Nordea
FINANCE

Financial statement 2020

Nordea Finance Equipment AS
Audited figures

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2020 – A VERY SPECIAL YEAR IN VERY MANY ASPECTS

We summed up last year by saying "2020 will bring changes, opportunities as well as challenges. We will use the year to become ready to enter a new and exciting era for our company, as part of the Nordea family." Indeed, 2020 brought a lot of changes and challenges.

Two major events have totally dominated our company in 2020:

- The new ownership with Nordea
- The Corona pandemic

We should expect that these two would be reflected in our 2020 results. For years we have been recognized for our strong external customer focus. Corona and a change in ownership truly challenged this as quite a lot of internal processes occupied much of our capacity. Still we have succeeded - once again - in producing strong financial results and keeping our cost of risk at satisfactory levels. Sales in most of our markets were as expected a bit decreasing, but still we managed to keep our positions. We have developed new ways of working and in a short time changed our interactions with customers and partners. Solid IT-systems and set-up has been crucial for being able to keep up the speed and strong relations we are known for.

Overall, I am proud of what we have achieved. To me, the strong results proves engagement, ownership, and a customer centric mind-set. We need to keep on building on this going forward, even though new times calls for new competence. We need to be there for our customers, so that they will continue being there for us.

There is nothing new about adapting to changing circumstances, new market demands, intense competition, and technological change. This is what we do, and this is what has brought us to the strong position we hold today. This will also be our prime assets going forward.

In June we did our employee survey in partnership with Great Place to Work. In a challenging time, we were pleased and proud to see an overall score of 93% saying "SG Finans is a great place to work". A score of 93% is truly fantastic and under the dramatic circumstances in 2020 it is even more impressive. This representing the attitude and values of our people. I see this as solid proof of what we call a sound and supportive winning culture based on our shared values.

Now that we are part of Nordea, we have a new set of values, but the similarities with what we already know are many. I am confident that in the future we will show passion in everything we do, courage to foster innovation, taking ownership in all processes, and finally prove a good collaboration with both new and old colleagues. Succeeding in this, we will contribute to a stronger ONE Nordea Finance together.

I want to thank our owner for the last 15 years, Société Générale, for being a trusted owner on this fantastic journey. I also want to thank Nordea for welcoming us and I am looking forward to the journey with you. To Nordea, we bring in many strong and long-term relationships with customers and partners for us to build on further. Thank you for your cooperation.

Finally, I once again want to thank all of you working for this company. Thank you for standing shoulder to shoulder both with each other and with our customers in these exciting times.

Carsten Thorne

CEO Nordea Finance Equipment AS

KEY FIGURES

(in NOK thousand)	2020	2019
Profit & Loss		
Net banking income	1 535 543	1 575 492
Operating expenses	-687 670	-613 288
Operating profit before losses	**847 874**	**962 204**
Losses on loans	-173 305	-61 661
Net profit before tax	**674 568**	**900 543**
Loans outstanding		
Equipment Norway	23 945 451	24 516 528
Factoring	1 787 104	2 160 528
Equipment Denmark	7 259 811	6 992 946
Equipment Sweden	7 025 413	5 953 728
Total loans	**40 017 779**	**39 623 730**
Capital adequacy		
Risk weighted assets	27 539 357	27 841 156
Total regulatory capital	7 269 501	6 545 244
Capital adequacy ratio	26,40 %	23,51 %

We are looking back to a year of many achievements, new developments and changes for Nordea Finance Equipment AS. The transaction for the sale of the company announced in December 2019 was completed on 1 October 2020. At this date SG Finans AS became a part of Nordea Group and was named Nordea Finance Equipment AS.

In 2019, we were the first financial institution to be certified EcoLighthouse ("Miljøfyrtårn") according to the new standards for banks and financial companies in Norway. Our work to develop and facilitate financing of climate investments and transition to a greener economy was recognised with the Most Innovative Climate Impact SME Finance Scandinavia 2019 by Capital Finance International Awards. In 2020, we were committed to a concrete follow-up on these achievements and certificates.

Our working environment, culture and organisation received the acknowledgement as Great Place to Work based on among other evaluation from our own staff and other qualification criteria. All certifications and achievements were to be repeated in 2020.

ABOUT THE COMPANY

At the end of 2019, Société Générale SA signed an agreement with Nordea Bank Abp for the sale of SG Finans AS. The conditions for the sale, including authorisation from the relevant authorities, were fulfilled and the sale completed on October 1, 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.

OUR ACTIVITIES

With a local presence and a European network, Nordea Finance Equipment AS aims to satisfy the requirements of Scandinavian businesses for capital-intensive equipment, liquidity and administrative services. The company is a Scandinavian finance company, and the 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. The company's head office is located in Lysaker, Bærum, Norway. At the end of the year, the company had 349 employees. This represents a net decrease of 10 employee during the year.

The activities of Nordea Finance Equipment AS do not pollute the external environment; however, some leasing objects may cause pollution when they are used. Nordea Finance Equipment AS is reporting several indicators for the company's environmental impact. The indicators include among others measurement of energy consumption, waste, use of paper and CO2 footprint.

MAIN COMPANY DEVELOPMENT

This year we have again seen the strong dynamism of a dedicated sales organisation, the innovation and entrepreneurial spirit of our teams to deliver market leading solutions to our clients and partners, contributing to the profitable growth of our business. We set ambitious targets for our organisation in order to ensure the continued support to Scandinavian businesses by financing capital-intensive equipment and providing liquidity and administration of receivables. Our business is to enable our customers and partners succeeding with their business.

In 2020 we have reinforced our position in the markets, developed and strengthened our digital solutions and people organisation, delivered solid financial results and thus further strengthened our ability to support the development of our clients and partners.

In September 2019, we attained Eco-Lighthouse certification, the most widely used Norwegian standard to document and demonstrate corporate sustainability efforts. Nordea Finance Equipment submitted to a sustainability audit for the certification and will repeat the process regularly to maintain it. The process also includes sustainability training to ensure that best practices are anchored throughout the staff, from executives to newly recruited staff joining the organization. The certification is EU-approved and aligns with international environmental standards like EMAS and ISO 14001.

In 2020 the cooperation with Eco-Lighthouse was extended whereas we received a certificate for our largest regional office North-East. The region submitted to a full audit of its environmental indicators and activities.

SUSTAINABLE POSITIVE IMPACT FINANCE

Small and medium-sized enterprises (SMEs) are key drivers of growth, innovation and employment in Europe. SMEs represent 99% of businesses in the EU and employ two thirds of the active working population. Nordea Finance Equipment actively supports the development of our more than 50.000 thousand corporate clients in Scandinavia by offering financing solutions that support their ability to both maintain a sustainable growth via factoring and cover their investment needs via equipment finance. We recognize our role in financing the real economy and have a track record of intermediating funding to SMEs across Scandinavia in partnership with International Financing Institutions. Our partnership with International Financing Institutions goes back to 2013, and as of December 2020 we have allocated social SME financing to more than 17 thousand unique clients.

On the environmental front, we launched our initiative to support clients in the green transition in 2018. Over the next years we have as objective that a substantial part of new financing shall be related to climate action projects, including replacement of technology with newer, cleaner technologies, taking steps to reduce emissions or consumption of energy and adapting to new requirements for greener equipment to support our clients' economic activities. Nordea Finance Equipment ` ambition is to be a partner and adviser to our clients in the transition to greener technology.

As of December 2020, our portfolio includes a large range of climate action projects such as electric and bio-fuel powered buses for public transport, electric bicycles leasing programs for smart cities mobility initiatives, electric commercial vehicles and construction equipment (both heavy and light duty), specialized equipment for the construction and maintenance of rail infrastructure as well as investments in electrification / hybridization of fish farming operations (feed barges and vessels, both new-build and retrofit) in Norway and biogas production in Denmark. In addition, we have developed green concepts in partnership with the European Investment Bank to support qualified SME agricultural and forestry entrepreneurs in Sweden and Denmark in their efforts to reduce their carbon footprint.

Nordea Finance Equipment AS is facilitating access to ENOVA support for our clients to accelerate the adoption of new green technologies in Norway.

Our focus on climate action financing demanded not only the implementation of new internal processes to guarantee the outmost highest standard for the use and allocation of funds, the duly evaluation and selection of green projects and the implementation of new reporting tools, but also a paradigm shift within the organization to fully embrace our leading role in the energy transition of Scandinavia.

Companies have a responsibility for their employees as well as their impact on the societies in which they operate – for instance in terms of working conditions, labour rights, and diversity. These topics are covered in our Code of Conduct, and they are also important measures in both Eco-Lighthouse and Great Place to Work. By this, we have broadened further our efforts on corporate responsibility and governance.

MOST INNOVATIVE CLIMATE IMPACT SME FINANCE SCANDINAVIA 2019

Nordea Finance Equipment was awarded Most Innovative Climate Impact SME Finance Scandinavia 2019 by the Capital Finance International (CFI.co) Awards. The award recognizes Nordea Finance Equipment' role as a key financer of Nordic small and medium-sized enterprises (SMEs) to accelerate regional business growth and climate change action.

CFI.co is a London-based publication reporting on business, economics and finance. Each year, CFI.co seeks out individuals and organizations that contribute significantly to the convergence of economies and add value for all stakeholders. The CFI.co awards process is comprehensive, with initial nominations based on input from readers, subscribers and contributors, followed by thorough assessment by a senior judging panel.

Nordea Finance Equipment maintains a healthy capitalization level with good coverage of capital buffer requirements. We manage funding profiles and liquidity positions to limit transformation risk in line with regulatory requirements on net stable funding. The company is well prepared for continued support in financing Scandinavian businesses. During 2020, our financing activities to clients increased by 0,7%, reaching MNOK 39.482,8 at the end of the year. This is a growth of MNOK 283,4 from the end of 2019. The growth was particularly strong within financing of equipment in Sweden where the volume of outstanding financing to clients increased by 10,0% in local currency. At the end of 2020, financing in Denmark and Sweden represented 17,7% of total financing of equipment to clients. We expect to maintain higher growth rate mainly in Sweden, while keeping our leading position within both equipment finance and factoring in the Norwegian market.

As an important part of the company's focus on relationship-strengthening activities, a number of market initiatives and events have been carried out. The primary objective of these activities is strengthening relations with the company's most important customers and partners. A goal for the future is to continue to develop and strengthen the company’s Nordic corporate culture now as an important part of Nordea Finance.

EVOLUTION OF MARKET AND MARKET CONDITIONS

Nordea Finance Equipment AS established new financing of assets in Equipment Finance of MNOK 15.755,3 in 2020. This is a decrease of MNOK 1913,3 or 10,8% compared to MNOK 17.668,6 in 2019. The decrease in volume compared to previous year is most significant in financing of equipment within transportation Equipment which decrease by MNOK 857,8 or 12,7%. The volume of financing of industrial equipment decreases with MNOK 542,6 compared to 2019. The number of new contracts financed in 2020 is 30.715, which represents a decrease of 13,6% compared to 2019. We manage to achieve an increase in average margins on new financing in mostly all segments compared to 2019. The average margin increases by 0,14%-points to 2,22%. With the intense competition in the markets, we note considerable pressure on margins for new financing in several segments and in particular in financing of transport and agriculture equipment. The mix of new financing is fairly stable compared to previous years, with 13% of new financing in High-tech segment, 39% in Transport and Agriculture equipment and 48% in Industrial Equipment.

Nordea Finance Equipment maintains its strong position in the Norwegian market, being the number one provider in equipment finance, as also in factoring. Based on figures from the Association of Norwegian Finance Houses as of end 2020, the company's market shares in Norway were respectively:

- Equipment leasing 22,9 %
- Factoring (ordinary) 25,8%

In Norway, new financing decreased by 16,6% or MNOK 1.744,5, impacting the market share with decreased from 25% to 22,9% The decrease is most pronounced in financing of transport equipment, which decreased of MNOK 957,8 or 21,0%. Margins on new financing in Norway have increased compared to 2019, but the number of new contracts has decreased by 21,2% to reach 16.506 in 2020.

Within Factoring, our market share dropped from 26% to 24% in ordinary factoring. For non-recourse factoring, market share increased form 2,3% to 4,0%, and blockfactoring had an increase from 17,7% to 19,7%. Worth mentioning also this year, is that the reporting in the market segments was changed in 2019. Market share figures are therefore not necessarily directly comparable with previous years. The positive development is that the factoring business line has succeeded in strengthening its product offering. We established contracts with new clients representing MNOK 719 in financing volume and 69 thousand invoices for administration. The new financing volume is 16,8% lower than the new volume achieved in 2019, while the number of new invoices is down by 19,2% compared to last year. 2020 has also been a year strongly hit by Corona, and at the same time as the Nordea merger is public, the strong and established partnerships with several banks, have been cut or reduced. This represents a drop in new business for the factoring business line.

In equipment finance in Denmark, the volume of new financing decreases by 9,8% through 2020. We have financed equipment for a total of MNOK 3.091,3 during the year. Despite fierce competition and good availability of financing to corporates, the margins on new financing are improving in some segments and decreasing in other. With a total of 5.684 new contracts, we see the number of new financing contracts is down by 2,6%.

In Sweden, the growth in new financing volumes continues and we observe an increase by 4,5% compared to 2019. We have established new financing of MNOK 3.904,5. Margins on new financing have been stabile compared to the year before. With a total of 8.975 new financing contracts, the number of new contracts is down by 3,9%.

Nordea Finance Equipment retains its position as a market leader in Norway within both product areas. The company still have a strong position in Denmark even though we experience a slight drop in market share. In Sweden we also recognise a drop in market share compared to last year. Based on the strong positioning in the Scandinavian markets, Nordea Finance Equipment maintains its role as one of Scandinavia's leading finance companies.

FINANCIAL RESULTS (all figures for Nordea Finance Equipment AS)

Nordea Finance Equipment AS produces an operating result of MNOK 674,6 in 2020. This is a decrease of 25% from the operating result of MNOK 900,5 in 2019. Total comprehensive income, after tax and OCI, is MNOK 655,4, compared to MNOK 635,4 for 2019.

In 2020, the Net Banking Income amounts to MNOK 1.535,5. This is a decrease of MNOK 39,9 from 2019 when the Net Banking Income amounted to MNOK 1.575,5. The decrease in Net Banking Income comes mainly from the growth in commission and fee expenses, lower interest margin on funded assets and lower growth in other income.

Net Interest Income amounts to MNOK 1.215,7 compared to MNOK 1.229,4 in 2019, which is a decrease of MNOK 13,7 or 1,1% during the year. The decrease in Net Interest Income is explained by pressure on Net Interest Margin. The average volume of financing to clients increases by MNOK 2.030 or 5,3% from MNOK 38.111,3 in 2019 to MNOK 40.141,2 in 2020.

Net Interest Margin is higher in 2020 within Factoring but the average volume of financing to clients decreases 8,9%. The growth in average volume of financing is strongest in Sweden with a growth in average volume of financing of 18,75%. In Denmark, the increase 8,4% and Norway 2,6%. The Net Interest Margin for financing of equipment in Scandinavia is lower compared to last year. The effect observed in 2019 continues the impact also in the 2020 financials. The historical low level of interest rates, with negative interest rates in both DKK and SEK through the year, demonstrates the challenges in stimulating the Scandinavian economies to new growth.

Other Income represents MNOK 319,8 in 2020 compared to MNOK 346,1 in 2019. This is a decrease of MNOK 26,3 or 7,6%. The largest source of Other Income is gains on sale of assets and repossessed equipment, which includes residual income from prolongation of leasing contracts after ordinary contract term and early termination of contracts. These gains on sales represent more than half of

Other Income with MNOK 186,9 in 2020, compared to MNOK 203,8 in 2019. Net income from Commissions and fees represents MNOK 123,6 in 2020 compared to MNOK 140,1 in 2019.

