



Interim financial statement

Q2 - 2022

Nordea Finance Equipment AS
Unaudited figures

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Report of the Board of Directors as of June 30, 2022

In the first six months of 2022, Nordea Finance Equipment AS has:

- established new financing to clients for MNOK 9 617 (MNOK 7 782 for the same period in 2021).
- net banking income of MNOK 804,4 (MNOK 757,0).
- total loan losses/ reversals of MNOK 27,7 or 0,14 % of average funded assets (MNOK -21 or -0,11%).
- total comprehensive income of MNOK 435,5 (MNOK 351,5).
- total assets of MNOK 42 377 (MNOK 40 637).
- capital adequacy ratio of 23,0% (22,7 %) for tier 1 capital and 24,8% (24,5 %) for total capital.

Business activities

The situation in Ukraine together with the aftermath of the pandemic creates uncertainty. The future direct and indirect impact on the Scandinavian economies and the company's operations is uncertain. We observe that investment is rebounding from pre covid but with longer delivery times. Financial markets are also impacted. Access to liquidity is still good but prices are coming up as spreads are increasing.

For the first six months in 2022 the new financing in Scandinavia is higher compared to 2021 as we have observed increased activity since April 2022. In the six months, Nordea Finance Equipment AS has established new financing in Scandinavia of MNOK 9 617 compared to MNOK 7 782 for the same period in 2021. This is an increase of 23,6 %. Margins for new financing are lower compared to the same period last year.

In equipment finance, we maintain our position as market leader in Norway. In Norway the activity and volumes after six months ends at MNOK 6 096 which is higher compared to MNOK 4 174 at the end of the second quarter of 2021. In Sweden new financing volumes decrease compared to last year from MNOK 2 075 to MNOK 1 943, but with margin increasing. In Denmark we observe a stable volumes and margins compared to last year and Q2 ending at MNOK 1578.

Total assets at end of second quarter 2022 are MNOK 42 377 which is 4,3 % higher than MNOK 40 637 at end of June 2021. A part of this increase is driven by the strengthening of NOK against SEK and DKK as approximately one third of our portfolio is in these currencies.

295 people were employed in Nordea Finance Equipment AS at the end of the second quarter. This is a decrease in staff of 20 since year end 2021. Turn-over in the period ends at 11,5 % compared to 4,9% in the same period last year. The high turn-over is affected by the ongoing process to integrate Nordea Finance Equipment. The turn-over rate is monitored closely.

Financial Results

Nordea Finance Equipment AS has Net Banking Income of MNOK 804,4 in the first six months of 2022 compared to MNOK 756,9 in the same period in 2021. Net Interest Income after six months ends at MNOK 637,0 which is higher compared to MNOK 607,1 at end of second quarter of 2021. Net fees, income on other activity and net gains on financial instruments at fair value have increased with 11,6% to MNOK 167,4 compared with MNOK 149,9 in the same period last year. The main driver for this increase is higher gains from repossessed assets as well as higher net commission and fee income.

Operating expenses amount to MNOK 273,3 the period ending June 30, 2022, compared to MNOK 287,2 in the same period in 2021. This represents a decrease of MNOK 13,9 or 4,8%. The decrease in operating expenses is mainly due to the reduction in staff cost which is decreasing with 15,4%.

Total Cost of Risk year to date amounts to a gain of MNOK 27,7 compared to a loss of MNOK 21,0 in the same period last year. This represents 0,33% of average outstanding loans in the period, which is a decrease compared to -0,11% last year. Total write-down for impairment represents 1,1% of outstanding loans at end of the quarter compared to 1,4% at end of second quarter last year.

The operating profit is MNOK 558,8 in the first six months of 2022, compared to MNOK 448,8 in the first six months of last year. The main drivers for the MNOK 110,0 increase in operating profit is related to the positive situation on loan losses in the first half of 2022.

Nordea Finance Equipment AS produces a net result after tax of MNOK 435,5 for the period from January 1 to June 30, 2022. This compares to a net result after tax of MNOK 352,5 in the same period last year.

Risk management and Capital adequacy

The regulatory capital as of June 31 is MNOK 7 858,7. The regulatory capital consists of MNOK 7 308,7 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 second quarter was MNOK 31 741,7, with credit risk weighted assets of MNOK 28 829,8, and a capital requirement for operational risk corresponding to risk weighted assets of MNOK 2911,9.

