer rate is expected to return to 2.5% somewhat further out according to Norges Bank. The Ministry of Finance decided also in September that Norges Bank is assigned the task of setting the countercyclical capital buffer rate on a regular basis as well as to advise the Ministry of Finance on the systemic buffer rate.

In September, the Ministry of Finance informed that Norwegian banks may distribute profits in accordance with the regular framework for profit distribution after 30 September. The Norwegian FSA has expressed that the ESRB will decide whether to adopt a new recommendation on banks' profit distributions after 30 September. If adopted, the Ministry has informed that they will assess the possible new ESRB recommendation.

Regarding the Banking Package, it is informed from the Ministry of Finance that the EEA EFTA States have sent two drafts regarding the CRR2 and the CRD V for the Joint Committee Decision to the EU side for decision. CRR2 is expected incorporated in the EEA agreement in October this year, and the entry into force is assumed in Q1 or Q2 2022. Similar incorporation for CRD V may be in decided in December. The BRRD 2 is expected incorporated during 2022.

Lysaker, November 12, 2021

Ari Kaperi

Chairman

Peter Hupfeld

Vice chairman

Ulrik Modigh

Magnus Jacobson

Mariann H. Gulbrandsen

Ellen Pløger

INTERIM FINANCIAL STATEMENT

INCOME STATEMENT

<i>(in NOK thousand)</i>	Notes	Q3, 2021	Q3, 2020	YTD Q3, 2021	YTD Q3, 2020	FY, 2020
Total interest income	4	352 859	377 304	1 051 010	1 217 176	1 584 413
Total interest expenses	4	-42 892	-116 661	-133 996	-331 580	-368 676
Fee and commission income	5	79 831	83 685	230 174	253 524	325 528
Fee and commission expense	5	-51 577	-52 003	-147 358	-161 507	-201 893
Net gains and losses on financial transactions	6	1 241	-351	85	6 443	8 026
Other operating income	5	44 192	37 106	140 700	136 847	188 147
Net banking income		383 654	329 081	1 140 616	1 120 902	1 535 543
Staff costs	7	-95 746	-135 524	-303 505	-337 216	-451 974
Other expenses	7	-78 572	-75 707	-157 982	-186 787	-235 696
Gross operating income		209 336	117 849	679 129	596 899	847 874
Net loan losses	11	8 095	1 234	-12 946	-143 086	-173 305
Operating income		217 431	119 083	666 183	453 813	674 568
Income tax expense	15	-48 028	187 765	-144 248	139 974	-20 234
Profit for the period		169 404	306 848	521 934	593 787	654 335
Other comprehensive income						
<i>Items that could be reclassified:</i>						
Exchange differences on translation of foreign operations		-1 080	568	-2 389	3 850	1 404
Taxes		238	-125	526	-847	-309
<i>Items that cannot be reclassified:</i>						
Actuarial gains and losses						
Taxes						
Attributable to:						
Equity holder of the parent		168 561	307 291	520 070	596 790	655 429
Total comprehensive income of the period		168 561	307 291	520 070	596 790	655 429

BALANCE SHEET - ASSETS & LIABILITIES

<i>(in NOK thousand)</i>	<i>Notes</i>	Q3, 2021	Q3, 2020	FY, 2020
Cash and balances with central banks		9	10	9
Hedging derivative assets	6,21,22	1 167	44	187
Loans to credit institutions	8	676 921	574 800	788 750
Loans to the public	9,10,11,12,13	39 105 475	40 726 138	39 482 824
Fair value changes		17 777	60 160	44 343
Reposessed assets		11 026	19 319	14 270
Deferred tax assets	15	15 293	109 081	0
Tangible and intangible fixed assets		71 553	135 531	133 254
Other assets		219 238	164 776	185 194
Total		40 118 460	41 789 858	40 648 832
Hedging derivative liabilities	6,21	140 721	174 289	330 881
Deposits by credit institutions	16,18	30 429 057	33 167 647	31 733 771
Deposits and borrowings from the public		232 592	266 678	352 322
Other liabilities		1 247 454	859 787	810 588
Retirement benefit liabilities	19	100 412	98 633	97 988
Deferred tax liabilities	15	0	0	31 423
Current tax liabilities	15	166 677	0	10 343
Subordinated liabilities	17	550 128	550 116	550 169
Total liabilities		32 867 042	35 117 150	33 917 485
Share capital		945 436	945 436	945 436
Share premium account		240 639	240 639	240 639
Retained earnings		6 065 343	5 486 633	5 545 272
Total equity		7 251 418	6 672 708	6 731 347
Total		40 118 460	41 789 858	40 648 832

