Nordea
FINANCE

Financial Statement 2021

Nordea Finance Equipment AS
Audited figures

KEY FIGURES

(in NOK thousand)	**2021**	**2020**
Profit & Loss		
Net banking income	1 548 069	1 535 543
Operating expenses	-624 179	-687 670
Operating profit before losses	**923 889**	**847 874**
Losses on loans	-16 162	-173 305
Net profit before tax	**907 728**	**674 568**
Return on assets ratio	**1,45 %**	**1,61 %**
Loans outstanding		
Equipment Norway	24 299 689	23 945 451
Factoring	1 787 687	1 787 104
Equipment Denmark	6 934 418	7 259 811
Equipment Sweden	6 795 914	7 025 413
Total loans	**39 817 708**	**40 017 779**
Capital adequacy		
Risk weighted assets	29 271 548	27 539 357
Total regulatory capital	7 854 980	7 269 501
Capital adequacy ratio	26,83 %	26,40 %

ABOUT THE COMPANY

Nordea Finance Equipment AS (NFE) is a Scandinavian finance company. NFE became a part of Nordea 1st of October 2020 and is marketed under the trademark Nordea Finance. Under this trademark NFE operates alongside Nordea's other finance entities in the Nordic countries.

In NFE, business is carried out through a broad, Scandinavian distribution network with 15 regional sales offices in Norway, 4 offices in Sweden and 2 in Denmark, now in co-operation with sister companies in the respective countries. The company's head quarter is located in Lysaker, Norway.

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.

Nordea Finance offers its products from four business lines; Equipment, Receivable, Car and Retail finance. The product as distributed through NFE/ Nordea sales organisation and co-operation with national and international vendors.

The activities of Nordea Finance Equipment AS do not pollute the external environment; however, some leasing objects may cause pollution when they are used.

As a subsidiary in a leading bank in the Nordic region, we recognise that we have the capacity to support the ongoing transition to net zero – via our customer offering, through our lending and investment decisions, and by reducing the emissions from our own operations. In recent years we have focused heavily on enhancing sustainability within our daily operations and customer solutions. Nordea reached a significant milestone in 2020 with the announcement of our 2030 and 2050 objectives and medium-term targets.

In 2021 we took another major step, launching a new long-term plan to fully integrate sustainability into our business strategy. Our work rests on four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. The pillars draw on both the United Nations' Sustainable Development Goals and the Paris Agreement.

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 dependent on our capability to enable our customers and partners succeeding with their business.

In 2021 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.

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 2021 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 an 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`s ambition is to be a partner and adviser to our clients in the transition to a greener technology.

As of December 2021, 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 also about sustainability and are covered in our Code of Conduct.

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 2021, our financing activities to clients decreased by 0,4%, reaching MNOK 39.323,1 at the end of the year. This is a decrease of MNOK 157.7 from the end of 2020.

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 16.366,2 in 2021. This is a increase of MNOK 610,9 or 3,9% compared to MNOK 15.755,3 in 2020. The increase in volume compared to previous year is most significant in financing of equipment within industrial equipment which increased by MNOK 323,2 or 4,9%. The volume of financing of transport equipment increased with MNOK 140,7 compared to 2020. The number of new contracts financed in 2021 is 33.713, which represents an increase of 9,7% compared to 2020. The average margin decreased by 0,05% to 2,17%. 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 the High-Tech segment, 39% in Transport and Agriculture equipment and 48% in Industrial Equipment. Nordea Finance Equipment maintains its strong positions in the Norwegian market.

The positive development is that the factoring business line has succeeded in strengthening its product offering through a strong collaboration with Nordea Bank. We established contracts with new clients representing MNOK 719 in financing volumes and 69 thousand invoices for administration. The new financing volume is 16,8% lower than the new volume achieved in 2020, while the number of new invoices is down by 19,2% compared to last year. 2021 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 3,2% through 2021, with a market share of 8,4%. We have financed equipment for a total of MNOK 3.019,9 during the year. Despite fierce competition and good availability of financing to corporates, the margins on new financing are improving in some segments but decreasing in other. With a total of 5.805 new contracts, we see the number of new financing contracts is up by 2,1%.

In Sweden, the growth in new financing volumes continues and we observe an increase by 2,0% compared to 2020. We have established new financing of MNOK 3.983,6. Margins on new financing have been stabile compared to the year before. With a total of 9.797 new financing contracts, the number of new contracts is up by 9,2%.

Nordea Finance Equipment retains its position as a market leader in Norway within both our business areas. The company still have a strong position in Denmark even though we experience a slight drop in market shares. In Sweden we also recognise a drop in market shares 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

Nordea Finance Equipment AS produces an operating result of MNOK 907,9 in 2021. This is an increase of 34,6% from the operating result of MNOK 674,6 in 2020. Total comprehensive income, after tax and OCI, is MNOK 605,8, compared to MNOK 655,4 for 2020.

In 2021, the Net Banking Income amounts to MNOK 1.548,1. This is an increase of MNOK 12,6 from 2020 when the Net Banking Income amounted to MNOK 1.535,5. The increase in Net Banking Income comes mainly from higher interest margin on funded assets and an improvement in other income.

Net Interest Income amounts to MNOK 1.234,3 compared to MNOK 1.215,7 in 2020, which is an increase of MNOK 18,6 or 1,5% during the year. The increase in Net Interest Income is explained by improved Net Interest Margin. The average volume of financing to clients decreased by MNOK 1.273,5 or 3,2%% from MNOK 40.161,6 in 2020 to MNOK 38.888,9 in 2021.

Net Interest Margin is higher in 2021 within Factoring, but the average volume of financing to clients decreases 12,6%. In Denmark, the decrease is 6,0% and Norway 3,2%. In Sweden the average volume has increased 3,5%. The Net Interest Margin for financing of equipment in Scandinavia is somewhat improved in 2021. The effect observed the last years continues to impact also in the 2021 financials. The historically low levels of interest rates, with negative interest rates in both DKK and SEK throughout the year, demonstrates the challenges in stimulating the Scandinavian economies to new growth.

Other Income represents MNOK 313,8 in 2021 compared to MNOK 319,8 in 2020. This is a decrease of MNOK 6,1 or 1,9%. 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 195,7 in 2021, compared to MNOK 186,9 in 2020. Net income from Commissions and fees represents MNOK 116,2 in 2021 compared to MNOK 123,6 in 2020.

Operating Expenses amount to MNOK 624,2 in 2021 compared to MNOK 687, in 2020. This is an decrease of MNOK 63,5 or 9,2% during the year. The decrease in operational expenses comes mainly from reduction in payroll.

Staff expenses amount to MNOK 390,8 and represent thus 62,6% of total Operating Expenses which is close to same level as last year (2020: 65,7%). The reduction in Payroll is reflecting the reduction in number of employees .

Other Expenses amount to MNOK 233,4 in 2021 compared to MNOK 235,7,3 in 2020. This is a decrease by MNOK 2,3 or 16%. The nature and composition of other expenses has changes during 2021. Further detail is found in note 7 to the financial statement.

Cost of Risk marks a downwards trend in 2021 compared to previous year. Total cost of risk amounts to MNOK 16,2. This is a decrease of 90,7% or MNOK 157,1 from the MNOK 173,3 cost of risk in 2020. The cost of risk represents 0,04% of average funded assets in 2021, and ends lower than in 2020.

The cost of risk is in 2021 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 Norway and Sweden, whereas cost of risk remains at the same level as last year for Equipment Finance in Denmark.

Net loans outstanding have decreased from NOK 39,5 billion to NOK 39,3 billion. This is an decrease of 0,5% during the year. The branches in Sweden and Denmark represented 34,6% of net loans to customers at the end of the year. This is a slight decrease in relative share compared to end of 2020.

In line with the development in total loans outstanding, our funding, i.e. loans and deposits from financial institutions with agreed maturity, is down with 2,8% and reaches at the end of 2021 MNOK 30.841, down from MNOK 31.733 end of 2020. Net loans to customers represent thus 127,5% of loans and deposits from financial institutions with agreed maturity as at 31.12.2021. This is a slightly increased level compared to the end of 2020. 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 492,6 corresponding to 1,2% of total outstanding loans to customers. This is a decrease of MNOK 42,3 during the year. In comparison, at the end of 2020, total write-downs for credit risk represented MNOK 534,9 or 1,3% of total outstanding loans to customers. Gross doubtful loans were MNOK 672,3, which is a decrease of MNOK 192,0+ or 22,2% compared to MNOK 864,3 at the end of the previous year. This represented 1,6% of total loans to customers, down from 2,2% at the end of 2020. 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 levels of defaulted engagements. 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 2021.

Assets that are repossessed as a result of defaulted leasing and loan contracts amounted at year end to MNOK 9,0 from total 227 contracts. This is a decrease of MNOK 5,3 during the year compared to MNOK 14,3 from total 155 contracts at the end of 2020. Turnover during the year from the sale of repossessed assets amounted to MNOK 214,7 which is lower than in 2020 when the turnover was MNOK 288,5. The company has achieved acceptable prices on sale of repossessed assets in 2021, 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 very well received and appreciated in the market.

