



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 987 664 398  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: NORDEA FINANCE EQUIPMENT AS  
Forretningsadresse: Essendrops gate 7  
0368 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2023 - 31.12.2023

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Aina Braarud  
Dato for fastsettelse av årsregnskapet: 14.03.2024

### Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert  
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 13.06.2024



### Resultatregnskap

Beløp i: NOK	Note	2023	2022
<b>RESULTATREGNSKAP</b>			
<b>Renteinntekter og lignende inntekter</b>			
Øvrige renteinntekter	2	3 262 465 000	1 972 964 000
<b>Sum renteinntekter og lignende inntekter</b>		<b>3 262 465 000</b>	<b>1 972 964 000</b>
<b>Rentekostnader og lignende kostnader</b>			
Rentekostnader beregnet etter effektivrentemetoden på gjeld til kredittinstitusjoner og finansiering	2	1 661 727 000	580 299 000
<b>Sum rentekostnader og lignende kostnader</b>		<b>1 661 727 000</b>	<b>580 299 000</b>
<b>Netto renteinntekter</b>		<b>1 600 738 000</b>	<b>1 392 665 000</b>
Provisjonsinntekter og inntekter fra banktjenester	3	288 068 000	306 077 000
Provisjonskostnader og kostnader ved banktjenester	3	200 339 000	189 831 000
<b>Utbytte og andre inntekter av egenkapitalinstrumenter</b>		<b>0</b>	<b>0</b>
<b>Sum utbytte og andre inntekter av egenkapitalinstrumenter</b>		<b>0</b>	<b>0</b>
<b>Netto verdiendring og gevinst/tap på valuta og finansielle instrumenter</b>			
Netto verdiendring og gevinst/tap på valuta og finansielle derivater	4	-2 977 000	3 614 000
<b>Sum netto verdiendring og gevinst/tap på valuta og finansielle instrumenter</b>		<b>-2 977 000</b>	<b>3 614 000</b>
Andre driftsinntekter	3	231 445 000	313 124 000
Lønn og andre personalkostnader	5,6,35	361 043 000	359 977 000
<b>Andre driftskostnader</b>	5	<b>212 356 000</b>	<b>205 527 000</b>
<b>Av-/nedskrivninger, verdiendringer og gevinst/tap på ikke-finansielle eiendeler</b>			
<b>Sum av-/nedskrivninger, verdiendringer og gevinst tap på ikke-finansielle eiendeler</b>		<b>0</b>	<b>0</b>
<b>Kredittap på utlån, garantier mv. og rentebærende</b>			



## Resultatregnskap

Beløp i: NOK	Note	2023	2022
<b>verdipapirer</b>			
Kredittap på utlån målt til virkelig verdi over resultat	13,14	125 760 000	27 645 000
<b>Sum kredittap på utlån, garantier og rentebærende verdipapirer</b>		<b>125 760 000</b>	<b>27 645 000</b>
<b>Resultat før skatt fra videreført virksomhet</b>		<b>1 217 776 000</b>	<b>1 232 500 000</b>
Skatt på resultat fra videreført virksomhet		140 007 000	233 286 000
<b>Resultat etter skatt fra videreført virksomhet</b>		<b>1 077 769 000</b>	<b>999 214 000</b>
<b>Resultat før andre inntekter og kostnader</b>		<b>1 077 769 000</b>	<b>999 214 000</b>
<b>Andre inntekter og kostnader</b>			
Estimatendringer knyttet til ytelsesbaserte pensjonsordninger		2 654 000	403 000
Øvrige andre inntekter og kostnader		12 916 000	-18 087 000
<b>Sum andre inntekter og kostnader</b>		<b>15 570 000</b>	<b>-17 684 000</b>
<b>Totalresultat for regnskapsåret</b>		<b>1 093 339 000</b>	<b>981 530 000</b>



## Balanse

Beløp i: NOK	Note	2023	2022
<b>BALANSE - EIENDELER</b>			
Kontanter og kontantekvivalenter			9 000
<b>Utlån til og fordringer på kredittinstitusjoner og finansieringsforetak</b>			
Utlån og fordringer på kredittinstitusjoner og finansieringsforetak 8 til amortisert kost		258 217 000	127 459 000
<b>Sum utlån og fordringer på kredittinstitusjoner og finansieringsforetak</b>		<b>258 217 000</b>	<b>127 459 000</b>
<b>Utlån til og fordringer på kunder</b>			
Utlån og fordringer på kunder til virkelig verdi	9,10,1 2,13,1 4	51 647 110 000	44 805 625 000
<b>Sum utlån og fordringer på kunder</b>		<b>51 647 110 000</b>	<b>44 805 625 000</b>
<b>Rentebærende verdipapirer</b>			
<b>Sum rentebærende verdipapirer</b>		<b>0</b>	<b>0</b>
<b>Finansielle derivater</b>			
Finansielle derivater	4,21,2 2,29	14 579 000	258 061 000
<b>Immaterielle eiendeler</b>			
Immaterielle eiendeler	15	11 066 000	25 822 000
<b>Varige driftsmidler</b>			
Andre varige driftsmidler	15	29 822 000	13 675 000
<b>Sum varige driftsmidler</b>		<b>29 822 000</b>	<b>13 675 000</b>
Andre eiendeler			
Eiendeler ved utsatt skatt	7	191 079 000	98 430 000
Andre eiendeler	16	102 932 000	114 464 000
<b>Sum andre eiendeler</b>		<b>294 011 000</b>	<b>212 894 000</b>
<b>SUM EIENDELER</b>		<b>52 254 805 000</b>	<b>45 443 545 000</b>

## BALANSE - GJELD OG EGENKAPITAL



### Balanse

Beløp i: NOK	Note	2023	2022
<b>GJELD</b>			
<b>Innlån fra kredittinstitusjoner og finansieringsforetak</b>			
Innlån fra kredittinstitusjoner og finansieringsforetak til amortisert kost	17	42 563 302 000	35 006 634 000
<b>Sum innlån fra kredittinstitusjoner og finansieringsforetak</b>		<b>42 563 302 000</b>	<b>35 006 634 000</b>
<b>Innskudd og andre innlån fra kunder</b>			
Innskudd og andre innlån fra kunder til amortisert kost		0	141 506 000
<b>Sum innskudd og andre innlån fra kunder</b>		<b>0</b>	<b>141 506 000</b>
<b>Gjeld stiftet ved utstedelse av verdipapirer</b>			
<b>Sum gjeld stiftet ved utstedelse av verdipapirer</b>		<b>0</b>	<b>0</b>
<b>Finansielle derivater</b>			
Finansielle derivater	4,21,2 2,23	23 250 000	
<b>Annen gjeld</b>			
<b>Avsetninger</b>			
Pensjonsforpliktelser	6	95 275 000	103 835 000
Forpliktelser ved utsatt skatt	7	244 548 000	
Andre avsetninger	7,19	911 281 000	1 318 002 000
<b>Sum avsetninger</b>		<b>1 251 104 000</b>	<b>1 421 837 000</b>
<b>Ansvarlig lånekapital</b>			
Ansvarlig lånekapital til amortisert kost	18	0	550 337 000
<b>Sum ansvarlig lånekapital</b>		<b>0</b>	<b>550 337 000</b>
<b>Fondsobligasjonskapital</b>			
<b>Sum fondsobligasjonskapital</b>		<b>0</b>	<b>0</b>
<b>Sum gjeld</b>		<b>43 837 656 000</b>	<b>37 120 314 000</b>
<b>EGENKAPITAL</b>			
<b>Innskutt egenkapital</b>			



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Preferanseaksjekapital		945 436 000	945 436 000
Overkursfond		240 639 000	240 639 000
<b>Sum innskutt egenkapital</b>		<b>1 186 075 000</b>	<b>1 186 075 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		7 231 074 000	7 137 155 000
<b>Sum opptjent egenkapital</b>		<b>7 231 074 000</b>	<b>7 137 155 000</b>
<b>Sum egenkapital</b>		<b>8 417 149 000</b>	<b>8 323 230 000</b>
<b>SUM GJELD OG EGENKAPITAL</b>		<b>52 254 805 000</b>	<b>45 443 544 000</b>



## Nordea



Annual report 2023

Nordea Finance Equipment AS



## Contents

Contents .....	2
Key Figures .....	3
Board of Directors' report .....	4
Comments on the Income statement .....	4
Comments on the Balance sheet .....	5
Capital management .....	5
Allocation of net profit for the year .....	6
Other information .....	6
Corporate governance .....	6
Board and CEO insurance .....	6
Risk management .....	6
Sustainability .....	7
The organization and working environment .....	8
Equality .....	8
The Transparency Act .....	9
Subsequent events .....	9
Outlook for 2024 .....	9
Income Statement .....	11
Balance Sheet .....	12
Statement of changes in Equity .....	13
Cash flow statement .....	14
Notes to the financial statements .....	15
1. Accounting policies .....	15
2. Net interest income .....	21
3. Net fees and income on other activity .....	21
4. Net gains and losses on financial instruments .....	21
5. Operating Expenses .....	22
6. Pensions .....	22
7. Taxes .....	24
8. Loans to credit institutions .....	25
9. Loans to the public .....	25
10. Leasing (financial leasing assets) .....	26
11. Allowances .....	26
12. Transition loan to the public .....	27
13. Losses and allowances recognised in the profit and loss .....	28
14. Loans days outstanding .....	29
15. Tangible fixed assets and intangible assets .....	30
16. Other assets .....	31
17. Deposits by credit institutions .....	31
18. Subordinated liabilities .....	31
19. Other liabilities .....	31
20. Liabilities from finance activities .....	32
21. Categories of financial assets and liabilities .....	32
22. Financial derivatives .....	34
23. Offsetting .....	35
24. Risk management .....	36
25. Risk classification .....	38
26. Repossessed assets .....	40
27. Interest rate risk and interest rate adjustment period .....	40
28. Liquidity risk and remaining maturity on balance sheet items .....	41
29. Net position per currency .....	42
30. Capital adequacy .....	43
31. Guarantee liabilities and loan commitments .....	46
32. Contingencies .....	46
33. Ownership .....	46
34. Information on related parties .....	47
35. Summary of compensation policy and remuneration .....	47
36. Number of employees / full-time positions .....	48
37. Subsequent events .....	48
38. Independent Auditor's Report .....	49



## Key Figures

NOK thousand	2023	2022	2021	2020	2019
<b>Profit &amp; Loss</b>					
Net banking income	1 916 934	1 825 649	1 548 069	1 535 543	1 575 492
Operating expenses	-573 398	-565 503	-624 179	-687 670	-613 288
<b>Operating profit before losses</b>	<b>1 343 536</b>	<b>1 260 145</b>	<b>923 889</b>	<b>847 873</b>	<b>962 204</b>
Losses on loans	-125 760	-27 645	-16 162	-173 305	-61 661
<b>Net profit before tax</b>	<b>1 217 776</b>	<b>1 232 500</b>	<b>907 728</b>	<b>674 568</b>	<b>900 543</b>
Return on assets ratio	2,06 %	2,20 %	1,45 %	1,66 %	2,25 %
<b>Loans outstanding</b>					
Equipment Norway	32 819 834	27 899 831	24 299 689	23 945 451	24 519 528
Factoring	0	1 862 085	1 787 687	1 787 104	2 160 528
Equipment Denmark	10 573 095	8 194 681	6 934 418	7 259 811	6 992 946
Equipment Sweden	8 844 375	7 330 817	6 795 914	7 025 413	5 953 728
<b>Total loans</b>	<b>52 237 304</b>	<b>45 287 414</b>	<b>39 817 708</b>	<b>40 017 779</b>	<b>39 626 730</b>
<b>Capital adequacy</b>					
Risk weighted assets	39 433 387	34 152 785	29 271 548	27 539 357	27 841 156
Total regulatory capital	8 393 501	7 845 511	7 854 980	7 269 501	6 545 244
Capital adequacy ratio	21,29 %	22,97 %	26,83 %	26,40 %	23,51 %



## Board of Directors' report

### About the company

Nordea Finance Equipment AS (NFE) is a Scandinavian finance company. NFE became a wholly owned subsidiary of Nordea Bank Abp 1<sup>st</sup> October 2020, NFE 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 Oslo, Norway. It's business registration number is 987 664 398.