Lysaker, November 12th, 2021

Ari Kaperi
Chairman

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Vice chairman

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STATEMENT OF CHANGES IN EQUITY

<i>in NOK thousand</i>	Share capital	Share premium	Retained earnings	Translation differences	Actuarial gains and losses	Total
Equity 01.01.20	945 436	240 639	4 918 572	-2 134	-26 595	6 075 918
Profit for the period			593 787			593 787
Other comprehensive income				3 003		3 003
Dividends						0
Total equity 30.09.2020	945 436	240 639	5 512 359	869	-26 595	6 672 708
Equity 01.01.21	945 436	240 639	5 572 906	-1 039	-26 595	6 731 347
Profit for the period			521 934			521 934
Other comprehensive income				-1 864	0	-1 864
Dividends						0
Total equity 30.09.2021	945 436	240 639	6 094 841	-2 903	-26 595	7 251 418

CASH FLOW STATEMENT

Amounts in NOK thousand

	2021	2020
Operations		
Interest income	1 005 298	1 151 005
Interest expenses	-133 996	-331 580
Other receipts	256 704	277 379
Operating expenses	-473 781	-509 739
Receipts on previous losses	19 921	11 407
Paid taxes	-82 937	-234 338
Net cash flow from operations	591 209	364 134
New investments leasing		
New investments leasing	-9 766 396	-9 869 022
Proceeds from sale of leasing assets	2 271 646	2 231 715
Decrease in loans (net)	7 871 353	5 970 781
Decrease (increase) in other receivables	13 538	-47 688
Decrease (increase) in advance payments	-34 044	-25 560
Net cash flow from current financial activity	356 097	-1 739 773
Decrease (increase) in tangible assets		
Decrease (increase) in tangible assets	-3 735	-9 539
Net cash flow from investment activity	-3 735	-9 539
Increase (decrease) in deposits from customers		
Increase (decrease) in deposits from customers	-119 730	17 750
Payment of dividends	0	0
Increase (decrease) subordinated debt	0	0
Increase (decrease) in loans from credit institutions	-1 304 714	1 224 793
Increase (decrease) in debt	371 869	311 935
Increase (decrease) accrued costs	-770	2 900
Currency exchange without cash effect	-1 864	3 003
Net cash flow from long term financial activity	-1 055 209	1 560 381
Net cash flow	-111 638	175 203
Cash at the 1st of January	787 913	398 455
Cash at end of period	676 275	573 658
Reconciliation cash at end of period		
Cash and deposits with central banks	9	10
Deposits with financial institutions	676 266	573 649
Cash at end of period	676 275	573 658

NOTES

1. ACCOUNTING PRINCIPLES

Nordea Finance Equipment AS is a Scandinavian finance company and its business is carried out through a broad, Scandinavian distribution network with 13 regional and sales offices in Norway, 1 offices in Sweden and 1 in Denmark. Nordea Finance Equipment AS forms part of Nordea Bank Abp, a group listed on the stock exchange with head office in Helsinki, Finland. The Group consolidated financial statement is prepared by Nordea Bank, and is available on www.nordea.com.

The company is a limited company incorporated and domiciled in Norway. Its registered office is in Strandveien 18, Lysaker.

The interim financial statements for the period ended September 30th 2021, were authorised for issue by the Board of Directors on November 12th, 2021.

Nordea Finance Equipment AS's activities are neither seasonal nor cyclical in nature, its period results were not affected by any seasonal or cyclical factors.

The interim financial statements for Nordea Finance Equipment AS for the 9 month period ending September 30th 2021, are prepared and presented in accordance with the revised IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the financial statement as at 31 December 2020.