Operating Expenses amount to MNOK 687,7 in 2020 compared to MNOK 613,3 in 2019. This is an increase of MNOK 74,4 or 12,1% during the year. The increase in operational expenses comes mainly from increased payroll and temporary staff expenses.

Staff expenses amount to MNOK 452 and represent thus 65,7% of total Operating Expenses which is close to same level as last year (2019: 65,9%). Payroll increases by 11,5% compared to previous year, and pension expenses and retirement benefits end 45,6% higher. The Board has decided to pay an extraordinary bonus to all staff for the excellent results produced in 2020.

Other Expenses amount to MNOK 235,7 in 2020 compared to MNOK 209,3 in 2019. This is an increase by MNOK 26,4 or 12,6%. The increase in Other Expenses is mainly due to higher costs of fee and temporary staff.

The Cost of Risk ends slightly higher in 2020 compared to previous year. Total cost of risk amounts to MNOK 173,3. This is an increase of 181,1% or MNOK 111,6 from the MNOK 61,7 cost of risk in 2019. The cost of risk represents 0,43% of average funded assets in 2020 ends higher than in 2019.

The cost of risk is in 2020 below the company's long-term expected average cost of risk. We note a reduction in cost of risk in Factoring and in equipment finance in Denmark, slightly higher cost of risk in equipment finance in Norway whereas cost of risk remains at the same level as last year for equipment finance in Sweden.

Net loans outstanding have increased from NOK 39,2 billion to NOK 39,5 billion. This is an increase of 0,7% during the year. The branches in Sweden and Denmark represented 35,8% of net loans to customers at the end of the year. This is a slight decrease in relative share compared to end of 2019.

In line with the increase in total loans outstanding, our funding, i.e. loans and deposits from financial institutions with agreed maturity, is down with 0,7% and reaches at the end of 2020 NOK 31,7 billion, down from NOK 31,9 billion end of 2019. Net loans to customer represent thus 124,4% of loans and deposits from financial institutions with agreed maturity as at 31.12.2020. This is a slightly increases level compared to the end of 2019. The main part of our funding is raised from the parent, from 1st of October, Nordea Bank Abp.

Total write-downs for credit risk was at year end MNOK 535 corresponding to 1,3% of total outstanding loans to customers. This is an increase of MNOK 110,6 during the year. In comparison, at the end of 2019, total write-downs for credit risk represented MNOK 424,3 or 1,07% of total outstanding loans to customers. Gross doubtful loans were MNOK 864,3, which is an increase of MNOK 118,6 or 15,9% compared to MNOK 745,7 at the end of the previous year. This represented 2,2% of total loans to customers, down from 1,9% at the end of 2019. We observe generally relatively low cost of risk given the pandemic situation. As expected, we experience an increase in levels of allowance in stage 1 and 2 but still stable level of defaulted engagements. With the measures taken during 2020 by Scandinavian countries to limit the spreading of the Covid-19 virus ("Corona virus"), uncertainty about the mid to long term impact is higher than usual even with the governmental anti-crisis measures and packages and the prospect of available vaccine. Write-downs for credit losses are done based on individual engagements, and the company has not made write-downs for groups of assets. The Board assesses that the write-downs for credit losses represent a satisfactory estimate of expected losses in the portfolio by year-end 2020.

Assets that are repossessed as a result of defaulted leasing and loan contracts amounted at year end to MNOK 14,3 from total 159 contracts. This is a decrease of MNOK 11,2 during the year compared to MNOK 25,5 from total 218 contracts at the end of 2019. Turnover during the year from the sale of repossessed assets amounted to MNOK 288,5 which is lower than in 2019 when the turnover was MNOK 318,3. The company has achieved acceptable prices on sale of repossessed assets in 2020, and the market for second-hand equipment has generally been good. A substantial part of the sale of repossessed assets is handled through Nordea Finance Equipment 's web-based auction portal. We experience that this solution is well received and appreciated in the market.

The company's common equity at the end of the year was MNOK 6.731,3 including net result of the year. Total regulatory capital for the calculation of the capital coverage amounted to MNOK 7.269,5 as at 31.12.20. Regulatory core capital represented MNOK 6.719,5.

The total capital coverage by year end 2020 was 26,4%, which is higher than the level at the end of previous year. The regulatory minimum requirement, including capital buffer requirements, is 13,83% at the end of 2020. The effective institution specific countercyclical capital buffer requirement for Nordea Finance Equipment, as defined by the country specific requirements for the portfolio, is 0,61% at the end of 2020. At the end of the year, Nordea Finance Equipment's total capital ratio is well above regulatory minimum requirements and internal targets, with 11,1% or MNOK 3.047,6 total capital above regulatory minimum pilar one capital requirements. The core capital ("tier 1") ratio was 24,4 % at the end of 2020, which is well above the regulatory minimum requirement for the core capital ratio at 11,83% at year-end. Nordea Finance Equipment had at end of 2020 core capital of MNOK 3.461,5 above minimum regulatory requirements. Finanstilsynet issued in December 2016, individual prudential requirements for Nordea Finance Equipment which require the entity to maintain 1,5% common equity capital above minimum own funds requirements, with effect from 1 January 2017. Furthermore, the regulator recommended that Nordea Finance Equipment maintains common equity tier one capital above 15,5%. Finanstilsynet confirmed again the prudential requirements and recommendation as part of the supervisory risk evaluation process in 2020. The Board takes into consideration this additional requirement and recommendation from the regulator in the proposal for allocation of total comprehensive income, assessments of dividends and capital planning going forward.

Nordea Finance Equipment calculates the capital requirement and capital coverage based on the advanced internal rating-based method ("A-IRB") for credit risk for the main portfolios and standard method for other portfolios, while using the basic indicator approach for operational risk. The calculation basis for calculation of capital adequacy was MNOK 27.539,4 at the end of 2020. Of this, risk-weighted assets for credit risk represented MNOK 24.717. This is a decrease in risk-weighted assets (credit risk) of 1,3% compared to last year. The regulatory pillar one capital requirement for operational risk was MNOK 225,8. The company does not take market risk and the regulatory capital requirement for market risk was zero.

The minimum regulatory requirement for total capital (8%) was MNOK 2.203,1. In addition, the Norwegian regulator has implemented minimum capital buffer requirements at end 2020 of total 5,83% as follows:

- Capital conservation buffer requirement of 2,5% which represents MNOK 688,5
- Systemic risk buffer requirement of 2,72% which represents MNOK 750,2
- Countercyclical buffer requirement of 0,61% which represents MNOK 166,9

The capital buffer requirements shall be covered in addition to the core capital (tier 1) requirement of minimum 6,0%, meaning that core capital ratio (tier 1 ratio) shall be at least 11,83%. The total capital requirement including buffers is therefore 13,83%. In addition the company shall hold a pillar 2 capital buffer of 1,5%.

The Board closely monitors development in prudential capital requirements in order to early plan and initiate measures to manage capital levels and capital buffers in relation to expected growth, unexpected credit losses as well as established market practice.

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 is evaluated. The results of the stress testing of the individual risk areas show that in the aggregate, i.e. if all main risks occur at the same time, the potential impact on earnings / capital is well covered by the company's buffer capital and internal minimum capital targets.

The capital adequacy is considered satisfactory considering the results of the performed stress tests. The available capital buffer, after performed stress tests and regulatory capital buffer requirements, is MNOK 2.393,3 compared to MNOK 1.772,8 at the end of 2019.

Total comprehensive income, after tax and OCI, for 2020 is MNOK 655,4. Further to assessment of current capital levels, prudential capital requirements and internal capital targets, The Board proposes to allocate total comprehensive income for 2020, MNOK 655,4, to Other Equity.

The Board considers that the financial statements give a true and fair view of the company's financial position. Other than what is stated in the accounts there have not been any events after balance-sheet date that may have any significant impact on the financial statements. Based on the results of the year, the Board concludes that there are grounds for going concern, and this forms the basis for the preparation of the financial statements for 2020.

CORPORATE GOVERNANCE

Nordea Finance Equipment AS is a wholly owned subsidiary of Nordea Bank Abp, and is subject to comprehensive reporting to and controls from the parent company. Furthermore, the company has established a number of functions to ensure good monitoring and control of the company development, use of resources and risk taking. The company takes credit risk through lending and financing of equipment, while other types of risk are hedged or limited to the extent this is possible and practicable. The company's principles and guidelines for internal governance and internal control are based on among other CEBS guidelines and recommendations. It is established formal committees and procedures for monitoring and control, including control of credit risk, financial risks, operational risks as well as for internal control, compliance, anti-money laundering and audit. The Board of Directors has established a dedicated risk committee for the monitoring of the company's risk governance, i.e. risk appetite and strategies, risk tolerance and exposures, risk management and pricing of assets and liabilities. Furthermore, management testing of internal controls has been integrated in the group permanent supervision tool. The tool facilitates testing, documentation and reporting and supervision of any anomalies, and should thus contribute to further strengthening internal control.

In order to increase staff awareness and comprehension, the company has pursued training programmes on among others international sanctions, anti-money laundering, anti-corruption and management of conflicts of interest. Nordea Finance Equipment thus complies with the internal requirements defined by the parent company, and the company representatives participate in relevant external forums to contribute to the development of rules and regulations for financing companies. The company has updated by-laws, organisation of governance and supervision as well as control functions, as part of the adaptation to the new Norwegian law on financial institutions which entered into force from 2016.

RISK MANAGEMENT

The company's principles for risk management are described more in detail in the notes to the financial statements, cf in particular the note 24 on Risk Management.

Nordea Finance Equipment has a policy of prudent risk taking, where the fundamental principle is that the company shall earn money on credit and / or object risk, while other risks are managed, hedged or limited within defined limits, or in case no limits are defined, to the extent practicable.

In the business of financing assets (equipment leasing) and receivables (factoring) credit risk is the most important risk for the company. Effectively managing credit risk is fundamental. The company has implemented credit policies, organising procedures and regulations as well as models which address this need.

Nordea Finance Equipment has developed classification models for risk assessment and management of credits, which provide a good view of the risk profile of the portfolio. The classification builds on debtor solidity and market value assessments of the assets.

Regulators have validated Nordea Finance Equipment's use of internal models for the calculation of capital requirements according to the Advanced Internal Rating based approach. For the purpose of calculation of capital requirements, Nordea Finance Equipment uses calibrated models for among others the calculation of the probability that a debtor defaults (PD) as well as the final loss in case of a default (LGD).

The financing provided is generally secured by direct ownership (leasing) or pledge (loans). The value development of the financed objects is therefore critical in assessing and controlling the risk profile of the portfolio, and knowledge about the object's second-hand value, liquidity and markets is fundamental for the credit quality and total loss in the portfolio.

The risk management approach is to balance credit risk (counterparty) and asset value development of the financed equipment or invoice serving as security for our financing.

Since the experiences of the severe consequences of the financial crisis in Europe and globally, regulators have focussed increasingly on ensuring banks and financial institutions have access to necessary liquidity at all times. Nordea Finance Equipment has continuously adapted the maturity profile of funding to match maturities of lending in order to ensure stable long-term funding and long-term coverage of liquidity requirements. We have refocused our funding strategies to establish new long-term relationships with lenders, in order to broaden our funding sources. As part of liquidity planning and management, we assess sensitivities and continuously maintain liquidity contingency back-up plans. Nordea Finance Equipment contribute to the Nordea Group liquidity planning and assessment of liquidity reserve requirements.

Nordea Finance Equipment main source of funding remains the parent company and we maintain a close contact with our parent. In total we can conclude that the company has had access to satisfactory levels of funding and liquidity. In 2020 we have also concluded new loans with the European Investment Bank to support the financing of investments for SMEs in our main markets with a substantial part to be allocated to the financing of climate action projects.

The company is subject to internal and external capital adequacy requirements. The internal guidelines compel the company always to comply with the internal requirements which are stricter than the regulatory minimum requirements. As part of the company's policy and procedures for capital management, the company regularly performs assessment of the capital situation and capital adequacy in given stress tests for various scenarios and relevant types of risk. This has been carried out in accordance with the regulatory requirements for internal processes for the assessment of capital adequacy (Internal Capital Adequacy Assessment Process or ICAAP) and for liquidity (Internal Liquidity Adequacy Assessment Process or ILAAP). The analysis demonstrates that the company's capital adequacy, solidity and liquidity are satisfactory in respect of expected future growth and also following the stress tests that have been performed.

Nordea Finance Equipment has implemented and operated procedures for operational risk management. As a part of this, the company monitors and reports on key risk indicators for operational risk and scenario analysis of different stress scenarios, in addition to reporting of events and losses and the group's framework for self-assessment of risks and controls. On an overall level, the Board assesses the level of operational risk losses in the company as acceptable.

As part of Nordea group, the company has worked in line with the group's principles and framework for internal control and corporate governance. Assessments are made of relevant risks and the efficiency of internal controls. The results of these assessments are considered satisfactory.

THE ORGANISATION AND WORKING ENVIRONMENT

At the end of the year the company had 349 employees, whereof 264 in the Norwegian operations, 40 in Sweden and 45 in Denmark. The number of staff has decreased with by 10 employees during the year. The average number of FTE has decreased by 4,6 FTE in 2020 compared to 2019, with an average of 351,4 FTE in 2020 compared to 356,0 FTE in 2019. During the year, the company has recruited 14 new employees, compared to 28 new employees in 2019. The Board welcomes all new employees joining Nordea Finance Equipment AS.

Nordea Finance Equipment AS focuses on ensuring that its employees experience equal opportunities, and initiatives and measures designed to achieve this have been incorporated into the company's strategy plan. Furthermore, the company has established functions and procedures to prevent any form of discrimination. This includes the Remuneration and Recruitment Committee and the Work Environment Committee, whose members are equally staff representatives and company management, anonymous whistle-blower protection procedures for employees, periodic staff appraisal reviews as well as staff satisfaction surveys where any potential discrimination shall be identified and avoided.

Nordea Finance Equipment has in the plans for the company's Health/Safety/Environment activities defined measures to avoid discrimination of employees with disabilities in new recruitments. The company facilities are adapted to employees with disabilities. Based on the above functions and measures the company procedures related to the law against discrimination and availability ("diskriminerings- og tilgjengelighetsloven") are considered satisfactory. Nordea Finance Equipment reports on a set of indicators related to corporate and social responsibility, including diversity, worker's rights and social conditions.

In addition to this, a strong focus on HSE is also a condition for holding the Eco Lighthouse certification. As a part of annual the re-certification, the company has conducted activities such as HSE mappings ("vernerunde"), a mapping and audit of the company's policies on HSE, activities such as first aid training and training in use of heart defibrillators, facilities for work out, fire escape rehearsals, all were audited.

A part of the criteria for holding the Eco-Lighthouse certificate at a group level, is to audit one of the smaller branches in the company. In February, we achieved to have a separate certificate for the Trondheim branch.

In collaboration with Great Place to Work®, we have conducted thorough surveys of our work environment. Through 95 questions all staff have been asked about both physical and psychological working environment. Data from the survey has been processed, findings have been addressed and measures have been implemented.

Turnover is somewhat lower in 2020 with 6,7 % compared to 7,6% in 2019. The turnover rate is considered being at an acceptable level.

Nordea Finance Equipment AS a provider of specialist financial services is exposed to a restricted market for the required skills and competencies reflecting the strong demand for employees with expertise in the finance sector. Being the leading finance company within equipment finance and factoring in Norway and part of Nordea Group are clearly an advantage in attracting new talents to the organisation.

