

Nordea

FINANCE



Interim financial statements

Q3 2020

Nordea Finance Equipment AS
Unaudited figures

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Report of the Board of Directors as of September 30, 2020

In the first nine months of 2020, Nordea Finance Equipment AS has:

- established new financing to clients for MNOK 11 872 (MNOK 13 188 for the same period in 2019).
- net banking income of MNOK 1 120,9 (MNOK 1 160,4).
- net cost of risk of MNOK 143,1 or 0,48 % of average funded assets (MNOK 37,3 or 0,13%).
- total comprehensive income of MNOK 596,8 (MNOK 518,2).
- total assets of MNOK 41 790 (MNOK 39 731).
- capital adequacy ratio of 20,4 % (16,6 %) for tier 1 capital and 22,2 % (18,3 %) for total capital.

Becoming part of the Nordea Family

At the end of 2019, Société Générale signed an agreement with Nordea Bank for the sale of SG Finans. The conditions for the sale, including authorisation from the relevant authorities, were fulfilled and the sale completed on October 1st 2020. In connection with the sale of the company, the new shareholder Nordea Bank Abp elected the new Board of Directors, changed the name of the company from SG Finans AS to Nordea Finance Equipment AS, and started the alignment of the business activities to the existing Nordea Finance companies.

Nordea has a strong brand name, which is naturally beneficial from both a market and an employer branding perspective. Becoming part of Nordea as a leading financial services group in the Nordics offers a wider product range for our clients and partners. Also being part of Nordea and combining forces with Nordea Finance will strengthen our market position, and provide new opportunities for us as a company, and for our employees and our clients and partners.

The company is marketed under the trademark Nordea Finance and has the legal name Nordea Finance Equipment AS from 1st of October.

Business activities

New business volume in Scandinavia is impacted by the Covid-19 pandemic and the measures taken by governments to meet the potential consequences of the pandemic. As actions vary between the three Scandinavian countries so does the impact on the activity and business volumes. For the first nine months in 2020 the new financing in Scandinavia is lower compared to 2019 as we have observed reduced activity since April 2020. In the nine months, Nordea Finance Equipment AS has established new financing in Scandinavia of MNOK 11 872 compared to MNOK 13 188 for the same period in 2019. This is a decrease of 10 %. Margins for new financing are generally higher compared to the same period last year. Going forward, we monitor closely the evolution in the different markets considering the new increase in contagion and Corona cases lately.

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 2020 is lower compared to last year. In Sweden, new financing volumes are stable compared to last year and we estimate that we maintain our market share. Volumes in Denmark are lower, and we expect that our market share is trending slightly down compared to same period in 2019. Within Factoring, Nordea Finance Equipment AS retains the position as market leader in Norway in ordinary factoring.

Total assets at end of third quarter 2020 are MNOK 41 790 which is 5,2 % higher than MNOK 39 730,8 at end of September 2019. A part of this increase is driven by the strengthening of SEK and DKK against NOK as approximately one third of our portfolio is in these currencies. We have also experienced an increasing number of requests for deferment of payment, shortly after the close-down of the economies. However,

we receive less such request as the restrictions were reversed, and there have been very few new requests for deferment of payment during third quarter.

348 people were employed in Nordea Finance Equipment AS at the end of the third quarter. This is a decrease in staff of 11 since year end 2019. Turn-over in the period ends at 5,9% compared to 6,1% 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 1 120,9 in the first nine months of 2020 compared to MNOK 1 160,4 in the same period in 2019. Net Interest Income after nine months ends at MNOK 885,6 which is lower compared to MNOK 892,8 at end of third quarter of 2019. The main reason for the decrease in Net Interest Income is lower margins on outstanding volume while financed assets to clients maintain growth. Furthermore, in connection with the sale of the company, we have early reimbursed the major part of outstanding debt which has led to breakage costs for early repayment of MNOK 66,4 in September 2020. Net fees, income on other activity and net gains on financial instruments at fair value have decreased with 5,3 % to MNOK 235,3 compared with MNOK 267,6 in the same period last year. The main driver for this decrease is lower gains from repossessed assets as well as lower commission income.