IFRS, IFRIC interpretation and amendments applied by Nordea Finance Equipment AS as at January 1st, 2021

Accounting standards, amendments or interpretation	Adoption date by the European Union	
	Union	Effective date
Interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7)	26.09.2019	01.01.2021

Accounting standards, Amendments or interpretation to be applied in the future

Not all of the accounting standards and interpretations published by the IASB (International Accounting Standards Board) have been adopted by the European Union at September 30, 2021. These accounting standards and interpretations are required to be applied from annual periods beginning on January 1, 2022 at the earliest or on the date of their adoption by the European Union. Accordingly, they were not applied by Nordea Finance Equipment AS as of September 2021.

Accounting standards, Amendments or interpretation adopted by the European Union on September 30, 2021

No new standards

Accounting standards, amendments or interpretations not yet adopted by the European Union on September 30, 2021

Accounting standards, amendments or interpretations	Adoption date by the IASB	
	the IASB	Effective date
IFRS 17 Insurance Contracts	18.05.2017	01.01.2022
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	23.02.2020	01.01.2023
Amendments to IFRS 3 - Updating a Reference to the Conceptual Framework	01.03.2018	01.01.2022

2. IMPORTANT ACCOUNTING ESTIMATES AND DISCRETIONARY EVALUATION

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

The company prepares estimates and makes presumptions and assumptions connected to the future. The accounting estimates that are based on this will seldom be entirely in accordance with the final outcome. Some accounting principles are considered to be especially important to enlighten the company's financial position because they require the management to make difficult or subjective assessments and determine estimates that are, for the most part, uncertain at the time the estimates are made. The key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

No changes in significant accounting policies in 2021.

4. NET INTEREST INCOME

<i>(in NOK thousand)</i>	Q3, 2021	Q3, 2020	2021	2020
Interest income from financial institutions, valued at amortised cost	1 934	2 163	6 414	8 855
Interest income from customers financial leases and loans, valued at amortised cost	350 244	374 134	1 041 705	1 200 165
Interest income financial instruments	681	1 007	2 891	8 156
Total interest income	352 859	377 304	1 051 010	1 217 176
Interest expenses to financial institutions, valued at amortised cost	-36 331	-104 604	-112 134	-301 279
Interest expenses on deposits and debt to customers, valued at amortised cost	-243	-693	-880	-1 910
Interest expenses financial instruments	-1 946	-6 576	-6 960	-11 071
Interest expenses on subordinated debt	-3 459	-3 706	-10 910	-13 977
Other interest expenses	-913	-1 082	-3 111	-3 344
Total interest expenses	-42 892	-116 661	-133 996	-331 580
Net interest income	309 967	260 644	917 014	885 596

5. NET FEES AND INCOME ON OTHER ACTIVITY

<i>(in NOK thousand)</i>	Q3, 2021	Q3, 2020	2021	2020
Commission and fee income from loans and similar to customers	79 831	83 685	230 174	253 524
Fee and Commission income	79 831	83 685	230 174	253 524
Commission and fee expenses from loans and similar to customers	-48 282	-50 854	-136 734	-158 630
Other commission and fee expenses	-3 295	-1 149	-10 624	-2 878
Fee and Commission expense	-51 577	-52 003	-147 358	-161 507
Net commission and fee income	28 255	31 682	82 816	92 017
Gains and losses repossessed assets	6 226	2 363	15 363	11 787
Termination gain and loss	28 409	26 204	97 468	96 269
Income from extension of leasing contracts	9 528	8 211	27 573	27 804
Other income	29	328	297	987
Total income other activity	44 192	37 106	140 700	136 847

6. NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

<i>(in NOK thousand)</i>	Q3, 2021	Q3, 2020	2021	2020
Net gains on financial derivatives, trading	243	0	981	0
Change in fair value on financial derivatives, hedging	8 389	2 126	25 701	-42 394
Change in fair value on hedged fixed interest loans	-7 117	-2 403	-26 448	41 367
Net change in value and gains on foreign currency	-274	-73	-149	7 470
Net gains/losses on financial instruments at fair value through P&L	1 241	-351	85	6 443