The number of days of absence due to illness is significant lower in 2020 compared to the year before, with a sound level of in total 2.174 absence days, compared to 2.446 in 2019. The rate of absence during 2020 is 2,89% compared to 3,9% in 2019. Nordea Finance Equipment has a strong and continuous focus on measures to keep the rate of absence as low as possible. This is done by offering regular management training and support from HR on how to prevent long-term sick leave as well as close cooperation with our company health provider. We offer inhouse exercise facilities at the head office at Lysaker with a physiotherapist present once a week to prevent musculoskeletal problems among the employees. Throughout 2020, the focus and efforts on a safe and sound working environment has been even stronger. This of course due to corona. Furniture and IT equipment have been moved from company premises and home to the individual staff member. A much closer follow-up from leader to employee has also been recommended and implemented. Corona has proven the importance of a robust IT-structure and an HR department really knowing the organisation and business.

The Board is not aware of any personal injuries occurred at work in 2020. The working environment at Nordea Finance Equipment AS is considered to be good. This was confirmed in a Great Place to Work survey, which with a good margin led to a Great Place to Work certification of the company. Nordea Finance Equipment AS also achieved a high score in the 2020 Nordea Finance Equipment pulse survey.

The company has a Work Environment Committee and a Cooperation Committee. Legally required meetings have been held.

Nordea Finance Equipment AS has a clear governance on frequent meetings with "SAMU / AMU" (sentralt arbeidsmiljøutvalg) every quarter with representatives from management and unions. This opens up for a close dialogue on working environment and having all topics up on the table. Such a close cooperation is an important part of the company`s long history of strong results in staff`s satisfaction surveys.

The Board compensation committee has monitored compensation to identified staff in line with regulation on compensation, and the compensation policy, including quantitative and qualitative criteria for fixed and variable compensation, is reviewed on at least yearly basis by the Board compensation committee.

Various cultural and expertise-building measures have been conducted in the year, both at local (regional and branch) and central level. Emphasis has also been placed on continuing to build up a common Scandinavian culture based on the company and group values.

GREAT PLACE TO WORK

Nordea Finance Equipment AS has many years of experience with very strong results from our local staff satisfaction survey and Employee Barometer. We have many initiatives for creating high job satisfaction and positive commitment throughout the company, and our working environment is a result of our combined efforts. In 2019 we seized the opportunity to do an external mapping of the working environment in our company. In addition, and parallel with this, we also applied for the certification as Great Place to Work®.

We want to improve our insights about our culture and at the same time benchmark ourselves against other great workplaces. Such a certification shall make the organization proud and contribute to building an even stronger employer brand. This cooperation and certification are also aligned with the vision that we want to be a leading provider of innovative and flexible solutions to finance and manage equipment. We are a digital and customer-centric organization, committed to delivering an excellent experience to vendors partners and clients across countries. We shall be a great place to work, driven by simplicity, agility, and sustainability.

People perform well when they feel well, and in measuring performance and well-being, the cooperation with Great Place to Work has proven to be a success. As a part of this certification, the company's policies on HSE, activities such as first aid training and training in use of heart defibrillators, facilities for work out, fire escape rehearsals, all were audited.

Great Place to Work® believes that a good organizational culture is essential to the success of change processes and innovation. In the future, expectations for companies to deliver added value to their customers will increase, and the companies themselves must truly represent good values. In 2020, Nordea Finance Equipment AS was re-certified as a Great Place to Work with an overall score of 93%.

EQUALITY

For years we have worked actively and systematically to promote gender equality and prevent discrimination. This is both a natural part of our business thinking and also an important part of our way of seeing our corporate social responsibility. As a Scandinavian company with more than 50.000 corporate customers - ethical, social, and environmental considerations need to be implemented in daily business and governance. Standing up against discrimination is a part of this and a part of understanding how society develops and which expectations large corporates are facing.

In our strategy it is clearly stated that we shall

- Be the most attractive employer in the finance industry
- Have a balanced distribution of gender and age
- Be characterized by a high ethical standard and act with respect and consideration in all matters

In recent years – as part of our employer branding strategy – we have focused more on making our social responsibility visible and documented. This is something that for many years has been a (too much) obvious side through our core business: To provide financing to small and medium-sized companies, so that by gaining access to capital they can succeed with their businesses which in turn create jobs, tax revenues and socially beneficial projects. Our core business idea is also key in our social responsibility.

Nordea Equipment Finance had a total of 349 employees by year end.

- Men: 47%
- Women: 53%

Number of leaders in total: 66

- Male leaders: 42 (64%)
- Female leaders: 24 (36%)

The company covers 100% parental benefits in both maternity and paternity leave. No differences are made here. It is also adapted if needed, both in terms of work tasks, working hours and general flexibility. Paternity/- maternity leaves in 2020 in Norway were 9 men and 10 women, but women tend to have longer leaves – which of course is both natural and accepted. In Norway, 10 employees are working part-time. All women, and all voluntarily.

Statistics for Norway:

- Back-office: 20% men and 80% women

- Sales positions: 60% men and 40% women
- Staff functions: 55% men and 45% women
- Men's average income in 2020 app. NOK 800 000.
- Women's average income in 2020 app. NOK 600 000.

Statistics for Sweden:

- Sick leave was at a low 2,13% or 226 days. In addition to this, there was 1 person in maternity leave.
- Men: 20 employees whereof 4 leaders
- Women: 21 employees whereof 3 leaders

Statistics for Denmark:

- Sick leave was at a low 1,14% or 132 days. In addition to this, there was 1 long maternity leave and 1 short paternity leave - in total 142 days leave.
- Men: 21 employees whereof 10 leaders
- Women: 25 employees whereof 2 leaders

In our Great Place to Work survey for 2020, and as a part of the certification process, the company was scored by 5 dimensions. The most relevant here is the dimension "Fairness" where we achieved an overall score of 92%. One of the questions/statements was "Employees are treated equally and fair regardless of gender" where we scored 91%. We consider our efforts in work equality as acceptable, though we admit this is a continuous and long-term work.

FUTURE PROSPECTS

We are ending a year of many completed achievements, positive development of the company and strong financial results. We observe generally relatively low cost of risk in and stable level of defaulted engagements. The spread of Covid 19, declared a pandemic by the World Health organization in March 2020, have caused great turmoil in the global economy. The impact is already severe, impacting from global economy, Nations, entities and consumers. The full impact and duration are highly uncertain even with the outsight to available vaccines. All over the world, governments have taken anti-crisis actions trying to counter the many action taken by government to stop or reduce the spread of the pandemic.

In the Nordic area we have seen both fiscal policy and monetary policy measures as a response to the coronavirus. All central banks have introduced liquidity measures to support market functioning, banks and corporates. In addition, across the Nordic countries, counter-cyclical capital buffer (CCyB) requirements have been lowered, providing banks with additional headroom to continue lending to the economy. Moreover, financial supervisory authorities in the three Scandinavian countries are allowing banks to make use of their liquidity buffers, by providing them temporary relief from liquidity coverage ratio requirements. These measures have been effective, but whether it will be sufficient will depend on the duration of the epidemic and extent of restrictions imposed by and austerity relief provided by the authorities. So far Nordea Finance Equipment AS, as a part of Nordea Group, has therefore had so far, satisfactory access to liquidity during the current conditions.

As Nordea Finance Equipment's, with its broad network of branches in Scandinavia, key resource is liquidity, the restrictions impacting the Scandinavian economy does not affect Nordea Finance

Equipment directly. But as a key factor in our business is financing equipment, we are impacted as our suppliers and customers surly meet shortages and increased prices. Ultimately these actions, put in place by Governments reduced economic activity or even stop, for some of our clients and partners. As expected, we do observe a lower activity as the willingness and ability to do new investment is impacted by the pandemic and the action taken to mitigate effect on the people and societies. With optimism returning as the outsight to available vaccines are closer, we still expect 2021 to be a year impacted by the pandemic. Willingness to invest will be pending, impacting the growth within our key markets.

We expected a weakening of credit quality across the portfolio with increasing default rate and increasing Cost of Risk in the coming period. To some extent this materialized but with fairly stable level of default portfolio we do not expect further negative development. The portfolio has proved itself, so fare, resilient to the downturn. The level of payment holidays increased in the start of 2020 but soon stabilized and reversed. Although some areas will be more impacted than others, and still requires full attention from Risk department. Sectors considered to be most exposed are transport, manufacturing/industry, tourism /events and the wholesale & retail sector.

Nordea Finance Equipment has to the best of its ability taken measures, enabling the entity and the staff to still maintain and service customers and suppliers during this epidemic. The Board is monitoring the situation closely and has supported establishment of a crisis team within Nordea Finance Equipment. The crisis team meet regular basis ensuring that all business aspect possibly impacted by the epidemic, recommendation from heath authorities, and governmental action are closely monitored and followed up.

In this period Nordea Finance Equipment is well prepared to continue serving our clients and partners, in their requirement for financial solutions to improve liquidity and to make available the equipment necessary for their activities. It is important for Nordea Finance Equipment that our clients and partners continue to experience that the company has the willingness and ability to be a long-term partner for financing of capital goods and equipment. Our focus will continue to be maintaining and developing the good relations to our existing clients and partners and developing new long-term relations.

Nordea Finance Equipment has demonstrated the capability to adapt to new regulatory requirements, to maintain strong earnings and thus create the basis for future capitalisation and at the same time to develop our tools and staff to the satisfy client and vendor partner demands. The company has employees with a high degree of competence and experience and the organisation has both the capacity and will for adjustment and change. These are strengths to be maintained and develop further also under potential future changed ownership.

Lysaker , 22 February 2021

Ari Antero Kaperi
Chairman

Peter Hupfeld
Vice Chairman

Ellen Vibeke Pløger

Eric Magnus Jacobson

Mariann H. Gulbrandsen

Ulrik Gudmund Modigh

Carsten Thorne
Managing director

INCOME STATEMENT

(in NOK thousand)	*Notes*	**2020**	**2019**
Total interest income	4	1584 413	1676 665
Total interest expenses	4	-368 676	-447 236
Commission and fee income	5	325 528	314 553
Commission and fee expenses	5	-201893	-174 477
Net gains and losses on financial transactions	6	8 026	-179
Income on other activity	5	188147	206166
Net banking income		**1535 543**	**1575492**
Total payroll, fees and other staff cost	7,8	-451974	-404 005
Total other operating expenses	7	-235 696	-209 283
Gross operating income		**847 874**	**962 204**
Cost of risk	14,15	-173 305	-61661
Operating income		**674 568**	**900 543**
Taxes	9	-20 234	-252 331
Profit for the period		**654 335**	**648 212**

Other comprehensive income

Items that could be reclassified:		
Exchange differences on translation of foreign operations	1404	-2 767
Taxes	-309	609
Items that cannot be reclassified:		
Actuarial gains and losses	0	-13 609
Taxes	0	2 994
Attributable to:		
Equity holder of the parent	655 429	635 438
Total comprehensive income of the period	**655 429**	**635 438**

FINANCIAL STATEMENT

BALANCE SHEET - ASSETS & LIABILITIES

(in NOK thousand)	*Notes*	**2020**	**2019**
Cash and deposits with central banks		9	9
Hedging derivative assets	6,21,22	187	97 253
Due from banks	10	788 750	400 085
Customer loans	11,12,14,15	39 482 824	39 199 392
Revaluation differences		44 343	18 178
Repossessed assets	26	14 270	25 485
Deferred tax assets	9	0	0
Tangible and intangible fixed assets	16	133 254	122 136
Other assets		185 194	139 217
Total		**40 648 832**	**40 001 754**

Hedging derivative liabilities	6,21	330 881	84 648
Due to banks	17	31 733 771	31 946 015
Customer deposits		352 322	248 927
Other liabilities		810 588	780 103
Pension liabilities	8	97 988	94 490
Deferred tax liabilities	9	31 423	8 167
Current tax liabilities	9	10 343	213 361
Subordinated debt	18	550 169	550 126
Total liabilities		**33 917 485**	**33 925 836**
Share capital		945 436	945 436
Share premium account		240 639	240 639
Other equity including profit for the year		5 545 272	4 889 843
Total equity		**6 731 347**	**6 075 918**
Total		**40 648 832**	**40 001 754**

Lysaker, 22 February, 2021

Ari Kaperi
Chairman

Peter Hupfeld
Vice chairman

Carsten Thorne
Managing director

Magnus Jacobson

Mariann H. Gulbrandsen

Ellen Pløger

Ulrik Modigh

STATEMENT OF CHANGES IN EQUITY

in NOK thousand	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			648 212			648 212
Other comprehensive income				-2 158	-10 615	-12 773
Dividends						0
Total equity 31.12.19	**945 436**	**240 639**	**4 918 572**	**-2134**	**-26 595**	**6 075 918**
Equity 01.01.20	945 436	240 639	4 918 572	-2 134	-26 595	6 075 918
Profit for the period			654 335			654 335
Other comprehensive income				1095	0	1095
Dividends						0
Total equity 31.12.20	**945 436**	**240 639**	**5 572 906**	**-1039**	**-26 595**	**6 731347**

CASH FLOW STATEMENT

Amounts in NOK thousand	2020	2019
Operations		
Interest income	1515 558	1612 085
Interest expenses	-368 676	-447 236
Other receipts	377 037	396 787
Operating expenses	-670 893	-623 530
Receipts on previous losses	18896	19 236
Paid taxes	-234 338	-222 506
Net cash flow from operations	**637 585**	**734837**
New investments leasing	-9 869 022	-15 143 630
Proceeds from sale of leasing assets	3 052 077	3 563 307
Decrease in loans (net)	6 351522	9930165
Decrease (increase) in other receivables	82115	103 008
Decrease (increase) in advance payments	-45 978	-34 725
Net cash flow from current financial activity	**-429 286**	**-1581876**
Decrease (increase) in tangible assets	-12 098	-8158
Shares and primary capital certificates	0	0
Net cash flow from investment activity	**-12 098**	**-8158**
Increase (decrease) in deposits from customers	103 395	14285
Payment of dividends	0	0
Increase (decrease) subordinated debt	0	0
Increase (decrease) in loans from credit institutions	-209 083	864 454
Increase (decrease) in debt	304436	73 539
Increase (decrease) accrued costs	-6 585	15 725
Currency exchange without cash effect	1094	-2 158
Net cash flow from long term financial activity	**193 256**	**965 845**
Net cash flow	**389 458**	**110648**
Cash at the 1st of January	398455	287 807
Cash at end of period	**787912**	**398455**

Reconciliation cash at end of period

Cash and deposits with central banks	9	9
Deposits with financial institutions	787 903	398 446
Cash at end of period	**787912**	**398455**

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Company information

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. 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 separate financial statements for the year ended 31 December 2020 were approved in the board meeting at 22 February 2021.

The basis of preparation of the financial statements

Nordea Finance Equipment separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), approved by the E.U. The financial statements are set up on an historic cost basis, with the exception of the specific recognition criteria for financial instruments as described below.

Branches

The financial statements show the figures for Nordea Finance Equipment, comprising the business operations in Norway, Denmark (branch) and Sweden (branch).

Functional currency and presentation currency

The functional currency is determined in each unit in Nordea Finance Equipment based on the currency within the unit's primary economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rates are recognised continuously in the accounting period. Nordea Finance Equipment's presentation currency is Norwegian Kroner (NOK).

The statement of financial position figures of branches with a different functional currency are translated at the exchange rate prevailing at the end of the reporting period for balance sheet items, and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognised in other comprehensive income (“OCI”).

Comparable figures

Comparable figures are prepared for profit and loss, balance, cash flow statement and notes.

The use of estimates

The preparation of financial statements in accordance with IFRS includes assessments, estimates and assumptions that affect both which accounting principle is applied and the reported amounts for assets, liabilities, revenues and expenses. The actual amounts can vary from estimated figures. Changes in accounting estimates are applied in the period in which the estimates are changed, and in all future periods affected. Note 2 provide further information on significant estimates and assumptions.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Nordea Finance Equipment´s financial assets are: derivatives, loan to customers and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and business model for managing them.