The capital adequacy at end of June 2022 was 24,8 %. Tier 1 capital ratio was 23,0 %. At end of June 2022, the countercyclical buffer requirements in and Denmark and Sweden is 0% ,in Norway 1,5%. In Denmark the countercyclical buffer rate will be set to 1% valid from 30 September 2022 and 2% from 31 December 2022, with a further increase to 2.5% valid from 31. March 2023. In Sweden the current buffer will increase in third quarter 2022 to 1%, with a further increase second quarter 2023 to 2%. In Norway the buffer will increase to 2,5% in December 2022 and 2,5% from January 2023. The other capital buffer requirements are constant in the period and the total capital buffer requirement above the prudential minimum capital levels is 6,30% compared to 7,62% at end of first quarter 2021. The additional prudential pillar 2 requirement is increased from 1,5% to 1,7%. The capital coverage is thus robust 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.

Oslo, August 15, 2022

Ari Kaperi

Chairman

Peter Hupfeld

Vice chairman

Ulrik Modigh

Eric Magnus Jacobson

Jon Ivar Gjellum

Ellen Pløger

Sjur Loen

CEO

INTERIM FINANCIAL STATEMENT

INCOME STATEMENT

<i>(in NOK thousand)</i>	Notes	Q2, 2022	Q2, 2021	YTD Q2, 2022	YTD Q2, 2021	FY, 2021
Total interest income	4	418 092	350 800	803 815	698 151	1 424 419
Total interest expenses	4	-94 541	-44 705	-166 778	-91 103	-190 108
Fee and commission income	5	69 863	68 169	155 980	150 342	301 833
Fee and commission expense	5	-40 733	-40 878	-96 794	-95 781	-185 603
Net gains and losses on financial instruments	6	731	-2 011	-721	-1 156	1 115
Other operating income	5	50 926	50 408	108 881	96 509	196 413
Net banking income		404 338	381 782	804 383	756 962	1 548 069
Staff costs	7	-79 910	-93 586	-175 861	-207 759	-390 810
Other expenses	7	-48 857	-38 959	-97 451	-79 410	-233 369
Gross operating income		275 571	249 237	531 070	469 792	923 889
Net loan losses	11	-18 626	8 862	27 725	-21 041	-16 162
Operating income		256 946	258 100	558 795	448 751	907 728
Income tax expense	15	-57 985	-54 085	-123 320	-96 221	-318 515
Profit for the period		198 961	204 015	435 475	352 531	589 213

Other comprehensive income

Items that could be reclassified:

Exchange differences on translation of foreign operations	454	1 337	-2 028	-1 309	-3 925
Taxes	-100	-294	446	288	864

Items that cannot be reclassified:

Actuarial gains and losses	3 701		21 172		25 219
Taxes	-814		-4 658		-5 548

Attributable to:

Equity holder of the parent	202 202	205 057	450 407	351 510	605 822
Total comprehensive income of the period	202 202	205 057	450 407	351 510	605 822

BALANCE SHEET - ASSETS & LIABILITIES

<i>(in NOK thousand)</i>	<i>Notes</i>	Q2, 2022	Q2, 2021	FY, 2021
Cash and balances with central banks		9	9	9
Hedging derivative assets	6,21,22	253 009	925	14 265
Loans to credit institutions	8	103 067	1 023 731	927 801
Loans to the public	9,10,11,12,13	41 868 557	39 246 921	39 325 086
Fair value changes		-27 673	24 893	14 559
Reposessed assets		6 467	20 922	8 965
Deferred tax assets	15	1 753	987	129 149
Tangible and intangible fixed assets		51 501	119 675	61 602
Other assets		120 753	198 914	100 267
Total		42 377 443	40 636 978	40 581 703
Hedging derivative liabilities	6,21	381	219 925	75 468
Deposits by credit institutions	16,18	32 994 997	31 272 686	30 841 653
Deposits and borrowings from the public		161 282	235 745	231 516
Other liabilities		816 800	1 070 974	951 302
Retirement benefit liabilities	19	57 346	99 604	76 611
Deferred tax liabilities	15	0	0	0
Current tax liabilities	15	8 881	105 075	517 787
Subordinated liabilities	17	550 180	550 112	550 197
Total liabilities		34 589 865	33 554 121	33 244 535
Share capital		945 436	945 436	945 436
Share premium account		240 639	240 639	240 639
Retained earnings		6 601 502	5 896 782	6 151 093
Total equity		7 787 577	7 082 857	7 337 168
Total		42 377 443	40 636 978	40 581 703