Operating expenses amount to MNOK 524 in the period ending September 30, 2020, compared to MNOK 455,5 in the same period in 2019. This represents an increase of MNOK 68,5 or 15%. The increase in operating expenses is mainly due to variable compensation to staff linked to the sale of the company and temporary increased use of external consultants linked to the separation from Société Générale Group.

Total Cost of Risk year to date amounts to MNOK 143,1 compared to MNOK 37,3 in the same period last year. This represents 0,48% of average outstanding loans in the period, which is an increase compared to 0,13% last year. Total write-down for impairment represents 1,26% of outstanding loans at end of the quarter compared to 1,07% at end of third quarter last year.

For the preparation of the financial statements, Nordea Finance Equipment AS used macroeconomic scenarios in the expected credit losses measurement models that include forward-looking data. These scenarios have been established by Société Générale Group economists for all Société Générale Group's entities. A weighting coefficient is assigned for each scenario and the outputs of the models correspond to a probable average of these scenarios. On 31 December 2019, to assess credit losses, SG Finans used three scenarios which were weighted as follows: 72% for the central scenario, 14,3% for the stressed scenario, and 13,7% for the optimistic scenario. On 30 June 2020, the magnitude of the Covid-19 pandemic and future outlook led the Group to adjust the scenarios. In SG Finans, the scenarios were adjusted as follows: 46,41% (72%) for the central scenario, 48,1% (14,3%) for the stressed scenario, and 5,5% (13,7%) for the optimistic scenario. In September, the scenarios were adjusted as follows: 51,23% (46,41%) for the central scenario, 22,38% (48,1%) for the stressed scenario, and 26,39% (5,5%) for the optimistic scenario. The impact in Q3 2020 was TNOK 14 100, which is a reversal compared to the Q2 2020 impact.

The operating profit is MNOK 453,8 in the first nine months of 2020, compared to MNOK 667,6 in the first nine months of last year. The main drivers for the MNOK 213,8 decrease in operating profit is related to the sharp increase in cost of risk.

Nordea Finance Equipment AS produces a net result after tax of MNOK 593,8 for the period from January 1 to September 30, 2020. This compares to a net result after tax of MNOK 519,9 in the same period last year.

The end of Q3 financial statements are used as basis for the calculation of the final purchase price for the sale of the company from Société Générale Group to Nordea Bank Abp. The final purchase price will include other defined elements, and the adjustment of the purchase price will be agreed between the parties in the first part of 2021. In this connection the purchaser shall present to the seller audited financial statements for the period ending Q3 2020, meaning i.a. that the current unaudited interim

financial statement will be reviewed by the purchaser and shall be audited as part of the agreement between the seller and the purchaser.

Risk management and Capital adequacy

The regulatory capital as of September 30 is MNOK 6 593. The regulatory capital consists of MNOK 6 043 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 29 695,2, with credit risk weighted assets of MNOK 26 886,1, and a capital requirement for operational risk corresponding to risk weighted assets of MNOK 2 809,1.

The capital adequacy at end of September 2020 was 22,2 %. Tier 1 capital ratio was 20,4 %. At end of September 2020, 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 6,1% compared to 7,3% at end of third quarter 2019. 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.