### Our activities

With a local presence and an European network, NFE 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 are distributed through NFE / Nordea sales organization and co-operation.

### Regulatory development

Basel III is the global framework for capital adequacy, stress tests and liquidity risk in the banking sector. In December 2017, the final Basel III framework, often referred to as Basel IV, was published.

The new floor for calculating the capital requirement is set at 72.5% of the standard method at the aggregate level, which means that the capital requirement will be based on 72.5% of total risk-weighted assets under pillar 1 calculated according to the standard method for credit and market risk and operational risk. The floor will be phased in by 50% from 2025 to full implementation with 72.5% with effect from 1<sup>st</sup> January 2030 in addition to transitional rules for calculating risk-weighted assets of the floor until the end of 2032. Before the requirements can become applicable to Nordea, the Basel IV framework must first be introduced into EU law.

### Comments on the Income statement

(previous year's figures are shown in brackets)

#### Income

NFE produces an operating result of MNOK 1,217.8 (1,232.5). Total comprehensive income, after tax and OCI, is MNOK 1,093.3 (981.5).

In 2023, the Net Banking Income amounts to MNOK 1,916.9 (1,825.6). This is an increase of MNOK 91.3 from 2022. 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 1,600.7 (1,392.7), which is an increase of MNOK 208 or 14.9% during the year. The increase in Net Interest Income is explained by improved Net Interest Margin. The volume of financing to clients increased by MNOK 6,867.2 or 15.3% from MNOK 44,779.9 in 2022 to MNOK 51,647.1 in 2023.

Other Income (Net Fee and commission, Net gains and losses on financial instruments and operating income) represents MNOK 316.2 (432.9). This is a decrease of MNOK 116.7. 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 231.4 (313.2). Net income from Commissions and fees represents MNOK 87.7 (116.2).

#### Expenses

Operating Expenses amount to MNOK 573.4 in 2023 compared to MNOK 565.5 in 2022. This is an decrease of MNOK 7.9 or 1.4% during the year. The decrease in operational expenses comes mainly from reduction in payroll.

Staff expenses amount to MNOK 361.0 (360.0) and represent thus 62.9% (63.6%) of total Operating Expenses which is close to same level as last year. The reduction in Payroll is reflecting the reduction in number of employees .

Other Expenses amount to MNOK 212.3 (205.5). This is a decrease by MNOK 6.8 or 3.2%.

#### Loan losses

Net loan losses and provisions recognized in the account for 2023 were MNOK 125.8 (27.6). The cost of risk represents 0.24% (0.06%) of average funded assets in 2023.

Net loans outstanding by end of 2023 was MNOK 51,647.1 (44,779.9). This is an increase of 15.3% during the year. The branches in Sweden and Denmark represented 37% (34.4%) of net loans to customers at the end of the year. This is a slight increase in relative share compared to end of 2022.

In line with the development in total loans outstanding, our funding, i.e. loans and deposits from financial institutions with agreed maturity, is up with 21.6% and reaches at the end of 2023 MNOK 42,563.3 (35,006.6). Net loans to customers represent thus 121.3% of loans and deposits from financial institutions with agreed maturity as at 31.12.2023. This is a slightly decreased level compared to the end of 2022.



Total write-downs for credit risk was at year end MNOK 577.3 (481.8) corresponding to 1.1% (1.0%) of total outstanding loans to customers. This is a increase of MNOK 95.5 during the year. Gross doubtful loans were MNOK 854.9 (639.9), which is an increase of MNOK 215.0 or 33.6%. This represented 1.6% (1.4%) of total loans to customers. We observe generally relatively low cost of risk, and experience an slight increase in levels of allowance in stage 1 and 2, but a lower 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 2023.

Assets that are repossessed as a result of defaulted leasing and loan contracts amounted at year end to MNOK 15,8 (18.6) from total 394 to 480 contracts. Turnover during the year from the sale of repossessed assets amounted to MNOK 299.4 (263.7) which is higher than in 2022. The company has achieved acceptable prices on sale of repossessed assets in 2023, and the market for second-hand equipment has generally been good. A substantial part of the sale of repossessed assets is handled through NFE's web-based auction portal.

### Comments on the Balance sheet

#### Assets and lending activities

Gross lending to customer as 31<sup>st</sup> December 2023 amounted to MNOK 51,647.1 (44,779.9). The increase is mainly in financing of assets in Equipment Finance.

#### Liability

NFE main funding is from Nordea Bank Abp. Unused facility as 31<sup>st</sup> December 2023 was MNOK 6,217.5.

Current tax liabilities amount to MNOK 0 (181.1) by end of 2023, due to increased balance and new investment.

#### Equity and subordinary loan

Equity ended at MNOK 8,417.1 (8,323.2), of which MNOK 1,077.7 million is the result for 2023.

#### 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. NFE reports risk exposure amounts according to applicable external regulations (CRR/CRD IV), which stipulate the limits for the minimum capital (the capital requirement).

#### Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with CRR/CRD IV. NFE had 59.5% of its REA for credit risk covered by internal rating

based (IRB). Rating and scoring are key components in the credit risk management. For operational risk the standardized approach is applied.

#### Internal capital requirement

NFE 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 NFE'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. Accumulated profit in accordance with the audited accounts can be included in the own funds when any foreseeable charge or dividend has been deducted from the amount of profit.

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.

MNOK	2023	2022
Equity	8 417 150	7 324 016
Common Equity Tier 1 capital before regulatory adjustment	8 417 150	7 324 016
Intangible assets (net of related tax liability)	-5 114	-10 227
Value adjustments due to the requirements for prudent valuation	-27	-52
Negative amounts resulting from the calculation of expected loss	-17 811	-18 227
Total regulatory adjustments to Common Equity Tier 1	-22 952	-28 506
Common Equity Tier 1 capital	8 393 501	7 295 511
Additional Tier 1 capital	0	0
Tier 1 capital	8 393 501	7 295 511
Tier 2 capital before regulatory adjustment	0	550 000
Total regulatory adjustment to Tier 2 capital	0	0
Tier 2 capital	0	550 000
Own funds (net after deduction)	8 393 501	7 845 511

#### Capital position and risk-weighted exposure

NFE's Common Equity Tier 1 capital ratio was 21.29% at the end of 2023, an increase of 0.5 percentage points from the end of last year. Total Capital ratio decreased 1.56 percentage points to 21.29%. Risk Exposure Amount (REA) was MNOK 39,195 (34,152.8), an increase of 14.8% compared to the end of last year. The main driver for the increase in REA was the IRB retail portfolio, primarily



stemming from a growth rate of loans to the public of 15,3% during 2023.

Own Funds was MNOK 8,393.5 at the end of 2023. The Tier 1 capital and the Common Equity Tier 1 capital were MNOK 8,393.5 (no additional Tier 1 capital). Further information on capital management and capital adequacy is presented in Note 30 Capital adequacy and in the Capital and Risk Management Report at [www.nordea.com](http://www.nordea.com).

### Allocation of net profit for the year

NFE reported an operating profit for the year of MNOK 1,217.8, and a net profit after tax of the year of MNOK 1,077.7.

All net profit as of 31<sup>st</sup> December 2023 is distributed to retained earnings in the balance sheet as of 31<sup>st</sup> December 2023. The Board of NFE is of the view that total equity and capital adequacy following the allocation will be sound, and well in excess of the minimum requirements subject to CRR and CRD IV, implemented in Norway on 31<sup>st</sup> December 2019.

### Other information

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 2023.

### Corporate governance

NFE 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 NFE has a system for management testing of internal controls. 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 training programs on among others international sanctions, anti-money laundering, anti-corruption and management of conflicts of interest. NFE 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.

### Board and CEO insurance

Section 3-3a of the Norwegian Accounting Act (Regnskapsloven) requires disclosures of insurance coverage for board members and the CEO of the company. NFE 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

Maintaining risk awareness in the organization is engrained in NFE business strategies. The Nordea group has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure, which have been implemented by NFE. The Board has the overarching risk management responsibility and decides on NFE's risk strategy and the Risk Appetite Framework. For further information see note 24 on "Risk Management".

### Credit Risk

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, organizing procedures and regulations as well as models which address this need.

NFE 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 NFE'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, NFE 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.

### **Liquidity- and capital risk**

Since the experiences of the severe consequences of the financial crisis in Europe and globally, regulators have focused increasingly on ensuring banks and financial institutions have access to necessary liquidity at all times. NFE 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. NFE contribute to the Nordea Group liquidity planning and assessment of liquidity reserve requirements.

NFE 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.

### **Operational risk and internal control**

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.

NFE 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.

### **Sustainability**

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

In accordance with the sustainability-related ambition of the Nordea Group, NFE is committed to sustainable business development by combining financial performance with environmental and social responsibility as well as sound governance practices. At the core of our operations is the development and provision of financial services and offerings that support the transition to a sustainable economy and with that, enable customers to make conscious and sustainable choices. For more information see <https://www.nordea.com/en/sustainability/sustainable-choice>.

NFE launched 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.

For more information on how the Nordea Group works with sustainability, please see Nordea's Annual Report, Sustainability Notes 2023, and other relevant sustainability reporting, published at <https://www.nordea.com/en/sustainability/reports/>.

Nordea defines Environmental, social and corporate governance (ESG) risk as the risk of an adverse financial impact in the short to longer term, deriving from the direct or indirect impact that environmental (including climate), social and governance issues may have on Nordea. It is important for Nordea to integrate ESG assessments into our risk management frameworks.

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.

Further information on ESG related risk in Nordea can be found in Pillar 3, Nordea's capital and risk reporting. For more information see <https://www.nordea.com/en/investors/capital-and-risk-reports-pillar-3>.

## The organization and working environment

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 Nordea Code of Conduct.

At the end of the year the company had 278 employees, whereof 200 in the Norwegian operations, 29 in Sweden and 49 in Denmark. The number of staff has decreased by 4 employees during the year. The average number of FTE has decreased by 4 FTE in 2023 compared to 2022, with an average of 273 (277) FTE in 2023. During the year, the company has recruited 36 (30) new employees.

NFE 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 has zero tolerance for any form of harassment and bullying in the workplace. Separate group directives have been drawn up with clear instructions for managers and employees on how to deal with such unwanted behaviour.

No personal injuries, material damage or significant accidents have been registered in 2023.

Turnover has decreased in 2023 with a turnover rate of 14% compared to 21% in 2022. The turnover rate is closely monitored and can mainly be explained by downsizing in P&CS Receivables and outsourcing of the Auction function in NFE. Moreover, the turnover figure also contains people moving to other positions within the Group and retirements.

