

Nordea

Interim Report 2nd quarter 2020

Nordea Direct Boligkreditt



Nordea Direct Boligkreditt AS is part of the Nordea Group. Nordea build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realise their dreams, we are there to provide relevant financial solutions. We are one of the largest banks in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalisation with around 10 million customers. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges.

Read more about us on [Nordea.com](https://www.nordea.com).

Key financial figures

Summary of income statement

| NOKt | Jan-Jun 2020 | Jan-Jun 2019 | Year 2019 |
|--|---------------|---------------|----------------|
| Net interest income | 57,727 | 62,052 | 116,615 |
| Net commission income and other operating income | 328 | 1,798 | 3,223 |
| Total income | 58,055 | 63,850 | 119,838 |
| Staff costs | 598 | 1,161 | 2,299 |
| Other expenses | 10,247 | 6,835 | 15,007 |
| Total operating expenses | 10,845 | 7,995 | 17,307 |
| Loan losses (negative figures are reversals) | 861 | -366 | 380 |
| Operating profit | 46,348 | 56,221 | 102,152 |
| Income tax expense | 11,587 | 14,055 | 25,538 |
| Net profit for the period | 34,761 | 42,166 | 76,614 |

Summary of balance sheet

| NOKt | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|-----------------------------|-------------|-------------|-------------|
| Loans to the public (gross) | 18,886,827 | 22,846,676 | 21,864,705 |
| Allowance for loan losses | -2,451 | -844 | -1,589 |
| Total assets | 19,845,932 | 23,660,438 | 22,623,472 |
| Equity | 1,964,752 | 1,895,542 | 1,929,990 |

Ratios and key figures

| | | Jan-Jun 2020 | Jan-Jun 2019 | Year 2019 |
|---|--------|--------------|--------------|------------|
| Net interest margin, annualised | % | 0.55 | 0.51 | 0.49 |
| Loss rate | % | 0.01 | 0.00 | 0.00 |
| Non-performing loans in % of gross lending ¹ | % | 0.05 | 0.02 | 0.02 |
| Return on equity, annualised | % | 3.6 | 4.5 | 4.1 |
| Capital adequacy ² | % | 26.9 | 21.7 | 23.7 |
| Tier 1 capital ratio ² | % | 26.9 | 21.7 | 23.7 |
| Common equity Tier 1 capital ratio ² | % | 26.9 | 21.7 | 23.7 |
| Cost/income ratio | % | 18.7 | 12.5 | 14.4 |
| Liquidity Coverage Ratio | % | 487 | 377 | 372 |
| Average total assets | NOKt | 21,249,767 | 24,671,948 | 23,606,417 |
| Cover pool | NOKt | 19,502,406 | 23,332,157 | 22,291,219 |
| Number of loans | Number | 11,214 | 12,945 | 12,532 |
| Weighted indexed loan-to-value ratio ³ | % | 46.1 | 49.1 | 48.6 |
| Weighted average remaining life | Year | 20.8 | 21.7 | 22.0 |

¹ Gross default over 90 days

² The profit for the period is not included in the calculation for the quarters, with the exception of fourth quarter.

³ Quarterly updated house prices

Nordea Direct Boligkreditt AS

Introduction

(Previous year comparable figures for the company are shown in brackets)

Nordea Direct Boligkreditt AS is licensed by the Financial Supervisory Authority of Norway to issue covered bonds. The objective is to provide residential mortgage loans, and to primarily finance the lending portfolio by issuing covered bonds. The Company only has residential mortgage loans purchased from Nordea Direct Bank ASA.

Nordea Direct Boligkreditt AS is wholly owned subsidiary of Nordea Direct Bank ASA. The Company's registered business address is in Oslo.

Income statement

The profit before tax expense was NOK 46.3m (NOK 56.2m). The decrease was mainly driven by lower volume, reduced net commission income and increased operating expenses.

Total income amounted to NOK 58.1m (NOK 63.9m).

Net interest income amounted to NOK 57.7m (NOK 62.1m).

Net commission income and other income amounted to NOK 0.3m (NOK 1.8m).

The net interest margin¹ was 0.55% (0.51%).

Operating expenses were NOK 10.8m (NOK 8.0m) due to resolution fee for 2020 booked this period.

Total write-downs and losses amounted to NOK 0.9m (positive NOK 0.4m). The balance of group write-downs amounted to NOK 2.5m (NOK 0.8m). The increase was primarily driven by a collective loan loss allowance related to the uncertain economic outlook created by the Covid-19. This allowance is a combination of worsening macroeconomic forecast built in the collective loan loss model and a management judgement allowance. The management judgement allowance covers a potential unfavourable impact from Covid-19 that is not captured by the Company's collective loan loss models. The Company will monitor the overall economic situation, which will guide their decision related to the level of the management judgement allowance.