The company’s common equity at the end of the year was MNOK 7.337 including net result of the year. Total regulatory capital for the calculation of the capital coverage amounted to MNOK 7.854,9 as at 31.12.21. Regulatory core capital represented MNOK 7.304,9.

The total capital coverage by year end 2021 was 26,83%, which is higher than the level at the end of previous year. The regulatory minimum requirement, including capital buffer requirements, is 13,95% at the end of 2021. The effective institution specific countercyclical capital buffer requirement for Nordea Finance Equipment, as defined by the country specific requirements for the portfolio, is 0,63% at the end of 2021. 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 24,96 % at the end of 2021, which is well above the regulatory minimum requirement for the core capital ratio at 11,95% at year-end. Nordea Finance Equipment had at end of 2021 core capital of MNOK 3.807,0 above minimum regulatory requirements. Finanstilsynet (FSA) 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 2021. From 1 March 2022 the requirement will increase for 1,5% to 1,7%. 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 29.271,6 at the end of 2021. Of this, risk-weighted assets for credit risk represented MNOK 26.359,6. This is an increase in risk-weighted assets (credit risk) of 6,3% compared to last year. The regulatory pillar-one capital requirement for operational risk was MNOK 232,9. 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 2.341,7. In addition, the Norwegian regulator has implemented minimum capital buffer requirements at end 2021 of total 5,95% as follows:

- Capital conservation buffer requirement of 2,5% which represents MNOK 731,8
- Systemic risk buffer requirement of 2,82% which represents MNOK 825,5
- Countercyclical buffer requirement of 0,63% which represents MNOK 184,4

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 11,95%. The total capital requirement including buffers is therefore 13,95%. In addition, the company shall hold a pillar 2 capital buffer of 1,7%.

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 relations 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 capital above minimum capital requirement and capital buffers are MNOK 3.771,6 compared to

MNOK 3.460,7 in 2020. For further information on capital adequacy see note 34 to Financial statement.

Total comprehensive income, after tax and OCI, for 2021 is MNOK 605,8. Further to assessment of current capital levels, prudential capital requirements and internal capital targets, The Board proposes to allocate total comprehensive income for 2021, MNOK 605,8, 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 2021.

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.

Nordea Finance Equipment AS is covered by the Nordea Group insurance covering the personal liabilities of its management (e.g. board members, CEO). The policy limit is in line with good standard for global banks.

RISK MANAGEMENT

The company's principles for risk management are described more in detail in the notes to the financial statements, in particular the note 27 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.. 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.

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.

ESG factors may impact Nordea directly or indirectly through our counterparties, employees, shareholders, customers, partners, or service providers, and can drive risks to our capital (credit, market, and operational risk), liquidity and the long-term viability of our business model. When ESG is seen as driving fully or partially an existing risk category, for example credit risk, Nordea has defined this effect as an ESG-related component of that risk – in this instance "ESG-related credit risk". Impacts from ESG factors can be further segmented, e.g. for climate change there are both economic transition and physical hazard related impacts.

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 313 employees, whereof 240 in the Norwegian operations, 32 in Sweden and 41 in Denmark. The number of staff has decreased by 36 employees during the year. The average number of FTE has decreased by 35,1 FTE in 2021 compared to 2020, with an average of 309,8 FTE in 2021 compared to 344,9,0 FTE in 2020. During the year, the company has recruited 10 new employees, compared to 14 new employees in 2020. 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.

Turnover is higher in 2021 with 14 % compared to 7,6% in 2020. The turnover rate is monitored closely.

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 higher in 2021 compared to the year before, with a level of in total 2.860 absence days, compared to 2.446 in 2020. The rate of absence during 2021 is app. 4%. 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. Throughout 2021, 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 2021. The working environment at Nordea Finance Equipment AS is considered to be good although Corona and integration have been challenging. The strong and sound working environment was confirmed in several People Pulse surveys. These have provided relevant stakeholders with strong data to implement actions due to an organisation who has experienced high pressure over a long period of time.

The company has a Work Environment Committee and a Cooperation Committee. Meetings have been held according to legal requirements.

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 and having everyone pulling in the same direction.

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.

There has been conducted several cultural activities, such as “culture journey” and other team building activities – mostly digital due to the pandemic. Plans are made for doing more of this as soon as societies open up.

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.

Nordea Equipment Finance had a total of 313 employees by year end.

- Men: 45%
- Women: 55%

Number of leaders in total: 47

- Male leaders: 28 (60%)
- Female leaders: 19 (40%)

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 2021 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 2021 app. NOK 800 000.
- Women’s average income in 2021 app. NOK 600 000.

Statistics for Sweden:

- Sick leave was at a high 4,81% or 447 days. In addition to this, there was 1 person in maternity leave and 1 on leave because of studying.
- Men: 18 employees whereof 3 leaders
- Women: 18 employees whereof 1 leaders

Statistics for Denmark:

- Sick leave was at 1,44% or 165 days. In addition to this, there was 1 long maternity leave and 1 short paternity leave - in total 101 days leave.
- Men: 20 employees whereof 8 leaders
- Women: 23 employees whereof 3 leaders

Nordea Finance Equipment becoming av part of Nordea will also be included in the Nordea sustainability report for 2021. For further information visit https://www.nordea.com

MATERIAL EVENTS AFTER THE END OF THE FINANCIAL YEAR

At the end of February a crisis arose in Ukraine. Nordea and Nordea Finance Equipment are monitoring the escalating conflict between the countries involved and the new sanctions are being followed. At the signing of the annual report the company is deemed not to have any material exposures to the parties to the conflict.

FUTURE PROSPECTS

We are ending a year of many completed achievements, a positive development of the company and strong financial results. The situation in Ukraine together with the ongoing pandemic creates uncertainty. The future direct and indirect impact on the Norwegian economy and the company's operations is uncertain.

Demand for Nordea Finance Equipment AS credit facilities is impacted by these developments, but the company will continue to focus on developing and improving its close relations to its collaboration partners and Nordea's branch office network, to contribute with the right financing solutions at the right time.

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, and the Nordic region has managed well during the pandemic. 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 and with high confidence in the vaccine programs in our domestic markets , we still expect 2022 to be a year impacted by the pandemic. Access to equipment and 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 the pandemic, 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 the new ownership of Nordea.

Lysaker, 3 March 2022

Ari Antero Kaperi
Chairman

Peter Hupfeld
Vice Chairman

Eric Magnus Jacobson

Ellen Vibeke Pløger

Mariann H. Gulbrandsen

Ulrik Gudmund Modigh

Carsten Thorne
Managing director

INCOME STATEMENT

(in NOK thousand)	*Notes*	**2021**	**2020**
Total interest income	4	1 424 419	1 584 413
Total interest expenses	4	-190 108	-368 676
Fee and commission income	5	301 833	325 528
Fee and commission expense	5	-185 603	-201 893
Net gains and losses on financial instruments	6	1 115	8 026
Other operating income	5	196 413	188 147
Net banking income		**1 548 069**	**1 535 543**
Staff costs	7,8	-390 810	-451 974
Other expenses	7	-233 369	-235 696
Gross operating income		**923 889**	**847 874**
Net loan losses	15,16	-16 162	-173 305
Profit before tax		**907 728**	**674 568**
Income tax expense	9	-318 515	-20 234
Profit for the period		**589 213**	**654 335**

Other comprehensive income

Items that could be reclassified:		
Exchange differences on translation of foreign operations	-3 925	1 404
Taxes	864	-309
Items that cannot be reclassified:		
Actuarial gains and losses	25 219	0
Taxes	-5 548	0
Other comprehensive income	**16 609**	**1 095**
Total comprehensive income of the period	**605 822**	**655 429**

Attributable to:		
Shareholders of Nordea Finance Equipment AS	605 822	655 429

FINANCIAL STATEMENT

BALANCE SHEET - ASSETS & LIABILITIES

(in NOK thousand)	*Notes*	**2021**	**2020**
Cash and balances with central banks		9	9
Hedging derivative assets	6,24,25,26	14 265	187
Loans to credit institutions	10	927 801	788 750
Loans to the public	11,12,15,16	39 325 086	39 482 824
Fair value changes		14 559	44 343
Repossessed assets	29	8 965	14 270
Deferred tax assets	9	129 149	0
Tangible and intangible fixed assets	17	61 602	133 254
Other assets	18	100 267	185 194
Total		**40 581 703**	**40 648 832**

Hedging derivative liabilities	6,24,26	75 468	330 881
Deposits by credit institutions	19	30 841 653	31 733 771
Deposits and borrowings from the public		231 516	352 322
Other liabilities	17,22	951 302	810 588
Retirement benefit liabilities	8	76 611	97 988
Deferred tax liabilities	9	0	31 423
Current tax liabilities	9	517 787	10 343
Subordinated liabilities	20	550 197	550 169
Total liabilities		**33 244 535**	**33 917 485**
Share capital		945 436	945 436
Share premium account		240 639	240 639
Retained earnings		6 151 093	5 545 272
Total equity		**7 337 168**	**6 731 347**
Total		**40 581 703**	**40 648 832**