The number of days of absence due to illness is lower in 2023 compared to the year before, with a level of in total 2.358 (2.983) absence days. The rate of absence during 2023 is app. 3.9% (5%). NFE 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 Group People on how to prevent long-term sick leave as well as close cooperation with our company health provider. Throughout 2023, the focus and efforts on a safe and sound working environment has been strong. The work pressure has been high in parts of the organisation due to major projects and scarcity of resources within certain areas. Measures have been taken to increase the number of staff in areas that are most affected, both by ensuring internal resource allocations and new recruitments.

The Board is not aware of any personal injuries occurred at work in 2023. The working environment at Nordea Finance Equipment AS is considered to be good, confirmed by an increasing People Pulse rate during the year. Quarterly People Pulse surveys have provided leaders and the local NFE Union with strong data to implement actions when needed in the organisation.

There has been conducted several cultural activities, such as "Get together" party and other team building activities.

## 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.

NFE had a total of 278 employees by year end whereof 45% men and 55% women. The number of leaders in total are 27, whereof 17 male leaders and 10 female leaders.

14 employees are working part-time. All women, and all voluntarily.

Statistics for Norway:

- Sick leave was at 3,74% or 1722 days.
- Men: 90 employees whereof 9 leaders
- Women: 110 employees whereof 7 leaders
- Men's average income in 2023 app. NOK 914 436
- Women's average income in 2023 app. NOK 726 287

Statistics for Sweden:

- Sick leave was at 2,10% or 140 days
- Men: 16 employees whereof 3 leaders



- Women: 13 employees whereof 0 leaders
- Men's average income in 2023 app. SEK 953 489
- Women's average income in 2023 app. SEK 702 418

#### Statistics for Denmark:

- Sick leave was at 4,40% or 496 days
- Men: 20 employees whereof 5 leaders
- Women: 29 employees whereof 3 leaders
- Men's average income in 2023 app. DKK 781.609
- Women's average income in 2023 app: DKK 587.098

Our D&I strategy as well as our pay principles support that we make decisions that result in equal pay for equal work. In order to ensure the highest level of experience and quality in approach, but also to remove any bias from the analysis, a third-party provider conducted an objective, thorough analysis of pay equity in Nordea. The analysis uses regression models accounting for factors that drive fair differences in pay including job complexity, experience, performance and location and identifies unjustified pay differences between women and men in comparable positions. For 2023 such pay gap between women and men in similar positions in Nordea Finance Equipment was 2.2% in men's favour. Though this gap compared to market average is in the lower end, it is Nordea's ambition by end of 2026 to fully close this gap. That is specifically done as part of our yearly pay review that includes a targeted focus on addressing identified individual pay gaps. We also ensure awareness, training and support among our leaders to help leaders in making unbiased decisions on remuneration and other employment terms.

The other perspective on pay equity is provided by comparing the average pay for all women with the average pay for all men at Nordea Finance Equipment. In this case men are on average paid higher since men tend to hold more senior positions associated with higher pay. The difference in the

average pay in 2023 was 19.9% in men's favour in 2023. Such unadjusted gender pay gap for people in leadership roles was 34.8% and 16.5% for other employees.

Nordea is actively working to ensure more women are represented on senior leadership levels and in succession pipelines etc. We have set a 2025 target for each gender to have at least 40% representation at the top three leadership levels of Nordea and are progressing well on this.

#### The Transparency Act

The Transparency Act is a new law that entered into force on 1st June 2022. The Act imposes several duties on businesses such as the duty to provide information and the duty to carry out due diligence assessments. The obligation to provide information means that anyone can ask questions related to how the company works to safeguard human rights and decent working conditions internally and externally towards suppliers and business partners. At nordeafinance.no. arrangements have been made for such questions and you also find the company's due diligence assess 2022. By 30 June 2024, the company's due diligence assessment 2023 will be made public on the same page.

#### Subsequent events

No events have occurred after the balance sheet date, which may materially affect the assessment of the annual financial statement of NFE.

#### Outlook for 2024

In many countries, the economic trend could change in 2024. The short-term economic outlook is still weak due to the tight monetary policy, but now that inflationary pressures are easing and it is expected that central banks will start cutting rates in the coming months, and economic growth to start accelerating towards at the end of 2024.

Nordea Finance will continue to focus on developing and improving its close relationships with partners and Nordea's regional offices, in order to contribute with the right financing solutions at the right time.



Nordea Finance Equipment AS

Oslo, 7<sup>th</sup> March 2024

---

Christian F. Karas  
Chairman

---

Ellen Vibeke Pløger

---

Frank Klausen

---

Ari Antero Kaperi

---

Hans Christian Hustad

---

Rasmus Lykke Kristiansen

---

Jon Brenden

---

Sjur Loen  
Managing director



## Income Statement

<b>NOK thousand</b>	<i>Notes</i>	<b>2023</b>	<b>2022</b>
Total interest income	2	3 262 465	1 972 964
Total interest expenses	2	-1 661 727	-580 299
Fee and commission income	3	288 068	306 077
Fee and commission expense	3	-200 339	-189 831
Net gains and losses on financial instruments	4	-2 977	3 614
Other operating income	3	231 445	313 124
<b>Net banking income</b>		<b>1 916 934</b>	<b>1 825 649</b>
Staff costs	5, 6, 35	-361 043	-359 977
Other expenses	5	-212 355	-205 527
<b>Gross operating income</b>		<b>1 343 536</b>	<b>1 260 145</b>
Net loan losses	13, 14	-125 760	-27 645
<b>Profit before tax</b>		<b>1 217 776</b>	<b>1 232 500</b>
Income tax expense	7	-140 007	-233 286
<b>Profit for the period</b>		<b>1 077 769</b>	<b>999 214</b>
<b>Other comprehensive income</b>			
<i>Items that could be reclassified:</i>			
Exchange differences on translation of foreign operations		3 402	517
Taxes		-748	-114
<i>Items that cannot be reclassified:</i>			
Actuarial gains and losses		16 560	-23 189
Taxes		-3 643	5 102
<b>Other comprehensive income</b>		<b>15 570</b>	<b>-17 684</b>
<b>Total comprehensive income of the period</b>		<b>1 093 339</b>	<b>981 530</b>
Attributable to:			
Shareholders of Nordea Finance Equipment AS		1 093 339	981 530



## Balance Sheet

NOK thousand	Notes	2023	2022
<b>Asset</b>			
Cash and balances with central banks		0	9
Hedging derivative assets	4, 21, 22, 23	14 579	258 061
Loans to credit institutions	8	258 217	127 459
Loans to the public	9,10, 12, 13,14	51 647 110	44 779 932
Reposessed assets	26	15 868	18 603
Deferred tax assets	7	191 079	98 430
Tangible and intangible fixed assets	15	40 887	39 497
Other assets	16	87 064	121 554
<b>Total asset</b>		<b>52 254 805</b>	<b>45 443 545</b>
<b>Liabilities and Equity</b>			
Hedging derivative liabilities	4, 21, 22, 23	23 250	0
Deposits by credit institutions	17	42 563 302	35 006 634
Deposits and borrowings from the public		0	141 506
Other liabilities	19	911 280	1 136 948
Retirement benefit liabilities	6	95 275	103 835
Deferred tax liabilities	7	244 548	0
Current tax liabilities	7	0	181 054
Subordinated liabilities	18	0	550 337
<b>Total liabilities</b>		<b>43 837 656</b>	<b>37 120 314</b>
Share capital		945 436	945 436
Share premium account		240 639	240 639
Retained earnings		7 231 074	7 137 155
<b>Total equity</b>		<b>8 417 149</b>	<b>8 323 230</b>
<b>Total liabilities and equity</b>		<b>52 254 805</b>	<b>45 443 545</b>

Oslo, 7<sup>th</sup> March 2024

\_\_\_\_\_  
Christian F. Karas  
Chairman

\_\_\_\_\_  
Ellen Vibeke Pløger

\_\_\_\_\_  
Frank Klausen

\_\_\_\_\_  
Ari Antero Kaperi

\_\_\_\_\_  
Hans Christian Hustad

\_\_\_\_\_  
Rasmus Lykke Kristiansen

\_\_\_\_\_  
Jon Brenden

\_\_\_\_\_  
Sjur Loen  
Managing director



## Statement of changes in Equity

<b>NOK thousand</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Translation differences</b>	<b>Other reserves</b>	<b>Total</b>
Equity 01.01.22	945 436	240 639	6 162 119	-4 102	-6 924	7 337 168
Profit for the period			999 214			999 214
Other comprehensive income				403	-18 087	-17 684
Dividends						0
Share based payment					4 533	4 533
<b>Total equity 31.12.22</b>	<b>945 436</b>	<b>240 639</b>	<b>7 161 334</b>	<b>-3 699</b>	<b>-20 479</b>	<b>8 323 230</b>
Equity 01.01.23	945 436	240 639	7 161 334	-3 699	-20 479	8 323 230
Profit for the period			1 077 769			1 077 769
Other comprehensive income				2 654	12 917	15 570
Dividends			-999 214			-999 214
Share based payment					-206	-206
<b>Total equity 31.12.23</b>	<b>945 436</b>	<b>240 639</b>	<b>7 239 887</b>	<b>-1 045</b>	<b>-7 768</b>	<b>8 417 149</b>



## Cash flow statement

NOK thousand	2023	2022
<b>Operations</b>		
Interest income	3 198 819	1 933 822
Interest expenses	-1 661 727	-580 299
Other receipts	393 019	585 015
Operating expenses	-585 146	-531 516
Receipts on previous losses	23 405	18 803
Paid taxes	-45 345	-43 211
<b>Cash flows from operating activities</b>	<b>1 323 026</b>	<b>1 382 615</b>
New investments leasing	-21 863 629	-18 195
Proceeds from sale of leasing assets	3 617 045	3 389 554
Decrease in loans ( net )	11 147 841	-9 038 330
Decrease ( increase ) in other receivables	322 465	-172 589
Decrease ( increase ) in advance payments	34 490	-21 286
<b>Net cash flow from current financial activity</b>	<b>-6 741 789</b>	<b>-5 860 846</b>
Decrease ( increase) in tangible assets	84 619	37 255
<b>Cash flows from investing activities</b>	<b>84 619</b>	<b>37 255</b>
Increase (decrease) in deposits from customers	-141 506	-90 010
Payment of dividends	-999 214	0
Increase (decrease) in equity	2 475	4 936
Increase (decrease) Subordinated debt	-550 000	0
Increase (decrease) in loans from credit institutions	7 214 771	4 222 821
Increase (decrease) in leasing liabilities	-61 608	-496 446
<b>Cash flows from financing activities</b>	<b>5 464 917</b>	<b>3 641 300</b>
<b>Net cash flow</b>	<b>130 773</b>	<b>-799 676</b>
Cash at the 1st of January	127 444	927 120
<b>Cash at end of period</b>	<b>258 217</b>	<b>127 444</b>
<b>Change cash during the period</b>	<b>130 773</b>	<b>-799 676</b>
<b>Reconciliation cash at end of period</b>		
Cash and balances with central banks	0	9
Deposits with credit institutions	258 217	127 433
<b>Cash at end of period</b>	<b>258 217</b>	<b>127 444</b>

## Notes to the financial statements

### 1. Accounting policies

#### The basis of preparation of the financial statements

NFE separate financial statements are prepared in accordance with IFRS® Accounting Standards as adopted by the EU. 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.

The financial statements for the year ended 31<sup>st</sup> December 2023 were approved in the board meeting at 7<sup>th</sup> March 2024 subject to the General Assembly's final approval.

#### Branches

The financial statements show the figures for NFE, 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 NFE 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. NFE'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").

