

Nordea

FINANCE



First-Quarter Financial Report 2023

Nordea Finance Equipment AS

Report of the Board of Directors as of March 31st 2023

Summary

In the three first months of 2023, Nordea Finance Equipment AS has:

-established new financing to clients for MNOK 5 493 (MNOK 4 291)

-net banking income of MNOK 469 (MNOK 400)

-total loan losses/ reversals of MNOK -4 or 0,07% of average funded assets (MNOK 46 or 0.48%)

-total comprehensive income of MNOK 243 (MNOK 248)

-total assets of MNOK 47 478 (MNOK 40 356)

-capital adequacy ratio of 24,5 % (23,2 %) for Tier 1 capital and 26,3% (25,2 %) for total capital.

Business activities

In the three months, Nordea Finance Equipment AS has established new financing in Scandinavia of MNOK 5 493 compared to MNOK 4 291 for the same period in 2022. This is an increase of 28.1%.

In equipment finance, we maintain our position as market leader in Norway. In Norway the activity and volumes after three months in 2023 ends at MNOK 3 187 which is higher compared to MNOK 2 692 at the end of the first quarter of 2022. In Sweden new financing volumes increased compared to last year from MNOK 816 to MNOK 1 121 in Q1 2023. In Denmark new financing volumes increased compared to last year from MNOK 782 to MNOK 1 185 in Q1 2023

Total assets at end of first quarter 2023 are MNOK 47 479 which is 17.7 % higher than MNOK 40 356 at end of March 2022. From 2023 the majority of new sales within equipment finance are booked in Nordea Finance Equipment, and no longer in the sister companies in Nordea Finance.

277 people were employed in Nordea Finance Equipment AS at the end of the first quarter 2023. This is a decrease in staff of 5 since year end 2022. Turn-over in the period ends at 4.7% compared to 2.2% in the same period last year. We consider the level of turnover acceptable.

Financial Results

Nordea Finance Equipment AS has Net Banking Income of MNOK 469 (MNOK 400) in the first three months of 2023. Net Interest Income after three months ends at MNOK 375 (MNOK 313). Net fees, income on other activity and net gains on financial instruments at fair value have increased with 8,5 % to MNOK 94 (MNOK 87). The main driver for this increase is higher gains from repossessed assets.

Operating expenses amount to MNOK 149 (MNOK 145) in the period ending March 31, 2023. This represents an increase of MNOK 4 or 2,8 %.

Total Cost of Risk year to date amounts to MNOK -4 (MNOK 46). This represents 0,07 % of average outstanding loans in the period. Net loans outstanding have increased from NOK 40,5 billion in Q1 2022 to NOK 46,6 billion in Q1 2023 Total write-down for impairment represents 1,0 % of outstanding loans at end of the quarter compared to 1,1 % at end of first quarter last year.

The operating profit is MNOK 316 (MNOK 302) in the first three months of 2023. The main drivers for the increase in operating profit is related to increase net interest income.

Nordea Finance Equipment AS had a net result after tax of MNOK 236 (MNOK 237) for the period from January 1st to March 31st, 2023.

Risk management and Capital adequacy

The regulatory capital by end Q1 is MNOK 7 849. The regulatory capital consists of MNOK 7 299 Tier 1 capital and MNOK 550 Tier 2 capital.

The basis for the calculation of capital requirements and capital adequacy at the end of first quarter was MNOK 35 831, with credit risk weighted assets of MNOK 32 763.

The capital adequacy at end of March 2023 was 21.9%. Tier 1 capital ratio was 20.4%.

In Q1 2023, the countercyclical buffer requirements in Denmark increased to 2.5% from 2.0%, Sweden increased from 1.5% to 2.0% and Norway increased from 2.0% to 2.5%. The other capital buffer requirements are constant in the period and the total capital buffer requirement above the prudential minimum capital levels is 7.57% compared to 6.02% at end of first quarter 2022. The additional prudential pillar 2

requirement is increased from 1,7% to 2.1%. 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.