The Company has not seen a worsening of the underlying performance of the lending portfolio during the quarter. The group write-downs are intended to cover losses on commitments that are not individually identified as doubtful.

The Company uses the Banking Group's guidelines for assessing and writing down loans. No individual write-downs related to individual commitments have been made. At the end of the period, the Company had nine loans in default over 90 days.

The write-downs and losses were in line with expectations.

Lending

As of 30 June 2020, the Company had 11,214 loans with a total outstanding balance of NOK 18,886.8m (NOK 22,846.7m). The portfolio continues to be of high quality.

The entire lending portfolio has been acquired from Nordea Direct Bank ASA. It consists of loans with variable interest rates. The average loan commitment was NOK 1.7m per loan as of 30 June 2020. The largest single exposure was NOK 8.8m and 16.6% of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 24.3% of the lending portfolio consisted of loans with credit lines (fleksilån).

Nordea Direct Boligkreditt AS has a weighted loan-to-value ratio, indexed, of 46.1% (49.1%).

Segments

The target group for Nordea Direct Boligkreditt AS is the retail market spread throughout Norway.

Capital position

As of 30 June 2020, the Company had a common equity Tier 1 capital ratio of 26.9% (21.7%). The total capital held by the Company was NOK 1,929.7m (NOK 1,853.1m).

Rating

Nordea Direct Bank ASA and its subsidiary Nordea Direct Boligkreditt AS had a long-term and short-term counterparty credit rating of A+/A-1, outlook 'positive'. The covered bonds portfolio issued by Nordea Direct Boligkreditt AS had a long-term rating of AAA and the outlook 'positive'

Nordea Direct Boligkreditt AS will hold the amount of overcollateralisation required to maintain the current rating for Nordea Direct Boligkreditt AS's covered bond program.

¹ The net interest margin is calculated as net interest income as a percentage of average total assets, annualised.

Debt securities issued

The Company had issued covered bonds with a total face value of NOK 15,950.0m as of 30 June 2020. The portfolio includes five loans, the first of which matures on 11 September 2020 (extended due date to 13 September 2021).

Liquidity

As of 30 June 2020, the Company had net liquid assets of NOK 849.8m, of which NOK 659.7m in bank deposits, NOK 78,1m in covered bonds and NOK 112.0m in treasury bills.

The Company has a long-term credit facility with the parent company of NOK 1,000.0m and a short-term credit facility of up to NOK 6,000.0m. Unutilised credit facilities amounted to NOK 5,221.8m as of 30 June 2020. In addition, the Company has a credit facility agreement that allows Nordea Direct Boligkreditt AS to borrow money in order to repay its outstanding bond debt.

Key risk and uncertainty factors

Nordea Direct Boligkreditt AS's financial risk mainly comprises credit, liquidity and interest rate risk. Risk is reported monthly and is assessed in accordance with the principles, strategies and limits on risk adopted by the Board.

Credit risk represents the risk of losses arising from customers and other counterparties failing to repay their debts when they fall due. The company uses risk classification models to calculate the risk associated with its exposure to customers. The lending performance is considered to be satisfactory and is monitored closely.

Liquidity risk is the risk that the company will be unable to meet all of its financial obligations when they

fall due, or be unable to fund its lending activities.

Limits have been determined for necessary access to liquid funds. In order to reduce the risk, liquidity forecasts are continuously updated. The company also holds an adequate liquidity buffer, designed to give it sufficient time to implement the necessary measures in the event of an acute liquidity freeze.

Interest rate risk refers to the risk of losses as a result of changes in the interest rate level. Risk limits, given certain changes in interest rate level, are set to control and manage the interest rate risk. In the management of this risk both assets and liabilities (borrowing) are incorporated. Derivatives are used for hedging purposes.

Covid-19 Measures

During the second quarter, Nordea Direct has taken steps to continue its operations during the Covid-19 outbreak. There were no major disruptions in the services towards customers. The staff was able to work remotely to a great extent and the vendors were able to provide services according to agreements in place. In regards to lending activities, Nordea Direct granted up to 6-month interest only payments to a limited number of customers and decreased lending rates on its portfolio. It also tightened criteria for granting loans to customer groups assumed to be particularly exposed in case of an economic downturn. These measures were in line with the Norwegian banking market.


In the coming period, Nordea Direct will monitor the overall economic situation created by the outbreak of Covid-19 and will take the necessary steps to continue its strong current operations.

Events after the balance sheet date

No significant events have occurred after the end of the quarter.