Lysaker, November 13, 2020

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>	<i>Notes</i>	Q3, 2020	Q3, 2019	YTD Q3, 2020	YTD Q3, 2019	FY, 2019
Total interest income	4	377 304	428 695	1 217 176	1 195 408	1 676 665
Total interest expenses	4	-116 661	-111 886	-331 580	-302 655	-447 236
Commission and fee income	5	83 685	84 888	253 524	240 754	314 553
Commission and fee expenses	5	-52 003	-49 289	-161 507	-134 355	-174 477
Net gains and losses on financial transactions	6	-351	327	6 443	-474	-179
Income on other activity	5	37 106	48 314	136 847	161 721	206 166
Net banking income		329 081	401 049	1 120 902	1 160 398	1 575 492
Total payroll, fees and other staff cost	7	-135 524	-106 816	-337 216	-306 466	-404 005
Total other operating expenses	7	-75 707	-48 645	-186 787	-149 040	-209 283
Gross operating income		117 849	245 589	596 899	704 891	962 204
Cost of risk	11	1 234	-4 237	-143 086	-37 288	-61 661
Operating income		119 083	241 352	453 813	667 603	900 543
Taxes	15	187 765	-53 765	139 974	-147 698	-252 331
Profit for the period		306 848	187 587	593 787	519 905	648 212
Other comprehensive income						
<i>Items that could be reclassified:</i>						
Exchange differences on translation of foreign operations		568	86	3 850	-2 226	-2 767
Taxes		-125	-19	-847	490	609
<i>Items that cannot be reclassified:</i>						
Actuarial gains and losses						-13 609
Taxes						2 994
Attributable to:						
Equity holder of the parent		307 291	187 654	596 790	518 169	635 439
Total comprehensive income of the period		307 291	187 654	596 790	518 169	635 439

BALANCE SHEET - ASSETS & LIABILITIES

<i>(in NOK thousand)</i>	<i>Notes</i>	Q3, 2020	Q3, 2019	FY, 2019
Cash and deposits with central banks		10	9	9
Hedging derivative assets	6,21,22	44	146 571	97 253
Due from banks	8	574 800	50 663	400 085
Customer loans	9,10,11,12,13	40 726 138	39 133 541	39 199 392
Revaluation differences		60 160	57 990	18 178
Repossessed assets		19 319	32 268	25 485
Deferred tax assets	15	109 081	39 308	0
Tangible and intangible fixed assets		135 531	129 511	122 136
Other assets		164 776	140 940	139 217
Total		41 789 858	39 730 802	40 001 754
Hedging derivative liabilities	6,21	174 289	69 359	84 648
Due to banks	16,18	33 167 647	31 834 556	31 946 015
Customer deposits		266 678	150 127	248 927
Other liabilities		859 787	907 277	780 103
Pension liabilities	19	98 633	89 944	94 490
Deferred tax liabilities	15	0	0	8 167
Current tax liabilities	15	0	170 828	213 361
Subordinated debt	17	550 116	550 062	550 126
Total liabilities		35 117 150	33 772 153	33 925 836
Share capital		945 436	945 436	945 436
Share premium account		240 639	240 639	240 639
Other equity including profit for the year		5 486 633	4 772 574	4 889 843
Total equity		6 672 708	5 958 649	6 075 918
Total		41 789 858	39 730 802	40 001 754

Lysaker, November 13th, 2020

Ari Kaperi
Chairman

Peter Hupfeld
Vice chairman

Ulrik Modigh

Magnus Jacobson

Mariann H. Gulbrandsen

Ellen Pløger

STATEMENT OF CHANGES IN EQUITY

<i>in NOK thousand</i>	Share capital	Share premium	Retained earnings	Translation differences	Actuarial gains and losses	Total
Equity 01.01.19	945 436	240 639	4 270 360	25	-15 980	5 440 480
Profit for the period			519 905			519 905
Other comprehensive income				-1 736		-1 736
Dividends						0
Total equity 30.09.2019	945 436	240 639	4 790 265	-1 711	-15 980	5 958 649
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	0	3 003
Dividends						0
Total equity 30.09.2020	945 436	240 639	5 512 359	869	-26 595	6 672 708