Lysaker, 3 March, 2022

Ari Kaperi
Chairman

Peter Hupfeld
Vice chairman

Carsten Thorne
Managing director

Eric 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 01.01.20	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				1 095		1 095
Dividends						0
Total equity 31.12.20	**945 436**	**240 639**	**5 572 906**	**-1 040**	**-26 595**	**6 731 347**
Equity 01.01.21	945 436	240 639	5 572 906	-1 040	-26 595	6 731 347
Profit for the period			589 213			589 213
Other comprehensive income				-3 062	19 671	16 609
Dividends						0
Total equity 31.12.21	**945 436**	**240 639**	**6 162 120**	**-4 101**	**-6 924**	**7 337 168**

CASH FLOW STATEMENT

Amounts in NOK thousand	2021	2020
Operations		
Interest income	1 362 167	1 515 558
Interest expenses	-190 108	-368 676
Other receipts	369 313	377 037
Operating expenses	-604 589	-670 893
Receipts on previous losses	26 398	18 896
Paid taxes	-44 415	-234 338
Other accrued and deferred item	470 357	49 926
Cash flows from operating activities	**1 389 123**	**687 511**
New investments leasing	-13 661 455	-9 869 022
Proceeds from sale of leasing assets	3 013 068	3 052 077
Decrease in loans (net)	10 770 878	6 351 522
Decrease (increase) in other receivables	-108 137	82 115
Decrease (increase) in advance payments	84 927	-45 978
Net cash flow from current financial activity	**99 281**	**-429 286**
Decrease (increase) in tangible assets	-12 033	-12 098
Shares and primary capital certificates		0
Cash flows from investing activities	**-12 033**	**-12 098**
Increase (decrease) in deposits from customers	-120 317	102 382
Payment of dividends	0	0
Payment of group contribution	0	0
Received group contribution	0	0
Increase (decrease) in equity	0	0
Increase (decrease) Subordinated debt	29	43
Increase (decrease) in loans from credit institutions	-1 187 533	37 149
Increase (decrease) in leasing liabilities	-25 793	2 662
Increase (decrease) accrued costs	0	0
Currency exchange without cash effect	-3 552	1 094
Cash flows from financing activities	**-1 337 166**	**143 330**
Net cash flow	**139 207**	**389 458**
Cash at the 1st of January	787 912	398 455
Cash at end of period	**927 120**	**787 912**
Reconciliation cash at end of period		
Cash and balances with central banks	9	9
Deposits with credit institutions	927 111	787 903
Cash at end of period	**927 120**	**787 912**

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. 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 2021 were approved in the board meeting at 03 March 2022.

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, as lessor

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.

Leasing, as lessee

IFRS 16 requires lessees to account for most leases under a single on-balance sheet model. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right of use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset.

Nordea Finance Equipment applied the following practical expedients to leases previously classified as operating leases:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets
- Excluded any initial direct costs from the measurement of the right-of-use asset
- Applied hindsight when determining the lease term for contracts containing options.

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, as well as lease receivables, loan commitments and issued financial guarantee contracts, will be systematically subject to provision for expected credit losses. This 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 loss on the instrument has increased significantly since initial recognition (300 bps) / 30 days past due	Evidence that the instrument has become credit-impaired/ 90 days past due/ under bankruptcy/ default contagion
Measurement of expected credit loss	12-month expected credit loss	Lifetime expected credit loss	Lifetime expected credit loss
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

In Nordea Finance Equipment IFRS9 model, the forward looking approach is taken into account in the PD parameters as described in section 2.3 of IFRS9 model documentation. A macro model is built between fictive variables representing evolution of Nordea Finance Equipment portfolio and macro variables. Based on forecasted macroeconomic variables, the evolution of the portfolio is predicted. The macro-economic forecasted variables are provided by the Nordea Group, Enterprise Risk Management department on a quarterly basis. Three scenarios are taken into account, the scenarios are then weighted to get the final ECL. The scenarios weights are provided by Nordea Group, Credit Risk Portfolio Control and Simulation.

On a quarterly basis, Risk modelling simulates the effect of updating the macro-scenarios and presents the results to Nordea Finance Equipment provision committee. The outcome of the provision committee is presented to NF committee.

Credit-impaired or defaulted assets stage 3

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.

Cash Flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year of total operations. Nordea Finance Equipment’s cash flow has been prepared in accordance with the indirect method. The cash flows are classified by operating, investing and financing activities.

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 IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In 2021 the IASB published amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right of use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU and Nordea Finance Equipment does not currently intend to adopt it early. The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met.

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 2021.

4. NET INTEREST INCOME

(in NOK thousand)	2021	2020
Interest income from financial institutions, calculated at amortised cost	9 047	12 685
Interest income from customers financial leases and loans, calculated at amortised cost	1 409 035	1 562 727
Interest income financial instruments	4 130	9 000
Other interest income	2 207	0
Total interest income	**1 424 419**	**1 584 413**
Interest expenses to financial institutions, calculated at amortised cost	-161 635	-330 925
Interest expenses on deposits and debt to customers, calculated at amortised cost	-1 113	-2 558
Interest expenses financial instruments	-8 388	-12 806
Interest expenses on subordinated liabilities	-14 859	-17 560
Other interest expenses	-4 112	-4 826
Total interest expenses	**-190 108**	**-368 676**
Net interest income	**1 234 311**	**1 215 736**

5. NET FEES AND INCOME ON OTHER ACTIVITY

(in NOK thousand)	2021	2020
Fee and commission income from loans and similar to customers	301 833	325 528
Fee and commission income	**301 833**	**325 528**
Fee and commission expenses from loans and similar to customers	-171 415	-196 224
Other fee and commission expense	-14 189	-5 669
Fee and commission expense	**-185 603**	**-201 893**
Net commission and fees income	**116 230**	**123 635**
Gains and losses repossessed assets	22 134	14 076
Termination gain and loss	136 434	134 176
Income from extension of leasing contracts	37 185	38 649
Other income	659	1 245
Total income other activity	**196 413**	**188 147**

6. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

(in NOK thousand)	2021	2020
Net gains on financial derivatives, trading	1 221	187
Change in fair value on financial derivatives, hedging	29 531	-25 625
Change in fair value on hedged fixed interest loans	-29 671	25 775
Net change in value and gains on foreign currency	34	7 688
Net gains and losses on financial instruments	**1 115**	**8 026**

7. OPERATING EXPENSES

(in NOK thousand)	2021	2020
Payroll	-272 238	-333 879
Pensions	-35 580	-41 448
Social security costs	-45 309	-51 447
Other staff cost	-37 683	-25 199
Staff costs	**-390 810**	**-451 974**
Rent and other office costs	-11 977	-10 051
Fees and temporary staff	-93 767	-123 979
Travel and marketing	-9 419	-14 057
Other operating costs	-14 438	-17 521
Intragroup services	0	-31 151
Depreciation and gain/loss	-103 767	-38 937
Other expenses	**-233 369**	**-235 696**
Total operating expenses	**-624 179**	**-687 670**

Fees paid to PriceWaterhouseCoopers and cooperating companies are made up as follows (exclusive VAT):

(in NOK thousand)	2021	2020
Statutory audit	1 393	1 650
Other attestation services	993	0
Tax advice	2 163	15
Other non-audit services	2 673	41
Total	**7 222**	**1 706**

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 2021, 310 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 2021 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 31.12.2021, the DBO is recognised based on the actuarial calculation performed as of 31.12.2021.

Economic assumptions

Percentage	2021	2020
Percentage		
Discount rate	1,96 %	1,30 %
Rate of Salary Increase	2,25 %	4,00 %
Rate of Price Inflation	1,50 %	2,50 %
Rate of Social Security Increase	2,25 %	3,75 %
Pension increase rate - in payment	2,25 %	3,75 %
Pension increase rate - in deferment	2,25 %	3,75 %

Pension cost

(in NOK thousand)	2021	2020
Present value of pensions earned during the year	2 697	2 368
Interest cost of accrued Retirement benefit liabilities	1 500	1 188
Expected return on plan assets	0	0
Past service cost (curtailment incl.)	0	0
Difference between actual and estimated values	0	0
Net pension cost	**4 198**	**3 556**

Nordea Finance Euipment has only unfunded benefit plans. Pension cost for 2021 amounts to TNOK 4 198 from the defined benefit plans and TNOK 31 382 from the contribution plans. The total pension cost amounts to TNOK 35 580. Pension cost for 2020 amounts to TNOK 3 556 from the defined benefit plans and TNOK 37 892 from the contribution plans. The total pension cost in 2020 amounts to TNOK 41 448.

Retirement benefit liabilities in balance sheet

(in NOK thousand)	2021	2020
Plan assets at market value	0	0
Estimated Retirement benefit liabilities	76 611	97 988
Net pension liability	76 611	97 988
Actuarial gains (-)/losses	0	0
Plan change, curtailment	0	0
Recognised pension liability	**76 611**	**97 988**

Recognised pension liability year end 2021 amounts to TNOK76 611. The total pension liability was TNOK 97 988 at year end 2020.

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 1,5 %.