Nordea Direct Boligkreditt AS

Oslo, 16 July 2020


Børre Sten Gundersen
Chairman


Anders Frank-Læssøe
Board member


Elen Margrethe Stiksrud
Board member


Alex Madsen
Board member


Jan Kåre Raae
Chief Executive Officer

Income statement

| NOKt | Note | Q2 2020 | Q2 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Year 2019 |
|---|------|---------------|---------------|---------------|---------------|----------------|
| Interest income etc, amortised cost | | 90,195 | 128,966 | 235,775 | 260,983 | 534,108 |
| Interest income etc, fair value | | 544 | -1,039 | -1,375 | -664 | 454 |
| Interest costs etc. | | 66,867 | 99,983 | 176,673 | 198,267 | 417,947 |
| Net interest income | | 23,872 | 27,945 | 57,727 | 62,052 | 116,615 |
| Fee and commission income | | 549 | 580 | 1,114 | 1,169 | 2,310 |
| Net gains on financial instruments at fair value | | 1,311 | 62 | -1,256 | 170 | -4 |
| Other operating income | | 240 | 229 | 470 | 459 | 917 |
| Net commission income and other operating income | | 2,100 | 872 | 328 | 1,798 | 3,223 |
| Total income | | 25,972 | 28,816 | 58,055 | 63,850 | 119,838 |
| Staff costs | | 2 | 489 | 598 | 1,161 | 2,299 |
| Other operating expenses | | 3,512 | 3,508 | 10,247 | 6,835 | 15,007 |
| Total operating expenses | | 3,514 | 3,997 | 10,845 | 7,995 | 17,307 |
| Profit / (loss) before loan losses | | 22,458 | 24,820 | 47,210 | 55,855 | 102,532 |
| Loan losses | 4 | 1,314 | -47 | 861 | -366 | 380 |
| Operating profit | | 21,143 | 24,866 | 46,348 | 56,221 | 102,152 |
| Income tax expense | | 5,286 | 6,217 | 11,587 | 14,055 | 25,538 |
| Net profit for the period | | 15,857 | 18,650 | 34,761 | 42,166 | 76,614 |
| Basic/diluted earnings per share, NOK | | 122.0 | 143.5 | 267.4 | 324.4 | 589.3 |

Statement of comprehensive income

| NOKt | Q2 2020 | Q2 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Year 2019 |
|---|---------------|---------------|---------------|---------------|---------------|
| Net profit for the period | 15,857 | 18,650 | 34,761 | 42,166 | 76,614 |
| Components of other comprehensive income | | | | | |
| Items that are not reclassified subsequently to profit or loss | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Total components of other comprehensive income | | | | | |
| Total comprehensive income for the period | 15,857 | 18,650 | 34,761 | 42,166 | 76,614 |

Balance sheet

| NOKt | Note | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|-------------------------------------|------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Loans to credit institutions | 6 | 659,686 | 545,982 | 513,847 |
| Loans to the public | 2,4 | 18,884,376 | 22,845,833 | 21,863,116 |
| Interest-bearing securities | 9 | 190,094 | 164,677 | 164,376 |
| Derivatives | 9 | 74,588 | 58,666 | 40,629 |
| Deferred tax assets | | 243 | 2,258 | 243 |
| Advance payments and accrued income | | 36,946 | 43,023 | 41,261 |
| Total assets | | 19,845,932 | 23,660,438 | 22,623,472 |
| Liabilities and equity | | | | |
| Liabilities to credit institutions | 6 | 1,778,219 | 2,789,609 | 1,728,317 |
| Debt securities in issue | 3,6 | 16,042,615 | 18,881,277 | 18,860,857 |
| Derivatives | 9 | 3,537 | 4,627 | 4,086 |
| Current tax liabilities | | 11,587 | 14,055 | 23,523 |
| Other liabilities | | 45,223 | 75,327 | 76,699 |
| Total liabilities | | 17,881,181 | 21,764,896 | 20,693,481 |
| Equity | | | | |
| Share capital | | 221,000 | 221,000 | 221,000 |
| Share premium reserve | | 999,020 | 999,020 | 999,020 |
| Retained earnings | | 709,970 | 633,356 | 709,970 |
| Net profit for the period | | 34,761 | 42,166 | |
| Total equity | | 1,964,752 | 1,895,542 | 1,929,990 |
| Total liabilities and equity | | 19,845,932 | 23,660,438 | 22,623,472 |