CASH FLOW STATEMENT

Amounts in NOK thousand

	2020	2019
Operations		
Interest income	1 151 005	1 147 580
Interest expenses	-331 580	-302 655
Other receipts	277 379	304 299
Operating expenses	-509 739	-453 151
Receipts on previous losses	11 407	11 058
Paid taxes	-234 338	-143 468
Net cash flow from operations	364 134	563 663
New investments leasing	-9 869 022	-11 120 276
Proceeds from sale of leasing assets	2 231 715	2 576 238
Decrease in loans (net)	5 970 781	6 986 136
Decrease (increase) in other receivables	-47 688	-32 213
Decrease (increase) in advance payments	-25 560	-36 449
Net cash flow from current financial activity	-1 739 773	-1 626 564
Decrease (increase) in tangible assets	-9 539	-7 803
Net cash flow from investment activity	-9 539	-7 803
Increase (decrease) in deposits from customers	17 750	-84 515
Payment of dividends	0	0
Increase (decrease) subordinated debt	0	0
Increase (decrease) in loans from credit institutions	1 224 793	691 315
Increase (decrease) in debt	311 935	225 765
Increase (decrease) accrued costs	2 900	1 171
Currency exchange without cash effect	3 003	-1 736
Net cash flow from long term financial activity	1 560 381	832 000
Net cash flow	175 203	-238 704
Cash at the 1st of January	398 455	287 807
Cash at end of period	573 658	49 102
Reconciliation cash at end of period		
Cash and deposits with central banks	10	9
Deposits with financial institutions	573 649	49 093
Cash at end of period	573 658	49 102

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. 1st of October the former SG Finans AS, was purchased by Nordea Bank Abp and changed in name to Nordea Finance Equipment AS. Until 30th of September former SG Finans AS forms part of Société Générale SA, a group with head office in Paris, France. From 1st of October 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 2020, were authorised for issue by the Board of Directors on November 13th, 2020.

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 2020, 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 2019.

IFRS, IFRIC interpretation and amendments applied by Nordea Finance Equipment AS as at January 1st, 2020

Accounting standards, amendments or interpretation	Adoption date by the European Union	
	Union	Effective date
Amendments to References to the Conceptual Framework in IFRS Standards	29.03.2018	01.01.2020
Amendments to IAS 1 and IAS 8: Definition of Material	31.10.2018	01.01.2020
Interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7)	26.09.2019	01.01.2020

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, 2020. These accounting standards and interpretations are required to be applied from annual periods beginning on January 1, 2021 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 2020.

Accounting standards, Amendments or interpretation adopted by the European Union on September 30, 2020

No new standards

Accounting standards, amendments or interpretations not yet adopted by the European Union on September 30, 2020

Accounting standards, amendments or interpretations	Adoption date by the IASB	
	Effective date	Effective date
IFRS 17 Insurance Contracts	18.05.2017	01.01.2021
Amendments to IFRS 3,16, IAS 37,Annual improvements 2018-2020	14.05.2020	01.01.2020
Amendments to IFRS 16, Covid related ren concessions	28.05.2020	01.06.2020

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. The end of Q3 financial statements are used as basis for the calculation of the final purchase price for the sale of the company from Société Générale Group to Nordea Bank Abp. The final purchase price will include other defined elements, and the adjustment of the purchase price will be agreed between the parties in the first part of 2021. In this connection the purchaser shall present to the seller audited financial statements for the period ending Q3 2020, meaning i.a. that the current unaudited interim financial statement will be reviewed by the purchaser and shall be audited as part of the agreement between the seller and the purchaser.

DEFINING MACROECONOMIC SCENARIOS

For the preparation of the financial statements, Nordea Finance Equipment AS used macroeconomic scenarios in the expected credit losses measurement models that include forward-looking data. These scenarios have been established by SG Group. A weighting coefficient is assigned for each scenario and the outputs of the models correspond to a probabilised average of these scenarios. On 31 December 2019, to assess credit losses, SG Finans used three scenarios which were weighted as follows: 72% for the central scenario, 14,3% for the stressed scenario, and 13,7% for the optimistic scenario.

On 30 June 2020, the magnitude of the Covid-19 pandemic and future outlook led the Group to adjust the scenarios with further adjustment in September 30th 2020. In SG Finans, the scenarios were adjusted as follows in June: 46,41% (72%) for the central scenario, 48,1% (14,3%) for the stressed scenario, and 5,5% (13,7%) for the optimistic scenario.

In September, the scenarios were adjusted as follows: 51,23% (46,41%) for the central scenario, 22,38% (48,1%) for the stressed scenario, and 26,39% (5,5%) for the optimistic scenario.