Nordea Finance Equipment classified its financial assets in categories:

- Financial assets at amortised cost
- Derivatives at fair value designated as hedging instruments in line with IAS 39

Financial assets at amortised cost

Nordea Finance Equipment measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial assets at amortised cost includes loans, leasing and factoring

Leasing

Nordea Finance Equipment' leasing activities comprise financial lease agreements. Financial leasing is classified as leasing and for accounting purposes treated as loans. Contracts with residual value are written off to the residual value over the duration of the contract.

The interest component of the lease payments is recorded as interest income in accordance with the principles described in the point for loans, while the principal component reduces the lease loan. Revenue from lease payment is recorded in accordance with the annuity principle. For tax purposes, the leasing objects are depreciated using the declining balance method.

Direct marginal revenues and costs when first calculated and the expected gains on sale are included in net interest income. Other leasing gains on sale are posted under other revenues.

Factoring

Factoring is recorded in accordance with the net method, i.e. the loan to the user of the factoring service is recorded in the balance sheet. This loan is classified as loan factoring. If Nordea Finance Equipment has assumed the credit risk for the receivables then this loan is classified as receivables factoring. Retention of margin and other customer accounts is classified as such when prepayment to customer is lower than factoring receivables.

Derivatives at fair value designated as hedging instruments
In accordance with the transitional measures provided by IFRS 9, the Nordea Finance Equipment has elected to continue recognising hedging transactions under IAS 39 as adopted by the European Union.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- Nordea Finance Equipment has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
    a. Nordea Finance Equipment has transferred substantially all the risks and rewards of the asset, or
    b. Nordea Finance Equipment has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities
Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Derivatives are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Loans, borrowings and payables
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. Payables are measured at their nominal amount when the effect of discounting is not material.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Fair value hedges:
Derivatives designated as hedging instruments are measured at their fair value and changes in the fair value are recognised in the statement of comprehensive income as they arise. Correspondingly, a change in the fair value of the hedged object which is due to the risk that the object is hedged against, is recognised in the statement of comprehensive income.

The hedge accounting is discontinued if:

a. the hedging instrument expires or is terminated, exercised or sold, or
b. the hedge does not meet the abovementioned hedge requirements, or

c. the company chooses to discontinue hedge accounting for other reasons.

If the hedge assessment is terminated, the changes which have been made in the carrying amount of the hedged object are amortised over the remaining economic life using the effective interest rate method if the hedging instrument is a financial instrument that has been recognised according to the effective interest rate method.

Risk classification

Interest rate

Hedging the interest rate risk from fixed interest rate contracts is implemented through swap contracts where we pay fixed and receive variable interest. This enables us to hedge our financial risk against changes in interest rates, and the loans outstanding match the funding.

Interest rate swaps that do not qualify as hedging instruments are presented in the balance sheet in the line item for financial liabilities at fair value through profit and loss and changes in value are included in “Net gains on financial instruments at fair value”.

Foreign exchange

A Cross Currency Swap is an agreement between two parties to exchange interest payments and principal on loans denominated in two different currencies. In a cross currency swap, a loan's interest payments and principal in one currency would be exchanged for an equally valued loan and interest payments in a different currency. Such swaps allow Nordea Finance Equipment to switch its loan and interest repayments in EUR into currencies as NOK, DKK and SEK, or other currencies when required.

Impairment of financial assets

All debt instruments classified as financial assets, measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables, loan commitments and issued financial guarantee contracts, will be systematically subject to depreciation or provision for expected credit losses. This depreciation or provision will be recognised as soon as loans are granted or as soon as commitments are issued, without waiting for objective evidence of impairment to occur. The purpose of this approach is to recognise credit losses in profit or loss on a timely basis, symmetrically to the recognition in profit or loss of the credit spread embedded in the interest income. Thus, these financial assets will be allocated among three categories according to the gradual deterioration of their credit risk since their initial recognition, and an impairment loss will be recognised for each of these categories as follows:

Credit risk category	Stage 1 Performing assets	Stage 2 Underperforming assets	Stage 3 Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1	Credit risk on the instrument has increased significantly since initial recognition/ 30 days past due	Evidence that the instrument has become credit-impaired/ 90 days past due/ under bankruptcy/ default contagion
Measurement of credit risk	12-month expected credit risk	Lifetime expected credit risk	Lifetime expected credit risk
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

Credit-impaired or defaulted assets stage 3
Loans are valued at amortised cost with the exception of loans that are at risk of default or in default where there are objective indications of impairment in value.

Objective evidence of impairment for credit risk on loans includes significant financial problems at the debtor, defaulted payments or other material breaches of contract, instances where it is considered probable that the debtor will initiate debt settlement negotiations or other specific circumstances that have occurred.

Write-downs will be made if objective evidence of a decline in value can be identified.

If there is objective evidence that an impairment in value has occurred, the loss is measured as the difference between the asset's value in the balance sheet and the net present value of estimated future cash flows (excluding future credit losses which have not occurred), discounted with the financial asset's original effective interest rate (i.e. the effective interest rate calculated at inception). The asset's balance sheet value is reduced using a separate provision account. The loss amount is included in the Profit and Loss statement.

Loans are defined as being in default when the delay in payment exceeds 90 days and the delay is not due to accidental circumstances at the customer. If a customer has several contracts, but only one is in default, the entire customer engagement is reported as being in default.Loans that are at risk of default are not necessarily in default, however the customer's financial standing and the value of the securities indicate a risk of default.

The recovery of loans in default takes place with a new assessment when the applicable payment plans have been followed for a period and the loan is no longer deemed to be at risk of defaultWrite-downs for credit losses are made for loans on an individual basis.

When the company collects assets for realisation of a security interest or sells leased objects, and this is due to customer default, the lease object is classified as a repossessed asset and temporarily valued at the assumed net realisable value.Actual losses on realisation are recorded to losses on loans in the income statement.

Revenue from contracts with customers

Accrual accounting for interest income, sales gains, commissions and fees
Commissions received and paid, fees and other related amounts are included in the calculation of the effective interest rate, and are covered by IFRS 9.

Revenue from the sale of goods
Nordea Finance Equipment recognises revenue from the sale of goods (repossessed assets) at the point in time when control of the goods is transferred to the customer. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the asset. Revenue is generally recognised on delivery of the goods. Nordea Finance Equipment considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the effects of variable consideration, the existence of significant financing components and consideration payable to the customer.

Revenue from sale of services
Nordea Finance Equipment recognises fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:

- fees for ongoing services are recognised as income over the life of the service
- fees for one-off services, are recognised as income when the service is provided.

Equity and liabilities
Financial instruments are classified as liabilities or equity in accordance with the underlying economical realities.

Interest, dividend, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments that are classified as equity will be recorded directly in equity.

Pension obligations
As of January 1, 2013 Nordea Finance Equipment applied IAS 19 Employee Benefits (June 2011) ("IAS 19R") and changed the basis for calculating the pension liability and costs. Nordea Finance Equipment previously used the corridor approach when recognising unamortised changes in accounting estimates. The corridor approach is no longer accepted and all changes in accounting estimates shall be recognised in other comprehensive income in accordance with IAS 19R. A distinction is made between insured and uninsured schemes.From 31st of December 2009, the benefit plan in Norway is replaced with a defined contribution schemes. The Swedish and Danish branches only operate defined contribution schemes. The pension calculations are undertaken by actuaries on the basis of assumptions that can change in the future.

Income tax
The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset. Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the company where temporary differences have arisen.
Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Provisions
Provisions are recorded when the company has an obligation (legally or self-imposed) relating to a prior event, it is probable (more probable than not) that a financial settlement will take place as a result of the obligation and the actual amount can be reliably measured.

Intangible assets
Capitalised software is recorded as an intangible asset and depreciated using the straight-line method based on the estimated lifetime, 3-7 years, from when the software is operational.Capitalisation

occurs when the circumstances in accordance with IAS 38 have been metThe costs associated with maintaining the economic value of IT systems are expensed directly.

Machinery, tools and equipment, means of transportation

Tangible assets are valued at their cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the statement of comprehensive income.

The cost of tangible non-current assets is the purchase price, including taxes/duties and costs directly linked to preparing the asset ready for its intended use. Costs incurred after the asset is in use, such as regular maintenance costs, are recognised in the statement of comprehensive income, while other costs that are expected to provide future financial benefits are capitalized.

Depreciation is calculated using the straight-line method over the useful life spanning from 3 to 10 years.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.
In the statement of cash flows, the overdraft facility is stated minus the balance of cash and cash equivalents.

Contingent liabilities and assets

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.
Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Group.

Events after the reporting period

New information on the company's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period but which will affect the company's financial position in the future are disclosed if significant.

1.1 CHANGES IN STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. Nordea Finance Equipment intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The IASB has published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in "Interest Rate Benchmark Reform – Phase 2". Phase 2 of the IBOR reform includes three major areas, hedge accounting, modifications and disclosures.

The amendment clarifies that hedge accounting does not have to be discontinued just because hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging

instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.
It is clarified that modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications for instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.
The amendment is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted.

2. IMPORTANT ACCOUNTING ESTIMATES AND DISCRETIONARY EVALUATIONS

The preparation of annual 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.Further information on these types of assessments and estimates is provided below.

Impairment of financial assets

Loan write-downs
When evaluating the need for write-downs the most important assessment is related to estimating the most probable future cash flows from the customer.In principle, all cash flows from the loan shall be identified, and an evaluation must be made as to which cash flows are deferred.With the large number of loans that are subject to assessment, these types of calculations must be made based on approximations and experience.

For further information about the procedure used for the write-downs, refer to Note 1 Accounting principles.

Expected sales gain

As part of the equipment leasing activity, Nordea Finance Equipment may obtain sales gains from disposal of leased assets. Based on historic observations, tendencies and development in the second-hand market, estimated sales gains from disposal of leased assets further to the contract coming to end of term are included in interest income, see also note 1.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

No changes in significant accounting policies in 2020.

4. NET INTEREST INCOME

(in NOK thousand}	2020	2019
Interest income from financial institutions, valued at amortised cost	12 685	17 364
Interest income from customers financial leases and loans, valued at amortised cost	1562 727	1616 528
Interest income financial instruments	9 000	42 774
Total interest income	**1584413**	**1676 665**
Interest expenses to financial institutions, valued at amortised cost	-330 925	-372 885
Interest expenses on deposits and debt to customers, valued at amortised cost	-2 558	-2 639
Interest expenses financial instruments	-12 806	-45 027
Interest expenses on subordinated debt	-17 560	-20 896
Other interest expenses	-4 826	-5 787
Total interest expenses	**-368 676**	**-447 236**
Net interest income	**1215 736**	**1229 429**

5. NET FEES AND INCOME ON OTHER ACTIVITY

(in NOK thousand}	2020	2019
Commission and fee income from loans and similar to customers	325 528	314 553
Commission and fee income	**325 528**	**314553**
Commission and fee expenses from loans and similar to customers	-196 224	-171134
Other commission and fee expenses	-5 669	-3 343
Commission and fee expenses	**-201893**	**-174477**
Net commission and fees income	**123 635**	**140076**
Gains and losses repossessed assets	14076	23 089
Termination gain and loss	134176	142 059
Income from extension of leasing contracts	38 649	38693
Other income	1245	2 324
Total income other activity	**188147**	**206166**

6. NET GAINS ON FINANCIAL INSTRUMENTS

(in NOK thousand}	2020	2019
Net gains on financial derivatives, trading	187	507
Change in fair value on financial derivatives, hedging	-25 625	42 036
Change in fair value on hedged fixed interest loans	25 775	-40 666
Net change in value and gains on foreign currency	7 688	-2 056
Net gains and losses on financial transactions	**8026**	**-179**

7. OPERATING EXPENSES

(in NOK thousand}	2020	2019
Payroll	-333 879	-299 433
Pensions	-41448	-28 468
Social security costs	-51447	-48 564
Other staff cost	-25 199	-27 540
Total payroll, fees and other staff cost	**-451974**	**-404 005**
Rent and other office costs	-10 051	-17 143
Fees and temporary staff	-123 979	-76 744
Travel and marketing	-14 057	-26 695
Other operating costs	-17 521	-15 789
Intragroup services	-31151	-37 484
Depreciation and gain/loss	-38 937	-35 429
Total other operating expenses	**-235 696**	**-209 283**
Total operating expenses	**-687 670**	**-613 288**

Fees paid to Ernst & Young AS and cooperating companies are made up as follows (exclusive VAT):

(in NOK thousand)	2020	2019
Statutory audit	1650	1010
Other attestation services	0	0
Tax advice	15	0
Other non-audit services	41	23
Total	**1706**	**1033**

8. PENSIONS

Nordea Finance Equipment AS is obligated to follow the Act on Mandatory company pensions. The company's pension scheme complies with the requirement as defined in the Act.

Nordea Finance Equipment AS has defined contribution plans for employees in Norway, Sweden and Denmark. The contributions comprise between 4,5 % and 14,4 % of salaries. As at 31 December 2020, 349 members were covered by the plans.

As a replacement of the old AFP-plan a new AFP-plan has been established. The new AFP-plan is in the contrary to the old, not an early retirement plan, but a plan that gives a lifelong contribution to the ordinary pension. The employees can choose to exercise the new AFP plan starting at the age of 62 years, in addition to working, and it will continue accruing if working until the age of 67 years. The new AFP-plan is a defined benefit multi-company plan which is financed through contributions that are determined by a percentage of the employee's salaries. There is currently no reliable measure and allocation of liabilities and assets in the plan. The plan is accounted for as a defined contribution plan where no accruals are made and the contributions are accounted for as they occur. For 2020 the contribution has been set to 2,5 % of the total salaries between 1 G and 7,1 G to the employees. The plan will be unfunded and it is expected that the level of contribution will increase in the following years.

The company has an additional pension scheme that covers a total of 12 employees. The pension scheme gives the right to defined future benefits, which are mainly dependent on salary level at time of retirement. The following assumptions were used calculating the future pension obligations for the defined benefit pension scheme. For the period ending 31.12.2020, the DBO is recognised based on the actuarial calculation performed as of 31.12.2019, with estimate for 2020. Nordea Finance equipment will from January 1st 2021 be part of the Nordea Group actuarial calculation and assumptions.

Economic assumptions

Percentage	2020	2019
Percentage		
Discount rate:	1,30%	1,30%
Expected return on assets	0,00%	0,00%
Growth in salary	4,00%	4,00%
Inflation	2,50%	2,50%
G - regulation	3,75%	3,75%
Growth in current pensions	3,75%	3,75%
Withdrawal tendency AFP	0,00%	0,00%

Pension cost

(in NOK thousand}	Unfunded	Total 2020	Unfunded	Total 2019
Present value of pensions earned during the year	2 368	2 368	3 835	3835
Interest cost of accrued pension liabilities	1188	1188	1469	1469
Expected return on plan assets	0	0	0	0
Past service cost (curtailment incl.)	0	0	-9 929	-9 929
Difference between actual and estimated values	0	0	0	0
Net pension cost	**3 556**	**3556**	**-4 625**	**-4625**

Pension cost for 2020 amounts to TNOK 3 556 from the defined benefit plans and TNOK 38 003 from the contribution plans. The total pension cost amounts to TNOK 41 448. Pension cost for 2019 amounts to TNOK - 4 625 from the defined benefit plans and TNOK 33 094 from the contribution plans. The total pension cost in 2019 amounts to TNOK 28 468.

Pension liabilities in balance sheet

(in NOK thousand)	Unfunded	Total 2020	Unfunded	Total 2019
Plan assets at market value	0	0	0	0
Estimated pension liabilities	97988	97 988	94490	94490
Net pension liability	97 988	97 988	94490	94490
Actuarial gains (-)/losses	0	0	0	0
Plan change, curtailment	0	0	0	0
Recognised pension liability	**97988**	**97988**	**94490**	**94490**

Recognised pension liability year end 2020 amounts to TNOK 97 988. The total pension liability was TNOK 94 490 at year end 2019.