Statement of changes in equity

| NOKt | Share capital | Share premium reserve | Other equity | Total equity |
|--|----------------|-----------------------|----------------|------------------|
| Balance at 1 Jan 2020 | 221,000 | 999,020 | 709,970 | 1,929,990 |
| Net profit for the period | | | 34,761 | 34,761 |
| Other comprehensive income, net of tax | | | | |
| Total comprehensive income | | | 34,761 | 34,761 |
| Capital expansion | | | | |
| Share-based payment transactions settled in equity | | | | |
| Balance at 30 Jun 2020 | 221,000 | 999,020 | 744,732 | 1,964,752 |

| NOKt | Share capital | Share premium reserve | Other equity | Total equity |
|--|----------------|-----------------------|----------------|------------------|
| Balance at 1 Jan 2019 | 221,000 | 999,020 | 633,294 | 1,853,314 |
| Net profit for the period | | | 76,614 | 76,614 |
| Other comprehensive income, net of tax | | | | |
| Total comprehensive income | | | 76,614 | 76,614 |
| Capital expansion | | | | |
| Share-based payment transactions settled in equity | | | 63 | 63 |
| Balance at 31 Dec 2019 | 221,000 | 999,020 | 709,970 | 1,929,990 |

| NOKt | Share capital | Share premium reserve | Other equity | Total equity |
|--|----------------|-----------------------|----------------|------------------|
| Balance at 1 Jan 2019 | 221,000 | 999,020 | 633,294 | 1,853,314 |
| Net profit for the period | | | 42,166 | 42,166 |
| Other comprehensive income, net of tax | | | | |
| Total comprehensive income | | | 42,166 | 42,166 |
| Capital expansion | | | | |
| Share-based payment transactions settled in equity | | | 63 | 63 |
| Balance at 30 Jun 2019 | 221,000 | 999,020 | 675,522 | 1,895,542 |

Number of shares at end of period 130.000

Cash flow statement

| NOKt | Jan-Jun 2020 | Jan-Jun 2019 | Year 2019 |
|---|-------------------|-------------------|-------------------|
| Operating activities | | | |
| Net payment of loans to customers | 2,977,513 | 1,802,000 | 2,784,051 |
| Payment of interest from customers | 239,841 | 253,645 | 517,712 |
| Net payment of interest from credit institutions etc. | -1,594 | 2,603 | 13,839 |
| Taxes paid | -23,523 | -38,559 | -38,559 |
| Net other commission income | 1,584 | 1,628 | 3,227 |
| Payment to operations | -10,671 | -9,083 | -19,256 |
| Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities | -25,718 | -24,779 | -24,478 |
| Net cash flow from operating activities | 3,157,431 | 1,987,456 | 3,236,538 |
| Investment activities | | | |
| Net purchase of intangible assets and fixed assets | | | |
| Net cash flow from investment activities | | | |
| Financing activities | | | |
| Net receipts/payments on deposits from credit institutions | 49,902 | -846,397 | -1,907,690 |
| Receipts of interest-bearing securities | | | |
| Payment of interest-bearing securities | -2,850,000 | 1,095,000 | -2,873,000 |
| Interest payments on interest-bearing securities | -211,494 | -2,384,990 | 1,363,086 |
| Capital increases | | | |
| Cash flow from financing activities | -3,011,592 | -2,136,387 | -3,417,604 |
| Cash flow for the period | 145,839 | -148,931 | -181,066 |
| Cash and cash equivalents | | | |
| Cash and cash equivalents at 1 January | 513,847 | 694,913 | 694,913 |
| Cash and cash equivalents at end of the period | 659,686 | 545,982 | 513,847 |
| Change | 145,839 | -148,931 | -181,066 |
| The following items are included in cash and cash equivalents: | | | |
| Loans to credit institutions | 659,686 | 545,982 | 513,847 |
| Total cash and cash equivalents | 659,686 | 545,982 | 513,847 |

The cash flow statement shows payments of cash and cash equivalents made and received throughout the year. The statement has been adjusted for items that do not initiate cash flows, such as provisions, depreciation and write-downs of loans and guarantees. Cash flows are classified as operating activities, investment activities or financing activities. The liquid assets are defined as cash and claims on central banks and loans to and claims on credit institutions.

Notes to the financial statements

Note 1 Accounting policies

The financial statements as of the second quarter of 2020, concluded on 30 June 2020, comprise Nordea Direct Boligkreditt AS. With the exception of the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2019.

The financial statements as of the second quarter of 2020 have been prepared in accordance with IFRS and IAS 34 Interim Financial Reporting. The interim report does not include all the information required in a complete annual report and should be read in conjunction with the annual report for 2019.

Changes in accounting policies

As a main rule, all income and expenses shall be shown in the income statement. The exception to this rule is the effect of changes to accounting principles. In the event of fundamental accounting reforms/ changes in accounting policies, figures for previous years must be recalculated to enable comparison. If items in the financial statement are reclassified, comparative figures must be calculated for the previous periods and reported in the financial statements.

Changes in IFRSs not yet applied

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2020. They have not

been applied when preparing these consolidated financial statements. Nordea Direct Boligkreditt AS does not plan early implementation of these standards.

Other amendments to IFRS

Other amendments to IFRS are not assessed to have any significant impact on Nordea Direct Boligkreditt ASs financial statements, capital adequacy or large exposures in the period of initial application.