The impact in Q3 2020 was TNOK 14 100, which is a reversal compared to the Q2 2020 impact.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

No changes in significant accounting policies in 2020.

4. NET INTEREST INCOME

<i>(in NOK thousand)</i>	Q3, 2020	Q3, 2019	2020	2019
Interest income from financial institutions, valued at amortised cost	2 163	4 965	8 855	12 172
Interest income from customers financial leases and loans, valued at amortised cost	374 134	420 421	1 200 165	1 174 376
Interest income financial instruments	1 007	3 309	8 156	8 860
Total interest income	377 304	428 695	1 217 176	1 195 408
Interest expenses to financial institutions, valued at amortised cost	-104 604	-97 249	-301 279	-262 445
Interest expenses on deposits and debt to customers, valued at amortised cost	-693	-839	-1 910	-1 985
Interest expenses financial instruments	-6 576	-7 018	-11 071	-19 055
Interest expenses on subordinated debt	-3 706	-5 317	-13 977	-15 229
Other interest expenses	-1 082	-1 463	-3 344	-3 941
Total interest expenses	-116 661	-111 886	-331 580	-302 655
Net interest income	260 644	316 809	885 596	892 752

5. NET FEES AND INCOME ON OTHER ACTIVITY

<i>(in NOK thousand)</i>	Q3, 2020	Q3, 2019	2020	2019
Commission and fee income from loans and similar to customers	83 685	84 888	253 524	240 754
Commission and fee income	83 685	84 888	253 524	240 754
Commission and fee expenses from loans and similar to customers	-50 854	-48 485	-158 630	-131 936
Other commission and fee expenses	-1 149	-804	-2 878	-2 419
Commission and fee expenses	-52 003	-49 289	-161 507	-134 355
Net commission and fee income	31 682	35 600	92 017	106 399
Gains and losses repossessed assets	2 363	7 500	11 787	24 438
Termination gain and loss	26 204	30 856	96 269	106 172
Income from extension of leasing contracts	8 211	9 501	27 804	28 747
Other income	328	458	987	2 364
Total income other activity	37 106	48 314	136 847	161 721

6. NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

<i>(in NOK thousand)</i>	Q3, 2020	Q3, 2019	2020	2019
Net gains on financial derivatives, trading	0	0	0	507
Change in fair value on financial derivatives, hedging	2 126	2 885	-42 394	1 859
Change in fair value on hedged fixed interest loans	-2 403	-2 577	41 367	-734
Net change in value and gains on foreign currency	-73	19	7 470	-2 105
Net gains/losses on financial instruments at fair value through P&L	-351	327	6 443	-474

7. OPERATING EXPENSES

<i>(in NOK thousand)</i>	Q3, 2020	Q3, 2019	2020	2019
Payroll	-102 679	-74 550	-250 056	-214 441
Pensions	-9 973	-9 718	-31 199	-29 260
Social security costs	-16 148	-12 780	-38 187	-34 302
Other staff cost	-6 724	-9 767	-17 774	-28 464
Total payroll, fees and other staff cost	-135 524	-106 816	-337 216	-306 466
Rent and other office costs	-2 745	-2 964	-7 519	-13 848
Fees and temporary staff	-45 626	-17 225	-93 874	-54 975
Travel and marketing	-2 854	-3 610	-11 921	-18 727
Other operating costs	-4 468	-3 512	-13 273	-11 074
Intragroup services	-10 205	-12 087	-31 151	-24 226
Depreciation and gain/loss	-9 809	-9 248	-29 048	-26 190
Total other operating expenses	-75 707	-48 645	-186 787	-149 040
Total operating expenses	-211 232	-155 460	-524 003	-455 506

8. DUE FROM BANKS

(in NOK thousand)

	2020	2019
Deposits with financial institutions	573 649	49 093
Loans to financial institutions	1 151	1 570
Due from banks before impairment	574 800	50 663
Impairment of individually impaired loans	0	0
Revaluation of hedged item	0	0
Net due from banks	574 800	50 663