#### Changes in significant accounting policies

The accounting principles and the basis for the assessments and presentation are essentially unchanged in relation to the annual report for 2022.

#### Other amendments

IASB has published the following amended which were implemented by 1<sup>st</sup> January 2023 but have not had any significant impact on NFE's financial statements:

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting estimates.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2: Disclosure of Accounting policies.

#### Changes to IFRSs not yet applied

The IASB has published following new amended standards that are assessed not to have any significant impact on NFE's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.

#### 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.

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**

### **Expected credit losses**

When evaluating the need for allowance for credit losses 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.

### **Expected sales gain**

As part of the equipment leasing activity, NFE 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.

## **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**

NFE'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.

NFE 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**

NFE 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**

NFE' 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.

NFE 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 NFE 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 NFE 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
- NFE 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. NFE has transferred substantially all the risks and rewards of the asset, or
  - b. NFE 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 NFE 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 NFE 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 NFE 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 NFE 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 default. Write-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

NFE 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. NFE 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

NFE 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

## Pension obligations

As of 1<sup>st</sup> January 2013 NFE applied IAS 19 Employee Benefits (June 2011) ("IAS 19R") and changed the basis for calculating the pension liability and costs. NFE 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 31<sup>st</sup> 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 met. The 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.



**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.



## 2. Net interest income

NOK thousand	2023	2022
Interest income from financial institutions, valued at amortised cost	38 468	41 622
Interest income from customers financial leases and loans, valued at amortised cost	3 197 211	1 918 509
Interest income financial instruments	25 257	12 779
Other interest income	1 528	53
<b>Total interest income</b>	<b>3 262 465</b>	<b>1 972 964</b>
Interest expenses to financial institutions, valued at amortised cost	-1 651 553	-551 531
Interest expenses on deposits and debt to customers, valued at amortised cost	-19 983	-15 796
Interest expenses financial instruments	40 441	29 894
Interest expenses on subordinated liabilities	-15 574	-22 381
Other interest expenses	-15 058	-20 484
<b>Total interest expenses</b>	<b>-1 661 727</b>	<b>-580 299</b>
<b>Net interest income</b>	<b>1 600 738</b>	<b>1 392 666</b>

## 3. Net fees and income on other activity

NOK thousand	2023	2022
Fee and commission income from loans and similar to customers	288 068	306 077
<b>Fee and commission income</b>	<b>288 068</b>	<b>306 077</b>
Fee and commission expenses from loans and similar to customers	-168 864	-177 555
Other fee and commission expense	-31 475	-12 276
<b>Fee and commission expense</b>	<b>-200 339</b>	<b>-189 831</b>
<b>Net commission and fees income</b>	<b>87 729</b>	<b>116 246</b>
Gains and losses repossessed assets	33 106	37 470
Termination gain and loss	169 053	235 567
Income from extension of leasing contracts	44 889	40 131
Other income	-15 603	-45
<b>Total income other activity</b>	<b>231 445</b>	<b>313 124</b>

## 4. Net gains and losses on financial instruments

NOK thousand	2023	2022
Net gains on financial derivatives, trading	-4 069	2 416
Change in fair value on financial derivatives, hedging	-13 682	41 023
Change in fair value on hedged fixed interest loans	13 894	-39 749
Net change in value and gains on foreign currency	881	-76
<b>Net gains and losses on financial instruments</b>	<b>-2 977</b>	<b>3 614</b>



## 5. Operating Expenses

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Payroll	-232 328	-229 849
Pensions	-35 116	-31 477
Social security costs	-38 800	-37 278
Other staff cost	-54 800	-61 373
<b>Staff costs</b>	<b>-361 043</b>	<b>-359 977</b>
Rent and other office costs	-22 993	-16 332
Fees and temporary staff	-87 099	-94 561
Travel and marketing	-13 371	-15 152
Other operating costs	-11 272	-12 663
Intragroup services	-61 420	-40 627
Depreciation and gain/loss	-16 200	-26 192
<b>Other expenses</b>	<b>-212 355</b>	<b>-205 527</b>
<b>Total operating expenses</b>	<b>-573 398</b>	<b>-565 503</b>
<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Statutory audit	592	630
Other attestation services	233	0
Other non-audit services	35	77
<b>Total</b>	<b>860</b>	<b>707</b>

## 6. Pensions

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

NFE 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<sup>st</sup> December 2023, 83 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 2023 the contribution has been set to 2,6% 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<sup>st</sup> December 2023, the DBO is recognised based on the actuarial calculation performed as of 31<sup>st</sup> December 2023.



<b>Economic assumptions</b>		
<b>Percentage</b>	<b>2023</b>	<b>2022</b>
Discount rate	3,81 %	3,40 %
Rate of Salary Increase	3,50 %	3,50 %
Rate of Price Inflation	2,25 %	2,00 %
Rate of Social Security Increase	3,50 %	3,50 %
Pension increase rate - in payment	2,40 %	2,30 %
Pension increase rate - in deferment	2,40 %	2,30 %

<b>Pension cost</b>		
<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Employer Service Cost	4 070	2 364
Net interest	3 091	1 315
Social security tax or administration charge/(credit)	1 010	519
<b>Net pension cost</b>	<b>8 171</b>	<b>4 198</b>

NFE has only unfunded benefit plans. Pension cost for 2023 amounts to TNOK 8,171 (4,360) from the defined benefit plans and TNOK 26,945 (27,117) from the contribution plans. The total pension cost amounts to TNOK 35,116 (31,477).

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Plan assets at market value	0	0
Estimated Retirement benefit liabilities	95 275	103 835
Net pension liability	95 275	103 835
Actuarial gains (-)/losses	0	0
Plan change, curtailment	0	0
<b>Recognised pension liability</b>	<b>95 275</b>	<b>103 835</b>

Recognised pension liability year end 2023 amounts to TNOK 95,275 (103,835).

#### 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 (average). Salary rates, pension adjustments and G-regulations are based on historical observations and an expected future inflation of 1,5%.

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Opening balance	103 835	76 611
Total service cost	4 070	2 364
Interest cost	3 091	1 315
Payments from internal book and employee	-171	-162
Tax or administration	1 010	518
Actuarial (Gain) or Loss, Financial assumptions	-6 461	-3 334
Actuarial (Gain) or Loss, Experience based	-10 099	26 523
<b>Ending balance</b>	<b>95 275</b>	<b>103 835</b>

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Gross pension liability 31.12	95 275	103 835
Plan assets, fair value 31.12	0	0
Net pension liability	95 275	103 835
Actuarial gains/(losses)	-10 099	26 523
Experience adjustment expressed as percentage of plan liability	0,0 %	0,0 %
Experience adjustment expressed as percentage of plan asset	0,0 %	0,0 %

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	2023	2022
Sensitivities in:		
Discount rate -0.5%	8,4 %	9,3 %
Discount rate +0.5%	-7,4 %	-8,2 %
Inflation rate -0.5%	-7,6 %	-8,3 %
Inflation rate +0.5%	8,6 %	8,5 %
Salary increase rate +0.5%	4,8 %	6,0 %

## 7. Taxes

NOK thousand	2023	2022
<b>The tax expense for the year is made up as follows</b>		
Taxes payable on profit for the year	0	181 054
Adjustment tax payable prior years	4 598	25 396
Exchange rate adjustments tax payable	-14 982	0
Change in deferred tax	150 392	26 836
<b>Total tax expense for the year</b>	<b>140 008</b>	<b>233 286</b>

### Taxes payable are made up as follows:

Profit on ordinary activities before tax expense	1 217 776	1 232 500
Permanent differences	-577 706	-264 356
Change in temporary differences	-640 071	-145 173
<b>Basis for taxes payable</b>	<b>0</b>	<b>822 972</b>
<b>Taxes payable on profit for the year</b>	<b>0</b>	<b>181 054</b>

In 2023 TNOK -807 365 of the permanent differences is related to recognition of the operation of the company's branches in Sweden and Denmark. The equivalent difference in 2022 was TNOK -264 356.

NFE 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 2022 and 2023.

NOK thousand	2023	2022
<b>Deferred tax, net</b>		
Property, plant and equipment	-158 893	93 366
Pensions	20 961	22 844
Derivatives	206	777
Other	-14 265	6 682
Exchange rate difference	-36 499	-25 239
Tax loss carried forward	135 022	0
<b>Net recognised deferred tax</b>	<b>-53 469</b>	<b>98 430</b>

### This year's changes in deferred tax

Deferred tax asset 1.1.	98 430	129 149
Changes against ordinary result	-150 392	-26 389
Exchange rate diff deferred tax asset	-11 259	-9 431
Other exchange rate adjustments	13 395	0
Adjustments against OCI	-3 643	5 102
<b>Deferred tax 31.12.</b>	<b>-53 469</b>	<b>98 430</b>

NFE has deferred tax asset in Norway, NOK thousand 191,079 and deferred tax liabilities in Denmark, NOK thousand 202,665 and Sweden, NOK thousand 41,883.



## Reconciliation from nominal to actual tax rate

Net profit before tax	1 217 776	1 232 500
Expected income tax with nominal tax rates (22 %)	267 911	271 150
The tax effect of following items;		
Non-deductible costs	-127 095	-63 261
Other entries related to allowances previous years	-808	25 396
<b>Tax expense</b>	<b>140 008</b>	<b>233 286</b>
Effective tax rate	11,5 %	18,9 %

## 8. Loans to credit institutions

NOK thousand	2023	2022
Deposits with credit institutions	258 217	127 433
Loans to credit institutions	0	26
<b>Due from banks before impairment</b>	<b>258 217</b>	<b>127 459</b>
Impairment of individually impaired loans	0	0
<b>Loans to credit institutions</b>	<b>258 217</b>	<b>127 459</b>

Deposit with financial institution include restricted deposits for withholding tax of TNOK 7,874.

## 9. Loans to the public

NOK thousand	2023	2022
Equipment loans	8 246 037	6 552 990
Factoring receivables	0	220 363
Factoring loans	0	1 641 722
Financial lease agreements	43 978 379	36 846 647
<b>Loans to the public before impairment</b>	<b>52 224 416</b>	<b>45 261 721</b>
Equipment loans allowance S1	-11 300	-9 448
Factoring receivables allowance S1	0	-3 908
Financial lease agreements allowance S1	-146 582	-131 330
Equipment loans allowance S2	-4 398	-3 773
Financial lease agreements allowance S2	-115 471	-67 463
Equipment loans allowance S3	-7 420	-5 399
Factoring receivables allowance S3	0	-3 387
Financial lease agreements allowance S3	-292 134	-257 081
<b>Loans to the public</b>	<b>51 647 110</b>	<b>44 779 932</b>



## 10. Leasing (financial leasing assets)

NOK thousand	2023	2022
Purchase cost 01.01	67 408 997	62 031 965
Exchange rate difference	1 382 889	416 574
Inflow during the year	21 863 629	18 195 044
Outflow during the year	-14 558 470	-13 234 586
<b>Purchase costs at end of period</b>	<b>76 097 045</b>	<b>67 408 997</b>
Accumulated ordinary depreciation 01.01	27 614 536	26 652 700
Exchange rate difference	557 740	158 180
Ordinary depreciation during the year	11 918 235	11 041 308
Reversed depreciation sold assets	-11 198 802	-10 237 652
<b>Accumulated depreciation at end of period</b>	<b>28 891 710</b>	<b>27 614 536</b>
<b>Book value leasing assets at end of period</b>	<b>47 205 335</b>	<b>39 794 460</b>
Fair value changes, fixed interest	-12 888	-25 693
Customer receivable	-3 206 612	-2 933 375
Other accruals	-7 456	11 254
<b>Book value in the balance sheet at end of period</b>	<b>43 978 379</b>	<b>36 846 647</b>

Customer receivables are ordinary leasing receivables and advancement on leasing rent. Upfront fees constitute other accruals.