Oslo, May 8th 2023/ September 11th 2023

Ari Kaperi

Chairman

Peter Hupfeld

Vice chairman

Ulrik Modigh

Petteri Änkilä

Ellen Pløger

Hans Christian Hustad

Sjur Loen

CEO

Income statement

NOK thousand	<i>Notes</i>	Q1, 2023	Q1, 2022	FY 2022
Total interest income	4	708 143	385 724	1 972 964
Total interest expenses	4	-333 054	-72 237	-580 299
Fee and commission income	5	76 557	86 117	306 077
Fee and commission expense	5	-49 780	-56 061	-189 831
Net gains and losses on financial instruments	6	-1 164	-1 453	3 614
Other operating income	5	68 424	57 954	313 124
Net banking income		469 125	400 044	1 825 649
Staff costs	7	-90 652	-95 951	-359 977
Other expenses	7	-58 078	-48 595	-205 527
Gross operating income		320 395	255 499	1 260 145
Net loan losses	11	-4 184	46 351	-27 645
Operating income		316 212	301 850	1 232 500
Income tax expense	15	-79 996	-65 335	-233 286
Profit for the period		236 216	236 514	999 214
Other comprehensive income				
<i>Items that could be reclassified:</i>				
Exchange differences on translation of foreign operations		4 615	-2 482	517
Taxes		-1 013	546	-114
<i>Items that cannot be reclassified:</i>				
Actuarial gains and losses		4 391	17 471	-23 189
Taxes		-966	-3 844	5 102
Total comprehensive income of the period		7 027	11 691	-17 684
Attributable to:				
Shareholders of Nordea Finance Equipment AS		243 243	248 205	981 530

Balance sheet

NOK thousand	Notes	Q1, 2023	Q1, 2022	FY 2022
Cash and balances with central banks		10	9	9
Hedging derivative assets	6,20,21	218 607	40 077	258 061
Loans to credit institutions	8	360 014	598 819	127 459
Loans to the public	9,10,11,12,13	46 619 513	39 489 290	44 805 625
Fair value changes		-23 220	-12 808	-25 693
Repossessed assets		16 768	8 811	18 603
Deferred tax assets	15	102 729	71 941	98 430
Tangible and intangible fixed assets		38 451	54 849	39 497
Other assets		145 802	104 779	121 554
Total		47 478 674	40 355 767	45 443 545
Financial liabilities at fair value through profit and loss	6,21	0	0	0
Hedging derivative liabilities	6,20	0	34 193	0
Deposits by credit institutions	16,18	37 847 173	30 575 927	35 006 634
Deposits and borrowings from the public		187 308	215 069	141 506
Other liabilities		1 131 502	1 331 057	1 136 948
Retirement benefit liabilities		101 453	60 079	103 835
Deferred tax liabilities	15	0	3 844	0
Current tax liabilities	15	93 414	0	181 054
Subordinated liabilities	17	550 362	550 224	550 337
Total liabilities		39 911 212	32 770 394	37 120 314
Share capital		945 436	945 436	945 436
Share premium account		240 639	240 639	240 639
Retained earnings		6 381 387	6 399 298	7 137 155
Total equity		7 567 462	7 585 373	8 323 230
Total		47 478 674	40 355 767	45 443 545

Oslo, 8th May 2023

Ari Antero Kaperi
Chairman

Peter Hupfeld
Vice Chairman

Ulrik Gudmund Modigh

Ellen Vibeke Pløger

Petteri Juha Väinämö Änkilä

Hans Christian Hustad

Sjur Loen
Managing Director

Statement of changes in equity

NOK thousand	Share capital	Share premium	Retained earnings	Translation differences	Other reserves	Total
Equity 01.01.22	945 436	240 639	6 162 120	-4 101	-6 924	7 337 170
Profit for the period			236 514			236 514
Other comprehensive income				-1 936	13 627	11 691
Total equity 31.03.22	945 436	240 639	6 398 634	-6 037	6 703	7 585 373
Equity 01.01.23	945 436	240 639	7 161 334	-3 699	-20 479	8 323 231
Profit for the period			236 216			236 216
Other comprehensive income				3 602	3 425	7 027
Dividends			-999 214			-999 214
Share based payment					204	204
Total equity 31.03.23	945 436	240 639	6 398 336	-97	-16 850	7 567 463