Change in liabilities

In calculating the pension costs and net pension liabilities, the following assumptions have been made: The discount rate is based on government bonds in Norway adjusted for the duration of the pension obligation. The duration is calculated to 13,0 years (avr). Salary rates, pension adjustments and G-regulations are based on historical observations and an expected future inflation of 2,5 %.

(in NOK thousand}	2020	2019
Opening balance	94490	85 748
Total service cost	2 368	3835
Interest cost	1188	1469
Payments from internal book	-58	-242
Payments from plan assets	0	0
Past service cost (curtailment incl.)	**0**	-9 929
Actuarial losses/ (gains)	**0**	13 609
Ending balance	**97988**	**94490**

Historical disclosure information

(in NOK thousand)	2020	2019
Gross pension liability 31.12	97988	94490
Plan assets, fair value 31.12	0	0
Net pension liability	97988	94490
Actuarial gains/(losses)	0	13 609
Experience adjustment expressed as percentage of plan liability	0,0%	-0,5 %
Experience adjustment expressed as percentage of plan asset	0,0%	0,0%

Expected Future Benefit Payments

(in NOK thousand)

	2021	2022	2023	2024	2025-2029
	112	114	117	3 278	14388

Sensitivity analysis

The defined benefit obligation is affected by changes in actuarial assumption. The table below presents a sensitivity analysis indicating the effect changes in the assumption will have on the benefit obligation.

(Percentage)	2020	2019
Sensitivities in:		
Discount rate -0.5%	12,5 %	12,5%
Discount rate +0.5%	-10,9 %	-10,9 %
Inflation rate -0.5%	-11,0 %	-11,0 %
Inflation rate +0.5%	12,5 %	12,5%
Salary increase rate +0.5%	23,3%	23,3%

9. TAXES

(in NOK thousand}	2020	2019
The tax expense for the year is made up as follows		
Taxes payable on profit for the year	10 343	213 361
Adjustment prior years	-961	10996
Change in deferred tax	10855	27 974
Total tax expense for the year	**20234**	**252 331**
Taxes payable are made up as follows:		
Profit on ordinary activities before tax expense	674 568	900 543
Permanent differences	-578 213	196 434
Change in temporary differences	-49 341	-127 154
Basis for taxes payable	**47015**	**969 824**
Taxes payable on profit for the year	**10343**	**213 361**

In 2020 TNOK -578 213 of the permanent differences is related to recognition of the operation of the company's branches in Sweden and Denmark. The equivalent difference in 2019 totalled TNOK 196 **434**

(in NOK thousand)	**2020**	**2019**
Deferred **tax assets**		
Property, plant and equipment	1665	6836
Pensions	21557	20788
Derivatives	0	0
Deferred tax assets - gross	23 223	27 624
Deferred tax liabilities		
Derivatives	-687	-259
Other	-26 961	-20 935
Exchange rate difference	-26 998	-14 597
Deferred tax liabilities - gross	-54 646	-35 790
Net recognised deferred tax assets	**-31423**	**-8167**
This year's changes in deferred tax assets		
Deferred tax asset 1.1.	-8167	16559
Changes against ordinary result	-10 855	-27 974
Exchange rate diff deferred tax asset	-12 401	254
Adjustments against OCI	0	2 994
Deferred tax asset 31.12.	**-31423**	**-8167**

At the end of 2020 net deferred tax liability for the company amounted to TNOK -31 423, compared to deferred tax asset in 2019 of TNOK -8 167.

Reconciliation from nominal to actual tax rate		
Net profit before tax	674 568	900 543
Expected income tax with nominal tax rates (22 %)	148405	198119
The tax effect of following items;		
Non-deductible costs	-127 207	43 216
Adjustment in respect of current income tax*	0	0
Other entries related to allowances previous years	-961	10996
Tax expense	**20234**	**252 331**
Effective tax rate	3,0%	28,0%

Nordea Finance Equipment AS has assessed the Finance Tax in Norway, and has concluded that the company is exempt from this tax. Assets and liabilities with deferred tax/tax assets were measured using the tax rate of 22 % both in 2019 and 2020.

10. DUE FROM **BANKS**

(in NOK thousand}	2020	2019
Deposits with financial institutions	787 903	398 446
Loans to financial institutions	846	1639
Due from banks before impairment	**788 750**	**400085**
Impairment of individually impaired loans	0	0
Revaluation of hedged item	0	0
Net due from banks	**788 750**	**400085**

Deposit with financial instritution include restricted deposits for wihtholding tax of kr 10 617 015.

11. CUSTOMERS LOANS

(in NOK thousand)	2020	2019
Equipment loans	4 753 594	4 332 719
Factoring receivables	323 932	404 586
Factoring loans	1463172	1755942
Financial lease agreements	33 477 081	33130483
Customer loans before impairment	**40017 779**	**39 623 730**
Impairment of individually impaired loans	-534 956	-424 338
Net due from customers	**39 482824**	**39199 392**

12. LEASING (FINANCIAL LEASING ASSETS)

(in NOK thousand}	2020	2019
Purchase cost 01.01	59 416 966	56 882134
Exchange rate difference	1445 975	-259194
Inflow during the year	13 051278	15 368 654
Outflow during the year	-12 266 681	-12 574 627
Purchase costs at end of period	**61647 538**	**59416 966**
Accumulated ordinary depreciation 01.01	23 766 522	22 875 728
Exchange rate difference	538 999	-108 151
Ordinary depreciation during the year	10496 241	10 153 229
Reversed depreciation sold assets	-9 398100	-9154 285
Accumulated depreciation at end of period	**25 403 661**	**23 766 522**
Book value leasing assets at end of period	**36 243 877**	**35 650445**
Customer receivable	-2 730 816	-2 476 220
Other accruals	-35 979	-43 742
Book value in the balance sheet at end of period	**33 477081**	**33130483**

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	8 592 789	8 554 683
1 to 5 years	27 210498	27 089 828
After 5 years	0	0
Future minimum finance lease rental	35 803 287	35 644 511
Present value non guaranteed	343 490	358 947
Present value of minimum lease payments	33133 592	32 771536
Unearned finance income	2 326 206	2 514 028
Average interest	3,3 %	3,6 %

Unearned finance income consists of interest, fees and future estimated sales gain. The company uses standard leasing agreements prepared in cooperation with the Association of Norwegian Finance Houses, and similar agreements in Denmark and Sweden. The company offers leasing of a broad range of equipment to Scandinavian businesses and public sector entities where the material leasing arrangements consist of equipment that fall within:

Industry: Construction machinery, production machinery, graphic machinery, forestry machinery, fish farming installations, furnishing etc.

High-Tech: !CT-equipment, copy machines, office machines, medical equipment etc.

Transport: Vans, trailers, buses, tractors, farming equipment, trucks, mobile cranes, automobiles, containers, helicopters, airplanes, ships etc.

13. ALLOWANCES RECOGNISED AND CUSTOMER LOANS

(in NOK thousand)				2020
	Stage 1	Stage 2	Stage 3	Total
Allowances on loans as of 01.01	-65 513	-37 335	-321490	-424 338
Allowances on new loans	-35 034	-12 023	-37 744	-84 801
Movement from S1 to S2	10952	-46 430		-35 478
Movement from S1 to S3	2 461		-148 986	-146 525
Movement from S2 to S3		3 505	-29166	-25 661
Movement from S3 to S2		-1965	28656	26 691
Movement from S3 to S1	-166		10104	9 938
Movement from S2 to S1	-2 630	13021		10 391
Loans terminated	4294	3 600	39 967	47 861
Change within stage	-10 142	4 754	92 354	86966
Allowances on loans as of 31.12	**-95 778**	**-72873**	**-366 305**	**-534 956**
Customer loans before impairment	35136 360	4 017154	864 265	40017 779

(in NOK thousand}				2019
	Stage 1	Stage 2	Stage 3	Total
Allowances on loans as of 01.01	-68 710	-26 478	-359 440	-454 628
Allowances on new loans	-28 093	-13 489	-23 610	-65192
Movement from S1 to S2	4404	-17 017		-12 613
Movement from S1 to S3	2 608		-112 193	-109 585
Movement from S2 to S3		3 092	-23 763	-20 671
Movement from S3 to S2		-2115	28857	26 742
Movement from S3 to S1	82		8 514	8596
Movement from S2 to S1	-1440	12 665		11225
Loans terminated	5 376	2 363	45190	52 929
Change within stage	20 260	3644	114 955	138 859
Allowances on loans as of 31.12	**-65513**	**-37 335**	**-321490**	**-424 338**
Customer loans before impairment	36 492 022	2 385 999	745 708	39 623 730

14. LOSSES AND ALLOWANCES RECOGNISED IN THE PROFIT AND LOSS

(in NOK thousand}	2020	2019
Losses on loans		
Write-downs for loan losses at end of period	-534 956	-424 338
Exchange rate adjustments (opening balance)	46 704	-1294
Write-downs for loan losses as at 01.01	424 338	454 628
Total actual losses	-128 288	-109 893
Income on actual losses	18896	19 236
Cost of risk	**-173 305**	**-61661**

15. LOANS DAYS OUTSTANDING

(in NOK thousand}	2020		
Days outstanding status	Net loans to customers	Percentage rate	Whereof past due, non-doubtful
Not past due	38 046 611	96,36 %	
1-29	1128 823	2,86%	1076138
30-59	218 931	0,55%	189 807
60-89	11488	0,03%	9049
90-179	54409	0,14%	9442
> 180	13 516	0,03%	3 656
> 1 year	9045	0,02%	2 493
Total	**39482 824**	**100,00%**	**1290 586**

(in NOK thousand)

Days outstanding status	Net loans to customers	Percentage rate	Whereof past due, non-doubtful
	2019		
Not past due	37164 887	94,81 %	
1-29	801081	2,04%	760 828
30-59	920 376	2,35 %	868 261
60-89	195 692	0,50%	150 354
90-179	98800	0,25%	41435
> 180	13 668	0,03%	444
> 1 year	4886	0,01 %	0
Total	**39199 392**	**100,00%**	**1821322**

Credit exposure:

Amounts in NOK thousand	2020	2019
Net loans to customers	39 482 824	39199 392
Positive market value derivatives	187	97 253
Guarantee liabilities and loan commitments	1363800	1569 550
Total credit exposure	**40846 811**	**40866195**

16. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

(in NOK thousand}

2020	Right of use - Real estate	Right of use - cars	Machines, fixtures, transportation equipment	Intangible assets	Total tangible and intangible fixed assets
Purchase costs 01.01	92 245	3 581	21034	5 276	122136
Change in value - opening balance	572	310	172	0	1054
Additions	54463	7 774	45 606	89 929	197 771
Disposals	-3 370	-544	-13 682	-379	-17 975
Purchase costs at end of period	**143 910**	**11121**	**53130**	**94826**	**302 987**
Accumulated ordinary depreciation 01.01	25 777	2 387	37 634	78668	144466
Change in value - opening balance	363	201	571	21	1157
Ordinary depreciation of the year	27 569	2 597	7 063	1626	38854
Change in value - during the year	15	2	10	0	26
Reversed disposed	-2 848	-365	-11179	-379	-14 771
Accumulated depreciation at end of period	**50876**	**4822**	**34099**	**79937**	**169 733**
Book value assets at end of period	**93034**	**6299**	**19032**	**14889**	**133 254**

(in NOK thousand)

2019	Right of use - Real estate	Right of use - cars	Machines, fixtures, transportation equipment	Intangible assets	Total tangible and intangible fixed assets
Purchase costs 01.01	0	0	52 389	82 830	135219
Change in value - opening balance	0	0	-123	-2	-125
Purchases	118138	6215	8486	1116	133955
Sales	-116	-247	-2 084	0	-2 447
Purchase costs at end of period	**118022**	**5968**	**58668**	**83944**	**266 602**
Accumulated ordinary depreciation 01.01	0	0	33080	77 027	110107
Change in value - opening balance	0	0	-98	-2	-100
Ordinary depreciation of the year	25 787	2460	5 595	1643	35485
Change in value - during the year	33	19	3	0	55
Reversed sold	-43	-92	-946	0	-1081
Accumulated depreciation at end of period	**25 777**	**2387**	**37634**	**78668**	**144466**
Book value assets at end of period	**92245**	**3 581**	**21034**	**5276**	**122136**

Intangible assets consist of software, which is depreciated linearly over 3-7 year from the time the software is taken into use. Machines, fixtures, transportation equipment is depreciated linearly over 3-10 years. Tangible assets are not pledged or in any other way used as collateral.

Right of use assets

Nordea Finance Equipment AS has recognized right of use assets in the categories real estate and cars. The categories are presented in the table above and classified as tangible and intangible assets in the balance sheet. The corresponding lease liabilities are classified as other liabilities. The right of use assets are depreciated lineary over the duration of the lease, ranging from 1-9 years.
In addition to lease agreements related to cars and real estate, Nordea Finance Equipment AS is part of some other agreements, mainly related to software-licenses. These agreements are assessed and considered exempt from IFRS 16 due to low value or short term remaining lease period. The lease-costs for these agreements are expensed as they incur.

In some of the real estate and car leasing agreements, there are variable lease payments. These variable lease payments are expensed as incurred.

For some of the real estate lease agreements, there is a right to renew or prolong the lease period. The probability to exercise the right is assessed when entering into a new agreement. If it is deemed reasonably possible that the agreement will be renewed, this is reflected in the right of use asset and liability calculation. If there are changes in this assessment during the lease-period, these changes are reflected in the right of use asset and right of use liability from the time of the new assessment.

Undiscounted lease liabilities and maturity of cash outflows

(in NOK thousand)

	2021	2022	2023	2024	2025–2028
	24563	21276	18498	17 567	4667

Summary of the lease liabilities

(in NOK thousand)	2020	2019
Liabilities recognized at implementation 01.01.	0	113 952
Lease liabilities 1.1.	96980	0
New/changed lease liabilities recognised	32 949	11045
Terminated lease liabilities	-152	-226
Cash payments for the principal portion of the lease liabilities	-29 159	-27 475
Cash payments for the interest portion of the lease liabilities	-2 128	-2 340
Interests	2128	2 340
Currency effects	876	-315
Lease liabilities 31.12.	**101493**	**96980**

17. DUE TO BANKS

(in NOK thousand)	2020	2019
Demand deposits and current accounts	0	3160
Term deposits borrowings	32 002 277	31861914
Related payables	18 674	52 324
Revaluation of hedged item due to banks	-287 180	28 617
Total	**31733 771**	**31946 015**

18. SUBORDINATED DEBT

(in NOK thousand)	2020	2019
Subordinated debt	550 000	550 000
Subordinated debt related payables	169	126
Total	**550169**	**550126**

19. FUNDING/INTEREST EXPENSES

Nordea Finance Equipment AS' total interest expenses amounted to TNOK 368 676 in 2020. Interest expenses are distributed on the following currencies:

(in currency thousand) 2020

Currency	Interest expense	Average interest rate	End balance	Average balance
DKK	8 751	0,18%	4 817 499	4 891540
EUR	211	0,27%	64000	76 721
GBP	6	0,56%	0	1002
NOK	308 253	1,65 %	18 295 956	18 732 328
SEK	43 293	0,69%	6 532 839	6 312 376
USD	108	1,40%	4501	7 761
			0	

(in currency thousand) 2019

Currency	Interest expense	Average interest rate	End balance	Average balance
DKK	221	0,00%	4 965 580	4 808 902
EUR	381	0,46%	89441	82 641
GBP	22	1,12 %	2004	2002
NOK	416 724	2,17 %	19168 701	19 244 739
SEK	22190	0,39%	6 091912	5 661144
USD	637	3,02 %	11021	21100

20. OTHER LIABILITIES

(in NOK thousand)	2020	2019
Accounts payable	345 703	336 616
VAT and duties payable	107 649	80098
Other liabilities	255 743	266409
Lease liability (Note 16)	101493	96980
Sum other liabilities	**810588**	**780103**

21. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

(in NOK thousand}

2020

Financial assets	Derivatives designated as hedging instruments through profit or loss	Financial instruments at fair value through OCI	Financial instruments at amortised cost	Total
Derivatives				
Hedging derivative assets	187			187
Foreign exchange forward contracts				
Debt instruments				
Customer loans			39 482 824	39 482 824
Due from bank			788 750	788 750
Cash and cash equivalents			9	9
Total assets	**187**	**0**	**40 271583**	**40271 770**

(in NOK thousand}

2020

Liabilities	Derivatives designated as hedging instruments through profit or loss	Financial instruments at fair value through OCI	Financial instruments at amortised cost	Total
Interest bearing loans and borrowings				
Bank loans			31733771	31733 771
Customer deposits			352 322	352 322
Derivatives				
Foreign exchange forward contracts	285 685			285 685
Interest rate swap	45196			45196
Other financial liabilities				
Trade and other payables			810 588	810 588
Total financial liabilities	**330881**	**0**	**32896 681**	**33 227 562**

(in NOK thousand)

2019

Financial assets	Derivatives designated as hedging instruments through profit or loss	Financial instruments at fair value through OCI	Financial instruments at amortised cost	Total
Derivatives				
Foreign exchange forward contracts	97 253			97 253
Debt instruments				
Customer loans			39199 392	39199 392
Due from bank			400 085	400 085
Cash and cash equivalents			9	9
Total assets	**97 253**	0	**39 599 486**	**39 696 739**

(in NOK thousand) **2019**

Liabilities	Derivatives **designated as hedging** instruments through profit or loss	Financial instruments at fair value through 0CI	Financial instruments at amortised cost	Total
Interest bearing loans and borrowings				
Bank loans			31946 015	31946 015
Customer deposits			248 927	248 927
Derivatives			0	0
Foreign exchange forward contracts	65 322			65 322
Interest rate swap	19 325			19 325
Other financial liabilities				
Trade and other payables	0		780103	780103
Total financial liabilities	**84647**	0	**32 975 045**	**33 059 692**

Nordea Finance Equipment 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)

Valuation technique

The contracts in level 2 have been evaluated based on observable spot rates, yield curve and exchanges rates.