7. OPERATING EXPENSES

<i>(in NOK thousand)</i>	Q3, 2021	Q3, 2020	2021	2020
Payroll	-69 130	-102 679	-212 319	-250 056
Pensions	-8 686	-9 973	-26 859	-31 199
Social security costs	-11 661	-16 148	-34 996	-38 187
Other staff cost	-6 268	-6 724	-29 332	-17 774
Staff costs	-95 746	-135 524	-303 505	-337 216
Rent and other office costs	-3 734	-2 745	-9 302	-7 519
Fees and temporary staff	-21 345	-45 626	-65 050	-93 874
Travel and marketing	-1 727	-2 854	-4 593	-11 921
Other operating costs	-3 009	-4 468	-10 619	-13 273
Intragroup services	0	-10 205	0	-31 151
Depreciation and gain/loss	-48 757	-9 809	-68 417	-29 048
Other expenses	-78 572	-75 707	-157 982	-186 787
Total operating expenses	-174 318	-211 232	-461 487	-524 003

8. LOANS TO CREDIT INSTITUTIONS

(in NOK thousand)

	2021	2020
Deposits with financial institutions	676 266	573 649
Loans to financial institutions	655	1 151
Due from banks before impairment	676 921	574 800
Impairment of individually impaired loans	0	0
Revaluation of hedged item	0	0
Net due from banks	676 921	574 800

9. LOANS TO THE PUBLIC

(in NOK thousand)

	2021	2020
Equipment loans	5 173 517	4 869 305
Factoring receivables	230 827	351 719
Factoring loans	1 676 562	1 689 411
Financial lease agreements	32 543 149	34 335 299
Customer loans before impairment	39 624 054	41 245 735
Impairment of individually impaired loans	-518 579	-519 596
Net due from customers	39 105 475	40 726 138

10. ALLOWANCES RECOGNISED AND CUSTOMER LOANS

(in NOK thousand)

	2021			Total
	Stage 1	Stage 2	Stage 3	
Allowances on loans as of 01.01	-95 778	-72 873	-366 305	-534 956
Allowances on new loans	-45 912	-10 276	-17 054	-73 241
Movement from S1 to S2	9 620	-29 339	0	-19 718
Movement from S1 to S3	1 277	0	-34 788	-33 511
Movement from S2 to S3	0	4 948	-38 405	-33 456
Movement from S3 to S2	0	-1 517	32 531	31 014
Movement from S3 to S1	-462	0	7 223	6 761
Movement from S2 to S1	-4 585	21 994	0	17 409
Loans terminated	5 547	3 480	28 635	37 663
Change within stage	6 701	11 935	64 820	83 457
Allowances on loans at end of period	-123 591	-71 646	-323 343	-518 579
Customer loans before impairment	35 199 151	3 595 703	829 200	39 624 054

(in NOK thousand)

	2020			Total
	Stage 1	Stage 2	Stage 3	
Allowances on loans as of 01.01	-65 513	-37 335	-321 490	-424 338
Allowances on new loans	-23 989	-11 128	-15 701	-50 818
Movement from S1 to S2	12 477	-52 714	0	-40 237
Movement from S1 to S3	1 918	0	-113 762	-111 844
Movement from S2 to S3	0	2 673	-30 524	-27 851
Movement from S3 to S2	0	-1 354	23 896	22 542
Movement from S3 to S1	-141	0	6 947	6 806
Movement from S2 to S1	-2 326	11 767	0	9 441
Loans terminated	2 687	3 103	30 600	36 390
Change within stage	-4 910	3 983	61 240	60 313
Allowances on loans at end of period	-79 797	-81 005	-358 794	-519 596
Customer loans before impairment	35 746 120	4 570 865	928 750	41 245 735

11. LOSSES AND ALLOWANCES RECOGNISED IN PROFIT AND LOSS

(in NOK thousand)

	2021	2020
Losses on loans		
Write-downs for loan losses at end of period	-518 579	-519 596
Exchange rate adjustments (opening balance)	-42 458	40 763
Write-downs for loan losses as at 01.01	534 956	424 338
Total actual losses	-6 785	-99 998
Income on actual losses	19 921	11 407
Net loan losses	-12 946	-143 086

12. LEASING (FINANCIAL LEASING ASSETS)

(in NOK thousand)