Cash flow statement

NOK thousand	Q1 2023	Q1 2022	FY 2022
Operations			
Interest income	646 232	344 289	1 933 822
Interest expenses	-333 054	-72 237	-580 299
Other receipts	110 556	100 871	585 015
Operating expenses	-162 294	-134 872	-606 464
Receipts on previous losses	5 380	5 424	18 803
Paid taxes	-12 312	-11 765	-43 211
Net cash flow from operations	254 509	231 710	1 307 668
New investments leasing	-4 712 391	-4 030 427	-18 195
Proceeds from sale of leasing assets	905 518	770 303	3 389 554
Decrease in loans (net)	2 042 801	3 149 086	-9 038 330
Decrease (increase) in other receivables	24 813	58 917	-172 589
Decrease (increase) in advance payments	-24 248	-4 512	-21 286
Net cash flow from current financial activity	-1 763 507	-56 633	-5 860 846
Decrease (increase) in tangible assets	-2 032	17 672	37 255
Net cash flow from investment activity	-2 032	17 672	37 255
Increase (decrease) in deposits from customers	45 802	-16 447	-90 010
Payment of dividends	-999 214	0	0
Increase (decrease) in equity	19 211	0	4 533
Increase (decrease) in loans from credit institutions	2 538 065	-207 886	4 222 821
Increase (decrease) in debt	155 095	-270 786	-496 446
Increase (decrease) accrued costs	36	-24 535	74 948
Currency exchange without cash effect	-15 408	-1 936	403
Net cash flow from long term financial activity	1 743 587	-521 590	3 716 248
Net cash flow	232 557	-328 841	-799 676
Cash at the 1st of January	127 444	927 120	927 120
Cash at end of period	360 001	598 279	127 444
Change cash during the period	232 557	-328 841	-799 676
Reconciliation cash at end of period			
Cash and balances with central banks	10	9	9
Deposits with credit institutions	359 991	598 269	127 433
Cash at end of period	360 001	598 280	127 444

Notes

1. Accounting principles

Nordea Finance Equipment AS interim financial statement is prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting endorsed by the European Union (EU).

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2022. The accounting policies and methods of computation are unchanged from the 2022 Annual Report,

2. Important accounting estimates and discretionary evaluation

In the interim report for the first quarter of 2023, Nordea Finance Equipment AS has used important critical assessments of when loans have undergone a significant increase in credit risk and of macro scenarios that are used to calculate changes in expected credit losses. More information about how critical assessments are used and there is uncertainty in the estimates can be found in the annual report for 2022 note 1.

3. Changes in significant accounting policies

No changes in significant accounting policies in 2023.

4. Net interest income

NOK thousand	Q1, 2023	Q1, 2022	FY 2022
Interest income from financial institutions, valued at amortised cost	31 846	3 357	41 622
Interest income from customers financial leases and loans, valued at amortised cost	669 771	380 527	1 918 509
Interest income financial instruments	6 525	1 839	12 779
Total interest income	708 143	385 724	1 972 964
Interest expenses to financial institutions, valued at amortised cost	-309 784	-66 177	-551 531
Interest expenses on deposits and debt to customers, valued at amortised cost	-5 114	-229	-15 796
Interest expenses financial instruments	15 800	-169	29 894
Interest expenses on subordinated liabilities	-7 614	-4 468	-22 381
Other interest expenses	-26 343	-1 194	-20 484
Total interest expenses	-333 054	-72 237	-580 299
Net interest income	375 089	313 487	1 392 666

5. Net fees and income on other activity

NOK thousand	Q1, 2023	Q1, 2022	FY 2022
Fee and commission income from loans and similar to customers	76 557	86 117	306 077
Fee and Commission income	76 557	86 117	306 077
Fee and commission expenses from loans and similar to customers	-46 933	-52 717	-177 555
Other fee and commission expense	-2 847	-3 343	-12 276
Fee and Commission expense	-49 780	-56 061	-189 831
Net commission and fee income	26 777	30 056	116 246
Gains and losses repossessed assets	16 401	16 642	37 470
Termination gain and loss	40 727	31 820	235 567
Income from extension of leasing contracts	11 360	9 472	40 131
Other income	-63	20	-45
Total income other activity	68 424	57 954	313 124