(in NOK thousand)	2021	2020
Opening balance	97 988,0	94 490
Total service cost	1 942	2 368
Interest cost	1 546	1 188
Payments from internal book and emplyee	-138	-58
Tax or administartion	492	0
Actuarial (Gain) or Loss, Financial assumptions	4 759	0
Actuarial (Gain) or Loss, Experience based	-29 977	0
Ending balance	**76 611**	**97 988**

Historical disclosure information

(in NOK thousand)	2021	2020
Gross pension liability 31.12	76 611	97 988
Plan assets, fair value 31.12	0	0
Net pension liability	76 611	97 988
Actuarial gains/(losses)	-29 977	0
Experience adjustment expressed as percentage of plan liability	-39,1 %	0,0 %
Experience adjustment expressed as percentage of plan asset	0,0 %	0,0 %

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)	2021	2020
Sensitivities in:		
Discount rate -0.5%	10,4 %	12,5 %
Discount rate +0.5%	-9,2 %	-10,9 %
Inflation rate -0.5%	-7,1 %	-11,0 %
Inflation rate +0.5%	7,5 %	12,5 %
Salary increase rate +0.5%	9,4 %	23,3 %

9. TAXES

(in NOK thousand)	2021	2020
The tax expense for the year is made up as follows		
Taxes payable on profit for the year	517 787	10 343
Adjustment prior years	-44 342	-961
Change in deferred tax	-154 931	10 855
Total tax expense for the year	**318 514**	**20 234**
Taxes payable are made up as follows:		
Profit on ordinary activities before tax expense	907 728	674 568
Permanent differences	716 402	-578 213
Change in temporary differences	729 451	-49 341
Basis for taxes payable	**2 353 580**	**47 015**
Taxes payable on profit for the year	**517 788**	**10 343**

In 2021 TNOK 716 402 of the permanent differences is related to recognition of the operation of the company's branches in Sweden and Denmark. The equivalent difference in 2020 totalled TNOK -578 213

(in NOK thousand)	2021	2020
Deferred tax assets		
Property, plant and equipment	148 422	1 665
Pensions	16 854	21 557
Derivatives	0	0
Deferred tax assets - gross	165 276	23 223
Deferred tax liabilities		
Derivatives	-384	-687
Other	-14 387	-26 961
Exchange rate difference	-15 808	-26 998
Deferred tax liabilities - gross	-30 578	-54 646
Net recognised deferred tax assets	**134 697**	**-31 423**
This year's changes in deferred tax assets		
Deferred tax asset 1.1.	-31 423	-8 167
Changes against ordinary result	160 478	-10 855
Exchange rate diff deferred tax asset	11 190	-12 401
Adjustments against OCI	-5 548	0
Deferred tax asset 31.12.	**134 697**	**-31 423**
Reconciliation from nominal to actual tax rate		
Net profit before tax	907 728	674 568
Expected income tax with nominal tax rates (22 %)	199 700	148 405
The tax effect of following items;		
Non-deductible costs	163 155	-127 207
Adjustment in respect of current income tax*	0	0
Other entries related to allowances previous years	-44 342	-961
Tax expense	**318 514**	**20 234**
Effective tax rate	35,1 %	3,0 %

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 2020 and 2021.

10. LOANS TO CREDIT INSTITUTIONS

(in NOK thousand)	2021	2020
Deposits with credit institutions	927 111	787 903
Loans to credit institutions	691	846
Due from banks before impairment	**927 801**	**788 750**
Impairment of individually impaired loans	0	0
Loans to credit institutions	**927 801**	**788 750**

Deposit with financial instritution include restricted deposits for wihtholding tax of kr 10 334 589.

11. LOANS TO THE PUBLIC

(in NOK thousand)	2021	2020
Equipment loans	5 187 039	4 753 594
Factoring receivables	252 718	323 932
Factoring loans	1 534 969	1 463 172
Financial lease agreements	32 842 982	33 477 081
Loans to the public before impairment	**39 817 709**	**40 017 779**
Equipment loans allowance S1	-4 196,714	-3 621
Factoring receivables allowance S1	-14 723,569	-8 457
Financial lease agreements allowance S1	-115 349,385	-83 701
Equipment loans allowance S2	-2 097	-2 486
Financial lease agreements allowance S2	-65 176	-70 387
Equipment loans allowance S3	-9 001	-16 699
Factoring receivables allowance S3	-4 668	-23 916
Financial lease agreements allowance S3	-277 411	-325 689
Loans to the public	**39 325 086**	**39 482 824**

12. LEASING (FINANCIAL LEASING ASSETS)

(in NOK thousand)	2021	2020
Purchase cost 01.01	61 443 990	59 416 966
Exchange rate difference	-1 079 342	1 445 975
Inflow during the year	13 661 455	13 051 278
Outflow during the year	-11 994 139	-12 266 681
Purchase costs at end of period	**62 031 965**	**61 647 538**
Accumulated ordinary depreciation 01.01	25 403 661	23 766 522
Exchange rate difference	-421 343	538 999
Ordinary depreciation during the year	10 837 614	10 496 241
Reversed depreciation sold assets	-9 167 233	-9 398 100
Accumulated depreciation at end of period	**26 652 700**	**25 403 661**
Book value leasing assets at end of period	**35 379 265**	**36 243 877**
Customer receivable	-2 514 189	-2 730 816
Other accruals	-22 094	-35 979
Book value in the balance sheet at end of period	**32 842 982**	**33 477 081**

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	8 376 925	8 592 789
1 to 5 years	26 526 929	27 210 498
After 5 years	0	0
Future minimum finance lease rental	34 903 854	35 803 287
Present value non guaranteed	373 604	343 490

Present value of minimum lease payments	34 530 250	33 133 592
Unearned finance income	0	2 326 206
Average interest	3,0 %	3,3 %

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: ICT-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

The macro scenarios and scenarios weights implemented as of 31.12.2021 are the ones provided by the Nordea group for Q4 2020. They have not been updated during 2021 given the updated scenarios and scenario weights led to a large release in ECL. The ECL release was not deemed reflecting the conditions of the market considering the uncertainties due to the Covid crisis. NFE management required some prudence by keeping the model unchanged until the future of the economy is more certain.

In the three countries, the GDP growth variable is used in the macro economic model. The use of the unemployment rate variable in Sweden and Denmark will be considered for Sweden and Denmark once the macro model will be updated, this variable has a better predictive power than the GDP growth. The scenarios weights considered for the favorable, baseline and adverse scenarios are respectively 5% / 50% / 45%. Changes of components in the ECL calculation gives the following sensitivity:

Update of macro forecast :	-13,2%
Impact of macro-economic models/data:	-0,2%
New scenario weights:	-1,9%
Update macro-variable (SE/DK):	-1,5%

(in NOK thousand)				2021
	Stage 1	Stage 2	Stage 3	Total
Allowances on loans as of 01.01	-95 778	-72 873	-366 305	-534 956
Allowances on new loans	-56 306	-15 051	-22 429	-93 786
Movement from S1 to S2	8 757	-27 169		-18 412
Movement from S1 to S3	1 343		-40 320	-38 977
Movement from S2 to S3		5 826	-41 413	-35 587
Movement from S3 to S2		-2 053	34 959	32 905
Movement from S3 to S1	-38		6 143	6 106
Movement from S2 to S1	-4 408	33 689		29 281
Loans terminated	7 069	4 642	81 829	93 541
Change within stage	5 091	5 715	56 455	67 261
Allowances on loans as of 31.12	**-134 269**	**-67 273**	**-291 080**	**-492 623**

(in NOK thousand)				2020
	Stage 1	Stage 2	Stage 3	Total
Allowances on loans as of 01.01	-65 513	-37 335	-321 490	-424 338
Allowances on new loans	-35 034	-12 023	-37 744	-84 801
Movement from S1 to S2	10 952	-46 430		-35 478
Movement from S1 to S3	2 461		-148 986	-146 525
Movement from S2 to S3		3 505	-29 166	-25 661
Movement from S3 to S2		-1 965	28 656	26 691
Movement from S3 to S1	-166		10 104	9 938
Movement from S2 to S1	-2 630	13 021		10 391
Loans terminated	4 294	3 600	39 967	47 861
Change within stage	-10 142	4 754	92 354	86 966
Allowances on loans as of 31.12	**-95 778**	**-72 873**	**-366 305**	**-534 956**

14. TRANSITION LOAN TO THE PUBLIC

(in NOK thousand)				2021
	Stage 1	Stage 2	Stage 3	Total
Loans to the public as of 01.01	35 136 360	4 017 154	864 265	40 017 779
New loans to the public	12 912 209	625 779	76 891	13 614 879
Movement from S1 to S2	-2 048 741	1 457 097	0	-591 644
Movement from S1 to S3	-256 170	0	112 907	-143 263
Movement from S2 to S3	0	-245 309	115 638	-129 671
Movement from S3 to S2	0	63 636	-104 936	-41 300
Movement from S3 to S1	-3 305	0	9 629	6 324
Movement from S2 to S1	1 230 686	-1 878 892	0	-648 206
Loans terminated	-3 470 658	-467 484	-122 519	-4 060 661
Change within stage	-7 500 042	-462 224	-244 262	-8 206 528
Loans to the public before impairment	**36 000 339**	**3 109 757**	**707 613**	**39 817 709**