Preparation of the interim accounts involves using assessments, estimates and assumptions that affect the use of accounting policies and recognised amounts for assets and liabilities, revenues and expenses. The actual results may deviate from these estimates. The most material assessments relating to the use of the company's accounting policies and the key sources of uncertainty in the estimates are the same when preparing the interim accounts as in the annual accounts for 2019.

All amounts are shown in NOK thousands (NOKt) unless otherwise indicated. Due to rounding off differences, figures and percentages may not add up exactly to the totals indicated.

A complete audit of the interim report has not been carried out.

Note 2 Segment information

Nordea Direct Boligkreditt AS has only one business segment, which is lending to private customers. The segment consists of loans to private customers, and

the entire loan portfolio is purchased from Nordea Direct Bank ASA. The company's full accounts therefore fall entirely under the segment «Retail market».

Note 3 Liabilities on the issue of securities

| NOKt | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|---|-------------------|-------------------|-------------------|
| Liabilities opened for the issue of securities | | | |
| Bond debt | 14,500,000 | 17,350,000 | 17,350,000 |
| Total liabilities at amortised cost | 14,500,000 | 17,350,000 | 17,350,000 |
| Liabilities opened for the issue of securities | | | |
| Bond debt | 1,450,000 | 1,450,000 | 1,450,000 |
| Total liabilities included in fair value hedge | 1,450,000 | 1,450,000 | 1,450,000 |
| Total liabilities | 15,950,000 | 18,800,000 | 18,800,000 |

Maturity

| Remaining maturity (nominal value) | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|------------------------------------|-------------------|-------------------|-------------------|
| 2020 | 850,000 | 3,700,000 | 3,700,000 |
| 2021 | 5,000,000 | 5,000,000 | 5,000,000 |
| 2022 | 5,000,000 | 5,000,000 | 5,000,000 |
| 2023 | 4,500,000 | 4,500,000 | 4,500,000 |
| 2025 | 600,000 | 600,000 | 600,000 |
| Total | 15,950,000 | 18,800,000 | 18,800,000 |

The maturity of subordinated debt is presented at first call date in the above table.

New issues in 2020

Repayments in 2020 2,850,000

NOKt

| ISIN Number | Currency | Rate | Due | Ext.Due | Nominal value |
|---|----------|----------|-----------|-----------|-------------------|
| NO0010687429 | NOK | Floating | 11.9.2020 | 13.9.2021 | 850,000 |
| NO0010727738 | NOK | Fixed | 12.5.2021 | 12.5.2022 | 5,000,000 |
| NO0010770852 | NOK | Floating | 20.5.2022 | 20.5.2023 | 5,000,000 |
| NO0010789266 | NOK | Floating | 23.5.2023 | 23.5.2024 | 4,500,000 |
| NO0010678766 | NOK | Fixed | 8.5.2025 | 8.5.2026 | 600,000 |
| Total liabilities through the issuance of excluding own securities | | | | | 15,950,000 |

Note 4 Write-downs and losses on loans

Write-downs and losses on loans

| NOKt | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|--|--------------|-------------|--------------|
| Write-downs and losses for the period | | | |
| +/- Change in group write-downs for the period (ECL) | 861 | -366 | 380 |
| + Write-off during the period | | | |
| - Payments on previously written-off accounts | | | |
| Write-downs and losses for the period | 861 | -366 | 380 |
| Loss allowance | | | |
| Loss allowance at the start of the period | 1,589 | 1,210 | 1,210 |
| +/- Change in loss allowance for the period | 861 | -366 | 380 |
| Loss allowance at the end of the period | 2,451 | 844 | 1,589 |
| Defaulted loans | | | |
| Gross default over 90 days | 8,750 | 4,379 | 5,034 |

Credit quality by risk group

| 30 Jun 2020 NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------|
| Loans to and claims on customers | | | | |
| Low | 19,557,939 | 344 | 3,218 | 19,561,501 |
| Medium | 6,373 | 65,240 | | 71,613 |
| High | 8,338 | 83,899 | 14,363 | 106,600 |
| Not classified | 312 | | | 312 |
| Impaired and written down | | | 8,750 | 8,750 |
| Adjustment | -861,949 | | | -861,949 |
| Total | 18,711,012 | 149,483 | 26,331 | 18,886,827 |
| Loss allowance | 827 | 990 | 635 | 2,451 |
| Total net | 18,710,186 | 148,494 | 25,697 | 18,884,376 |

Note 4 Write-downs and losses on loans (cont.)