Lysaker, August 15th, 2022

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CEO

STATEMENT OF CHANGES IN EQUITY

<i>in NOK thousand</i>	Share capital	Share premium	Retained earnings	Translation differences	Actuarial gains and losses	Total
Equity 01.01.21	945 436	240 639	5 572 906	-1 039	-26 595	6 731 347
Profit for the period			352 531			352 531
Other comprehensive income				-1 021		-1 021
Dividends						0
Total equity 30.06.2021	945 436	240 639	5 925 437	-2 060	-26 595	7 082 857
Equity 01.01.22	945 436	240 639	6 162 120	-4 101	-6 924	7 337 170
Profit for the period			435 475			435 475
Other comprehensive income				-1 582	16 514	14 932
Dividends						0
Total equity 30.06.2022	945 436	240 639	6 597 595	-5 683	9 590	7 787 577

CASH FLOW STATEMENT

Amounts in NOK thousand

	YTD Q2, 2022	YTD Q2, 2021
Operations		
Interest income	743 607	670 754
Interest expenses	-166 778	-91 103
Other receipts	199 014	163 873
Operating expenses	-239 904	-254 288
Receipts on previous losses	9 575	14 513
Paid taxes	-23 691	-71 009
Net cash flow from operations	521 823	432 740
New investments leasing	-8 551 401	-6 621 710
Proceeds from sale of leasing assets	1 463 589	1 605 543
Decrease in loans (net)	4 579 367	6 395 320
Decrease (increase) in other receivables	-66 618	277 893
Decrease (increase) in advance payments	-20 486	-38 062
Net cash flow from current financial activity	-2 595 549	1 618 984
Decrease (increase) in tangible assets	18 639	4 229
Net cash flow from investment activity	18 639	4 229
Increase (decrease) in deposits from customers	-70 235	-25 461
Payment of dividends	0	0
Increase (decrease) subordinated debt	0	0
Increase (decrease) in loans from credit institutions	2 211 184	-1 792 733
Increase (decrease) in debt	-855 346	282 980
Increase (decrease) accrued costs	-53 235	-23 502
Currency exchange without cash effect	-1 582	-1 021
Net cash flow from long term financial activity	1 230 786	-1 193 806
Net cash flow	-824 301	862 147
Cash at the 1st of January	927 120	160 987
Cash at end of period	102 819	1 023 134
Reconciliation cash at end of period		
Cash and balances with central banks	9	9
Deposits with credit institutions	102 809	1 023 125
Cash at end of period	102 819	1 023 134

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 15 regional and sales offices in Norway, 4 offices in Sweden and 2 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 Essendrops gate 7, Oslo.

The interim financial statements for the period ended June 30th 2022, were authorised for issue by the Board of Directors on August 15th, 2022.

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 6 month period ending June 30th 2022, 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 2021.

IFRS, IFRIC interpretation and amendments applied by Nordea Finance Equipment AS as at January 1st, 2022

The following amended standards issued by the International Accounting Standards Board (IASB) were implemented by Nordea Finance Equipment on 1 January 2022, but have not had any significant impact on Nordea Finance Equipment's financial statements.

Accounting standards, amendments or interpretation	Adoption date by the European Union	
	Union	Effective date
Amendments to IFRS 3 Business Combinations	25.10.2018	01.01.2022
Amendments to IAS 16 Property, Plant and Equipment	14.10.2020	01.01.2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	14.05.2020	01.01.2022

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 June 30, 2022. 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 June 2022.

Accounting standards, Amendments or interpretation adopted by the European Union on June 30, 2022

No new standards

Accounting standards, amendments or interpretations not yet adopted by the European Union on June 30, 2022

Accounting standards, amendments or interpretations	Adoption date by the IASB	
	the IASB	Effective date
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies	01.02.2021	01.01.2023
Amendments to IAS 8 - Definition of Accounting Estimates	01.02.2021	01.01.2023

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 2022.