### Overview of future minimum finance lease rental:

Within 1 year	11 953 434	9 613 345
1 to 5 years	37 852 542	30 442 259
After 5 years	0	0
<b>Future minimum finance lease rental</b>	<b>49 805 976</b>	<b>40 055 604</b>
Present value non guaranteed	407 132	375 601
Present value of minimum lease payments	43 584 135	36 496 738
Unearned finance income	5 814 710	3 183 265
Average interest	6,2 %	4,1 %

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.
- Transport: Vans, trailers, buses, tractors, farming equipment, trucks, mobile cranes, automobiles, containers, helicopters, airplanes, ships etc.
- High-Tech: ICT-equipment, copy machines, office machines, medical equipment etc.

## 11. Allowances

The macro scenarios and scenarios weights implemented as of 31.12.2023 provided by the Nordea group for Q4 2023 have not been updated during 2023 given the updated scenarios and scenario weights led to a large release in ECL.

In the three countries, the GDP growth variable is used in the macroeconomic 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 favourable, baseline and adverse scenarios are respectively 10% / 50% / 40%. 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%

## 2023

NOK thousand	Stage 1	Stage 2	Stage 3	Total
Allowances on loans as of 01.01	-144 685	-71 236	-265 867	-481 788
Allowances on new loans	-83 666	-36 379	-40 608	-160 652
Movement from S1 to S2	21 117	-66 397	0	-45 280
Movement from S1 to S3	3 155	0	-80 224	-77 070
Movement from S2 to S3	0	10 417	-57 520	-47 103
Movement from S3 to S2	0	-834	17 109	16 275
Movement from S3 to S1	-24	0	6 107	6 083
Movement from S2 to S1	-4 814	28 971	0	24 157
Loans terminated	13 294	5 582	45 699	64 574
Change within stage	37 742	10 006	75 750	123 498
<b>Allowances on loans as of 31.12</b>	<b>-157 882</b>	<b>-119 870</b>	<b>-299 554</b>	<b>-577 306</b>

## 2022

NOK thousand	Stage 1	Stage 2	Stage 3	Total
Allowances on loans as of 01.01	-134 269	-67 273	-291 080	-492 622
Allowances on new loans	-83 956	-26 415	-34 151	-144 521
Movement from S1 to S2	13 492	-29 340	0	-15 848
Movement from S1 to S3	2 231	0	-41 275	-39 044
Movement from S2 to S3	0	8 478	-61 193	-52 714
Movement from S3 to S2	0	-1 758	38 347	36 589
Movement from S3 to S1	-479	0	27 367	26 888
Movement from S2 to S1	-2 333	21 654	0	19 321
Loans terminated	8 518	4 191	24 490	37 198
Change within stage	52 110	19 226	71 628	142 964
<b>Allowances on loans as of 31.12</b>	<b>-144 685</b>	<b>-71 236</b>	<b>-265 867</b>	<b>-481 788</b>

## 12. Transition loan to the public

### 2023

NOK thousand	Stage 1	Stage 2	Stage 3	Total
Loans to the public as of 01.01	40 901 776	3 627 365	758 274	45 287 414
New loans to the public	20 400 377	966 802	111 619	21 478 798
Movement from S1 to S2	-3 170 914	2 372 358	0	-798 556
Movement from S1 to S3	-420 414	0	252 981	-167 434
Movement from S2 to S3	0	-399 354	219 523	-179 830
Movement from S3 to S2	0	41 892	-66 088	-24 196
Movement from S3 to S1	-5 259	0	11 848	6 589
Movement from S2 to S1	1 134 654	-1 613 943	0	-479 289
Loans terminated	-5 581 342	-432 943	-106 526	-6 120 811
Change within stage	-6 207 006	-357 252	-201 125	-6 765 382
<b>Loans to the public before impairment</b>	<b>47 051 872</b>	<b>4 204 926</b>	<b>980 506</b>	<b>52 237 304</b>



2022

<b>NOK thousand</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Loans to the public as of 01.01	36 000 339	3 109 757	707 613	39 817 709
New loans to the public	17 228 576	944 731	97 906	18 271 213
Movement from S1 to S2	-2 506 313	1 790 233	0	-716 080
Movement from S1 to S3	-304 347	0	135 364	-168 984
Movement from S2 to S3	0	-324 249	160 428	-163 821
Movement from S3 to S2	0	69 674	-126 312	-56 638
Movement from S3 to S1	-23 648	0	43 671	20 023
Movement from S2 to S1	771 766	-1 162 905	0	-391 140
Loans terminated	-3 258 538	-408 379	-62 579	-3 729 496
Change within stage	-7 006 058	-391 498	-197 817	-7 595 373
<b>Loans to the public before impairment</b>	<b>40 901 776</b>	<b>3 627 365</b>	<b>758 274</b>	<b>45 287 414</b>

### 13. Losses and allowances recognised in the profit and loss

Losses on loans

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Write-downs for loan losses as at 01.01	481 788	492 622
Write-downs for loan losses at end of period	-577 306	-481 788
Exchange rate adjustments (opening balance)	7 905	-24 186
Total actual losses	-61 552	-33 096
Income on actual losses	23 405	18 803
<b>Net loan losses</b>	<b>-125 760</b>	<b>-27 645</b>



## 14. Loans days outstanding

2023

NOK thousand	Net loans to customers	Percentage rate	Where of past due, non- doubtful
<b>Days outstanding status</b>			
Not past due	49 089 810	94,11 %	
1-29	2 354 635	4,51 %	2 291 731
30-59	212 186	0,41 %	205 132
60-89	275 952	0,53 %	217 812
90-179	135 860	0,26 %	18 232
> 180	79 518	0,15 %	29 741
> 1 year	12 271	0,02 %	834
<b>Total</b>	<b>52 160 232</b>	<b>100,00 %</b>	<b>2 763 482</b>

2022

NOK thousand	Net loans to customers	Percentage rate	Where of past due, non- doubtful
<b>Days outstanding status</b>			
Not past due	40 653 596	89,92 %	
1-29	3 946 460	8,73 %	3 873 642
30-59	239 549	0,53 %	237 302
60-89	277 174	0,61 %	213 919
90-179	71 842	0,16 %	28 300
> 180	7 490	0,02 %	1 311
> 1 year	17 029	0,04 %	9 726
<b>Total</b>	<b>45 213 139</b>	<b>100,00 %</b>	<b>4 364 200</b>

### Credit exposure:

NOK thousand	2023	2022
Net loans to customers	51 659 998	44 805 625
Positive market value derivatives	14 082	257 763
Guarantee liabilities and loan commitments	3 045 613	2 995 223
<b>Total credit exposure</b>	<b>54 719 693</b>	<b>48 058 611</b>

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.

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



## 15. Tangible fixed assets and intangible assets

2023

NOK thousand	Right of use -		Machines, fixtures, transportation equipment	Intangible assets	Total tangible and intangible fixed assets
	Real estate	cars			
Purchase costs 01.01	147 918	11 504	25 825	128 338	313 585
Change in value - opening balance	1 036	830	723	1 031	3 620
Additions	11 036	1 454	18 754	221	31 465
Disposals	-34 168	-255	-17 959	-87 359	-139 741
<b>Purchase costs at end of period</b>	<b>125 822</b>	<b>13 533</b>	<b>27 343</b>	<b>42 231</b>	<b>208 929</b>
Accumulated ordinary depreciation 01.01	138 877	8 872	23 822	102 516	274 087
Change in value - opening balance	1 036	643	701	517	2 897
Ordinary depreciation of the year	1 694	1 970	1 929	11 029	16 622
Change in value - during the year	0	18	-29	44	33
Reversed disposed	-25 942	-253	-16 462	-82 941	-125 598
<b>Accumulated depreciation at end of period</b>	<b>115 665</b>	<b>11 250</b>	<b>9 961</b>	<b>31 165</b>	<b>168 041</b>
<b>Book value assets at end of period</b>	<b>10 157</b>	<b>2 283</b>	<b>17 382</b>	<b>11 066</b>	<b>40 888</b>

2022

NOK thousand	Right of use -		Machines, fixtures, transportation equipment	Intangible assets	Total tangible and intangible fixed assets
	Real estate	cars			
Purchase costs 01.01	144 975	11 107	50 502	124 760	331 344
Change in value - opening balance	28	200	114	107	449
Additions	2 915	391	362	3 471	7 139
Disposals	0	-194	-25 153	0	-25 347
<b>Purchase costs at end of period</b>	<b>147 918</b>	<b>11 504</b>	<b>25 825</b>	<b>128 338</b>	<b>313 585</b>
Accumulated ordinary depreciation 01.01	132 059	6 505	44 073	87 106	269 743
Change in value - opening balance	30	93	147	36	306
Ordinary depreciation of the year	6 788	2 322	2 400	15 305	26 815
Change in value - during the year	0	49	197	69	315
Reversed disposed	0	-97	-22 995	0	-23 092
<b>Accumulated depreciation at end of period</b>	<b>138 877</b>	<b>8 872</b>	<b>23 822</b>	<b>102 516</b>	<b>274 087</b>
<b>Book value assets at end of period</b>	<b>9 041</b>	<b>2 632</b>	<b>2 003</b>	<b>25 822</b>	<b>39 498</b>

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

NFE 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 linearly over the duration of the lease, ranging from 1-9 years.

In addition to lease agreements related to cars and real estate, NFE 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.

30



## Undiscounted lease liabilities and maturity of cash outflows

<b>NOK thousand</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028-2032</b>
	31 409	2 193	668	638	1 371

## Summary of the lease liabilities

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Lease liabilities 1.1.	52 985	75 146
New/changed lease liabilities recognised	17 179	5 260
Terminated lease liabilities	-8 926	-3 003
Cash payments for the principal portion of the lease liabilities	-24 658	-24 409
Cash payments for the interest portion of the lease liabilities	-1 235	-1 235
Interests	1 235	1 235
Currency effects	-301	-9
<b>Lease liabilities 31.12.</b>	<b>36 279</b>	<b>52 985</b>

## 16. Other assets

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Direct and indirect taxes	73 207	107 589
Other assets	13 857	13 964
<b>Total</b>	<b>87 064</b>	<b>121 553</b>

## 17. Deposits by credit institutions

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Demand deposits and current accounts	341 897	0
Term deposits borrowings	42 004 891	34 876 612
Related payables	216 514	130 023
<b>Total</b>	<b>42 563 302</b>	<b>35 006 634</b>

## 18. Subordinated liabilities

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Subordinated liabilities	0	550 000
Subordinated liabilities accrued interests	0	337
<b>Total</b>	<b>0</b>	<b>550 337</b>

## 19. Other liabilities

<b>NOK thousand</b>	<b>2023</b>	<b>2022</b>
Accounts payable	582 934	401 147
VAT and duties payable	-30 694	3 021
Other liabilities	322 732	552 985
Lease liability (Note 15)	36 279	52 985
Prepayments from customers	0	126 809
<b>Sum other liabilities</b>	<b>911 251</b>	<b>1 136 947</b>