(in NOK thousand) 2020

Financial **assets**	level 1	level 2	level 3
Financial derivatives	0	187	0
Total assets	0	**187**	0

Financial assets	level 1	level 2	level 3
Financial derivatives	0	330 881	0
Total liabilities	0	**330881**	0

(in NOK thousand} 2019

Financial assets	level 1	level 2	level 3
Financial derivatives	0	97 253	0
Total assets	0	97 253	0

Financial assets	level 1	level 2	level 3
Financial derivatives	0	84 648	0
Total liabilities	0	**84648**	0

22. FINANCIAL DERIVATIVES

Financial derivatives are contracts stipulating financial values in the form of interest rate terms for fixed periods of time. Derivatives used by Nordea Finance Equipment include interest rate swaps (IRS), currency swaps and forward rate agreements (FRA). Financial derivatives are used to manage interest rate risk from the company's ordinary operations. The table below shows nominal values as well as positive and negative market values of the interest and currency swaps. The company does not have any outstanding forward rate agreements at year

(in NOK thousand)			2020
	Nominal values total	Positive market value	Negative market value
Interest rate swaps NOK	853 901	156	40 767
Interest rate swaps DKK	732 724	18	2 621
Interest rate swaps SEK	612 637	13	1097
Currency swaps USD	2 412 442	0	285 685
Currency swaps EUR	0	0	0
Total	**4 611 704**	**187**	**330170**

(in NOK thousand)			2019
	Nominal values total	Positive market value	Negative market value
Interest rate swaps NOK	798 840	0	14 646
Interest rate swaps DKK	886 276	0	4 678
Interest rate swaps SEK	582 527	582	2
Currency swaps USD	3 373 349	62109	48 717
Currency swaps EUR	2 590 304	34 562	16 605
Total	**8 231296**	**97 253**	**84648**

(in NOK thousand)							2020
Maturity profile, Financial derivatives	1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 year	> 5 years	No maturity	TOTAL
Fixed rate loans NOK	0	55484	105 215	522 571	249 313	0	932 583
Fixed rate loans DKK	0	90 044	221409	479 598	26444	0	817 495
Fixed rate loans SEK	0	168 857	234 765	449 781	5142	0	858 545
Interest/ currency swaps USD	0	0	0	2 412 442	0	0	2 412 442
Interest/ currency swaps EUR	0	0	0	0	0	0	0
Interest rate swaps NOK	0	3 085	100 547	500 375	249 894	0	853 901
Interest rate swaps DKK	0	40 942	216 005	456011	19 766	0	732 724
Interest rate swaps SEK	0	0	215 673	393 838	3126	0	612 637
Currency swaps USD	0	0	0	2 412 442	0	0	2 412 442
Currency swaps EUR	0	0	0	0	0	0	0
Net position	**0**	**270 358**	**29164**	**101726**	**8113**	**0**	**409361**

(in NOK thousand)							2019
Maturity profile, Financial derivatives	1 month	from 1 month to 3 months	from 3 months to 1 year 0	from 1 year to 5 year	> 5 years	No maturity	TOTAL
Fixed rate loans NOK	0	32 996	99 775	492 593	249 238	0	874 602
Fixed rate loans DKK	0	116 407	279 923	631284	12 840	0	1040454
Fixed rate loans SEK	0	74 021	207186	385127	4135	0	670 469
Interest/ currency swaps USD	881 760	0	0	2 491589	0	0	3 373 349
Interest/ currency swaps EUR	148 211	78 006	1390 058	974 029	0	0	2 590 304
Interest rate swaps NOK	0	2 915	75 024	475 008	245 893	0	798 840
Interest rate swaps DKK	0	0	255 300	621 716	9 260	0	886 276
Interest rate swaps SEK	0	0	204 544	375155	2 828	0	582 527
Currency swaps USD	881 760	0	0	2 491589	0	0	3 373 349
Currency swaps EUR	148 211	78 006	1390 058	974 029	0	0	2 590 304
Net position	**0**	**220 508**	**52015**	**37125**	**8233**	**0**	**317 881**

23. OFFSETTING

Nordea Finance Equipment has established Credit Support Annex (CSA) agreements. The agreements involve a mutual commitment to provide collateral for derivatives trading between the parties. Any net position is related to financial derivatives entered into with the group where no CSA agreement is in place.

(in NOK thousand]

2020

	Gross amount	Amounts that are offset	Net amount in financial position	Financial instruments on balance sheet	Cash collateral in the balance sheet	Net position
Assets						
Financial derivatives	187	0	187	187	0	0
Total assets	**187**	**0**	**187**	**187**	**0**	**0**
Liabilities						
Financial derivatives	330 881	0	330 881	187	330 693	0
Total liabilities	**330881**	**0**	**330881**	**187**	**330693**	**0**

(in NOK thousand)

2019

	Gross amount	Amounts that are offset	Net amount in financial position	Financial instruments on balance sheet	Cash collateral in the balance **sheet**	Net position
Assets						
Financial derivatives	97 253	0	97 253	84 648	3160	9445
Total assets	**97 253**	0	**97 253**	**84648**	**3160**	**9445**
Liabilities						
Financial derivatives	84 648	0	84 648	84 648	0	0
Total liabilities	**84 648**	0	**84 648**	**84 648**	0	0

24. RISK MANAGEMENT

Operational risk

The company has implemented procedures for identification, assessment and reporting of losses caused by operational risk events. Reported events are used to adapt the control environment and procedures as well as for the calculation and allocation of capital requirements to cover operational risk. Furthermore, the company has established monitoring and reporting of several key risk indicators for operational risk. The company also performs scenario analysis of operational risk. Self-assessment of risks and controls is a central element in the identification and management of operational risk.

Observed losses caused by failures in internal routines, system failures, internal/external fraud and other operational events are very limited. Of the observed events, attempts of external fraud and execution errors are the most common. We assess that the existing control measures are satisfactory for uncovering and preventing this type of fraud and errors.

Financial risk management

The company is subject to the group’s guidelines for financial risk management (defined as interest rate, currency, liquidity and funding) as well as guidelines from the Board incorporated into the company's finance policy and liquidity policy. Management and control of financial risk are carried out centrally in the finance division, the treasury and asset-liability management function at the company’s headquarters. Treasury attends to the needs for financing, financial risk management, balance-sheet management, together with banking relations for the whole company i.e., the operations in all the countries. Treasury is organised as a service centre whose main purpose is to facilitate financing and manage financial risk within defined limits. The boundaries for financial risk are restrictive and adjusted to the size and needs of the operation.

Financial risk is reported to the company’s assets and liabilities committee (ALCO) and the group’s unit for monitoring and control of financial risk. ALCO has responsibility for the limits, measurement principles and monitoring of financial risk (interest rates, currency, funding and liquidity), managing assets and liabilities, capital requirements and capital structure. ALCO also coordinates stress testing of risks related to the company's internal process for assessment of capital adequacy ("ICAAP") and liquidity ("ILAAP").

<u>Interest rate risk management</u>

The finance policy is to macro hedge fixed interest rate contracts, with the objective of ensuring that the economic and accounting effects of changes in interest rate markets are held at a limited level. Our economic risk at the end of the year was almost fully hedged against changes in interest rates and the maturity profile of loans outstanding matches the funding. 3 internal swaps do not meet the hedge accounting requirements. These interest rate swaps are classified as for trading purposes and the change in market value is posted directly to the income statement.The efficiency of new hedges is tested prospectively prior to entering new hedging contracts and thereafter on a quarterly basis for existing hedging relationships. The efficiency is measured based on accumulated changes in the market value for hedging instruments and hedged contracts using the “dollar-offset” method. Please refer to the notes for a closer description of accounting effects and interest rate sensitivity.

<u>Currency risk management</u>

Currency risk is managed by borrowing in the same currency and with the same maturity as assets in the foreign currency. The net result from contracts in foreign currencies is exchanged into Norwegian Kroner (NOK) or other local currency on realisation. Moreover, the result from the branches in Sweden and Denmark is exchanged into NOK. To some extent the company may borrow in a different currency and use cross currency swaps. Such swaps allow Nordea Finance Equipment to switch its loan and interest repayments in e.g., EUR into local currencies as NOK, DKK, and SEK.

The efficiency of new hedges is tested prospectively prior to entering new hedging contracts and thereafter on a quarterly basis for existing hedging relationships. The efficiency is measured based on accumulated changes in the market value for hedging instruments and hedged contracts using the "dollar-offset" method. Please refer to the notes for a closer description of accounting effects and interest rate sensitivity.

Liquidity management / funding

The company's funding is mainly provided by the Nordea group. Funding from the group is based on a bilateral agreement for funding as well as funding limits according to our funding needs over time, based on budgeted and expected growth. Planning and managing liquidity and funding thus occur in close collaboration with the group unit for financing of subsidiaries and operating businesses.

Nordea Finance Equipment has been working on diversifying its sources of funding, and to attract new lenders to finance the activities. Nordea Finance Equipment have established a cooperation with the European Investment Bank since May 2014. The EIB loans are allocated according to European Investment Bank's criteria to qualifying SMEs in Denmark, Sweden and Norway with a substantial share to be allocated to financing of climate action projects and investments in technologies that reduce emissions or energy consumption.

In 2016, we raised new loans from European Investment Bank of MEUR 150, and a loan from Nordic Investment Bank of MEUR 150, followed by a loan of MEUR 100 in 2017 from the EIB. In 2018 we raised a new loan from NIB for financing of investment projects for SMEs and two new loans from EIB of MEUR 100 for financing of investments by SMEs and climate action projects in Denmark and Sweden and a loan of MEUR 90 for financing of client action projects and investments by SMEs in Norway. In November 2019 two additional loans from EIB of MEUR 150 were raised, for financing of investments by SMEs and climate action projects in Denmark and Sweden. In May 2020 additional 90MEUR was raised for investment in SME Norway.

Since the main source of funding stems from the parent company, we have in the entire period maintained a close contact with our owner. In total we can conclude that the company has had access to satisfactory levels of funding and liquidity.

Solidity / Capital Adequacy / Capital Management

The company's policy for capital management defines the applicable principles and guidelines for capital planning and management. Moreover, the company is subject to the group's guidelines for capital management. The internal guidelines compel the company always to comply with the internal requirements which are stricter than the local regulatory minimum requirements. A central part of the policy for capital management is regular assessment of the capital situation and capital adequacy under stress tests for various scenarios and relevant types of risk. This has been carried out in accordance with the regulatory requirements for internal processes for the assessment of capital adequacy (Internal Capital Adequacy Assessment Process or ICAAP) and liquidity risk (Internal Liquidity Adequacy Assessment Process or ILAAP). The analysis demonstrates that the company's capital adequacy, solidity and liquidity management are satisfactory in respect of expected future growth and also following the stress tests that have been carried out.

Nordea Finance Equipment is subject to minimum capital adequacy requirements as a regulated financial institution in the Kingdom of Norway. These requirements are defined and monitored by

Finanstilsynet, the Norwegian Financial Supervisory Authority of Norway. Capital requirements, including capital buffer requirements at the end of 2020, were as follows:

The company should hold minimum common equity capital of 4,5% of the calculation basis (cf note on capital adequacy). The minimum level of core capital (socalled "tier 1" capital) should be 6,0% of the calculation basis. The total capital, including tier 2 capital, should be kept at minimum 8,0% of calculation basis. In addition to these minimum requirements, the company should hold capital buffers in the form of core capital, with at least 2,5% conservation buffer, 4,5% (note: individual requirement of 2,72%) system risk buffer and 1,0% (note: individual requirement of 0,61%) countercyclical buffer. The combination of minimum capital requirements and capital buffer requirements leads to total core capital requirement of 11,83% of calculation basis and total capital adequacy requirement of 13,83% at end of 2020. Finanstilsynet and European Central Bank confirmed again in 2018 its prudential requirements for Nordea Finance Equipment which require the entity to maintain 1,5% common equity capital above minimum own funds requirements. Furthermore, the regulator requires that Nordea Finance Equipment maintains common equity tier capital above 15,5%. Consequently, the entity shall hold regulatory minimum common equity / core capital of 13,33% and total capital of 15,33%. The increased buffer requirement is included in the capital planning of the company.

In the planning and management of capital and compliance to internal and external requirements, Nordea Finance Equipment monitor evolution of all core elements of capital, including common equity (equity, share premium account, retained earnings, and deductible items to define regulatory capital base) as well as supplementary capital (tier 2) in the form of subordinated debt. At the end of 2020 the company had issued subordinated debt of MNOK 550, replacing the subordinated debt of MNOK 1 100 issued in 2013. Subordinated debt is issued to strengthen the total capital adequacy level of the company. These elements are considered in capital planning and in stress testing and assessment of future capital situation.

The main principle for the company's capital is that the capital level shall at all times be sufficient to cover regulatory minimum requirements presented above, and to ensure that the company is adequately capitalised for a planning horizon of at least 15 months. The planning horizon of 15 months is assessed as sufficient to allow enough time for the shareholder (Nordea Group) to plan for capital increase, allocation of net earnings / dividends or implementation of required measures should the capital situation in Nordea Finance Equipment fall below the defined internal targets. For the current financial planning period, the internal capital level target is set at the same level as recommended by the regulatory authorities, i.e. to maintain common equity capital ratio above 15,50%.

The capital buffer and capital ratio targets are assessed by the Board of Directors when required, and at least in connection with updates to capital management policy and review of the internal capital assessment results.

Note 30 contains further quantitative information on capital and capital adequacy.

Corporate Governance / Internal control

As part of the Nordea group, the company has continued the development of its principles and framework for internal control and corporate governance to the standards of the group. The main risks and the efficiency of internal controls are assessed on a regular basis. The results of these assessments are satisfactory.