9. CUSTOMERS LOANS

(in NOK thousand)

	2020	2019
Equipment loans	4 869 305	4 546 247
Factoring receivables	351 719	348 394
Factoring loans	1 689 411	2 065 370
Financial lease agreements	34 335 299	32 597 738
Customer loans before impairment	41 245 735	39 557 749
Equipment loans allowance S1	-3 485	-2 270
Factoring receivables allowance S1	-6 632	-5 848
Financial lease agreements allowance S1	-69 680	-58 394
Equipment loans allowance S2	-3 139	-866
Financial lease agreements allowance S2	-77 870	-28 872
Equipment loans allowance S3	-17 706	-6 674
Factoring receivables allowance S3	-25 355	-25 877
Financial lease agreements allowance S3	-315 728	-295 405
Impairment of individually impaired loans	-519 596	-424 208
Net due from customers	40 726 138	39 133 541

10. ALLOWANCES RECOGNISED AND CUSTOMER LOANS

(in NOK thousand)

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

(in NOK thousand)

	Stage 1	Stage 2	Stage 3	2019	Total
Allowances on loans as of 01.01	-68 749	-26 459	-359 443	-454 651	-454 651
Allowances on new loans	-22 553	-6 660	-13 505	-42 718	-42 718
Movement from S1 to S2	3 500	-14 400	0	-10 900	-10 900
Movement from S1 to S3	2 574	0	-90 900	-88 326	-88 326
Movement from S2 to S3	0	3 048	-23 070	-20 022	-20 022
Movement from S3 to S2	0	-2 279	32 300	30 021	30 021
Movement from S3 to S1	-82	0	11 329	11 247	11 247
Movement from S2 to S1	-1 803	12 322	0	10 519	10 519
Loans terminated	3 363	1 657	28 118	33 138	33 138
Change within stage	17 237	3 032	87 215	107 484	107 484
Allowances on loans at end of period	-66 513	-29 739	-327 956	-424 208	-424 208
Customer loans before impairment	36 725 825	2 085 894	746 030	39 557 749	39 557 749

11. LOSSES AND ALLOWANCES RECOGNISED IN PROFIT AND LOSS

(in NOK thousand)

	2020	2019
Losses on loans		
Write-downs for loan losses at end of period	-519 596	-424 208
Exchange rate adjustments (opening balance)	40 763	-1 991
Write-downs for loan losses as at 01.01	424 338	454 651
Total actual losses	-99 998	-76 799
Income on actual losses	11 407	11 058
Cost of risk	-143 086	-37 288

12. LEASING (FINANCIAL LEASING ASSETS)

(in NOK thousand)

	2020	2019
Purchase cost 01.01	59 416 966	56 882 134
Exchange rate difference	2 181 671	-315 397
Inflow during the year	9 869 022	11 398 977
Outflow during the year	-8 987 020	-9 204 567
Purchase cost at end of period	62 480 640	58 761 146
Accumulated ordinary depreciation 01.01	23 766 522	22 875 728
Exchange rate difference	810 048	-133 706
Ordinary depreciation during the year	7 726 912	7 539 722
Reversed depreciation sold assets	-6 888 228	-6 739 485
Accumulated depreciation at end of period	25 415 253	23 542 259
Book value leasing assets at end of period	37 065 387	35 218 887
Customer receivable	-2 682 080	-2 578 783
Other accruals	-48 008	-42 366
Book value in the balance sheet at end of period	34 335 299	32 597 738

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	8 831 160	8 404 896
1 to 5 years	27 965 340	26 615 503
After 5 years		
Future minimum finance lease rental	36 796 500	35 020 398
Average interest	3,44 %	3,47 %
Present value of minimum lease payments	33 991 817	32 261 228
Unearned finance income	2 461 200	2 422 660

13. RISK CLASSIFICATION

(in NOK thousand)

Days outstanding status	2020	
	Net loans to customers	Whereof past due, non-doubtful
Not past due	39 352 254	
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	40 822 602	1 287 473