| 30 Jun 2019 NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------|
| Loans to and claims on customers | | | | |
| Low | 22,680,791 | | 5,482 | 22,686,273 |
| Medium | 4,149 | 80,427 | | 84,577 |
| High | 5,983 | 60,335 | 3,001 | 69,318 |
| Not classified | 3,685 | | | 3,685 |
| Impaired and written down | | | 4,379 | 4,379 |
| Adjustment | -1,555 | | | -1,555 |
| Total | 22,693,053 | 140,762 | 12,861 | 22,846,676 |
| Loss allowance | 563 | 73 | 207 | 844 |
| Total net | 22,692,490 | 140,689 | 12,654 | 22,845,833 |

| 31 Dec 2019 NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------|
| Loans to and claims on customers | | | | |
| Low | 21,596,394 | | 5,461 | 21,601,855 |
| Medium | 5,886 | 89,148 | | 95,034 |
| High | 7,833 | 140,608 | 13,916 | 162,356 |
| Not classified | 449 | | | 449 |
| Impaired and written down | | | 5,034 | 5,034 |
| Adjustment | -23 | | | -23 |
| Total | 21,610,538 | 229,756 | 24,411 | 21,864,705 |
| Loss allowance | 480 | 114 | 995 | 1,589 |
| Total net | 21,610,058 | 229,642 | 23,415 | 21,863,116 |

Loans to and claims on customers by past due status

| NOKt | 30 Jun 2020 | | 30 Jun 2019 | | 31 Dec 2019 | |
|--------------|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| | Gross carrying amount | Loss allowance | Gross carrying amount | Loss allowance | Gross carrying amount | Loss allowance |
| 0-29 days | 18,856,522 | 1,338 | 22,838,021 | 723 | 21,849,171 | 1,415 |
| 30-59 days | 12,817 | 685 | 4,277 | 46 | 6,682 | 71 |
| 60-89 days | 8,737 | 255 | | | 3,817 | 24 |
| 90+ days | 8,750 | 172 | 4,379 | 75 | 5,034 | 79 |
| Total | 18,886,827 | 2,451 | 22,846,676 | 844 | 21,864,705 | 1,589 |

Note 4 Write-downs and losses on loans (cont.)

The following tables reconcile the opening and closing balances for accumulated loan loss allowance on financial Instruments.

Reconciling items includes the following:

- Changes in allowance due to the origination of new financial instruments during the period.
- Changes in allowance due to the derecognition of financial instruments during the period.
- Transfers between stages due to changes in credit risk. This includes the difference in loan loss allowance balance from one period to another.
- Changes in balance with no transfer between stages are related to financial instruments that did not move between stages but had changes in balances and hence resulting in changes in loan loss allowance.

Balances shown are loan loss allowance balances as of end of period except for "financial assets that have been derecognised" which are as of the beginning of period.

Loss allowance

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total allowance |
|--|-------------------------|-------------------------|-------------------------|--------------------|
| Loss allowance as at 1 Jan 2020 | 480 | 114 | 995 | 1,589 |
| Transfer to stage 1 | 50 | -34 | -16 | |
| Transfer to stage 2 | -616 | 616 | | |
| Transfer to stage 3 | -96 | -79 | 175 | |
| New Financial assets originated during the period | 21 | | | 21 |
| Financial assets that have been derecognised | -64 | -5 | -19 | -88 |
| Changes in balance with no transfer between stages | 1,052 | 376 | -500 | 927 |
| Loss allowance as at 30 Jun 2020 | 827 | 990 | 635 | 2,451 |

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total allowance |
|--|-------------------------|-------------------------|-------------------------|--------------------|
| Loss allowance as at 1 Jan 2019 | 880 | 85 | 245 | 1,210 |
| Transfer to stage 1 | 10 | -10 | | |
| Transfer to stage 2 | -58 | 58 | | |
| Transfer to stage 3 | -67 | -97 | 164 | |
| New Financial assets originated during the period | 59 | | | 59 |
| Financial assets that have been derecognised | -160 | -20 | -57 | -237 |
| Changes in balance with no transfer between stages | -101 | 57 | -145 | -188 |
| Loss allowance as at 30 Jun 2019 | 563 | 73 | 207 | 844 |

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total allowance |
|--|-------------------------|-------------------------|-------------------------|--------------------|
| Loss allowance as at 1 Jan 2019 | 880 | 85 | 245 | 1,210 |
| Transfer to stage 1 | 10 | -10 | | |
| Transfer to stage 2 | -42 | 48 | -6 | |
| Transfer to stage 3 | -897 | | 897 | |
| New Financial assets originated during the period | 68 | 4 | | 71 |
| Financial assets that have been derecognised | -266 | -54 | -72 | -391 |
| Changes in balance with no transfer between stages | 727 | 41 | -69 | 699 |
| Loss allowance as at 31 Dec 2019 | 480 | 114 | 995 | 1,589 |

Note 4 Write-downs and losses on loans (cont.)

| NOKt | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|--------------|---------------|---------------|---------------|
| Stage 1 | 827 | 563 | 480 |
| Stage 2 | 990 | 73 | 114 |
| Stage 3 | 635 | 207 | 995 |
| Total | 2,451 | 844 | 1,589 |
| Stage 1 | 33.7% | 66.8% | 30.2% |
| Stage 2 | 40.4% | 8.7% | 7.2% |
| Stage 3 | 25.9% | 24.6% | 62.6% |
| Total | 100.0% | 100.0% | 100.0% |

The following tables reconcile the opening and closing balances on gross carrying amount.