	2021	2020
Purchase cost 01.01	61 443 990	59 416 966
Exchange rate difference	-686 049	2 181 671
Inflow during the year	9 766 396	9 869 022
Outflow during the year	-8 837 509	-8 987 020
Purchase cost at end of period	61 686 829	62 480 640
Accumulated ordinary depreciation 01.01	25 403 661	23 766 522
Exchange rate difference	-265 335	810 048
Ordinary depreciation during the year	8 083 625	7 726 912
Reversed depreciation sold assets	-6 702 662	-6 888 228
Accumulated depreciation at end of period	26 519 289	25 415 253
Book value leasing assets at end of period	35 167 540	37 065 387
Customer receivable	-2 593 033	-2 682 080
Other accruals	-31 357	-48 008
Book value in the balance sheet at end of period	32 543 149	34 335 299

Customer receivables are ordinary leasing receivables and advancement on leasing rent. Up front fees constitute other accruals.

Overview of future minimum finance lease rental:

Within 1 year	8 295 535	8 831 160
1 to 5 years	26 269 193	27 965 340
Future minimum finance lease rental	34 564 728	36 796 500
Average interest	2,99 %	3,44 %
Present value of minimum lease payments	32 188 866	33 991 817
Unearned finance income	2 021 579	2 461 200

13. RISK CLASSIFICATION

(in NOK thousand)

Days outstanding status	2021	
	Net loans to customers	Whereof past due, non-doubtful
Not past due	37 689 475	
1-29	1 138 289	1 086 347
30-59	69 502	59 547
60-89	140 108	125 747
90-179	39 508	8 873
> 180	12 643	6 159
> 1 year	15 950	3 770
Total	39 105 475	1 290 445

(in NOK thousand)

Days outstanding status	2020	
	Net loans to customers	Whereof past due, non-doubtful
Not past due	39 255 790	
1-29	1 150 835	1 070 199
30-59	80 313	73 439
60-89	142 283	129 512
90-179	65 846	9 671
> 180	24 990	3 116
> 1 year	6 082	1 536
Total	40 726 138	1 287 473

Credit exposure:

(in NOK thousand)

	2021	2020
Net loans to customers	39 105 475	40 726 138
Positive market value derivatives	1 167	44
Guarantee liabilities and loan commitments	1 933 937	1 355 282
Total credit exposure	41 040 579	42 081 464

14. DOUBTFUL LOANS

<i>(in NOK thousand)</i>	2021	2020
Gross doubtful loans	829 200	928 750
- Write-downs on impaired assets	-323 343	-358 790
Net doubtful loans	505 857	569 960

15. INCOME TAX

The company calculates the tax payable based on an estimated effective tax rate. For 2020 the effective tax rate was 3,0 % at year end and the expected effective tax rate for 2020 was 22,1 %. For 2021 this is expected to be 22,0 %. Deferred tax assets are for interim based on an estimate for the year. The estimate is prepared based on previous years' development in the leasing portfolio, adjusted for year acquisitions and disposals. Expected changes in the deferred tax is recognised with 22,0 % for the period ending 30 September 2021. The main contributor to the fluctuation in effective tax rate is exchange rate effects from the portfolio.

<i>(in NOK thousand)</i>	2021	2020
Current income tax expense	-184 332	0
Gross deferred tax expense	40 084	139 974
Income tax expense for the period	-144 248	139 974

16. DEPOSITS BY CREDIT INSTITUTIONS

<i>(in NOK thousand)</i>	2021	2020
Demand deposits and current accounts	0	0
Term deposits borrowings	30 410 245	33 273 370
Related payables	18 812	7 839
Revaluation of hedged item due to banks	0	-113 561
Total	30 429 057	33 167 647

17. SUBORDINATED LIABILITIES

<i>(in NOK thousand)</i>	2021	2020
Subordinated debt	550 000	550 000
Subordinated debt related payables	128	116
Total	550 128	550 116

18. INFORMATION ON RELATED PARTIES

<i>(in NOK thousand)</i>	2021	2020
Assets/interest income		
Loans to Group companies	655	1 151
Revaluation of hedged item	0	0
Interest income from group companies	0	0
Other assets	809	0
Liability/interest expense		
Loans from Group companies	25 062 710	26 157 176
Related payables Group companies	15 293	2 536
Revaluation of hedged item due to banks	0	-113 561
Other liabilities	0	0
Interest expenses to group companies	-85 211	-230 532
Subordinated debt	550 000	550 000
Interest expenses on subordinated debt	-10 910	-13 977

Funding is primarily provided by the parent company Nordea Bank Abp, on the basis of a framework agreement and limits. All transactions are made on market terms.