## 20. Liabilities from finance activities

2023

NOK thousand	1 January	Cash flow	Exchange effect	Other changes	31 December
Hedging derivative liabilities	0	22 571	0	182	22 752
Deposits by credit institutions	35 006 634	6 154 257	1 059 797	342 617	42 563 305
Deposits and borrowings from the public	141 506	-141 963	457		0
Leasing liabilities	52 985	-17 007	302		36 279
Subordinated liabilities	550 337	-550 337	0		0
<b>Liabilities from finance activities</b>	<b>35 751 463</b>	<b>5 467 520</b>	<b>1 060 555</b>	<b>342 799</b>	<b>42 622 337</b>

2022

NOK thousand	1 January	Cash flow	Exchange effect	Other changes	31 December
Hedging derivative liabilities	75 766	-75 766			0
Deposits by credit institutions	30 841 653	4 107 142		57 839	35 006 634
Deposits and borrowings from the public	231 516	141 056	-231 067		141 506
Leasing liabilities	75 146	52 976	-75 137		52 985
Subordinated liabilities	550 197	140	0		550 337
<b>Liabilities from finance activities</b>	<b>31 774 279</b>	<b>4 225 548</b>	<b>-306 204</b>	<b>57 839</b>	<b>35 751 463</b>

## 21. Categories of financial assets and liabilities

2023

NOK thousand	Derivatives designated as hedging instruments through profit or loss	Financial instruments at amortised cost	Total
<b>Financial assets</b>			
<b>Derivatives</b>			
Hedging derivative assets	14 082		14 082
Foreign exchange forward contracts	0		0
<b>Debt instruments</b>			
Loans to the public		51 659 998	51 659 998
Loans to credit institutions		258 217	258 217
Cash and balances with central banks		0	0
<b>Total assets</b>	<b>14 082</b>	<b>51 918 215</b>	<b>51 932 297</b>
<b>Liabilities</b>			
<b>Interest bearing loans and borrowings</b>			
Deposits by credit institutions		42 563 302	42 563 302
Deposits and borrowings from the public		0	0
<b>Other financial liabilities</b>			
Other liabilities		911 250	911 250
<b>Total financial liabilities</b>	<b>0</b>	<b>43 474 552</b>	<b>43 474 552</b>

32



2022	Derivatives designated as hedging instruments through profit or loss	Financial instruments at amortised cost	Total
NOK thousand			
<b>Financial assets</b>			
<b>Derivatives</b>			
Hedging derivative assets	30 551		30 551
Foreign exchange forward contracts	227 510		227 510
<b>Debt instruments</b>			
Loans to the public		44 805 625	44 805 625
Loans to credit institutions		127 459	127 459
Cash and balances with central banks		9	9
<b>Total assets</b>	<b>258 061</b>	<b>44 933 093</b>	<b>45 191 154</b>
<b>Liabilities</b>			
<b>Interest bearing loans and borrowings</b>			
Deposits by credit institutions		35 006 634	35 006 634
Deposits and borrowings from the public		141 506	141 506
<b>Other financial liabilities</b>			
Other liabilities		1 136 948	1 136 948
<b>Total financial liabilities</b>	<b>0</b>	<b>36 285 088</b>	<b>36 285 088</b>

NFE 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

2023	level 1	level 2	level 3
NOK thousand			
<b>Financial assets</b>			
Financial derivatives	0	14 082	0
<b>Total assets</b>	<b>0</b>	<b>14 082</b>	<b>0</b>

<b>Financial liabilities</b>			
Financial derivatives	0	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>

2022	level 1	level 2	level 3
NOK thousand			
<b>Financial assets</b>			
Financial derivatives	0	258 061	0
<b>Total assets</b>	<b>0</b>	<b>258 061</b>	<b>0</b>

<b>Financial liabilities</b>			
Financial derivatives	0	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>



## 22. Financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms for fixed periods of time. Derivatives used by NFE 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.

2023			
NOK thousand	Nominal values total	Positive market value	Negative market value
Interest rate swaps NOK	275 747	14 579	0
Interest rate swaps DKK	0	0	0
Interest rate swaps SEK	0	0	0
Currency swaps USD	1 728 363	0	23 250
Currency swaps EUR			
<b>Total</b>	<b>2 004 110</b>	<b>14 579</b>	<b>23 250</b>

2022			
NOK thousand	Nominal values total	Positive market value	Negative market value
Interest rate swaps NOK	475 899	16 194	0
Interest rate swaps DKK	235 554	10 746	0
Interest rate swaps SEK	134 531	3 909	0
Currency swaps USD	2 580 729	227 212	0
Currency swaps EUR			
<b>Total</b>	<b>3 426 713</b>	<b>258 061</b>	<b>0</b>

### Maturity profile, Financial derivatives 2023

NOK thousand	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	34 259	92 072	429 837	195 051		751 219
Fixed rate loans DKK	0	74 369	216 300	490 272	23 586		804 527
Fixed rate loans SEK	0	94 076	202 648	392 692	1 963		691 379
Fixed rate loans EUR	0	43 255	50 643	139 336			233 234
Interest / currency swaps USD			1 728 363	0			1 728 363
Interest / currency swaps EUR							0
Interest rate swaps NOK	0	2 659	27 195	57 487	188 406		275 747
Interest rate swaps DKK	0	0	0	0	0		0
Interest rate swaps SEK	0	0	0	0	0		0
Fixed rate borrowing NOK	0	0	75 000	345 000	0		420 000
Fixed rate borrowing DKK	0	0	37 865	416 515	83 303		537 683
Fixed rate borrowing SEK	0	102 140	127 675	347 276	0		577 091
Fixed rate borrowing EUR	0	0	33 875	135 498			169 373
Currency swaps USD		0	1 728 363	0			1 728 363
Currency swaps EUR							0
<b>Net position</b>	<b>0</b>	<b>141 160</b>	<b>260 053</b>	<b>150 361</b>	<b>-51 109</b>	<b>0</b>	<b>500 465</b>



## Maturity profile, Financial derivatives 2022

NOK thousand	from 1 month		from 3 months	from 1 year to		No maturity	TOTAL
	1 month	to 3 months	to 1 year	5 year	> 5 years		
Fixed rate loans NOK	0	4 456	159 696	317 472	209 275		690 899
Fixed rate loans DKK	0	0	157 509	482 460	0		639 969
Fixed rate loans SEK	0	0	121 267	438 646	948		560 861
Interest / currency swaps USD			1 024 145	1 556 584			2 580 729
Interest / currency swaps EUR							0
Interest rate swaps NOK	0	26 946	144 865	99 421	204 667		475 899
Interest rate swaps DKK	0	39 732	75 207	120 615	0		235 554
Interest rate swaps SEK	0	34 105	59 687	40 738	0		134 530
Fixed rate borrowing NOK	0	0	25 000	190 000	0		215 000
Fixed rate borrowing DKK	0	28 380	35 475	340 560	0		404 415
Fixed rate borrowing SEK	0	42 633	71 055	312 642	0		426 330
Currency swaps USD		0	1 024 145	1 556 584			2 580 729
Currency swaps EUR							0
<b>Net position</b>	<b>0</b>	<b>-167 340</b>	<b>27 183</b>	<b>134 602</b>	<b>5 556</b>	<b>0</b>	<b>1</b>

## 23. Offsetting

NFE 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.

Related amounts to "Financial instruments on balance sheet" is not offset in the statement of financial position.

2023

NOK thousand	Gross amount	Amounts that are offset	Net amount in financial position	Financial instruments on balance sheet	Cash collateral in the balance sheet	Net position
						Net position
<b>Assets</b>						
Financial derivatives	12 940	0	12 940		12 940	0
<b>Total assets</b>	<b>12 940</b>	<b>0</b>	<b>12 940</b>	<b>0</b>	<b>12 940</b>	<b>0</b>
<b>Liabilities</b>						
Financial derivatives	8 671	0	8 671	8 671	0	0
<b>Total liabilities</b>	<b>8 671</b>	<b>0</b>	<b>8 671</b>	<b>8 671</b>	<b>0</b>	<b>0</b>

2022

NOK thousand	Gross amount	Amounts that are offset	Net amount in financial position	Financial instruments on balance sheet	Cash collateral in the balance sheet	Net position
						Net position
<b>Assets</b>						
Financial derivatives	258 061	0	258 061	258 061	0	0
<b>Total assets</b>	<b>258 061</b>	<b>0</b>	<b>258 061</b>	<b>258 061</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>						
Financial derivatives	0	0	0	0	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## 24. Risk management

### Operational risk

The company has implemented procedures for identification, assessment and reporting of losses caused by operational risk events. Reported events are used to adapt the control environment and procedures as well as for the calculation and allocation of capital requirements to cover operational risk. Furthermore, the company has established monitoring and reporting of several key risk indicators for operational risk in addition to metrics defined by the group. Those group metrics are used to establish the company's Risk Appetite. The metrics 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. The local Funding & Capital department 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. Funding & Capital 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. The metrics used to define those boundaries are part of the Risk Appetite Framework. The latter is approved by the Board of Directors and the metrics statements and limits and triggers are reviewed at least each year. The monitoring is done on a regular base and reported on a quarterly base to the Board of Directors.

Financial risk is reported to company's Financial Risk Committee and Country Management Team as well as to the group's unit for monitoring and control of financial risk. Funding & Capital has responsibility for managing assets and liabilities, capital requirements and capital structure.

### 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 NFE 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.

NFE has been working on diversifying its sources of funding, and to attract new lenders to finance the activities. NFE 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, NFE 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.

NFE 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 2023, were as follows:

	31.12.2023	31.12.2022
Minimum CET1	4,5%	4.5%
CCoB	2,5%	2.5%
SRB	4,5%	2.8%
CCyB	2,5%	1.9%
Additional tier 1	1,5%	1.5%
Tier 2	2,0%	2.0%
Total Pillar 1	17,5%	15.2%
Pillar 2 requirement	2.1%	1.7%
Total requirement	19.6%	16.9%

In the planning and management of capital and compliance to internal and external requirements, NFE 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.



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 NFE fall below the defined internal targets. For the current financial planning period, the internal capital level target is set at the same level as recommended by the regulatory authorities, i.e. to maintain common equity capital ratio above 15,50%.

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

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

### **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 to the rights, well-being and interest of people and communities. They include 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.

NFE will be part of Nordea sustainability report for 2023

### **Corporate Governance / Internal control**

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

## **25. Risk classification**

The company uses a risk classification system for customers and exposures. The classification is based on objective criteria and consists of two parameters, the customer's creditworthiness and the object's security coverage. Counterparty classification is based on available financial information, as well as other information. The combination of these parameters determines how the exposure is classified. Models for calculating credit risk (probability of default), loss given default and other parameters are used in estimating the risk of an exposure and the level of capital needed to cover future expected and unexpected losses. 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 IFRS 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**

2023

**Obligor classification**

**IFRS 9 Stage**

NOK thousand	Stage 1	Stage 2	Stage 3	Total
[ 1 ; 3 ] High	695 732			695 732
[-3 ; -4] High/medium	8 880 927	61 955		8 942 881
[5+ ; -5] Medium	28 996 453	237 498		29 233 951
[6+ ; 7+] Medium/Low	5 725 051	2 448 108		8 173 160
[ 7 ; -7 ] Low	278 180	1 467 628		1 745 809
[ 8 ; 10 ] Default			853 935	853 935
Not classified	3 833 442	37 814		3 871 255
<b>Total</b>	<b>48 409 784</b>	<b>4 253 003</b>	<b>853 935</b>	<b>53 516 722</b>



2022

## Obligor classification

NOK thousand	IFRS 9 Stage			Total
	Stage 1	Stage 2	Stage 3	
[ 1 ; 3 ] High	22 080	0	0	22 080
[-3 ; -4] High/medium	6 502 580	48 427	0	6 551 007
[5+ ; -5] Medium	24 671 460	355 541	0	25 027 002
[6+ ; 7+] Medium/Low	6 239 739	1 878 785	0	8 118 524
[ 7 ; -7 ] Low	359 868	1 231 261	0	1 591 128
[ 8 ; 10 ] Default	0	0	758 274	758 274
Not classified	3 106 049	113 351	0	3 219 400
<b>Total</b>	<b>40 901 776</b>	<b>3 627 365</b>	<b>758 274</b>	<b>45 287 414</b>

## 26. Repossessed assets

NFE 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 2023, and the market for second-hand equipment has generally been very good the last couple of years.