6. Net gains on financial instruments at fair value

NOK thousand	Q1, 2023	Q1, 2022	FY 2022
Net gains on financial derivatives, trading	-536	1 493	2 416
Change in fair value on financial derivatives, hedging	-4 209	24 577	41 023
Change in fair value on hedged fixed interest loans	3 313	-27 409	-39 749
Net change in value and gains on foreign currency	268	-113	-76
Net gains/losses on financial instruments at fair value through P&L	-1 164	-1 453	3 614

7. Operating expenses

NOK thousand	Q1, 2023	Q1, 2022	FY 2022
Payroll	-57 994	-69 540	-229 849
Pensions	-9 764	-8 497	-31 477
Social security costs	-8 966	-10 966	-37 278
Other staff cost	-13 928	-6 949	-61 373
Staff costs	-90 652	-95 951	-359 977
Rent and other office costs	-10 490	-2 913	-16 332
Fees and temporary staff	-23 158	-23 412	-94 561
Travel and marketing	-3 052	-2 051	-15 152
Other operating costs	-2 899	-2 936	-12 663
Intragroup services	-13 371	-9 378	-40 627
Depreciation and gain/loss	-5 109	-7 905	-26 192
Other expenses	-58 078	-48 595	-205 527
Total operating expenses	-148 730	-144 546	-565 503

8. Loans to credit institutions

NOK thousand	Q1 2023	Q1 2022
Deposits with credit institutions	359 991	598 269
Loans to credit institutions	23	550
Due from banks before impairment	360 014	598 819

9. Loans to the public

NOK thousand	Q1 2023	Q1 2022
Equipment loans	7 036 746	5 118 476
Factoring receivables	207 787	238 398
Factoring loans	1 301 988	1 705 354
Financial lease agreements	38 531 088	32 860 865
Financial lease agreements allowance S3	-244 882	-250 001
Impairment of individually impaired loans	-481 315	-433 804
Net due from customers	46 596 293	39 489 290

10. Allowances recognised and customer loans

NOK thousand				Q1 2023
	Stage 1	Stage 2	Stage 3	Total
Allowances on loans as of 01.01	-144 685	-71 236	-265 867	-481 788
Allowances on new loans	-24 322	-1 707	-381	-26 409
Movement from S1 to S2	10 445	-31 619	0	-21 174
Movement from S1 to S3	680	0	-13 868	-13 188
Movement from S2 to S3	0	3 701	-23 485	-19 784
Movement from S3 to S2	0	-1 172	11 468	10 295
Movement from S3 to S1	-43	0	2 633	2 589
Movement from S2 to S1	-5 323	17 400	0	12 077
Loans terminated	2 560	1 443	5 108	9 111
Change within stage	12 265	4 766	29 924	46 955
Allowances on loans at end of period	-148 424	-78 423	-254 469	-481 316
Customer loans before impairment	42 678 412	3 707 732	691 465	47 077 609

NOK thousand				Q1 2022
	Stage 1	Stage 2	Stage 3	Total
Allowances on loans as of 01.01	-134 269	-67 273	-291 080	-492 622
Allowances on new loans	-21 154	-2 904	-493	-24 551
Movement from S1 to S2	6 924	-17 807	0	-10 884
Movement from S1 to S3	269	0	-6 770	-6 501
Movement from S2 to S3	0	3 752	-22 136	-18 383
Movement from S3 to S2	0	-1 601	20 487	18 886
Movement from S3 to S1	-177	0	2 801	2 625
Movement from S2 to S1	-3 094	12 816	0	9 723
Loans terminated	1 204	1 026	5 216	7 447
Change within stage	37 711	12 326	30 420	80 457
Allowances on loans at end of period	-112 586	-59 665	-261 553	-433 804
Customer loans before impairment	36 349 808	2 979 760	593 526	39 923 094

11. Losses and allowances recognised in profit and loss

NOK thousand	Q1 2023	Q1 2022
Losses on loans		
Write-downs for loan losses at end of period	-481 315	-433 804
Exchange rate adjustments (opening balance)	-8 344	-31 058
Write-downs for loan losses as at 01.01	481 788	492 622
Total actual losses	-1 693	13 167
Income on actual losses	5 380	5 424
Net loan losses	-4 184	46 351