4. NET INTEREST INCOME

<i>(in NOK thousand)</i>	Q2, 2022	Q2, 2021	YTD Q2, 2022	YTD Q2, 2021
Interest income from financial institutions, valued at amortised cost	4 742	1 722	8 099	4 481
Interest income from customers financial leases and loans, valued at amortised cost	410 902	348 090	791 429	691 460
Interest income financial instruments	2 448	988	4 287	2 210
Total interest income	418 092	350 800	803 815	698 151
Interest expenses to financial institutions, valued at amortised cost	-91 596	-36 783	-157 773	-75 803
Interest expenses on deposits and debt to customers, valued at amortised cost	-440	-170	-669	-637
Interest expenses financial instruments	4 164	-3 115	3 994	-5 013
Interest expenses on subordinated liabilities	-5 114	-3 662	-9 582	-7 451
Other interest expenses	-1 556	-974	-2 749	-2 199
Total interest expenses	-94 541	-44 705	-166 778	-91 103
Net interest income	323 550	306 095	637 037	607 047

5. NET FEES AND INCOME ON OTHER ACTIVITY

<i>(in NOK thousand)</i>	Q2, 2022	Q2, 2021	YTD Q2, 2022	YTD Q2, 2021
Fee and commission income from loans and similar to customers	69 863	68 169	155 980	150 342
Fee and Commission income	69 863	68 169	155 980	150 342
Fee and commission expenses from loans and similar to customers	-37 833	-37 237	-90 550	-88 452
Other fee and commission expense	-2 900	-3 641	-6 243	-7 329
Fee and Commission expense	-40 733	-40 878	-96 794	-95 781
Net commission and fee income	29 130	27 291	59 186	54 561
Gains and losses repossessed assets	11 373	6 199	28 015	9 137
Termination gain and loss	30 259	35 590	62 079	69 059
Income from extension of leasing contracts	9 375	8 687	18 847	18 044
Other income	-81	-69	-61	268
Total income other activity	50 926	50 408	108 881	96 509

6. NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

<i>(in NOK thousand)</i>	Q2, 2022	Q2, 2021	YTD Q2, 2022	YTD Q2, 2021
Net gains on financial derivatives, trading	954	110	2 446	738
Change in fair value on financial derivatives, hedging	14 086	-226	38 663	17 312
Change in fair value on hedged fixed interest loans	-14 467	-1 484	-41 876	-19 331
Net change in value and gains on foreign currency	158	-411	45	125
Net gains/losses on financial instruments at fair value through P&L	731	-2 011	-721	-1 156

7. OPERATING EXPENSES

<i>(in NOK thousand)</i>	Q2, 2022	Q2, 2021	YTD Q2, 2022	YTD Q2, 2021
Payroll	-48 948	-69 536	-118 488	-143 188
Pensions	-7 402	-8 114	-15 899	-18 173
Social security costs	-8 003	-9 094	-18 969	-23 334
Other staff cost	-15 557	-6 842	-22 505	-23 063
Staff costs	-79 910	-93 586	-175 861	-207 759
Rent and other office costs	-3 717	-3 123	-6 630	-5 568
Fees and temporary staff	-25 426	-20 771	-48 838	-43 705
Travel and marketing	-3 766	-1 601	-5 818	-2 866
Other operating costs	-2 878	-3 507	-5 814	-7 610
Intragroup services	-7 646	0	-17 023	0
Depreciation and gain/loss	-5 423	-9 957	-13 328	-19 660
Other expenses	-48 857	-38 959	-97 451	-79 410
Total operating expenses	-128 767	-132 545	-273 312	-287 169

8. LOANS TO CREDIT INSTITUTIONS

(in NOK thousand)

	YTD Q2, 2022	YTD Q2, 2021
Deposits with credit institutions	102 809	1 023 125
Loans to credit institutions	258	606
Due from banks before impairment	103 067	1 023 731
Impairment of individually impaired loans	0	0
Revaluation of hedged item	0	0
Net due from banks	103 067	1 023 731

9. LOANS TO THE PUBLIC

(in NOK thousand)

	YTD Q2, 2022	YTD Q2, 2021
Equipment loans	5 608 691	5 037 385
Factoring receivables	228 721	268 166
Factoring loans	1 928 871	1 748 587
Financial lease agreements	34 557 663	32 726 689
Customer loans before impairment	42 323 946	39 780 828
Impairment of individually impaired loans	-455 389	-533 907
Net due from customers	41 868 557	39 246 921

10. ALLOWANCES RECOGNISED AND CUSTOMER LOANS

(in NOK thousand)