Reconciling items includes the following:

- Transfers between stages due to changes in credit risk.
- Changes due to the origination of new financial instruments during the period.
- Changes due to the derecognition of loans during the period, including down-payment of loans, write-offs and sale of assets.

Balances shown are as of end of period except for "financial assets that have been derecognised" which are as of beginning of period and "down-payments" which are computed as the difference of the beginning of period and closing period balances.

Loans to and claims on customers

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|--|-------------------------|-------------------------|-------------------------|-------------------|
| Gross carrying amount as at 1 Jan 2020 | 21,610,538 | 229,756 | 24,411 | 21,864,705 |
| Transfer to stage 1 | 134,098 | -130,485 | -3,613 | |
| Transfer to stage 2 | -82,737 | 82,838 | -101 | |
| Transfer to stage 3 | -2,146 | -5,618 | 7,764 | |
| New financial assets originated | 1,027,906 | 1,520 | | 1,029,426 |
| Financial assets that have been derecognised | -2,673,149 | -26,334 | -1,947 | -2,701,430 |
| Change in balances due to payments | -441,553 | -2,193 | -183 | -443,928 |
| Other Changes | -861,945 | | | -861,945 |
| Gross carrying amount as at 30 Jun 2020 | 18,711,012 | 149,483 | 26,331 | 18,886,827 |
| Loss allowance as at 30 Jun 2020 | 827 | 990 | 635 | 2,451 |

Note 4 Write-downs and losses on loans (cont.)

Loans to and claims on customers

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|--|-------------------------|-------------------------|-------------------------|-------------------|
| Gross carrying amount as at 1 Jan 2019 | 24,458,691 | 172,872 | 17,047 | 24,648,610 |
| Transfer to stage 1 | 80,221 | -75,428 | -4,793 | |
| Transfer to stage 2 | -90,036 | 93,420 | -3,385 | |
| Transfer to stage 3 | -6,760 | -3,272 | 10,032 | |
| New financial assets originated | 3,080,739 | | | 3,080,739 |
| Financial assets that have been derecognised | -4,229,330 | -49,628 | -5,839 | -4,284,798 |
| Change in balances due to payments | -598,913 | -1,862 | -200 | -600,975 |
| Other Changes | -1,559 | 4,660 | | 3,101 |
| Gross carrying amount as at 30 Jun 2019 | 22,693,053 | 140,762 | 12,861 | 22,846,676 |
| Loss allowance as at 30 Jun 2019 | 563 | 73 | 207 | 844 |

| NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|--|-------------------------|-------------------------|-------------------------|-------------------|
| Gross carrying amount as at 1 Jan 2019 | 24,458,691 | 172,872 | 17,047 | 24,648,610 |
| Transfer to stage 1 | 63,640 | -59,966 | -3,674 | |
| Transfer to stage 2 | -154,805 | 155,713 | -908 | |
| Transfer to stage 3 | -20,675 | | 20,675 | |
| New financial assets originated | 3,835,077 | 28,219 | | 3,863,296 |
| Financial assets that have been derecognised | -7,122,651 | -74,292 | -7,373 | -7,204,317 |
| Change in balances due to payments | -987,731 | -2,647 | -1,356 | -991,734 |
| Other Changes | 1,538,993 | 9,857 | | 1,548,850 |
| Gross carrying amount as at 31 Dec 2019 | 21,610,538 | 229,756 | 24,411 | 21,864,705 |
| Loss allowance as at 31 Dec 2019 | 480 | 114 | 995 | 1,589 |

¹Market value adjustment for fixed interest loans and overraft facilities balance with credit balance.

| NOKt | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|--------------|-------------------|-------------------|-------------------|
| Stage 1 | 18,711,012 | 22,693,053 | 21,610,538 |
| Stage 2 | 149,483 | 140,762 | 229,756 |
| Stage 3 | 26,331 | 12,861 | 24,411 |
| Total | 18,886,827 | 22,846,676 | 21,864,705 |
| Stage 1 | 99.1% | 99.3% | 98.8% |
| Stage 2 | 0.8% | 0.6% | 1.1% |
| Stage 3 | 0.1% | 0.1% | 0.1% |
| Total | 100.0% | 100.0% | 100.0% |