19. EMPLOYEE BENEFITS

For the period ending 30 September 2021, it is not obtained a new actuary estimate. It is therefore not presented any effect of actuarial gains and losses in other comprehensive income. The company considers the possible effect of actuarial gains and losses as immaterial for the assessment of the financial position for the 9-month period ending 30 September 2021.

20. CAPITAL ADEQUACY

(in NOK thousand)

	2021	2020
<i>Common Equity Tier 1 capital</i>		
Share capital	945 436	945 436
Share premium account	240 639	240 639
Other equity	5 543 408	4 892 846
Independently reviewed interim profits net of any foreseeable charge and dividend	0	0
Common Equity Tier 1 capital before regulatory adjustment	6 729 483	6 078 921
<i>Common equity Tier 1 capital: Regulatory adjustment</i>		
Deferred tax assets		
Intangible assets (net of related tax liability)	-12 998	-10 108
Value adjustments due to the requirements for prudent valuation	-36	-122
Negative amounts resulting from the calculation of expected loss	-32 545	-25 697
Total regulatory adjustments to Common Equity Tier 1	-45 579	-35 926
Common Equity Tier 1 capital	6 683 904	6 042 995
Additional Tier 1 capital	0	0
Tier 1 capital	6 683 904	6 042 995
<i>Tier 2 capital: instrument and provision</i>		
Subordinated debt	550 000	550 000
Tier 2 capital before regulatory adjustment	550 000	550 000
Tier 2 capital: regulatory adjustment	0	0
Total regulatory adjustment to Tier 2 capital	0	0
Tier 2 capital	550 000	550 000
Total capital	7 233 904	6 592 995
<i>Calculation basis</i>		
Standardised method		
Local and regional authorities (including municipalities)	203 368	443 838
Institutions	144 732	119 826
Corporate	8 536 754	9 354 377
Other	198 877	241 238
Engagements in default	174 168	162 127
Total Credit risk, standardised method	9 257 899	10 321 405
IRB method		
Corporate - small and medium sized businesses	12 667 112	11 568 740
Corporate - other	5 519 301	4 995 976
Total Credit risk, IRB method	18 186 413	16 564 716
Credit risk weighted assets	27 444 312	26 886 122
Operational risk, basic indicator approach	2 822 334	2 809 063
Additional requirement according to Basel II floor	0	0
Total calculation basis	30 266 646	29 695 184
Capital ratios and buffers		
Common Equity Tier 1	22,08 %	20,35 %
Tier 1	22,08 %	20,35 %
Total capital	23,90 %	22,20 %
Capital requirement including institution specific buffers	12,13 %	10,62 %
...of which: capital conservation buffer	2,50 %	2,50 %
...of which: countercyclical buffer	0,63 %	0,62 %
...of which: systemic risk buffer	4,50 %	3,00 %
...of which: systemically important institution buffer	0,00 %	0,00 %
Common Equity Tier 1 above minimum capital requirements and capital buffers	9,95 %	9,73 %
Tier 1 capital above minimum capital requirements and capital buffers	8,45 %	8,23 %
Total capital above minimum capital requirements and capital buffers	8,27 %	8,09 %
Capital ratios and buffers, nominal amounts		
Institution specific buffer requirement	3 671 344	3 152 678
...of which: capital conservation buffer	756 666	742 380
...of which: countercyclical buffer	190 680	183 160

...of which: systemic risk buffer	1 361 999	890 856
...of which: systemically important institution buffer	0	0
Common Equity Tier 1 above minimum capital requirements and capital buffers	3 012 560	2 890 317
Tier 1 capital above minimum capital requirements and capital buffers	2 558 560	2 444 889
Total capital above minimum capital requirements and capital buffers	2 503 227	2 400 985
Amount below the thresholds for deductions		
Deferred tax assets arising from temporary differences	15 293	109 081
Pillar 2 requirement		
Additional core capital buffer requirement ratio	1,5 %	1,5 %
Additional core capital buffer requirement	454 000	445 428
Leverage ratio		
Total Leverage Ratio exposure	41 766 116	43 378 964
Leverage Ratio	16,0 %	13,9 %