	Stage 1	Stage 2	Stage 3	YTD Q2, 2022
				Total
Allowances on loans as of 01.01	-134 269	-67 273	-291 080	-492 622
Allowances on new loans	-45 345	-7 834	-4 706	-57 885
Movement from S1 to S2	9 227	-23 841		-14 614
Movement from S1 to S3	1 159		-18 167	-17 008
Movement from S2 to S3		5 790	-44 251	-38 461
Movement from S3 to S2		-2 420	30 629	28 209
Movement from S3 to S1	-240		6 447	6 207
Movement from S2 to S1	-3 968	19 446		15 478
Loans terminated	2 939	2 782	11 791	17 512
Change within stage	41 661	15 745	40 388	97 794
Allowances on loans at end of period	-128 836	-57 605	-268 949	-455 390
Customer loans before impairment	38 732 334	2 888 081	703 531	42 323 946

(in NOK thousand)

	Stage 1	Stage 2	Stage 3	YTD Q2, 2021
				Total
Allowances on loans as of 01.01	-95 778	-72 873	-366 305	-534 956
Allowances on new loans	-32 451	-4 253	-13 711	-50 415
Movement from S1 to S2	7 538	-21 793		-14 255
Movement from S1 to S3	964		-28 290	-27 326
Movement from S2 to S3		4 442	-37 791	-33 348
Movement from S3 to S2		-1 696	26 133	24 436
Movement from S3 to S1	-53		1 502	1 449
Movement from S2 to S1	-3 771	15 068		11 297
Loans terminated	4 042	2 006	20 096	26 144
Change within stage	-1 269	7 582	56 753	63 066
Allowances on loans at end of period	-120 778	-71 516	-341 613	-533 908
Customer loans before impairment	35 252 139	3 711 005	817 683	39 780 828

11. LOSSES AND ALLOWANCES RECOGNISED IN PROFIT AND LOSS

(in NOK thousand)

	YTD Q2, 2022	YTD Q2, 2021
Losses on loans		
Write-downs for loan losses at end of period	-455 389	-533 907
Exchange rate adjustments (opening balance)	-21 290	-23 991
Write-downs for loan losses as at 01.01	492 622	534 956
Total actual losses	2 206	-12 611
Income on actual losses	9 575	14 513
Net loan losses	27 725	-21 041

12. LEASING (FINANCIAL LEASING ASSETS)

(in NOK thousand)

	YTD Q2, 2022	YTD Q2, 2021
Purchase cost 01.01	62 031 965	61 443 990
Exchange rate difference	380 419	-608 987
Inflow during the year	8 551 401	6 621 710
Outflow during the year	-6 171 291	-6 139 326
Purchase cost at end of period	64 792 494	61 317 386
Accumulated ordinary depreciation 01.01	26 652 700	25 403 661
Exchange rate difference	148 755	-234 139
Ordinary depreciation during the year	5 435 975	5 338 427
Reversed depreciation sold assets	-4 803 588	-4 628 593
Accumulated depreciation at end of period	27 433 842	25 879 357
Book value leasing assets at end of period	37 358 653	35 438 029
Customer receivable	-2 776 033	-2 676 387
Other accruals	-24 957	-34 953
Book value in the balance sheet at end of period	34 557 663	32 726 689

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	8 883 627	8 344 943
1 to 5 years	28 131 486	26 425 652
Future minimum finance lease rental	37 015 113	34 770 595
Average interest	3,41 %	3,00 %
Present value of minimum lease payments	34 176 085	32 383 502
Unearned finance income	2 457 451	2 043 905

13. RISK CLASSIFICATION

(in NOK thousand)

Days outstanding status	YTD Q2, 2022	
	Net loans to customers	Whereof past due, non-doubtful
Not past due	40 257 852	
1-29	1 288 885	1 235 957
30-59	54 044	43 875
60-89	158 457	123 725
90-179	71 049	10 176
> 180	25 163	16 018
> 1 year	13 107	2 631
Total	41 868 557	1 432 382

(in NOK thousand)

Days outstanding status	YTD Q2, 2021	
	Net loans to customers	Whereof past due, non-doubtful
Not past due	38 768 712	
1-29	14 418	1 105 312
30-59	39 337	31 044
60-89	294 943	138 357
90-179	86 572	9 002
> 180	36 778	8 815
> 1 year	6 161	3 138
Total	39 246 921	1 295 668

Credit exposure:

(in NOK thousand)