NOK thousand	2023	2022
Repossessed assets	15 868	18 602
Write down	0	0
<b>Booked value</b>	<b>15 868</b>	<b>18 602</b>
Turnover	299 382	263 716
Number of objects in stock at year end	480	394

## 27. Interest rate risk and interest rate adjustment period

Interest rate risk arises from loan and leasing engagements where NFE 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, NFE applies different methods for interest rate hedging. See notes 1 and 22 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

2023

NOK thousand	1 month	1 month to 3 months	3 months to 1 year	1 year to 5 year	> 5 years	No agreed or fixed rate	TOTAL
<b>Assets</b>							
Cash and balances with central banks	0						0
Hedging derivative assets		14 082					14 082
Loans to credit institutions	258 217						258 217
Loans to the public	9 759 811	39 419 829	0			2 480 358	51 659 998
- hereof foreign currency	4 174 394	13 975 147				1 729 139	19 878 680
Fair value changes	-12 888						-12 888
Other assets	87 064						87 064
<b>Total financial assets</b>	<b>10 092 204</b>	<b>39 433 911</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 480 358</b>	<b>52 006 473</b>
<b>Liabilities</b>							
Financial liabilities at FVTPL	0						0
Hedging derivative liabilities	22 753						22 753
Deposits by credit institutions	16 008 709	24 574 699	0	0	0	1 979 894	42 563 302
- hereof foreign currency	9 110 097	8 834 052	0	0	0	1 284 147	19 228 296
Deposits and borrowings from the public	0						0
Other liabilities	911 280						911 280
Retirement benefit liabilities						95 275	95 275
Deferred tax liabilities	53 469						53 469
Current tax liabilities	0		0				0
Subordinated liabilities		0					0
<b>Total financial liabilities</b>	<b>16 996 211</b>	<b>24 574 699</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 075 169</b>	<b>43 646 079</b>
<b>Net balance</b>	<b>-6 904 007</b>	<b>14 859 212</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>405 189</b>	<b>8 360 394</b>

## Period until next interest rate adjustment

2022

NOK thousand	1 month	1 month to 3 months	3 months to 1 year	1 year to 5 year	> 5 years	No agreed or fixed rate	TOTAL
<b>Assets</b>							
Cash and balances with central banks	9						9
Hedging derivative assets		258 061					258 061
Loans to credit institutions	127 459						127 459
Loans to the public	5 681 882	36 596 834	142 971			2 383 937	44 805 625
- hereof foreign currency	2 952 400	11 365 210				1 601 355	15 918 964
Fair value changes	-25 693						-25 693
Other assets	121 554						121 554
<b>Total financial assets</b>	<b>5 905 211</b>	<b>36 854 895</b>	<b>142 971</b>	<b>0</b>	<b>0</b>	<b>2 383 937</b>	<b>45 287 015</b>
<b>Liabilities</b>							
Financial liabilities at FVTPL	0						0
Hedging derivative liabilities	0						0
Deposits by credit institutions	11 469 838	20 377 460	0	0	0	3 159 336	35 006 634
- hereof foreign currency	5 427 459	7 707 292	0	0	0	2 253 082	15 387 832
Deposits and borrowings from the public	141 506						141 506
Other liabilities	1 136 948						1 136 948
Retirement benefit liabilities						103 835	103 835
Current tax liabilities	181 054						181 054
Subordinated liabilities		550 337					550 337
<b>Total financial liabilities</b>	<b>12 929 346</b>	<b>20 927 798</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3 263 171</b>	<b>37 120 314</b>
<b>Net balance</b>	<b>-7 024 134</b>	<b>15 927 098</b>	<b>142 971</b>	<b>0</b>	<b>0</b>	<b>-879 234</b>	<b>8 166 701</b>

## 28. Liquidity risk and remaining maturity on balance sheet items

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



## Remaining maturity

2023

NOK thousand	1 month	1 month to 3 months	3 months to 1 year	1 year to 5 year	> 5 years	Without maturity	TOTAL
<b>Assets</b>							
Cash and balances with central banks	0						0
Hedging derivative assets	14 082						14 082
Loans to credit institutions	258 217						258 217
Loans to the public	2 162 310	2 318 331	10 021 700	34 941 477	2 216 180		51 659 998
- hereof foreign currency	1 038 792	956 068	3 895 737	13 270 502	717 581		19 878 680
Fair value changes	-12 888						-12 888
Other assets	87 064						87 064
<b>Total financial assets</b>	<b>2 508 785</b>	<b>2 318 331</b>	<b>10 021 700</b>	<b>34 941 477</b>	<b>2 216 180</b>	<b>0</b>	<b>52 006 473</b>
<b>Liabilities</b>							
Financial liabilities at fair value through profit and loss							0
Hedging derivative liabilities	22 753						22 753
Deposits by credit institutions	1 007 151	2 276 841	9 176 318	29 450 602	310 493	341 897	42 563 302
- hereof foreign currency	335 844	686 579	4 201 318	13 352 165	310 493	341 897	19 228 296
Deposits and borrowings from the public	0						0
Other liabilities	345 193	475 926	43 962	46 199			911 280
Retirement benefit liabilities					95 275		95 275
Deferred tax liabilities	53 469						53 469
Current tax liabilities		0	0				0
Subordinated liabilities		0	0	0	0		0
<b>Total financial liabilities</b>	<b>1 428 566</b>	<b>2 752 767</b>	<b>9 220 280</b>	<b>29 496 801</b>	<b>405 768</b>	<b>341 897</b>	<b>43 646 079</b>

## Remaining maturity

2022

NOK thousand	1 month	1 month to 3 months	3 months to 1 year	1 year to 5 year	> 5 years	Without maturity	TOTAL
<b>Assets</b>							
Cash and balances with central banks	9						9
Hedging derivative assets	258 061						258 061
Loans to credit institutions	127 459						127 459
Loans to the public	1 593 055	1 863 629	9 162 957	3 916 093	28 269 890		44 805 625
- hereof foreign currency	611 531	1 736 339	2 982 607	10 141 286	940 678		16 412 441
Fair value changes	-25 693						-25 693
Other assets	121 554						121 554
<b>Total financial assets</b>	<b>2 074 446</b>	<b>1 863 629</b>	<b>9 162 957</b>	<b>3 916 093</b>	<b>28 269 890</b>	<b>0</b>	<b>45 287 015</b>
<b>Liabilities</b>							
Financial liabilities at fair value through profit and loss	0						0
Hedging derivative liabilities	0						0
Deposits by credit institutions	860 370	1 144 046	1 173 390	3 000 906	20 707 812	8 120 110	35 006 634
- hereof foreign currency	414 573	305 298	423 390	2 035 086	8 431 317	3 778 168	15 387 832
Deposits and borrowings from the public	141 506						141 506
Other liabilities	667 269	294 746	131 569	43 364			1 136 948
Retirement benefit liabilities					103 835		103 835
Current tax liabilities		92 949	88 105				181 054
Subordinated liabilities		337	0	550 000	0		550 337
<b>Total financial liabilities</b>	<b>1 669 145</b>	<b>1 532 078</b>	<b>1 393 064</b>	<b>3 594 270</b>	<b>20 811 647</b>	<b>8 120 110</b>	<b>37 120 314</b>

## 29. Net position per currency

Foreign currency positions arise from contracts in foreign currencies, and from the activities in the branches in Denmark and Sweden. Net foreign currency position at year end 2023 was TNOK 2 048. Hence giving a foreign currency sensitivity of TNOK 205 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 158. For 2022 a shift of 10 % in exchange rates would have resulted in an impact of TNOK 246 before tax and TNOK 189 on net profit and equity. The foreign currency positions shown are only non functional currencies.



2023						
thousand	USD	EUR	SEK	CHF	GBP	DKK
<b>Assets</b>						
Norway	10 151	37 552	-6 348	0	518	-26
Sweden	52	9 932	0	0	0	0
Denmark	0	4 335	0	0	0	0
<b>Total assets</b>	<b>10 203</b>	<b>51 819</b>	<b>-6 348</b>	<b>0</b>	<b>518</b>	<b>-26</b>
<b>Liabilities</b>						
Norway	10 196	37 995	-10 270	0	518	-26
Sweden	31	9 930	0	0	0	0
Denmark	1	4 461	0	0	0	0
<b>Total liabilities</b>	<b>10 227</b>	<b>52 386</b>	<b>-10 270</b>	<b>0</b>	<b>517</b>	<b>-26</b>
Net balance sheet items	-24	-567	3 922	0	1	0
<b>Converted to NOK</b>	<b>-211</b>	<b>-5 663</b>	<b>3 819</b>	<b>1</b>	<b>8</b>	<b>0</b>
Currency sensitivity (10% shift) before tax	-21	-566	382	0	1	0
Currency sensitivity (10% shift) after tax	-16	-436	294	0	1	0
<b>2022</b>						
thousand	USD	EUR	SEK	CHF	GBP	DKK
<b>Assets</b>						
Norway	6 315	76 744	9 941	5	74	934
Sweden	143 624	12 907	0	0	0	0
Denmark	142 057	-33	0	0	0	0
<b>Total assets</b>	<b>291 997</b>	<b>89 617</b>	<b>9 941</b>	<b>5</b>	<b>74</b>	<b>934</b>
<b>Liabilities</b>						
Norway	6 410	76 085	10 908	0	105	1 178
Sweden	143 603	13 324	0	0	0	0
Denmark	142 057	230	0	0	0	0
<b>Total liabilities</b>	<b>292 070</b>	<b>89 639</b>	<b>10 908</b>	<b>0</b>	<b>105</b>	<b>1 178</b>
Net balance sheet items	-74	-22	-967	6	-31	-245
<b>Converted to NOK</b>	<b>-651</b>	<b>-218</b>	<b>-941</b>	<b>53</b>	<b>-371</b>	<b>-329</b>
Currency sensitivity (10% shift) before tax	-65	-22	-94	5	-37	-33
Currency sensitivity (10% shift) after tax	-50	-17	-72	4	-29	-25

## 30. Capital adequacy

### Regulatory development

The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force on 1<sup>st</sup> January 2014 followed by the Bank Recovery and Resolution Directive (BRRD) on 15<sup>th</sup> May 2014. The CRR became applicable in all EU countries from 1<sup>st</sup> 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<sup>st</sup> December 2019.

In June 2019, the 'banking package' containing revisions to the BRRD, the CRD and the CRR was adopted. In the EU, the revised CRD (CRD V) and BRRD (BRRD II) applied from 28<sup>th</sup> December 2020, while the majority of the changes in the CRR (CRR II) applied from 28<sup>th</sup> June 2021. In Norway, the 'banking package' entered into force 1<sup>st</sup> June 2022.

The new European Covered Bond Directive and Regulation include a harmonised EU framework for covered bonds, including common definitions, supervision and rules for allowing the use of 'European Covered Bonds' label including conditions to be granted preferential capital treatment. The framework entered into force at the same time as in the EU, from 8 July 2022.