(in NOK thousand)

Days outstanding status	2019	
	Net loans to customers	Whereof past due, non-doubtful
Not past due	37 279 660	
1-29	1 386 492	1 294 399
30-59	129 144	125 419
60-89	247 761	216 630
90-179	57 073	1 005
> 180	23 474	8
> 1 year	9 939	0
Total	39 133 541	1 637 462

Credit exposure:

(in NOK thousand)

	2020	2019
Net loans to customers	40 726 138	39 133 541
Positive market value derivatives	44	146 571
Guarantee liabilities and loan commitments	1 355 282	1 532 998
Total credit exposure	42 081 464	40 813 109

14. DOUBTFUL LOANS

<i>(in NOK thousand)</i>	2020	2019
Gross doubtful loans	928 750	746 030
- Write-downs on impaired assets	-358 790	-327 957
Net doubtful loans	569 960	418 074

15. INCOME TAX

The company calculates the tax payable based on an estimated effective tax rate. For 2019 the effective tax rate was 28,0 % at year end and the expected effective tax rate for 2019 was 21,8 %. For 2020 this is expected to be 22,1 %. 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 % for the period ending 30 September 2020. The main contributor to the fluctuation in effective tax rate is exchange rate effects from the portfolio.

<i>(in NOK thousand)</i>	2020	2019
Current income tax expense	0	-170 828
Gross deferred tax expense	139 974	23 131
Income tax expense for the period	139 974	-147 698

16. DUE TO BANKS

<i>(in NOK thousand)</i>	2020	2019
Demand deposits and current accounts	0	64 840
Term deposits borrowings	33 273 370	31 579 286
Related payables	7 839	42 849
Revaluation of hedged item due to banks	-113 561	147 581
Total	33 167 647	31 834 556

17. SUBORDINATED DEBT

<i>(in NOK thousand)</i>	2020	2019
Subordinated debt	550 000	550 000
Subordinated debt related payables	116	62
Total	550 116	550 062

18. INFORMATION ON RELATED PARTIES

<i>(in NOK thousand)</i>	2020	2019
<i>Assets/interest income</i>		
Loans to Group companies	1 151	1 570
Revaluation of hedged item	0	0
Interest income from group companies	0	0
Other assets	0	0
<i>Liability/interest expense</i>		
Loans from Group companies	26 157 176	25 526 563
Related payables Group companies	2 536	33 117
Revaluation of hedged item due to banks	-113 561	147 581
Other liabilities	0	126
Interest expenses to group companies	-230 532	-200 351
Subordinated debt	550 000	550 000
Interest expenses on subordinated debt	-13 977	-15 229

Funding is primarily provided by the parent company. Until 30th September the funding has been provided by Société Générale SA. Then from 1st of October the funding has been provided from 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 2020, 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 2020.

At year-end 2019 the actuarial gains and losses recognised in other comprehensive income was TNOK 13 609, giving a negative effect on the equity of TNOK 10 615.

20. CAPITAL ADEQUACY

(in NOK thousand)