	YTD Q2, 2022	YTD Q2, 2021
Net loans to customers	41 868 557	39 246 921
Positive market value derivatives	253 009	925
Guarantee liabilities and loan commitments	2 995 223	1 983 078
Total credit exposure	45 116 789	41 230 924

14. DOUBTFUL LOANS

<i>(in NOK thousand)</i>	YTD Q2, 2022	YTD Q2, 2021
Gross doubtful loans	703 531	817 683
- Write-downs on impaired assets	-268 949	-341 613
Net doubtful loans	434 582	476 070

15. INCOME TAX

The company calculates the tax payable based on an estimated effective tax rate. For 2021 the effective tax rate was 34,48 % at year end and the expected effective tax rate for 2021 was 22,0 %. For 2022 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 June 2022. The main contributor to the fluctuation in effective tax rate is exchange rate effects from the portfolio.

<i>(in NOK thousand)</i>	YTD Q2, 2022	YTD Q2, 2021
Current income tax expense	-8 881	-122 729
Gross deferred tax expense	-114 439	26 508
Income tax expense for the period	-123 320	-96 221

16. DEPOSITS BY CREDIT INSTITUTIONS

<i>(in NOK thousand)</i>	YTD Q2, 2022	YTD Q2, 2021
Demand deposits and current accounts	0	68 097
Term deposits borrowings	32 947 131	31 186 414
Related payables	47 866	18 174
Revaluation of hedged item due to banks	0	0
Total	32 994 997	31 272 686

17. SUBORDINATED LIABILITIES

<i>(in NOK thousand)</i>	YTD Q2, 2022	YTD Q2, 2021
Subordinated liabilities	550 000	550 000
Subordinated liabilities related payables	180	112
Total	550 180	550 112

18. INFORMATION ON RELATED PARTIES

<i>(in NOK thousand)</i>	YTD Q2, 2022	YTD Q2, 2021
Assets/interest income		
Loans to Group companies	258	606
Revaluation of hedged item	0	0
Interest income from group companies	0	0
Other assets	2 654	3 376
Liability/interest expense		
Loans from Group companies	28 245 739	24 445 256
Related payables Group companies	38 550	13 414
Revaluation of hedged item due to banks	0	0
Other liabilities	3 240	0
Interest expenses to group companies	-127 417	-56 728
Subordinated liabilities	550 000	550 000
Interest expenses on subordinated liabilities	-9 582	-7 451

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 June 2022, 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 6-month period ending 30 June 2022.

20. CAPITAL ADEQUACY

(in NOK thousand)

	YTD Q2, 2022	YTD Q2, 2021
<i>Common Equity Tier 1 capital</i>		
Share capital	945 436	945 436
Share premium account	240 639	240 639
Other equity	6 166 027	5 544 252
Independently reviewed interim profits net of any foreseeable charge and dividend	0	0
Common Equity Tier 1 capital before regulatory adjustment	7 352 102	6 730 327
<i>Common equity Tier 1 capital: Regulatory adjustment</i>		
Deferred tax assets		
Intangible assets (net of related tax liability)	-13 352	-13 111
Value adjustments due to the requirements for prudent valuation	-52	-53
Negative amounts resulting from the calculation of expected loss	-30 043	-16 585
Total regulatory adjustments to Common Equity Tier 1	-43 446	-29 748
Common Equity Tier 1 capital	7 308 656	6 700 579
Additional Tier 1 capital	0	0
Tier 1 capital	7 308 656	6 700 579
<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	7 858 656	7 250 579
<i>Calculation basis</i>		
Standardised method		
Local and regional authorities (including municipalities)	167 465	172 526
Institutions	35 659	214 226
Corporate	9 462 132	8 393 801
Other	135 214	236 426
Engagements in default	173 113	170 569
Total Credit risk, standardised method	9 973 583	9 187 549
IRB method		
Corporate - small and medium sized businesses	13 814 680	12 192 788
Corporate - other	5 041 508	5 385 307
Total Credit risk, IRB method	18 856 188	17 578 095
Credit risk weighted assets	28 829 771	26 765 644
Operational risk, basic indicator approach	2 911 940	2 822 333
Additional requirement according to Basel II floor	0	0
Total calculation basis	31 741 711	29 587 977
<i>Capital ratios and buffers</i>		
Common Equity Tier 1	23,03 %	22,65 %
Tier 1	23,03 %	22,65 %
Total capital	24,76 %	24,51 %
Capital requirement including institution specific buffers	10,80 %	12,12 %
...of which: capital conservation buffer	2,50 %	2,50 %
...of which: countercyclical buffer	0,95 %	0,62 %
...of which: systemic risk buffer	2,85 %	4,50 %
...of which: systemically important institution buffer	0,00 %	0,00 %
Common Equity Tier 1 above minimum capital requirements and capital buffers	12,22 %	10,52 %
Tier 1 capital above minimum capital requirements and capital buffers	10,72 %	9,02 %
Total capital above minimum capital requirements and capital buffers	10,46 %	8,88 %