(in NOK thousand)				2020
	Stage 1	Stage 2	Stage 3	Total
Loans to the public as of 01.01	36 492 022	2 385 999	745 708	39 623 729
New loans to the public	11 553 342	630 250	97 696	12 281 288
Movement from S1 to S2	-3 418 941	2 573 789	-	-845 152
Movement from S1 to S3	-630 764	-	400 555	-230 209
Movement from S2 to S3	-	-212 974	103 925	-109 049
Movement from S3 to S2	-	78 927	-115 029	-36 102
Movement from S3 to S1	25 208	-	-39 491	-14 283
Movement from S2 to S1	703 251	-910 266	-	-207 015
Loans terminated	-3 428 363	-258 518	-110 557	-3 797 438
Change within stage	-6 159 395	-270 054	-218 542	-6 647 990
Loans to the public before impairment	**35 136 360**	**4 017 153**	**864 265**	**40 017 779**

15. LOSSES AND ALLOWANCES RECOGNISED IN THE PROFIT AND LOSS

(in NOK thousand)	2021	2020
Losses on loans		
Write-downs for loan losses at end of period	-492 623	-534 956
Exchange rate adjustments (opening balance)	-75 741	46 704
Write-downs for loan losses as at 01.01	534 956	424 338
Total actual losses	-9 151	-128 288
Income on actual losses	26 398	18 896
Net loan losses	**-16 162**	**-173 305**

16. LOANS DAYS OUTSTANDING

(in NOK thousand)	2021		
Days outstanding status	Net loans to customers	Percentage rate	Whereof past due, non-doubtful
Not past due	37 782 846	96,08 %	
1-29	1 198 189	3,05 %	1 152 474
30-59	238 892	0,61 %	217 154
60-89	25 227	0,06 %	23 114
90-179	55 368	0,14 %	20 968
> 180	9 689	0,02 %	4 525
> 1 year	14 876	0,04 %	5 768
Total	**39 325 086**	**100,00 %**	**1 424 003**

(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	1 128 823	2,86 %	1 076 138
30-59	218 931	0,55 %	189 807
60-89	11 488	0,03 %	9 049
90-179	54 409	0,14 %	9 442
> 180	13 516	0,03 %	3 656
> 1 year	9 045	0,02 %	2 493
Total	**39 482 824**	**100,00 %**	**1 290 586**

Credit exposure:

Amounts in NOK thousand	2021	2020
Net loans to customers	39 325 086	39 482 824
Positive market value derivatives	14 265	187
Guarantee liabilities and loan commitments	2 326 856	1 363 800
Total credit exposure	**41 666 207**	**40 846 811**

Maximal credit exposure is calculated based on net loan to customer (not considering third-party guarantees), contingent liabilities like guarantees, loan commitments, and positive market value on derivatives or fixed interest loans.

Nordea Finance Equipment has collateral through right of ownership for leased objects. Other loans and factoring are generally secured by pledge, notification or third-party guarantees.

17. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

(in NOK thousand)	2021				
	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	143 910	11 122	53 129	94 825	302 987
Change in value - opening balance	-847	-618	-582	-16	-2 063
Additions	1 913	1 660	634	29 951	34 157
Disposals	0	-1 056	-2 679	0	-3 735
Purchase costs at end of period	**144 975**	**11 107**	**50 502**	**124 760**	**331 345**
Accumulated ordinary depreciation 01.01	50 876	4 821	34 099	79 937	169 733
Change in value - opening balance	-528	-270	-484	-16	-1 299
Ordinary depreciation of the year	80 031	2 858	11 835	7 219	101 943
Change in value - during the year	-122	-67	-25	-34	-248
Reversed disposed	1 802	-836	-1 352		-386
Accumulated depreciation at end of period	**132 059**	**6 505**	**44 073**	**87 106**	**269 743**
Book value assets at end of period	**12 916**	**4 602**	**6 430**	**37 655**	**61 603**

(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	21 034	5 276	122 136
Change in value - opening balance	572	310	172	0	1 054
Additions	54 463	7 774	45 606	89 929	197 771
Sales	-3 370	-544	-13 682	-379	-17 975
Purchase costs at end of period	**143 910**	**11 121**	**53 130**	**94 826**	**302 987**
Accumulated ordinary depreciation 01.01	25 777	2 387	37 634	78 668	144 466
Change in value - opening balance	363	201	571	21	1 157
Ordinary depreciation of the year	27 569	2 597	7 063	1 626	38 854
Change in value - during the year	15	2	10	0	26
Reversed disposed	-2 848	-365	-11 179	-379	-14 771
Accumulated depreciation at end of period	**50 876**	**4 822**	**34 099**	**79 937**	**169 733**
Book value assets at end of period	**93 034**	**6 299**	**19 032**	**14 889**	**133 254**

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)

	2022	2023	2024	2025	2026-2028
	21 276	18 498	17 567	1 529	3 137

Summary of the lease liabilities

(in NOK thousand)	2021	2020
Lease liabilities 1.1.	101 493	96 980
New/changed lease liabilities recognised	3 495	32 949
Terminated lease liabilities	-105	-152
Cash payments for the principal portion of the lease liabilities	-29 095	-29 159
Cash payments for the interest portion of the lease liabilities	-1 713	-2 128
Interests	1 713	2 128
Currency effects	-642	876
Lease liabilities 31.12.	**75 146**	101 493

18. OTHER ASSETS

(in NOK thousand)	2021	2020
Direct and indirect taxes	79 373	159 210
Other assets	20 894	25 984
Total	100 267	185 194

19. DEPOSITS BY CREDIT INSTITUTIONS

(in NOK thousand)	2021	2020
Demand deposits and current accounts	57 839	0
Term deposits borrowings	30 756 095	32 002 277
Related payables	27 719	18 674
Revaluation of hedged item due to banks	0	-287 180
Total	**30 841 653**	**31 733 771**

20. SUBORDINATED LIABILITIES

(in NOK thousand)	2021	2020
Subordinated liabilities	550 000	550 000
Subordinated liabilities accrued interests	197	169
Total	**550 197**	**550 169**

21. FUNDING/INTEREST EXPENSES

Nordea Finance Equipment AS' total interest expenses amounted to TNOK 190 108 in 2021. Interest expenses are distributed on the following currencies:

(in currency thousand)				2021
Currency	Interest expense	Average interest rate	End balance	Average balance
DKK	1 303	0,14 %	931 065	932 036
EUR	7		0	0
GBP	5		0	0
NOK	162 948	583,70 %	14 527	27 917
SEK	24 740	1,86 %	1 328 993	1 329 780
USD	52	-0,02 %	-282 741	-282 755

(in currency thousand)				2020
Currency	Interest expense	Average interest rate	End balance	Average balance
DKK	8 751	0,18 %	4 817 499	4 891 540
EUR	211	0,27 %	64 000	76 721
GBP	6	0,56 %	0	1 002
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 %	4 501	7 761

22. OTHER LIABILITIES

(in NOK thousand)	2021	2020
Accounts payable	393 184	345 703
VAT and duties payable	15 881	107 649
Other liabilities	222 247	255 743
Lease liability (Note 17)	75 146	101 493
Prepayments from customers	244 843	0
Sum other liabilities	**951 301**	**810 588**

23. LIABILITIES FROM FINANCE ACTIVITIES

(in NOK thousand)

	1 January 2021	Cash flow	Exchange effect	Other changes	31 December 2021
Hedging derivative liabilities	330 881	-237 356	-18 056		75 468
Deposits by credit institutions	31 733 771	-950 177		58 058	30 841 653
Deposits and borrowings from the public	352 322	-120 317	-489		231 516
Leasing liabilities	101 493	-25 793	-553		75 146
Subordinated liabilities	550 169	29	0		550 197
Liabilities from finance activities	**33 068 636**	**-1 333 614**	**-19 099**	**58 058**	**31 773 980**

	1 January 2020	Cash flow	Exchange effect	Other changes	31 December 2020
Hedging derivative liabilities	84 648	246 233			330 881
Deposits by credit institutions	31 946 015	-209 083		-3 160	31 733 771
Deposits and borrowings from the public	248 927	102 382	1 010	4	352 322
Leasing liabilities	96 980	2 662	1 851		101 493
Subordinated liabilities	550 126	43	0		550 169
Liabilities from finance activities	**32 926 695**	**142 236**	**2 861**	**-3 156**	**33 068 636**

24. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

(in NOK thousand)			**2021**
Financial assets	Derivatives designated as hedging instruments through profit or loss	Financial instruments at amortised cost	Total
Derivatives			
Hedging derivative assets	1 399		1 399
Foreign exchange forward contracts	12 866		12 866
Debt instruments			0
Loans to the public		39 325 086	39 325 086
Loans to credit institutions		927 801	927 801
Cash and balances with central banks		9	9
Total assets	**14 265**	**40 252 896**	**40 267 161**

(in NOK thousand)			**2021**
Liabilities	Derivatives designated as hedging instruments through profit or loss	Financial instruments at amortised cost	Total
Interest bearing loans and borrowings			
Deposits by credit institutions		30 841 653	30 841 653
Deposits and borrowings from the public		231 516	231 516
Derivatives			0
Foreign exchange forward contracts	60 104		60 104
Interest rate swap	15 364		15 364
Other financial liabilities			0
Other liabilities		951 302	951 302
Total financial liabilities	**75 468**	**32 024 471**	**32 099 939**

(in NOK thousand)			**2020**
Financial assets	Derivatives designated as hedging instruments through profit or loss	Financial instruments at amortised cost	Total
Derivatives			
Hedging derivative assets	187		187
Foreign exchange forward contracts			
Debt instruments			
Loans to the public		39 482 824	39 482 824
Loans to credit institutions		788 750	788 750
Cash and balances with central banks		9	9
Total assets	**187**	**40 271 583**	**40 271 770**

(in NOK thousand)			**2020**
Liabilities	Derivatives designated as hedging instruments through profit or loss	Financial instruments at amortised cost	Total
Interest bearing loans and borrowings			
Deposits by credit institutions		31 733 771	31 733 771
Deposits and borrowings from the public		352 322	352 322
Derivatives			
Foreign exchange forward contracts	285 685		285 685
Interest rate swap	45 196		45 196
Other financial liabilities			
Other liabilities		810 588	810 588
Total financial liabilities	**330 881**	**32 896 681**	**33 227 562**

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)			**2021**
Financial assets	level 1	level 2	level 3
Financial derivatives	0	14 265	0
Total assets	**0**	**14 265**	**0**
Financial assets	level 1	level 2	level 3
Financial derivatives	0	75 468	0
Total liabilities	**0**	**75 468**	**0**

(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**	**330 881**	**0**

25. 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 end.