12. Leasing (financial leasing assets)

NOK thousand	Q1 2023	Q1 2022
Purchase cost 01.01	67 408 997	62 031 965
Exchange rate difference	1 317 477	-717 650
Fair value changes	-23 220	0
Inflow during the year	4 712 391	4 030 427
Outflow during the year	-3 504 889	-3 114 317
Purchase cost at end of period	69 910 757	62 230 425
Accumulated ordinary depreciation 01.01	27 614 536	26 652 700
Exchange rate difference	513 121	-287 369
Ordinary depreciation during the year	2 853 592	2 688 190
Reversed depreciation sold assets	-2 655 891	-2 392 572
Accumulated depreciation at end of period	28 325 359	26 660 949
Book value leasing assets at end of period	41 585 398	35 569 475
Customer receivable	-3 042 596	-2 690 876
Other accruals	-11 715	-17 734
Book value in the balance sheet at end of period	38 531 088	32 860 865
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	10 375 656	8 428 692
1 to 5 years	32 856 244	26 690 857
After 5 years	0	
Future minimum finance lease rental	43 231 900	35 119 549
Average interest	5,74 %	3,30 %
Present value of minimum lease payments	38 160 546	32 428 938
Unearned finance income	4 677 692	2 258 683

13. Risk classification

NOK thousand	Q1 2023	
Days outstanding status	Net loans to customers	Whereof past due, non-doubtful
Not past due	44 899 538	
1-29	1 206 518	1 156 443
30-59	335 898	279 515
60-89	71 766	37 036
90-179	77 781	52 013
> 180	9 932	4 679
> 1 year	18 081	9 950
Total	46 619 513	1 539 635

NOK thousand	Q1 2022	
Days outstanding status	Net loans to customers	Whereof past due, non-doubtful
Not past due	38 073 290	
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	39 489 290	1 290 445

Credit exposure: NOK thousand	Q1 2023	Q1 2022
Net loans to customers	46 619 513	39 489 290
Positive market value derivatives	218 607	40 077
Guarantee liabilities and loan commitments	2 995 223	2 995 223
Total credit exposure	49 833 343	42 524 590

14. Doubtful loans

NOK thousand	Q1 2023	Q1 2022
Gross doubtful loans	691 465	593 526
- Write-downs on impaired assets	-254 468	-261 553
Net doubtful loans	436 997	331 974

15. Income tax

The company calculates the tax payable based on an estimated effective tax rate. For 2022 the effective tax rate was 18,93 % at year end and the expected effective tax rate for 2022 was 22,0 %. For 2023 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 31 mars 2023. The main contributor to the fluctuation in effective tax rate is exchange rate effects from the portfolio.

NOK thousand	YTD 2023	YTD 2022
Current income tax expense	-87 373	-211 340
Gross deferred tax expense	7 378	-21 945
Income tax expense for the period	-79 996	-233 286

16. Deposits by credit institutions

NOK thousand	Q1 2023	Q1 2022
Demand deposits and current accounts	302 474	0
Term deposits borrowings	37 397 815	30 539 931
Related payables	146 884	35 996
Revaluation of hedged item due to banks	0	0
Total	37 847 173	30 575 927

17. Subordinated liabilities

NOK thousand	Q1 2023	Q1 2022
Subordinated liabilities	550 000	550 000
Subordinated liabilities related payables	362	224
Total	550 362	550 224

18. Information on related parties

NOK thousand	Q1 2023	Q1 2022
Assets/interest income		
Loans to Group companies	23	550
Other assets	4 885	4 579
Liability/interest expense		
Loans from Group companies	32 568 107	25 273 378
Related payables Group companies	122 809	30 095
Interest expenses to group companies	-255 006	-54 171
Subordinated liabilities	550 000	550 000
Interest expenses on subordinated liabilities	-7 614	-4 468