25. RISK CLASSIFICATION

The company uses a risk classification system for customers and exposures. The classification is based on objective criteria and consists of two parameters, the customer's creditworthiness and the object's security coverage. Counterparty classification is based on available financial information, as well as other information. The combination of these parameters determines how the exposure is classified. Models for calculating credit risk (probability of default), loss given default and other parameters are used in estimating the risk of an exposure and the level of capital needed to cover future expected and unexpected losses. Exposures are classified in categories in accordance with capital adequacy regulations for banks and finance houses. Based on the combination of counterparty classification (probability of default (1-10)) and object classification (loss given default (A-E)) the exposure is classified in a credit matrix based on debtor class and asset classes. The financed assets are classified according to value curves, expressing expected evolution of the market value of the financed asset, based on historical observations. See also accounting principles.

NFE internal obligor rating scale

NFE Obligor rating	Moody's rating	S & P rating	Fitch IBCA rating	Capital Intelligence rating	1-year probability of default	
					Interval	Mean
1	Aaa	AAA	AAA	AAA	[0,0000%;0,0112%]	0,01 %
2+	Aa1	AA+	AA+	AA+	[0,0112%;0,0165%]	0,01 %
2	Aa2	AA	AA	AA	[0,0165%;0,0225%]	0,02 %
2-	Aa3	AA-	AA-	AA-	[0,0225%;0,0287%]	0,03 %
3+	A1	A+	A+	A+	[0,0287%;0,0339%]	0,03 %
3	A2	A	A	A	[0,0339%;0,0472%]	0,04 %
3-	A3	A-	A-	A-	[0,0472%;0,0894%]	0,06 %
4+	Baa1	BBB+	BBB+	BBB+	[0,0894%;0,1827%]	0,13 %
4	Baa2	BBB	BBB	BBB	[0,1827%;0,3589%]	0,26 %
4-	Baa3	BBB-	BBB-	BBB-	[0,3589%;0,7427%]	0,50 %
5+	Ba1	BB+	BB+	BB+	[0,7427%;1,5288%]	1,10 %
5	Ba2	BB	BB	BB	[1,5288%;2,6317%]	2,12 %
5-	Ba3	BB-	BB-	BB-	[2,6317%;3,8774%]	3,26 %
6+	B1	B+	B+	B+	[3,8774%;5,9829%]	4,61 %
6	B2	B	B	B	[5,9829%;9,4143%]	7,76 %
6-	B3	B-	B-	B-	[9,4143%;12,7916%]	11,42 %
7+	Caa1	CCC+	CCC+	C+	[12,7916%;17,1134%]	14,33 %
7	Caa2	CCC	CCC	C	[17,1134%;23,5996%]	20,44 %
7-	Caa3	CCC-	CCC-	C-	[23,5996%, ---]	27,25 %
8-10	Defaulted					

Risk classification loans to customer

In 2014 a complete review of the object risk classes was performed. The goal was to group exposures with similar object risk and have limits adapted to the Loss Given Default (LGD) levels observed in the portfolio today.

(in NOK thousand) **2020**

Obligor classifiaction	Object classification: A [0%; 4%]	B [4%; 8%]	C [8%; 13%]	D [13%; 18%]	E [18%;100%]	Not classified	Total
[1 ; 3] High	810	37	8 099	3 678	26 436		39 061
[-3 ;-4] High/medium	323 847	288 581	659 594	427 294	789 248		2 488 565
[5+ ;-5] Medium	6 587 921	5 259 467	5 995 425	2 380 950	2 202 110		22 425 872
[6+ ;7+] Medium/Low	2 783 817	2 342 414	2 165 041	780 196	907 085		8 978 553
[7 ;-7] Low	574 400	475 373	549 792	206 926	143 997		1 950 487
[8 ;10] Default	68 706	69 363	254 955	196 442	222 379		811 845
Not classified						3 323 396	3 323 396
Total	**10 339 500**	**8 435 234**	**9 632 906**	**3 995 486**	**4 291 257**	**3 323 396**	**40 017 779**

(in NOK thousand) **2019**

Obligor classifiaction	Object classification: A [0%; 4%]	B [4%; 8%]	C [8%; 13%]	D [13%; 18%]	E [18%;100%]	Not classified	Total
[1 ; 3] High	39 613	4 539	5 513	2 227	22 562		74 454
[-3 ;-4] High/medium	343 542	282 382	634 005	269 169	640 578		2 169 676
[5+ ;-5] Medium	5 882 094	5 314 821	6 093 997	2 193 882	2 231 032		21 715 826
[6+ ;7+] Medium/Low	2 562 175	2 627 798	2 195 503	688 268	851 814		8 925 559
[7 ;-7] Low	650 470	519 143	462 582	170 508	161 575		1 964 277
[8 ;10] Default	45 195	103 486	209 898	135 596	210 894		705 070
Not classified						4 068 868	4 068 868
Total	**9 523 089**	**8 852 169**	**9 601 497**	**3 459 651**	**4 118 455**	**4 068 868**	**39 623 730**

26. REPOSSESSED ASSETS

Nordea Finance Equipment has an objective of quickly realizing repossessed assets, and maintaining stock at a reasonable level. The company does not use repossessed assets, but sells the objects to third-parties. The company has achieved acceptable prices on sale of repossessed assets in 2020, and the market for second-hand equipment has generally been very good the last couple of years.

(in NOK thousand)	2020	2019
Booked value	**14270**	**25485**
Turnover	288 509	318 291
Number of objects in stock at year end	159	218

27. INTEREST RATE RISK AND INTEREST RATE ADJUSTMENT PERIOD

Interest rate risk arises from loan and leasing engagements where Nordea Finance Equipment receives fixed interest rate payments from the client. The interest rate can be fixed for different maturities, and in order to manage interest rate exposure, Nordea Finance Equipment AS applies different methods for interest rate hedging. See notes 1 and 25 for a description of hedging. Generally, a change in market interest rates will take effect faster in the interest rate to customer than it will in the funding rate. During normally a three months period this effect will however be neutralized.

Period until next interest rate adjustment

(in NOK thousand) **2020**

	1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 year	> 5 years	No agreed fixed rate	TOTAL
Assets							
Cash and deposits with central banks	9	0	0	0	0	0	9
Hedging derivative assets	187	0	0	0	0	0	187
Due from banks	788 750	0	0	0	0	0	788 750
Customer loans	12 393 823	24 787 647	140 032	1629 623	531699	0	39 482 824
- hereof foreign currency	4449 260	8 898 519	120 784	1374180	95 558	0	14 938 301
Revaluation differences	44 343	0	0	0	0	0	44 343
Other assets	185 194	0	0	0	0	0	185 194
Total financial assets	**13412 307**	**24 787 647**	**140032**	**1629 623**	**531699**	**0**	**40 501307**
Liabilities							
Financial liabilities at FVTPL	0	0	0	0	0	0	0
Hedging derivative liabilities	330 881	0	0	0	0	0	330 881
Due to banks	7252131	24481640	0	0	0	0	31733771
- hereof foreign currency	2 575 215	11454 075	0	0	0	0	14029 290
Customer deposits	352 322	0	0	0	0	0	352 322
Other liabilities	810 588	0	0	0	0	0	810 588
Pension liabilities	821	1632	7 345	39195	48994	0	97988
Current tax liabilities	10 343	0	0	0	0	0	10 343
Subordinated debt	0	550 169	0	0	0	0	550 169
Total financial liabilities	**8 757 086**	**25 033441**	**7 345**	**39195**	**48994**	**0**	**33886 062**
Total balance sheet items	**4 655 221**	**-245 795**	**132 687**	**1590428**	**482 705**	0	**6 615 246**

Period until next interest rate adjustment

(in NOK thousand} **2019**

	1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 year	> 5 years	No agreed fixed rate	TOTAL
Assets							
Cash and deposits with central banks	9	0	0	0	0	0	9
Hedging derivative assets	97 253	0	0	0	0	0	97 253
Due from banks	400 085	0	0	0	0	0	400 085
Customer loans	12 004 079	24497 738	845 196	1539 616	312 763	0	39199 392
- hereof foreign currency	3 813 726	8084 039	607 638	1063587	46961	0	13615 951
Revaluation differences	18178	0	0	0	0	0	18178
Other assets	139 217	0	0	0	0	0	139 217
Total financial assets	**12 658 821**	**24497 738**	**845196**	**1539 616**	**312 763**	**0**	**39854134**
Liabilities							
Financial liabilities at FVTPL	0	0	0	0	0	0	0
Hedging derivative liabilities	84 648	0	0	0	0	0	84 648
Due to banks	10462 349	21448 095	0	35 571	0	0	31946 015
- hereof foreign currency	5 092 068	10 766 250	0	35 571	0	0	15 893 889
Customer deposits	248 927	0	0	0	0	0	248 927
Other liabilities	780103	0	0	0	0	0	780103
Pension liabilities	787	1575	7087	37 796	47 245	0	94490
Current tax liabilities	213 361	0	0	0	0	0	213 361
Subordinated debt	0	550 126	0	0	0	0	550 126
Total financial liabilities	**11790175**	**21999 796**	**7087**	**73367**	**47 245**	**0**	**33917 670**
Total balance sheet items	**868 645**	**2497 942**	**838110**	**1466 249**	**265 518**	**0**	**5 936464**

28. LIQUIDITY RISK AND REMAINING MATURITY ON BALANCE SHEET ITEMS

Funding is mainly provided by the parent company Nordea Bank Abp, on the basis of a framework agreement and limits. The company's liquidity risk is therefore mainly linked to the owner, and refinancing is organised in close collaboration with the group treasury department. The table below shows due date for assets and liabilities in nominal values.

Remaining maturity
(in NGK thousand)

2020

	1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 year	> 5 years	Without maturity	TOTAL
Assets							
Cash and deposits with central banks	9	0	0	0	0	0	9
Hedging derivative assets	187	0	0	0	0	0	187
Due from banks	788 750	0	0	0	0	0	788 750
Customer loans	1327092	5217081	6892 700	23 348 349	2 697 601	0	39 482 824
- hereof foreign currency	458 754	1334 062	2 789 451	9 654 738	701296	0	14 938 301
Revaluation differences	44 343	0	0	0	0	0	44 343
Other assets	185 194	0	0	0	0	0	185 194
Total financial assets	**2 345 576**	**5 217 081**	**6892 700**	**23 348 349**	**2 697 601**	**0**	**40 501307**
Liabilities							
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0	0
Hedging derivative liabilities	330 881	0	0	0	0	0	330 881
Due to banks	807 261	2 332 088	8 234 649	19 028 792	1330981	0	31733 771
- hereof foreign currency	390 463	842 902	3 044103	9 751 822	0	0	14 029 290
Customer deposits	161083	0	0	0	191239	0	352 322
Other liabilities	316 337	301908	115 407	73 586	3 349	0	810 588
Pension liabilities	821	1632	7345	39195	48994	0	97988
Current tax liabilities	0	5171	5171	0	0	0	10343
Subordinated debt	0	550169	0	0	0	0	550 169
Total financial liabilities	**1616 384**	**3190 968**	**8 362 573**	**19141574**	**1574 563**	**0**	**33 886 062**

Remaining maturity
(in NGK thousand)

2019

	1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 year	> 5 years	Without maturity	TOTAL
Assets							
Cash and deposits with central banks	9	0	0	0	0	0	9
Hedging derivative assets	97 253	0	0	0	0	0	97 253
Due from banks	400 085	0	0	0	0	0	400 085
Customer loans	1777609	3 937 580	8 463 040	22 686 027	2 335 136	0	39 199 392
- hereof foreign currency	866 872	1142 774	2 905 249	7 871 702	601 574	0	13 388 171
Revaluation differences	18178	0	0	0	0	0	18178
Other assets	139 217	0	0	0	0	0	139 217
Total financial assets	**2 432 351**	**3 937 580**	**8463040**	**22 686 027**	**2 335136**	**0**	**39 854134**
Liabilities							
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0	0
Hedging derivative liabilities	84 648	0	0	0	0	0	84 648
Due to banks	2 749 828	3 074 199	8 793 363	16 702 493	626132	0	31946 015
- hereof foreign currency	1308 395	1505 536	3 475 629	8 790 472	0	0	15 080 032
Customer deposits	63 008	0	0	0	185 919	0	248 927
Other liabilities	304 441	290 554	111067	70819	3 223	0	780 103
Pension liabilities	792	1574	7083	37 796	47 245	0	94 490
Current tax liabilities	0	106 681	106 681	0	0	0	213 361
Subordinated debt	0	126	0	550 000	0	0	550 126
Total financial liabilities	**3 202 717**	**3473133**	**9 018194**	**17 361108**	**862 519**	**0**	**33 917 670**

29. NET POSITION PER CURRENCY

Foreign currency positions arise from contracts in foreign currencies, and from the activities in the branches in Denmark and Sweden. Net foreign currency position at year end 2020 was TNOK 6 057. Hence giving a foreign currency sensitivity of TNOK 606 with a 10 % shift in exchange rates between NOK and other foreign currencies. The impact on net result and equity would be equivalent to TNOK 466. For 2019 a shift of 10 % in exchange rates would have resulted in an impact of TNOK 3 110 before tax and TNOK 2 395 on net profit and equity. The foreign currency positions shown are only non functional currencies.

(in thousand)						2020
	USD	EUR	SEK	CHF	GBP	DKK
Assets						
Norway	4 780	59 239	6 731	29	119	480
Sweden	-1	5 098	0	0	0	0
Denmark	-6	1651	0	0	0	0
Total assets	**4 774**	**65987**	**6 731**	**29**	**119**	**480**
Liabilites						
Norway	4 870	59464	7 069	0	117	848
Sweden	-22	5117	0	0	0	0
Denmark	-6	1872	0	0	0	0
Total liabilities	**4843**	**66454**	**7069**	**0**	**117**	**848**
Net balance sheet items	-70	-466	-338	29	3	-368
Converted to NOK	**-596**	**-4898**	**-352**	**278**	**31**	**-519**
Currency sensitivity (10% shift) before tax	-60	-490	-35	28	3	-52
Currency sensitivity (10% shift) after tax	-46	-377	-27	21	2	-40

(in thousand)						2019
	USD	EUR	SEK	CHF	GBP	DKK
Assets						
Norway	156 043	173 816	778 667	13	1890	562 522
Sweden	141 773	12 713	0	0	0	0
Denmark	141639	116 777	0	0	0	0
Total assets	**439 455**	**303 306**	**778 667**	**13**	**1890**	**562522**
Liabilites						
Norway	156 224	173 989	803 033	7	2 222	562 679
Sweden	141 752	12 725	0	0	0	0
Denmark	141639	116 868	0	0	0	0
Total liabilities	**439 615**	**303 582**	**803 033**	**7**	**2 222**	**562 679**
Net balance sheet items	-160	-276	-24 366	6	-332	-157
Converted to NOK	**-1411**	**-2 727**	**-22 967**	**55**	**-3844**	**-209**
Currency sensitivity (10% shift) before tax	-141	-273	-2 297	5	-384	-21
Currency sensitivity (10% shift) after tax	-109	-210	-1 768	4	-296	-16

30. Capital

Regulatory development

The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force on 1 January 2014 followed by the Bank Recovery and Resolution Directive (BRRD) on 15 May 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV and BRRD were implemented through national law within all EU member states from 2014. From 31 December 2019 the CRR and CRD IV were finally implemented in Norway.

In June 2019, the 'banking package' containing revisions to the BRRD, the CRD and the CRR was adopted. The revised CRD (CRD V) and BRRD (BRRD II) are applicable from 28 December 2020, while the majority of the changes in CRR (CRR II) are to be applied from 28 June 2021. The consultation on the 'banking package' ended on 6 January 2021 in Norway and implementation is pending.