Nordea Finance Equipment AS has been validated to calculate capital requirements and capital adequacy according to Advanced Internal Rating Based Approach for the major portfolios. The capital adequacy calculations are consequently based on Nordea Finance Equipment AS internal parameters a.o. for PD ("Probability of Default"), LGD ("Loss given Default"), M ("Maturity") for these portfolios. In the framework of the change of ownership, Nordea Group and Nordea Finance Equipment AS have sent an application package to ECB for continued use of the IRB models for capital purposes. ECB has approved continue use.

The capital requirement for Operational Risk is calculated according to the Basic Indicator / Standard Approach for operational risk. The entity does not take Market Risk positions, and the capital requirement for market risk is nil.

21. METHOD FOR CALCULATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

Regarding financial instruments recorded at fair value, see description in note 1 Accounting Principles, in the financial statements for 2020.

Lending (loans and financial leasing) to and receivables on customers:

The pricing of lending (loans and financial leasing) is based on market prices. Stipulated prices include additions to cover credit risk. The value of impaired engagements is determined by discounting expected future cash flows. We therefore assess that the recorded value is a fair estimate of fair value for loans and receivables valued at amortised cost.

Loans from financial institutions and deposits from customers:

Fair value is determined to be equal recorded value for loans from financial institutions and deposits from customers valued at amortised cost.

Nordea Finance Equipment AS uses the following hierarchy related to determining and disclosing the fair value of financial instruments:

- 1) Quoted (unadjusted) prices in active markets for identical assets or liabilities (level 1)
- 2) Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (level 2)
- 3) Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (level 3)

<i>(in NOK thousand)</i>	2021	2020
Financial assets - Level 2		
Hedging derivative assets	1 167	44
Revaluation differences	17 777	60 160
Total assets	18 944	60 203

<i>(in NOK thousand)</i>	2021	2020
Financial liabilities - Level 2		
Financial liabilities at fair value through profit and loss	0	0
Hedging derivative liabilities	140 721	174 289
Total liabilities	140 721	174 289

Nordea Finance Equipment AS does not have any financial instruments classified in level 1 or 3.

22. OFFSETTING

The company has established CSA agreements (collateral security agreement) with its main counterparts. The agreements involve a mutual commitment to provide collateral for derivatives trading between the parties.

<i>(in NOK thousand)</i>	2021	2020
Financial derivatives -assets		
Gross amount	1 167	44
Amounts that are offset	0	0
Net amount in financial position	1 167	44
Financial instruments on balance sheet	-140 721	-174 289
Cash collateral in the balance sheet	0	186 420
Net position	-139 554	12 175

<i>(in NOK thousand)</i>	2021	2020
Financial derivatives -liabilities		
Gross amount	140 721	174 289
Amounts that are offset	0	0
Net amount in financial position	140 721	174 289
Financial instruments on balance sheet	-140 721	-174 289
Cash collateral in the balance sheet	0	0
Net position	0	0

Nordea Finance Equipment AS has set-off rights for leasing agreements where customers also have entered into factoring arrangements with the company.

23. CONTINGENCIES

Nordea Finance Equipment AS had no major legal disputes pending at the end of the reporting period.

24. ASSETS PLEDGED AND RECEIVED AS SECURITY

Nordea Finance Equipment AS has no assets pledged as security.

25. EVENTS AFTER THE REPORTING PERIOD

The company is at the date of issue, 12 November 2021, not familiar with matters that are likely to change the assessment of the financial position as at 30 September 2021.

Nordea Finance Equipment AS

Nordea Finance Equipment AS is a leading finance company in the Nordic region. Our services are marketed under the brand Nordea Finance. We are a part of the Nordea Group, and a separate sister company to Nordea Finans until we merge into one Nordea Finance. Through our network of 21 offices in Norway, Sweden and Denmark we have a strong local presence. We have total managed assets of NOK 42 billion and 360 skilled employees, all working to provide our more than 50.000 clients and partners with good solutions for their business.

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