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

19. Capital adequacy

NOK thousand	Q1 2023	Q1 2022
<i>Common Equity Tier 1 capital</i>		
Share capital	945 436	945 436
Share premium account	240 639	240 639
Other equity	6 130 704	6 162 784
Independently reviewed interim profits net of any foreseeable charge and dividend	0	0
Common Equity Tier 1 capital before regulatory adjustment	7 316 779	7 348 859
<i>Common equity Tier 1 capital: Regulatory adjustment</i>		
Deferred tax assets	0	0
Intangible assets (net of related tax liability)	-9 028	-12 893
Value adjustments due to the requirements for prudent valuation	-50	-23
Negative amounts resulting from the calculation of expected loss	-9 141	-27 295
Total regulatory adjustments to Common Equity Tier 1	-18 219	-40 210
Common Equity Tier 1 capital	7 298 560	7 308 649
Additional Tier 1 capital	0	0
Tier 1 capital	7 298 560	7 308 649
<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	7 848 560	7 858 649
<i>Calculation basis</i>		
Standardised method		
Local and regional authorities (including municipalities)	412 179	344 955
Institutions	88 060	130 885
Corporate	10 921 424	9 513 353
Other	129 775	123 959
Engagements in default	216 323	145 242
Total Credit risk, standardised method	11 767 759	10 258 395

IRB method		
Corporate - small and medium sized businesses	15 008 391	12 555 923
Corporate - other	5 986 740	4 165 674
Total Credit risk, IRB method	20 995 131	16 721 597
Credit risk weighted assets	32 762 890	26 979 992
Operational risk, basic indicator approach	3 068 288	2 911 940
Additional requirement according to Basel II floor	0	0
Total calculation basis	35 831 178	29 891 932
<i>Capital ratios and buffers</i>		
Common Equity Tier 1	20,37%	24,45%
Tier 1	20,37%	24,45%
Total capital	21,90%	26,29%
Capital requirement including institution specific buffers	12,07%	10,52%
...of which: capital conservation buffer	2,50%	2,50%
...of which: countercyclical buffer	2,29%	0,64%
...of which: systemic risk buffer	2,77%	2,88%
...of which: systemically important institution buffer	0,00%	0,00%
Common Equity Tier 1 above minimum capital requirements and capital buffers	8,30%	13,93%
Tier 1 capital above minimum capital requirements and capital buffers	6,80%	12,43%
Total capital above minimum capital requirements and capital buffers	6,33%	12,27%
<i>Capital ratios and buffers, nominal amounts</i>		
Institution specific buffer requirement	4 323 509	3 144 631
...of which: capital conservation buffer	895 779	747 298
...of which: countercyclical buffer	821 251	191 308
...of which: systemic risk buffer	994 075	860 888
...of which: systemically important institution buffer	0	0
Common Equity Tier 1 above minimum capital requirements and capital buffers	2 975 302	4 164 018
Tier 1 capital above minimum capital requirements and capital buffers	2 437 835	3 715 639
Total capital above minimum capital requirements and capital buffers	2 269 428	3 667 800
Amount below the thresholds for deductions		
Deferred tax assets arising from temporary differences		71 941
Pillar 2 requirement		
Additional core capital buffer requirement ratio	2,1 %	1,7 %
Additional core capital buffer requirement	743 969	508 163
Leverage ratio		
Total Leverage Ratio exposure	49 702 859	41 129 428
Leverage Ratio	14,7 %	17,8 %

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.

20. 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 2022.

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

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

NOK thousand	Q1 2023	Q1 2022
Financial assets - Level 2		
Hedging derivative assets	218 436	40 077
Revaluation differences	-23 220	-12 808
Total assets	195 216	27 269
NOK thousand		
Financial liabilities - Level 2		
Financial liabilities at fair value through profit and loss	0	0
Hedging derivative liabilities	-171	34 193
Total liabilities	-171	34 193

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

21. Offsetting

The company has established CSA agreements (collateral security agreement) with its main counterparts. The agreements involve a mutual commitment to provide collateral

NOK thousand	Q1 2023	Q1 2022
Financial derivatives -assets		
Gross amount	218 607	40 077
Amounts that are offset	0	0
Net amount in financial position	218 607	40 077
Financial instruments on balance sheet	0	-34 193
Cash collateral in the balance sheet	-488 360	0
Net position	-269 754	5 884
NOK thousand	Q1 2023	Q1 2022
Financial derivatives -liabilities		
Gross amount	0	34 193
Amounts that are offset	0	0
Net amount in financial position	0	34 193
Financial instruments on balance sheet	0	-34 193
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.

22. Contingencies

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

23. Assets pledged and received as security

Nordea Finance Equipment AS has no assets pledged as security.

24. Events after the reporting period

The company is at the date of issue, 8th May 2023, not familiar with matters that are likely to change the assessment of the financial position as at 31 Mars 2023.