(in NOK thousand)			**2021**
	Nominal values total	Positive market value	Negative market value
Interest rate swaps NOK	719 268	1 010	15 011
Interest rate swaps DKK	393 646	175	100
Interest rate swaps SEK	315 511	214	253
Currency swaps USD	2 415 578	12 866	60 104
Currency swaps EUR			
Total	**3 844 003**	**14 265**	**75 468**

(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	1 097
Currency swaps USD	2 412 442	0	285 685
Currency swaps EUR	0	0	0
Total	**4 611 704**	**187**	**330 170**

(in NOK thousand)							**2021**
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	45 337	229 123	292 573	231 889		798 922
Fixed rate loans DKK	0	67 055	184 685	423 634	31 702		707 077
Fixed rate loans SEK	0	145 347	224 336	406 875	24 695		801 253
Interest / currency swaps USD				2 415 578			2 415 578
Interest / currency swaps EUR							0
Interest rate swaps NOK	0	26 264	215 105	249 816	228 083		719 268
Interest rate swaps DKK	0	48 366	122 259	217 647	5 374		393 646
Interest rate swaps SEK	0	60 375	116 856	136 332	1 948		315 511
Fixed rate borrowing NOK	0	0	0	50 000	0		50 000
Fixed rate borrowing DKK	0	0	33 588	141 068	40 305		214 960
Fixed rate borrowing SEK	0	0	24 345	243 450	48 690		316 485
Currency swaps USD				2 415 578			2 415 578
Currency swaps EUR							0
Net position	**0**	**122 734**	**125 992**	**84 770**	**-36 114**	**0**	**297 383**

In order to measure the company's interest risk, the effect of a parallel change of 1% (100bp) over the whole interest curve is measured on the company's unsecured interest positions. As at 31.12.2021 the company's interest sensitivity, impacting operating result, was calculated to TNOK 1371. The effect on equity and net income is TNOK 1070.

(in NOK thousand) **2020**

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	55 484	105 215	522 571	249 313	0	932 583
Fixed rate loans DKK	0	90 044	221 409	479 598	26 444	0	817 495
Fixed rate loans SEK	0	168 857	234 765	449 781	5 142	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	456 011	19 766	0	732 724
Interest rate swaps SEK	0	0	215 673	393 838	3 126	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**	**29 164**	**101 726**	**8 113**	**0**	**409 361**

In order to measure the company's interest risk, the effect of a parallel change of 1% (100bp) over the whole interest curve is measured on the company's unsecured interest positions. As at 31.12.2020 the company's interest sensitivity, impacting operating result, was calculated to TNOK 3 216. The effect on equity and net income is TNOK 2 509.

26. 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) **2021**

				Related amounts not offset in the statement of financial position		
	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	14 265	0	14 265	14 265	0	0
Total assets	**14 265**	**0**	**14 265**	**14 265**	**0**	**0**
Liabilities						
Financial derivatives	75 468	0	75 468	14 265	61 203	0
Total liabilities	**75 468**	**0**	**75 468**	**14 265**	**61 203**	**0**

(in NOK thousand) **2020**

				Related amounts not offset in the statement of financial position		
	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	**330 881**	**0**	**330 881**	**187**	**330 693**	**0**

27. 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 in addition to metrics defined by the group. Those group metrics are used to establish the company's Risk Appetite. They are approved by the company Board of Directors and are presented to the Board of Directors on a quarterly base. 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. In addition, a local Financial Risk Controller is monitoring and controlling all applicable risk parameters daily. 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").

Interest rate risk management

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.

Currency risk management

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 2021, 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 2,82%) system risk buffer and 1,0% (note: individual requirement of 0,63%) countercyclical buffer. The combination of minimum capital requirements and capital buffer requirements leads to total core capital requirement of 11,95% of calculation basis and total capital adequacy requirement of 13,95% at end of 2021. 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 2021 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 33 contains further quantitative information on capital and capital adequacy.

Environmental, Social, Governance (ESG)-related risks

The European Banking Authority defines ESG factors as environmental, social and governance characteristics that could positively or negatively impact Nordea, directly or indirectly. The negative consequences, primarily on financial performance or solvency of an entity, sovereign or individual, are the primary focus of ESG in the context of risk management.

- Environmental factors relates to the quality and functioning of the natural environment and systems. They include climate change and environmental degradation (e.g. air pollution, water pollution, scarcity of fresh water land contamination, biodiversity loss and deforestation)
- Social factors relate trio the rights, well-being and interest of people and communities. They included equality, health, inclusiveness, labour relation and investment in human capital
- Governance factors relate to the governance practices and companies including organisation and functioning of the management body, values and ethics, conduct and risk management frameworks, bribery and corruption, etc.

ESG factors may impact Nordea directly or indirectly through our counterparties, employees, shareholders, customers, partners, or service providers, and can drive risks to our capital (credit, market, and operational risk), liquidity and the long-term viability of our business model. When ESG is seen as driving fully or partially an existing risk category, for example credit risk, Nordea has defined this effect as an ESG-related component of that risk – in this instance "ESG-related credit risk". Impacts from ESG factors can be further segmented, e.g. for climate change there are both economic transition and physical hazard related impacts. For reference, Nordea defines ESG within its Common Risk Taxonomy as a driver of credit, market, liquidity, operational, compliance and business model risk types.

Nordea Finance Equipment will be part of Nordea sustainability report for 2021

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.

28. 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. In accordance with IFRS 9, all credits are classified in stages 1-3 dependent on their credit risk. 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 IFSR 9 Staging (Stage 1 - Stage 3) the exposure is classified in a matrix.

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 NOK thousand) **2021**

Obligor classifiaction	Stage 1	Stage 2	Stage 3	Total
	IFRS 9 Stage			
[1 ; 3] High	14 282	15 274	0	29 557
[-3 ;-4] High/medium	5 454 171	85 423	0	5 539 593
[5+ ;-5] Medium	22 465 394	217 892	0	22 683 286
[6+ ;7+] Medium/Low	5 585 909	1 715 886	0	7 301 795
[7 ;-7] Low	321 408	1 082 184	0	1 403 591
[8 ;10] Default	0	0	672 352	672 352
Not classified	2 181 797	5 738	0	2 187 535
Total	**36 022 961**	**3 122 396**	**672 352**	**39 817 709**

(in NOK thousand) **2020**

Obligor classifiaction	Stage 1	Stage 2	Stage 3	Total
	IFRS 9 Stage			
[1 ; 3] High	33 181	0	0	33 181
[-3 ;-4] High/medium	4 721 901	88 250	0	4 810 151
[5+ ;-5] Medium	21 927 902	133 786	0	22 061 688
[6+ ;7+] Medium/Low	5 856 555	2 320 823	0	8 177 377
[7 ;-7] Low	292 609	1 471 587	0	1 764 195
[8 ;10] Default	0	0	863 603	863 603
Not classified	2 304 474	3 110	0	2 307 584
Total	**35 136 622**	**4 017 554**	**863 603**	**40 017 779**

29. 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 2021, and the market for second-hand equipment has generally been very good the last couple of years.