The new European Covered Bond Directive and Regulation have been finalised. The rules include a harmonised EU framework for covered bonds, including common definitions, supervision and the rules for allowing the use of 'European Covered Bonds' label. Finally, it will include amendment to CRR regarding the conditions to be granted preferential capital treatment. The Directive entered into force on 8 January 2020, the national transposition period will last until 8 July 2021 and national measures shall be applied starting at the latest from 8 July 2022. The Regulation will apply only from 8 July 2022, in parallel with the deadline for the national measures of the Directive.

Regulatory minimum capital requirements

The CRR requires banks to comply with the following minimum capital requirements in relation to REA:

- CET1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

Capital buffers

In addition to the minimum requirements, the CRD contains capital buffer requirements. The application and the levels are regulated and based on the institutions contribution to systemic risk and/or general macro prudential justifications. Each Member State requires the capital buffer levels applicable to the institutions within their jurisdiction. The capital buffer requirements are expressed in relation to REA to be covered by CET1 capital and represent additional capital to be maintained in addition to mini-mum regulatory requirements. The capital buffers comprises the capital conservation buffer (CCoB) of 2.5% applicable to all institutions. Depending on the characteristics of the institution and/or macroprudential justifications the following capital buffers may also be required: A countercyclical capital buffer (CCyB), a buffer for globally systemically important institutions (G-SII), a buffer for other systemically important institutions (O-SIIs), as well as a systemic risk buffer (SRB). The institution specific CCyB will, under normal circumstances, be in the range of 0-2.5%, depending on the buffer rate in the countries where the institution has its relevant exposures. Under CRD V, the O-SII buffer can be set up to 3% and the SRB can be set up to 5% for all exposures or for specific sectors or domestic exposures, now also being additive with the O-SII buffer. All of these buffers are included in the so-called combined buffer requirement. The combined buffer requirement is currently the sum of the CCoB, CCyB, SRB and the highest of O-SII and G-SII buffer.

Breaching the combined buffer requirement will restrict banks' capital distribution, such as the payment of dividends, share buy-backs, remuneration and payments on AT1 instruments, in accordance with the regulations on maximum distributable amount (MDA).

In Norway, the applicable buffer levels comprise the CCoB of 2.5%, the SRB of 4.5% and the CCyB, which was reduced from 2.5% to 1% in March 2020 following the covid-19. In addition, the O-SII is applied to the two largest institutions. To mitigate the effect of the Norwegian implementation of the CRR and CRD IV, the Norwegian Ministry of Finance adopted changes in banks' capital requirements by changing the systemic risk buffer (SRB) from the current 3% for all Norwegian banks to 4.5% for all Norwegian exposures. The changes apply from 31 December 2020 to all banks' exposures in Norway that are currently subject to the Advanced Internal Rating Based (IRB) approach. For all other banks, the changes to the SRB enters into force from 31 December 2022. New risk weight floors for residential real estates to 20% and for commercial real estates to 35% according to article 458 of the CRR apply from 31 December 2020. The Norwegian Ministry of Finance has stated that they will request the ESRB to issue a recommendation to other EEA states to reciprocate the measures. If reciprocity is accepted by the Finnish FSA, the change would also be applicable for Nordea Group. Regarding the new Covered Bonds Directive and Regulation in the EU, the Ministry of Finance has informed that the intention is also to implement the new framework in Norway at the same time as in the EU. The Norwegian consultation on covered bonds ended in August 2020.

Finalisation of 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 finalised Basel III framework, often called the Basel IV package, was published. The Basel IV package was supposed to be implemented in 2022, but was postponed until 2023 due to COVID-19, and includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk, leverage ratio and intro-duces a new output floor.

On credit risk, the package includes revisions to both the IRB approach, where restrictions to the use of IRB for certain exposures are implemented, as well as to the standardised approach. Also, for market risk the internal model approach and the standardised approach have been revised. For operational risk, the three existing approaches will be removed and replaced by one standardised approach to be used by all banks. On CVA risk, the internally modelled approach is removed and the standardised approach is revised. The package also includes the implementation of a minimum leverage ratio requirement of 3% to be met with Tier 1 capital with an additional leverage ratio buffer requirement for global systemically important banks (G-SIBs) of half the size of the G-SIB capital buffer requirement.

The output floor is to be set at 72.5% of the standardised approaches on an aggregate level, meaning that the capital requirement under the floor will be 72.5% of the total Pillar 1 REA calculated with the standardised approaches for credit, market and operational risk. The floor will be phased in, starting with 50% from 2023 to be fully implemented at 72.5% from 1 January 2028.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations and will therefore be subject to negotiations between the European Commission, Council and Parliament, which might change the implementation and potentially also the timetable. It is expected that the Commission will publish its proposal in mid-2021 after which negotiations in the Council and Parliament will begin.

31. CAPITAL ADEQUACY

With effect as of January 2014, Nordea Finance Equipment is approved by Finanstilsynet (The Norwegian Financial Supervisory Authority) for the use of the advanced IRB approach for calculating capital requirements for the major part of Nordea Finance Equipment' loan/leasing portfolio. Basic Indicator Approach for Operational Risk is applied. The entity does not take Market Risk positions and the capital requirement for Market Risk is nil.

(in NOK thousand}	**2020**	**2019**
Common Equity Tier 1 capital		
Share capital	945 436	945 436
Share premium account	240 639	240 639
Other equity	5 545 272	4 889 843
Independently reviewed interim profits net of any foreseeable charge and dividend	0	0
Common Equity Tier 1 capital before regulatory adjustment	**6 731347**	**6 075 918**
Common equity Tier 1 capital: Regulatory adjustment		
Deferred tax assets		
Intangible assets (net of related tax liability)	-11613	-4115
Value adjustments due to the requirements for prudent valuation	-89	-38
Negative amounts resulting from the calculation of expected loss	-144	-76 521
Total regulatory adjustments to Common Equity Tier 1	-11846	-80 674
Common Equity Tier 1 capital	6 719 501	5 995 244
Additional Tier 1 capital	0	0
Tier 1 capital	**6 719 501**	**5 995 244**
Tier 2 capital: instrument and provision		
Subordinated debt	550000	550000
Tier 2 capital before regulatory adjustment	550000	550000
Tier 2 capital: regulatory adjustment	0	0
Total regulatory adjustment to Tier 2 capital	0	0
Tier 2 capital	**550000**	**550000**
Total capital	**7 269 501**	**6 545 244**
Calculation basis		
Standardised method		
Local and regional authorities (including muncipalities)	173 553	178445
Institutions	163 628	84620
Corporate	8 289 394	8 534 608
Other assets	231553	173 629
Engagements in default	183 098	154053
Total Credit risk, standardised method	9 041226	9125 354
IRB method		
Corporate - small and medium sized businesses	10 539 915	10 898 797
Corporate - other	5135 882	5 007 943
Total Credit risk, IRB method	15 675 797	15 906 740
Credit risk weighted assets	24 717 023	25 032 094
Operational risk, basic indicator approach	2 822 334	2 809 063
Additional requirement according to Basel II floor	0	0
Total calculation basis	**27 539 357**	**27 841156**

Capital ratios and buffers		
Common Equity Tier 1	24,40%	21,53 %
Tier 1	24,40%	21,53 %
Total capital	26,40%	23,51 %
Capital requirement including institution specific buffers	10,33 %	12,14 %
...of which: capital conservation buffer	2,50%	2,50%
...of which: countercyclical buffer	0,61%	2,14%
...of which: systemic risk buffer	2,72%	3,00%
...of which: systemically important institution buffer	0,00%	0,00%
Common Equity Tier 1 above minimum capital requirements and capital buffers	14,07%	9,39%
Tier 1 capital above minimum capital requirements and capital buffers	12,57 %	7,89%
Total capital above minimum capital requirements and capital buffers	12,57 %	7,87%
Capital ratios and buffers, nominal amounts		
Institution specific buffer requirement	2 844 906	3 380 390
...of which: capital conservation buffer	688484	696029
...of which: countercyclical buffer	166 889	596 274
...of which: systemic risk buffer	750 262	835 235
...of which: systemically important institution buffer	0	0
Common Equity Tier 1 above minimum capital requirements and capital buffers	3 874 595	2 614 855
Tier 1 capital above minimum capital requirements and capital buffers	3 461505	2197 237
Total capital above minimum capital requirements and capital buffers	3460 718	2190 414
Amount below the thresholds for deductions		
Deferred tax assets arising from temporary differences	0	0
Pilar 2 requirement		
Additional core capital buffer requirement ratio	1,5%	1,5%
Additional core capital buffer requirement	413 090	417 617
Leverage ratio		
Total Leverage Ratio exposure	42 232 251	41228 585
Leverage Ratio	15,9%	14,5 %

Nordea Finance Equipment 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 internal parameters a.o. for PD ("Probability of Default"), LGD ("Loss given Default"), M ("Maturity) for these portfolios. 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.

32. GUARANTEE LIABILITIES AND LOAN COMMITMENTS

Nordea Finance Equipment AS has at year end 2020 given loan commitments of TNOK 1 515 354. The commitments are related to future financing of equipment, where the company has a contractual obligation. By the end of 2019 the corresponding amount was TNOK 1 539 807.

(in NOK thousand}	2020	2019
Endorser's liability	0	9 252
Guarantee liability	18 578	20491
Total	**18578**	**29 743**

33. CONTINGENCIES

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

34. OWNERSHIP

The share capital of Nordea Finance Equipment AS is constituted of 101 shares, with a nominal value of NOK 9.360.750 per share. All issued shares have equal voting rights and the same right to receive dividend. All shares are held by Nordea Bank Abp, Satamaradankatu 5, FI0020 Nordea, Helsinki ,Finland.

Ordinary Shares - issued and fully paid	2020	2019
January the 1st	101	101
December 31st	**101**	**101**

Ordinary Shares -dividend

(in NOK thousand)	2020	2019
Total dividend	0	0
Dividend per share	0	0

35. INFORMATION ON RELATED PARTIES

(in NOK thousand)	2020	2019
Assets and interest income		
Loans to Group companies	846	1639
Revaluation of hedged item	0	0
Interest income from group companies	0	0
Liability and interest expense		
Loans from Group companies	25 212 911	24 515 652
Related payables Group companies	13458	36856
Revaluation of hedged item due to banks	-287 180	28617
Other liabilities	309	5065
Interest expenses to group companies	-249 903	-283 381
Subordinated debt	550 000	550 000
Interest expenses on subordinated debt	-17 560	-20 896

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.Until 1st of October 2020, Societe Generale held the shares in Nordea Finance Equipment AS. The overview is for the full year 2020.

36. SUMMARY OF COMPENSATION POLICY AND REMUNERATION

MAIN PRINCIPLES

The compensation policy for all employees in Nordea Finance Equipment AS is based on the provisions of Sentralavtalen (the Central Agreement) between the Finans Norge (Employers' Association for Financial institutions) and Finansforbundet (The Finance sector Union of Norway).

The compensation shall be evaluated based on performance, qualifications and market considerations. The criteria shall be discussed with employee representatives, and in connection with the objectives and assessments for each employee.

FIXED SALARY

The fixed salary is based on the wage scale for member companies in the Employers' Association for Financial institutions.

Salaries for the CEO, Management Committee and key employees are validated by Nordea Group.

Assessment of individual salary raise shall be done in conjunction with the company's annual salary review. The fixed salary is linked to the employee's position and achievement, and is related to the scope of responsibility and the position's market value.

Fixed salary can also be adjusted due to advancement or acquirement of education that involve change of responsibility or job level.

ONE TIME PREMIUMS

Key employees involved in more extensive projects, high achievers or with extraordinary workload can be granted a one-time premium.

VARIABLE COMPENSATION - BONUS SCHEMES

The aim of the bonus system is to reward achievement of performance goals, and to motivate and keep the most valuable staff members, while not giving incentives for excessive risk-taking. Existing bonus schemes are subject to annual revision. No staff in Nordea Finance Equipment has guaranteed bonus payments.

Criteria for variable compensation/bonus schemes include company results, regional/department results, product results and discretionary criteria.

BONUS SCHEME- SENIOR EXECUTIVES

For the senior executives, the composition of fixed and variable remuneration shall be balanced. The variable remuneration shall not exceed the fixed remuneration, i.e. 100 per cent of the fixed remuneration. The General Assembly, or equivalent body, may decide variable remuneration up to twice the fixed remuneration, that is, 200 percent of the fixed remuneration, for identified staff in line with Norwegian regulation. The basis for the variable remuneration shall be a period of the last two years, and at least half of the variable part can be distributed in the form of performance shares or as a share-adjusted cash bonus over at least a 3 year schedule. As of 1st of October 2020 no further remuneration will be granted from Societe Generale.

Remuneration of senior management

(in NGK thousand)

Management	Pay	Bonus	Pension cost	Other remuneration	Share options	2020	2019
Carsten Thorne, CEO	3 959	2 113	757	683	0	7 512	5 320
Hans Einar Herzog, deputy CEO	2 197	1977	568	676	0	5 418	3 230
Total	**6156**	**4089**	**1326**	**1359**	**0**	**12 930**	**8 550**

An early retirement pension plan is established for the CEO, entitling him to receive an early retirement pension of 70 % of pensionable salary from the age of 62 years.

Senior managers are persons with authority to commit the company by virtue of their position (power of procuration). Bonus payments are dependant on the results achieved in relation to agreed conditions both individual and collective, outlined in the Societe Generale Fidelity Bonus Plan. Bonus is granted as deferred cash in NOK and deferred Quasi-shares in EUR. Consequently the liability will be a result of underlying number of Quasi-shares and the market price of the shares and the exchange rate EUR/NOK. The cash bonus will be payable in 2020, and the bonus related to the Quasi-shares respectively in 2021 through 2023 upon certain conditions. As of 1st of October 2020 no further remuneration will be granted from Societe Generale.

Deferred bonus

Carsten Thorne, CEO	Received in the financial year	Changed provision	Balance 31.12.20	Balance 31.12.19
Cash	996	975	996	975
Quasi-shares	3117	385	3 828	1096
Total deferred bonus	**4112**	**1360**	**4824**	**2 071**

Hans Einar Herzog, deputy CEO				
Cash	561	475	561	475
Quasi-shares	1122	166	1422	466
Total deferred bonus	**1683**	**641**	**1983**	**941**

(in NGK thousand)

Remuneration to the Board of Director.;	Pay/ Fees	Bonus	Other remuneration	2020	2019
Jochen Jehmlich, chairman	0	0	0	0	0
Peter Strom, board member	0	0	0	0	0
Ellen Altenborg, board member	150	0	0	150	150
Tommy Pedersen, board member	175	0	0	175	175
Mariann H. Gulbrandsen, employee representative	23	0	0	23	0
Anett Carlsson, former employee representative	0	0	0	0	30
Total remuneration to the Board of Directors	**348**	**0**	**0**	**348**	**355**

37. NUMBER OF EMPLOYEES/FULL-TIME POSITIONS

	Norway	Sweden	Denmark	Total
Number of employees start of year	272	42	45	359
Recruitment	13	1	0	14
Departures	21	3	0	24
Number of employees end of year	**264**	**40**	**45**	**349**
Number of employees calculated on a full-time basis 31.12.2020	261,82	39,73	43,34	344,89
Number of employees calculated on a full-time basis 31.12.2019	269,19	41,89	43,34	354,42

38. SUBSEQUENT EVENTS

The company is at the date of issue, 22 February, not familiar with matters that are likely to change the assessment of the financial position as at 31 December 2020.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nordea Finance Equipment AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nordea Finance Equipment AS, which comprise the balance sheet as at 31 December 2020, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Managing Director (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information,* it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 12. April 2021
ERNST & YOUNG AS

Andreas Lie
State Authorised Public Accountant (Norway)

Nordea Finance Equipment AS

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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

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