## **Regulatory minimum capital requirements**

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

- CET1 capital ratio of 4,5%
- Tier 1 capital ratio of 6,0%
- Total capital ratio of 8,0%

## **Capital buffers**

A SRB of 4.5% was implemented from 31<sup>st</sup> December 2020. Extended implementation period until 31.12.2022 was adopted to banks not using the Advanced IRB Approach. On 16 December 2022, the Ministry of Finance prolonged the phasing-in period to increase the SRB from 3% to 4.5% by one year, until 31 December 2023 for the same banks.

In Norway, the risk weight floor for residential real estate is set at 20% and for commercial real estate at 35% in accordance with article 458 of the CRR. On 16<sup>th</sup> December 2022, the Norwegian Ministry of Finance decided to extend the floors at same level until 31<sup>st</sup> December 2024. Norges Bank has decided to keep the countercyclical buffer rate unchanged at 2.5 %.

With effect from 18<sup>th</sup> October 2022, Norwegian financing entities are exempted from the liquidity rules in the CRR.

## **Finalisation of Basel III framework (“Basel IV”)**

Basel III is a global regulatory framework for bank capital adequacy, stress testing and liquidity risk. In December 2017, the finalised Basel III framework, often called the Basel IV package, was published. It includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk and the leverage ratio and introduces a new output floor.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations. The negotiations between the EU Commission, EU Council and EU Parliament have been finalised and the final approval on the CRR3 regulation is expected in the 1st half of 2024. The new regulation is expected to be in force on 1<sup>st</sup> January 2025.

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 standardised approach. Also, for market risk, the internal model approach and the standardised approach have been revised. For operational risk, the three existing approaches will be removed and replaced by one standardised approach to be used by all banks. On CVA risk, the internally modelled approach is removed and the standardised approach is revised.

The output floor is to be set at 72.5% of the standardised approaches on an aggregate level, meaning that the capital requirement will be floored to 72.5% of the total Pillar 1 REA calculated with the standardised approaches for credit, market and operational risk. The floor is expected to be phased in, starting with 50% from 1<sup>st</sup> January 2025 to be fully implemented at 72.5% from 1<sup>st</sup> January 2030 and with transitional rules for the calculation of the REA for the output floor extending to end-2032.



NOK thousand	2023	2022
<i>Common Equity Tier 1 capital</i>		
Share capital	945 436	945 436
Share premium account	240 639	240 639
Other equity	7 231 074	6 137 941
Independently reviewed interim profits net of any foreseeable charge and dividend		
<b>Common Equity Tier 1 capital before regulatory adjustment</b>	<b>8 417 150</b>	<b>7 324 016</b>
<i>Common equity Tier 1 capital: Regulatory adjustment</i>		
Deferred tax assets	0	0
Intangible assets (net of related tax liability)	-5 114	-10 227
Value adjustments due to the requirements for prudent valuation	-27	-52
Negative amounts resulting from the calculation of expected loss	-17 811	-18 227
Total regulatory adjustments to Common Equity Tier 1	-22 952	-28 506
<b>Common Equity Tier 1 capital</b>	<b>8 393 501</b>	<b>7 295 511</b>
Additional Tier 1 capital	0	0
<b>Tier 1 capital</b>	<b>8 393 501</b>	<b>7 295 511</b>
<i>Tier 2 capital: instrument and provision</i>		
Subordinated debt	0	550 000
<b>Tier 2 capital</b>	<b>0</b>	<b>550 000</b>
<b>Total capital</b>	<b>8 393 501</b>	<b>7 845 511</b>
NOK thousand	2023	2022
<b>Calculation basis</b>		
<b>Standardised method</b>		
Local and regional authorities (including municipalities)	149 848	381 515
Institutions	66 430	39 112
Corporate	10 853 564	10 266 258
Other assets	112 436	105 155
Engagements in default	213 634	145 546
<b>Total Credit risk, standardised method</b>	<b>11 395 912</b>	<b>10 937 586</b>
<b>IRB method</b>		
Corporate - small and medium sized businesses	16 902 009	14 394 595
Corporate - other	7 828 809	5 908 663
<b>Total Credit risk, IRB method</b>	<b>24 730 818</b>	<b>20 303 259</b>
Credit risk weighted assets	36 126 730	31 240 845
Operational risk, basic indicator approach	3 306 657	2 911 940
Additional requirement according to Basel II floor	0	0
<b>Total calculation basis</b>	<b>39 433 387</b>	<b>34 152 785</b>
	2023	2022
<b>Capital ratios and buffers</b>		
Common Equity Tier 1	21,29%	21,36%
Tier 1	21,29%	21,36%
Total capital	21,29%	22,97%
Capital requirement including institution specific buffers	12,12%	11,70%
...of which: capital conservation buffer	2,50%	2,50%
...of which: countercyclical buffer	2,42%	1,86%
...of which: systemic risk buffer	2,70%	2,84%
...of which: systemically important institution buffer	0,00%	0,00%
Common Equity Tier 1 above minimum capital requirements and capital buffers	9,17%	9,66%
Tier 1 capital above minimum capital requirements and capital buffers	7,67%	8,16%
Total capital above minimum capital requirements and capital buffers	5,67%	7,77%



NOK thousand	2023	2022
Capital ratios and buffers, nominal amounts		
Institution specific buffer requirement	4 780 703	3 996 529
...of which: capital conservation buffer	985 835	853 820
...of which: countercyclical buffer	954 958	636 813
...of which: systemic risk buffer	1 065 408	969 021
...of which: systemically important institution buffer	0	0
Common Equity Tier 1 above minimum capital requirements and capital buffers	3 614 665	3 298 506
Tier 1 capital above minimum capital requirements and capital buffers	3 023 164	2 786 214
<b>Total capital above minimum capital requirements and capital buffers</b>	<b>2 234 496</b>	<b>2 653 018</b>
	<b>2023</b>	<b>2022</b>
Pilar 2 requirement		
Additional core capital buffer requirement ratio	2,1 %	1,7 %
Additional core capital buffer requirement	862 037	578 937
Leverage ratio		
Total Leverage Ratio exposure	55 139 993	47 319 305
Leverage Ratio	15,2 %	15,4 %

NFE 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 NFE internal parameters i.e. 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 NFE have sent an application package to ECB for continued use of the IRB models for capital purposes.

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.

### 31. Guarantee liabilities and loan commitments

Nordea Finance Equipment AS has at year end 2023 given loan commitments of TNOK 3 035 278. The commitments are related to future financing of equipment, where the company has a contractual obligation. By the end of 2022 the corresponding amount was TNOK 2 984 888.

NOK thousand	2023	2022
Endorser's liability	0	0
Guarantee liability	10 335	10 335
<b>Total</b>	<b>10 335</b>	<b>10 335</b>

### 32. Contingencies

NFE had no major legal disputes pending at the end of the reporting period.

### 33. Ownership

The share capital of NFE 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	2023	2022
Number of shares		
January the 1st	101	101
December 31st	101	101



Ordinary Shares - dividend NOK thousand	2023	2022
Total dividend	999 214	0
Dividend per share	9 893	0

## 34. Information on related parties

NOK thousand	2023	2022
<b>Assets and interest income</b>		
Loans to Group companies	0	26
Revaluation of hedged item	0	0
Interest income from group companies	0	0
<b>Liability and interest expense</b>		
Loans from Group companies	-38 648 147	-30 183 047
Related payables Group companies	-193 477	-107 325
Revaluation of hedged item due to banks	0	0
Other liabilities	-161 984	-406 426
Interest expenses to group companies	1 427 001	445 170
Subordinated liabilities	0	-550 000
Interest expenses on Subordinated liabilities	15 574	22 381

## 35. Summary of compensation policy and remuneration

### Main principles

The compensation policy for all employees in NFE 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.

### 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 NFE 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 to of senior management

NOK thousand	Pay	Bonus	Pension cost	Other remuneration	Total 2023	2022
Sjur Loen, CEO	2 312	1 245	202	372	4 132	3 738
<b>Total</b>	<b>2 312</b>	<b>1 245</b>	<b>202</b>	<b>372</b>	<b>4 132</b>	<b>3 738</b>

From 1<sup>st</sup> April 2022 Sjur Loen has been CEO for both Nordea Finans Norge AS and NFE. The remuneration is for both of the companies.

## Remuneration to the Board of Directors

External boards members have not received remuneration from NFE in 2023.

Internal board members have been employed in Nordea Group in the same period and receive remuneration from these units.

Employee representative has received NOK 3,500 for each board meeting.

## 36. Number of employees / full-time positions

	Norway	Sweden	Denmark	Total
Number of employees start of year	211	30	41	282
Recruitment	20	0	16	36
Departures	31	1	8	40
<b>Number of employees end of year</b>	<b>200</b>	<b>29</b>	<b>49</b>	<b>278</b>
Number of employees calculated on a full-time basis 31.12.2023	197	28	48	273
Number of employees calculated on a full-time basis 31.12.2022	210	30	37	277

## 37. Subsequent events

No events have occurred after the balance sheet date, which may materially affect the assessment of the annual financial statement of NFE.



To the General Meeting of Nordea Finance Equipment AS

## Independent Auditor's Report

### Opinion

We have audited the financial statements of Nordea Finance Equipment AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion the financial statements comply with applicable statutory requirements, and the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statement on Corporate Social Responsibility.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisionsberetninger>

Oslo, 7 March 2024  
PricewaterhouseCoopers AS

Anne Lene Stensholdt  
State Authorised Public Accountant  
(This document is signed electronically)



**Skattedirektoratet**

Saksbehandler Torstein Kinden Helleland	Deres dato 08.10.2013	Vår dato 16.10.2013
Telefon 22078139	Deres referanse Tom Inge Krokås	Vår referanse 2013/772300

SG FINANS AS  
Postboks 105  
1325 LYSAKER

**Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for SG Finans AS, org. nr. 987 664 398**

Det vises til deres brev 8. oktober 2013 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for SG Finans AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering SG Finans AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

**Bakgrunn**

SG Finans AS inngår i Société Générale SA, som er et børsnotert konsern med hovedkontor i Paris, Frankrike. SG Finans AS er et skandinavisk finansieringsselskap, og virksomheten drives gjennom et bredt og landsdekkende distribusjonsapparat med 16 region- og salgskontorer i Norge samt 5 kontorer i Sverige og 2 i Danmark. SG Finans AS er et finansieringsselskap som primært retter seg mot næringslivet i de tre skandinaviske landene. Selskapet driver virksomhet i en bransje der alle sentrale aktører og samarbeidspartnere behersker engelsk. Selskapets rapportering foregår på engelsk. Selskapets styre består av utenlandske og norske medlemmer. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

**Skattedirektoratets vurdering**

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan*

Postadresse  
Postboks 9200 Grønland  
0134 Oslo  
skatteetaten.no/sendepost

Besøksadresse:  
Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org.nr: 996250318

Sentralbord  
800 80 000  
Telefaks  
22 17 08 60



*foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

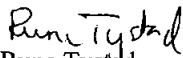
Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

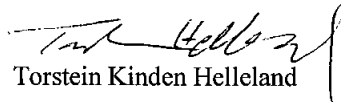
Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er en datterselskap av et utenlandsk selskap. Eierkretsen er således begrenset. Selskapets rapportering skjer på engelsk. Styret har også utenlandske medlemmer. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle aktører behersker engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

  
Rune Tystad  
Seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

  
Torstein Kinden Helleland