(in NOK thousand)	**2021**	**2020**
Repossessed assets	8 965	14 270
Write down	0	0
Booked value	**8 965**	**14 270**
Turnover	214 746	288 509
Number of objects in stock at year end	233	159

30. 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 27 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)

2021

	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 balances with central banks	9						9
Hedging derivative assets	14 265						14 265
Loans to credit institutions	927 801						927 801
Loans to the public	12 361 386	24 856 377	481 893	1 205 199	420 230		39 325 086
- hereof foreign currency	4 477 283	8 227 156	413 274	918 229	38 960		14 074 903
Fair value changes	14 559						14 559
Other assets	100 267						100 267
Total financial assets	**13 418 288**	**24 856 377**	**481 893**	**1 205 199**	**420 230**	**0**	**40 381 987**
Liabilities							
Financial liabilities at FVTPL	0						0
Hedging derivative liabilities	75 468						75 468
Deposits by credit institutions	10 875 285	19 207 046	0	670 327	88 995		30 841 653
- hereof foreign currency	4 471 256	8 509 999	0	620 327	88 995		13 690 577
Deposits and borrowings from the public	231 516						231 516
Other liabilities	951 302						951 302
Retirement benefit liabilities	642	1 276	5 743	30 644	38 305	0	76 611
Current tax liabilities	517 787						517 787
Subordinated liabilities		550 197					550 197
Total financial liabilities	**12 652 001**	**19 758 520**	**5 743**	**700 971**	**127 300**	**0**	**33 244 535**
Total balance sheet items	**766 287**	**5 097 858**	**476 150**	**504 228**	**292 930**	**0**	**7 137 453**

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 balances with central banks	9	0	0	0	0	0	9
Hedging derivative assets	187	0	0	0	0	0	187
Loans to credit institutions	788 750	0	0	0	0	0	788 750
Loans to the public	12 393 823	24 787 647	140 032	1 629 623	531 699	0	39 482 824
- hereof foreign currency	4 449 260	8 898 519	120 784	1 374 180	95 558	0	14 938 301
Fair value changes	44 343	0	0	0	0	0	44 343
Other assets	185 194	0	0	0	0	0	185 194
Total financial assets	**13 412 307**	**24 787 647**	**140 032**	**1 629 623**	**531 699**	**0**	**40 501 307**
Liabilities							
Financial liabilities at FVTPL	0	0	0	0	0	0	0
Hedging derivative liabilities	330 881	0	0	0	0	0	330 881
Deposits by credit institutions	7 252 131	24 481 640	0	0	0	0	31 733 771
- hereof foreign currency	2 575 215	11 454 075	0	0	0	0	14 029 290
Deposits and borrowings from the public	352 322	0	0	0	0	0	352 322
Other liabilities	810 588	0	0	0	0	0	810 588
Retirement benefit liabilities	821	1 632	7 345	39 195	48 994	0	97 988
Current tax liabilities	10 343	0	0	0	0	0	10 343
Subordinated liabilities	0	550 169	0	0	0	0	550 169
Total financial liabilities	**8 757 086**	**25 033 441**	**7 345**	**39 195**	**48 994**	**0**	**33 886 062**
Total balance sheet items	**4 655 221**	**-245 795**	**132 687**	**1 590 428**	**482 705**	**0**	**6 615 246**

31. 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 NOK thousand)

2021

	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 balances with central banks	9						9
Hedging derivative assets	14 265						14 265
Loans to credit institutions	927 801						927 801
Loans to the public	1 267 553	4 593 760	7 212 561	23 876 676	2 374 536		39 325 086
- hereof foreign currency	427 370	1 241 189	2 724 274	9 006 408	675 660		14 074 901
Fair value changes	14 559						14 559
Other assets	100 267						100 267
Total financial assets	**2 324 454**	**4 593 760**	**7 212 561**	**23 876 676**	**2 374 536**	**0**	**40 381 987**
Liabilities							
Financial liabilities at fair value through profit and loss	0						0
Hedging derivative liabilities	75 468						75 468
Deposits by credit institutions	1 754 605	2 672 822	7 525 469	17 801 745	1 087 012		30 841 653
- hereof foreign currency	527 883	897 822	2 645 368	9 274 430	345 070		13 690 573
Deposits and borrowings from the public	231 516						231 516
Other liabilities	371 252	354 317	135 441	86 361	3 930		951 302
Retirement benefit liabilities	642	1 276	5 743	30 644	38 305		76 611
Current tax liabilities	0	258 894	258 894				517 787
Subordinated liabilities	0	197	0	550 000	0		550 197
Total financial liabilities	**2 433 484**	**3 287 507**	**7 925 547**	**18 468 750**	**1 129 248**	**0**	**33 244 534**

Remaining maturity
(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	Without maturity	TOTAL
Assets							
Cash and balances with central banks	9	0	0	0	0	0	9
Hedging derivative assets	187	0	0	0	0	0	187
Loans to credit institutions	788 750	0	0	0	0	0	788 750
Loans to the public	1 327 092	5 217 081	6 892 700	23 348 349	2 697 601	0	39 482 824
- hereof foreign currency	458 754	1 334 062	2 789 451	9 654 738	701 296	0	14 938 301
Fair value changes	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**	**6 892 700**	**23 348 349**	**2 697 601**	**0**	**40 501 307**
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
Deposits by credit institutions	807 261	2 332 088	8 234 649	19 028 792	1 330 981	0	31 733 771
- hereof foreign currency	390 463	842 902	3 044 103	9 751 822	0	0	14 029 290
Deposits and borrowings from the public	161 083	0	0	0	191 239	0	352 322
Other liabilities	316 337	301 908	115 407	73 586	3 349	0	810 588
Retirement benefit liabilities	821	1 632	7 345	39 195	48 994	0	97 988
Current tax liabilities	0	5 171	5 171	0	0	0	10 343
Subordinated debt	0	550 169	0	0	0	0	550 169
Total financial liabilities	**1 616 384**	**3 190 968**	**8 362 573**	**19 141 574**	**1 574 563**	**0**	**33 886 062**

32. 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 2021 was TNOK 2 894. Hence giving a foreign currency sensitivity of TNOK 289 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 223. For 2020 a shift of 10 % in exchange rates would have resulted in an impact of TNOK 606 before tax and TNOK 466 on net profit and equity. The foreign currency positions shown are only non functional currencies.

(in thousand)						**2021**
	USD	EUR	SEK	CHF	GBP	DKK
Assets						
Norway	4 599	67 789	9 787	5	150	-1 091
Sweden	5 093	5 802	0	0	0	0
Denmark	57 827	7 514	0	0	0	0
Total assets	**67 519**	**81 106**	**9 787**	**5**	**150**	**-1 091**
Liabilites						
Norway	4 642	67 871	10 104	0	57	-848
Sweden	5 073	5 822	0	0	0	0
Denmark	57 827	7 736	0	0	0	0
Total liabilities	**67 541**	**81 428**	**10 104**	**0**	**57**	**-848**
Net balance sheet items	-23	-322	-317	5	93	-244
Converted to NOK	**-200**	**-3 220**	**-309**	**53**	**1 110**	**-328**
Currency sensitivity (10% shift) before tax	-20	-322	-31	5	111	-33
Currency sensitivity (10% shift) after tax	-15	-248	-24	4	85	-25

(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	1 651	0	0	0	0
Total assets	**4 774**	**65 987**	**6 731**	**29**	**119**	**480**
Liabilites						
Norway	4 870	59 464	7 069	0	117	848
Sweden	-22	5 117	0	0	0	0
Denmark	-6	1 872	0	0	0	0
Total liabilities	**4 843**	**66 454**	**7 069**	**0**	**117**	**848**
Net balance sheet items	-70	-466	-338	29	3	-368
Converted to NOK	**-596**	**-4 898**	**-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

33. Capital

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risk. Nordea Finance Equipment AS reports risk exposure amounts according to applicable external regulations (CRR/CRD IV), which stipulate the limits for the minimum capital (the capital requirement). During 2020, several recommendations on dividends during the Covid-19 pandemic are published by EU regulators, as well as from the Norwegian Ministry of Finance. On 7 September 2021, the Norwegian Ministry of Finance published information that dividend restrictions ceased to apply after 30 September 2021.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with CRR/CRD IV. Nordea Finance Equipment AS had 63.8% of its REA for credit risk covered by internal rating based (IRB) approaches by the end of 2021. Rating and scoring are key components in the credit risk management. For operational risk the standardised approach is applied.

Internal capital requirement

Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by CRR/CRD IV, and risks internally defined under Pillar 2.

The following major risk types are included in the internal capital requirement: credit risk, market risk, operational risk, interest rate risk in the banking book and business risk.

The ICAAP also describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining internal capital requirements reflecting the risk of the institution. As a complement to the ordinary credit risk quantification, comprehensive stress testing is performed at least annually in accordance with current requirements, after which capital requirements are measured. Regulatory buffers were introduced with the implementation of the CRR/CRD IV rules.

Own funds

Own funds is the sum of tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 (CET1) and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend.

Additional tier 1 and tier 2 capital consist mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Capital position and risk-weighted exposure

Nordea Finance Equipment Common Equity Tier 1 capital ratio was 25.0%, including profit at the end of 2021 an increase of 0.6 percentage points from the end of last year. Total Capital ratio increased 0.4 percentage points to 26.8%, including profit.

Risk Exposure Amount (REA) was NOK 29 271.5m, an increase of 6.3% compared to the end of last year (NOK 27 539,4m). The main driver for the increase in REA was the IRB corporate - SME portfolio.

Own Funds was NOK 7 855,0m at the end of 2021, of which NOK 550,0m are subordinated loans.
The Tier 1 capital and the Common Equity Tier 1 capital were NOK7 305,0m.

Further information

Note 34 Capital adequacy and the Capital and Risk Management Report (Pillar 3 report)

Further information on capital management and capital adequacy is presented in Note 34 Capital adequacy and in the Capital and Risk Management Report at www.nordea.com.