<i>Capital ratios and buffers, nominal amounts</i>		
Institution specific buffer requirement	3 428 569	3 586 595
...of which: capital conservation buffer	793 543	793 543
...of which: countercyclical buffer	301 546	197 370
...of which: systemic risk buffer	905 103	1 428 377
...of which: systemically important institution buffer	0	0
Common Equity Tier 1 above minimum capital requirements and capital buffers	3 880 087	3 340 653
Tier 1 capital above minimum capital requirements and capital buffers	3 403 961	2 864 527
Total capital above minimum capital requirements and capital buffers	3 319 127	2 819 728
Amount below the thresholds for deductions		
Deferred tax assets arising from temporary differences	1 753	987
Pillar 2 requirement		
Additional core capital buffer requirement ratio	1,7 %	1,5 %
Additional core capital buffer requirement	539 609	443 820
Leverage ratio		
Total Leverage Ratio exposure	44 354 551	42 373 523
Leverage Ratio	16,5 %	15,8 %

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.

New regulations on capital requirements

Risk exposure amount (REA), own funds and capital ratios are calculated according to the Capital Requirement Directive (CRD) / Capital Requirement Regulation (CRR).

Several capital buffers are required. The capital conservation buffer (CCoB) applies with 2.5%. The systemic risk buffer remain unchanged and applies with 3% for banks subject to Standardised approach and Foundation IRB approach until 31.12.2022, while the Advanced IRB banks are subject to a systemic risk buffer of 4.5%. A review is expected during Q3 2022. Norges Bank has decided to raise the countercyclical buffer rate to 1.5, 2.0 and 2.5 percent, effective from 30 June 2022, 31 December 2022, and 31 March 2023, respectively.

From 1 June 2022, the revised capital requirements, through the Banking Package (CRRII, CRDV and BRRDII) also applies in Norway. The revised rules entail extended SME factor, revised crisis and resolution rules, changed MREL requirements and more. Nordea is currently not subject to any MREL requirements in Norway. Pillar 2 is expected to be further adjusted and aligned with CRD V during second half of 2022.

Finalized Basel III framework ("Basel IV")

Basel III is a global regulatory framework on bank capital adequacy, stress testing, and liquidity risk. In December 2017, the finalized Basel III framework, often called the Basel IV package, was published. On 27 October 2021 the proposal for the implementation into EU regulations was published by the European Commission by amendments to the CRD and the CRR. The proposal from the Commission is to set the start date to 1 January 2025. The proposal is currently subject to negotiations in the Parliament and the Council and later between the Commission, the Council and the Parliament before the final set of regulations is decided.

To be applicable in Norway, the revised capital requirement must be incorporated into Norwegian law.

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 2021.

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>	YTD Q2, 2022	YTD Q2, 2021
Financial assets - Level 2		
Hedging derivative assets	253 009	925
Revaluation differences	-27 673	24 893
Total assets	225 336	25 819

<i>(in NOK thousand)</i>	YTD Q2, 2022	YTD Q2, 2021
Financial liabilities - Level 2		
Financial liabilities at fair value through profit and loss	0	0
Hedging derivative liabilities	381	219 925
Total liabilities	381	219 925

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>	YTD Q2, 2022	YTD Q2, 2021
Financial derivatives -assets		
Gross amount	253 009	925
Amounts that are offset	0	0
Net amount in financial position	253 009	925
Financial instruments on balance sheet	-381	-219 925
Cash collateral in the balance sheet	-219 091	0
Net position	33 537	-219 000

<i>(in NOK thousand)</i>	YTD Q2, 2022	YTD Q2, 2021
Financial derivatives -liabilities		
Gross amount	381	219 925
Amounts that are offset	0	0
Net amount in financial position	381	219 925
Financial instruments on balance sheet	-381	-219 925
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, 15 August 2022, not familiar with matters that are likely to change the assessment of the financial position as at 30 June 2022.

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