	2020	2019
<i>Common Equity Tier 1 capital</i>		
Share capital	945 436	945 436
Share premium account	240 639	240 639
Other equity	4 892 846	4 252 601
Independently reviewed interim profits net of any foreseeable charge and dividend	0	0
Common Equity Tier 1 capital before regulatory adjustment	6 078 921	5 438 676
<i>Common equity Tier 1 capital: Regulatory adjustment</i>		
Deferred tax assets		0
Intangible assets (net of related tax liability)	-10 108	-4 438
Value adjustments due to the requirements for prudent valuation	-122	-116
Negative amounts resulting from the calculation of expected loss	-25 697	-78 938
Total regulatory adjustments to Common Equity Tier 1	-35 926	-83 492
Common Equity Tier 1 capital	6 042 995	5 355 184
Additional Tier 1 capital	0	0
Tier 1 capital	6 042 995	5 355 184
<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	6 592 995	5 905 184
<i>Calculation basis</i>		
Standardised method		
Local and regional authorities (including municipalities)	443 838	268 408
Institutions	119 826	14 450
Corporate	9 354 377	9 092 729
Other	241 238	182 661
Engagements in default	162 127	167 872
Total Credit risk, standardised method	10 321 405	9 726 120
IRB method		
Corporate - small and medium sized businesses	11 568 740	12 845 429
Corporate - other	4 995 976	5 236 178
Total Credit risk, IRB method	16 564 716	18 081 607
Credit risk weighted assets	26 886 122	27 807 727
Operational risk, basic indicator approach	2 809 063	2 487 950
Additional requirement according to Basel II floor	0	2 061 827
Total calculation basis	29 695 184	32 357 504
<i>Capital ratios and buffers</i>		
Common Equity Tier 1	20,35 %	16,55 %
Tier 1	20,35 %	16,55 %
Total capital	22,20 %	18,25 %
Capital requirement including institution specific buffers	10,62 %	11,82 %
...of which: capital conservation buffer	2,50 %	2,50 %
...of which: countercyclical buffer	0,62 %	1,82 %
...of which: systemic risk buffer	3,00 %	3,00 %
...of which: systemically important institution buffer	0,00 %	0,00 %
Common Equity Tier 1 above minimum capital requirements and capital buffers	9,73 %	4,73 %
Tier 1 capital above minimum capital requirements and capital buffers	8,23 %	3,23 %
Total capital above minimum capital requirements and capital buffers	8,09 %	2,93 %
<i>Capital ratios and buffers, nominal amounts</i>		
Institution specific buffer requirement	3 152 678	2 368 505
...of which: capital conservation buffer	742 380	808 938
...of which: countercyclical buffer	183 160	588 842

...of which: systemic risk buffer	890 856	970 725
...of which: systemically important institution buffer	0	0
Common Equity Tier 1 above minimum capital requirements and capital buffers	2 890 317	1 530 592
Tier 1 capital above minimum capital requirements and capital buffers	2 444 889	1 045 230
Total capital above minimum capital requirements and capital buffers	2 400 985	948 079
Amount below the thresholds for deductions		
Deferred tax assets arising from temporary differences	109 081	39 308
Pillar 2 requirement		
Additional core capital buffer requirement ratio	1,50 %	1,5 %
Additional core capital buffer requirement	445 428	485 363
Leverage ratio		
Total Leverage Ratio exposure	43 378 964	40 844 181
Leverage Ratio	13,93 %	13,1 %

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. The answer from ECB is expected before end of 2020.

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 2019.

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>	2020	2019
Financial assets - Level 2		
Hedging derivative assets	44	146 571
Revaluation differences	60 160	57 990
Total assets	60 203	204 560
<i>(in NOK thousand)</i>		
Financial liabilities - Level 2		
Financial liabilities at fair value through profit and loss	0	0
Hedging derivative liabilities	174 289	69 359
Total liabilities	174 289	69 359

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>	2020	2019
Financial derivatives -assets		
Gross amount	44	146 571
Amounts that are offset	0	0
Net amount in financial position	44	146 571
Financial instruments on balance sheet	-174 289	-69 359
Cash collateral in the balance sheet	186 420	-64 840
Net position	12 175	12 372

<i>(in NOK thousand)</i>	2020	2019
Financial derivatives -liabilities		
Gross amount	174 289	69 359
Amounts that are offset	0	0
Net amount in financial position	174 289	69 359
Financial instruments on balance sheet	-174 289	-69 359
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, 13 November 2020, not familiar with matters that are likely to change the assessment of the financial position as at 30 September 2020.

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.

Head office Scandinavia

Nordea Finance Equipment AS

Strandveien 18

Post box 105

1325 LYSAKER

Telephone: +47 21632000

Offices in Norway

Bergen – Bodø – Drammen – Sarpsborg – Hamar – Harstad –

Haugesund – Kristiansand – Oslo/Lysaker (head office) –

Sandefjord – Skien – Stavanger – Tromsø – Trondheim – Ålesund

www.nordeafinance.no