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. The three EEA EFTA countries Norway, Iceland and Lichtenstein, have different legal structures compared to the EU, thus a parallel implementation with the EU is seldom feasible. The CRR and CRD IV were implemented in Norway on 31 December 2019.

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. In Norway, the implementation of the 'banking package' is expected during H1 2022.

Capital buffers

To mitigate the effect of the Norwegian implementation of the CRR and CRD IV, changes to the systemic risk buffer (SRB) was implemented from 31 December 2020. The previous SRB of 3% for all Norwegian banks was changed to a SRB of 4.5% for all Norwegian exposures. The Norwegian Ministry of Finance requested the European Systemic Risk Board (ESRB) to issue a recommendation to other EEA states to reciprocate the measures. On 26 May 2021, the ESRB recommended reciprocation within 18 months but also recognises the regulatory differences between Norway and EU, why reciprocation should take into account any overlaps or differences in regulations. On 19 August 2021, the Finnish FSA stated that the decision on the application of the Norwegian SRB will be taken at a later stage and enter into force 12 months after the decision is taken.

In Norway, IRB banks are subject to risk weight floors for residential real estate of 20% and for commercial real estate of 35% according to article 458 of the CRR applied from 31 December 2020. On 19 August 2021, the Finnish FSA decided to reciprocate the floors from 11 September 2021.

In March 2020, the countercyclical buffer rate was decreased in Sweden, Denmark and Norway due to COVID-19. During 2021 the buffer rates have been decided to increase. In Norway it has been decided to increase the buffer rate from the current 1% to 1.5% from June 2022 and then to be further increased to 2.0% from 31 December 2022.

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.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations. On 27 October 2021, the proposal for the implementation into EU regulations was published by the European Commission by amendments to the CRD and CRR. The proposal from the Commission is to set the start date to 1 January 2025. The proposal is currently subject to negotiations between the Commission, the Council and the Parliament before the final set of regulations are decided.

On credit risk, the proposal includes revisions to both the IRB approach, where restrictions on the use of IRB for certain exposures are implemented, as well as on the standardized approach. Also, for market risk the internal model approach and the standardized approach have been revised. For operational risk, the three existing approaches will be removed and replaced by one standardized approach to be used by all banks. On CVA risk, the internally modelled approach is removed, and the standardized approach is revised.

The output floor is to be set at 72.5% of the standardized 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 standardized approaches for credit, market and operational risk. The floor will be phased in, starting with 50% from 1 January 2025 to be fully implemented at 72.5% from 1 January 2030 and with transitional rules for the calculation of the REA for the output floor extending to end-2032.

34. 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)	**2021**	**2020**
Common Equity Tier 1 capital		
Share capital	945 436	945 436
Share premium account	240 639	240 639
Other equity	6 151 093	5 545 272
Independently reviewed interim profits net of any foreseeable charge and dividend	0	0
Common Equity Tier 1 capital before regulatory adjustment	**7 337 168**	**6 731 347**
Common equity Tier 1 capital: Regulatory adjustment		
Deferred tax assets		
Intangible assets (net of related tax liability)	-12 975	-11 613
Value adjustments due to the requirements for prudent valuation	-31	-89
Negative amounts resulting from the calculation of expected loss	-19 182	-144
Total regulatory adjustments to Common Equity Tier 1	-32 188	-11 846
Common Equity Tier 1 capital	7 304 980	6 719 501
Additional Tier 1 capital	0	0
Tier 1 capital	**7 304 980**	**6 719 501**
Tier 2 capital: instrument and provision		
Subordinated debt	550 000	550 000
Tier 2 capital before regulatory adjustment	550 000	550 000
Tier 2 capital: regulatory adjustment	0	0
Total regulatory adjustment to Tier 2 capital	0	0
Tier 2 capital	**550 000**	**550 000**
Total capital	**7 854 980**	**7 269 501**
Calculation basis		
Standardised method		
Local and regional authorities (including muncipalities)	490 274	173 553
Institutions	195 610	163 628
Corporate	8 592 578	8 289 394
Other assets	123 748	231 553
Engagements in default	132 101	183 098
Total Credit risk, standardised method	9 534 311	9 041 226
IRB method		
Corporate - small and medium sized businesses	12 089 917	10 539 915
Corporate - other	4 735 381	5 135 882
Total Credit risk, IRB method	16 825 298	15 675 797
Credit risk weighted assets	26 359 608	24 717 023
Operational risk, basic indicator approach	2 911 940	2 822 334
Additional requirement according to Basel II floor	0	0
Total calculation basis	**29 271 548**	**27 539 357**

Capital ratios and buffers		
Common Equity Tier 1	24,96 %	24,40 %
Tier 1	24,96 %	24,40 %
Total capital	26,83 %	26,40 %
Capital requirement including institution specific buffers	10,45 %	10,33 %
…of which: capital conservation buffer	2,50 %	2,50 %
…of which: countercyclical buffer	0,63 %	0,61 %
…of which: systemic risk buffer	2,82 %	2,72 %
...of which: systemically important institution buffer	0,00 %	0,00 %
Common Equity Tier 1 above minimum capital requirements and capital buffers	14,51 %	14,07 %
Tier 1 capital above minimum capital requirements and capital buffers	13,01 %	12,57 %
Total capital above minimum capital requirements and capital buffers	12,88 %	12,57 %
Capital ratios and buffers, nominal amounts		
Institution specific buffer requirement	3 058 877	2 844 906
…of which: capital conservation buffer	731 789	688 484
…of which: countercyclical buffer	184 411	166 889
…of which: systemic risk buffer	825 458	750 262
...of which: systemically important institution buffer	0	0
Common Equity Tier 1 above minimum capital requirements and capital buffers	4 246 103	3 874 595
Tier 1 capital above minimum capital requirements and capital buffers	3 807 030	3 461 505
Total capital above minimum capital requirements and capital buffers	3 771 599	3 460 718
Amount below the thresholds for deductions		
Deferred tax assets arising from temporary differences	129 149	0
Pilar 2 requirement		
Additional core capital buffer requirement ratio	1,5 %	1,5 %
Additional core capital buffer requirement	439 073	413 090
Leverage ratio		
Total Leverage Ratio exposure	42 274 678	42 232 251
Leverage Ratio	17,3 %	15,9 %

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

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

35. GUARANTEE LIABILITIES AND LOAN COMMITMENTS

Nordea Finance Equipment AS has at year end 2021 given loan commitments of TNOK 2 318 921. The commitments are related to future financing of equipment, where the company has a contractual obligation. By the end of 2020 the corresponding amount was TNOK 1 515 354.

(in NOK thousand)	**2021**	**2020**
Endorser's liability	0	0
Guarantee liability	7 935	18 578
Total	**7 935**	**18 578**

36. CONTINGENCIES

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

37. 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	**2021**	**2020**
January the 1st	101	101
December 31st	**101**	**101**

Ordinary Shares -dividend *(in NOK thousand)*	**2021**	**2020**
Total dividend	0	0
Dividend per share	0	0

38. INFORMATION ON RELATED PARTIES

(in NOK thousand)	**2021**	**2020**
Assets and interest income		
Loans to Group companies	691	846
Revaluation of hedged item	0	0
Interest income from group companies	0	0
Liability and interest expense		
Loans from Group companies	25 403 941	25 212 911
Related payables Group companies	23 127	13 458
Revaluation of hedged item due to banks	0	-287 180
Other liabilities	0	309
Interest expenses to group companies	-125 503	-249 903
Subordinated liabilities	550 000	550 000
Interest expenses on Subordinated liabilities	-14 859	-17 560

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.

39. 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.

Remuneration of senior management

(in NOK thousand)					**2021**	**2020**
Management	Pay	Bonus	Pension cost	Other remuneration		
Carsten Thorne, CEO	3 386	3 086	936	60	7 468	7 512
Hans Einar Herzog, deputy CEO	1 970	1 000	399	105	3 474	5 418
Total	**5 356**	**4 086**	**1 335**	**165**	**10 942**	**12 930**

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.

Remuneration to the Board of Directors

(in NOK thousand)				**2021**	**2020**
	Pay / Fees	Bonus	Other remuneration		
Ellen Altenborg, board member	94	0	0	94	150
Tommy Pedersen, board member	113	0	0	113	175
Mariann H. Gulbrandsen, employee representative	60	0	0	60	23
Total remuneration to the Board of Directors	**267**	**0**	**0**	**267**	**348**

40. NUMBER OF EMPLOYEES/FULL-TIME POSITIONS

	Norway	Sweden	Denmark	Total
Number of employees start of year	264	40	45	349
Recruitment	9	0	1	10
Departures	33	8	5	46
Number of employees end of year	**240**	**32**	**41**	**313**
Number of employees calculated on a full-time basis 31.12.2021	238,36	31,93	39,54	309,83
Number of employees calculated on a full-time basis 31.12.2020	261,82	39,73	43,34	344,89

41. SUBSEQUENT EVENTS

At the end of February a crisis arose in Ukraine. Nordea and Nordea Finance Equipment are monitoring the escalating conflict between the countries involved and the new sanctions are being followed. At the signing of the annual report the company is deemed not to have any material exposures to the parties to the conflict.

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