Note 5 Capital adequacy

| NOKt | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|--|------------------|------------------|------------------|
| Primary capital | | | |
| Share capital and share premium | 1,220,020 | 1,220,020 | 1,220,020 |
| Other equity | 744,732 | 675,522 | 709,970 |
| Total equity | 1,964,752 | 1,895,542 | 1,929,990 |
| Deduction | | | |
| Profit not included in the calculation of net primary capital | -34,761 | -42,166 | |
| Value adjustments due to the requirement for prudent valuation | -268 | -228 | -209 |
| Common equity Tier 1 capital | 1,929,722 | 1,853,148 | 1,929,781 |
| Net primary capital | 1,929,722 | 1,853,148 | 1,929,781 |
| Credit risk: | | | |
| Of which: | | | |
| Central government or central banks | 49 | 452 | 49 |
| Institutions | 15,068 | 12,899 | 11,229 |
| Mass market positions | 1,235 | 3,101 | 2,074 |
| Positions secured by mortgage | 527,946 | 638,552 | 611,427 |
| Overdue positions | 1,433 | 351 | 800 |
| Covered bonds | 626 | 628 | 627 |
| Other positions | 21 | 10 | 5 |
| Total minimum requirement credit risk | 546,377 | 655,992 | 626,210 |
| Operational risk | 22,755 | 22,555 | 22,755 |
| CVA-risk | 3,822 | 5,017 | 2,632 |
| Minimum requirement for net primary capital | 572,953 | 683,564 | 651,596 |
| Basis of calculation of balance sheet items not included in trading portfolio | 6,778,691 | 8,153,171 | 7,794,530 |
| Basis of calculation of off-balance sheet items not included in trading portfolio | 51,023 | 46,729 | 33,089 |
| Risk-weighted assets (calculation basis for capital adequacy ratio) | 7,161,917 | 8,544,550 | 8,144,954 |
| Buffer requirements | | | |
| Systemic risk buffer | 214,858 | 256,336 | 244,349 |
| Conservation buffer | 179,048 | 213,614 | 203,624 |
| Countercyclical buffer | 71,619 | 170,891 | 203,624 |
| Total buffer requirement for common equity Tier 1 capital | 465,525 | 640,841 | 651,596 |
| Pillar 2 requirement 1.7% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway | 121,753 | 128,168 | 138,464 |
| Available surplus common equity Tier 1 capital net min. requirement | 1,020,159 | 699,634 | 773,198 |
| Capital adequacy | | | |
| Capital adequacy ratio | 26.9 % | 21.7 % | 23.7 % |
| Tier 1 capital ratio | 26.9 % | 21.7 % | 23.7 % |
| Common equity Tier 1 capital ratio | 26.9 % | 21.7 % | 23.7 % |
| Leverage ratio | 9.6 % | 7.8 % | 8.4 % |

For credit risk the standard method is used, while basis method is used for operational risk. The Financial Supervisory Authority of Norway has end of Q4 2019 set a Pillar 2 requirement on additional 1.7% of risk-weighted assets for Nordea Direct Bank Group, covered by Common equity Tier 1 capital. Total regulatory requirement for common equity Tier 1 capital is 12,7% end of Q2 2020.

Note 6 Transactions with related parties

Nordea Direct Bank ASA is a directly owned subsidiary of Nordea Bank Abp. Nordea Direct Boligkreditt AS is a wholly owned subsidiary of Nordea Direct Bank ASA. All transactions and agreements with related parties are carried out in accordance with the arm's length principle.

Nordea Direct Boligkreditt AS purchases services such as customer support and loan management, as well as day-to-day management and administrative services, from Nordea Direct Bank ASA.

Nordea Direct Boligkreditt AS has access to strong credit facilities with Nordea Direct Bank ASA. This ensure that the Company can pay interest and principal to the covered bonds owners, and finance the transferring of loans and the cover pool.

Further information about the credit agreements:

a) long-term credit facility of up to NOK 1,000.0 million. Expiry date 31 December 2021.

b) short-term credit facility of up to NOK 6,000.0 million. Expiry date 30 November 2020.

c) Credit facility agreement that enables Nordea Direct Boligkreditt AS to borrow money in order to repay its outstanding bond debt. The credit facility shall be sufficient to cover the total repayment of the outstanding bonds over the next 12 months. As of 30 June 2020, the credit limit of the agreement was NOK 5,850.0m.

All transactions between the parent company Nordea Direct Bank ASA and the subsidiary Nordea Direct Boligkreditt AS have been eliminated in the consolidated financial statements.

The list below shows the transactions with related parties that are recognised in the income statement

| NOKt | Jan-Jun 2020 | | Jan-Jun 2019 | | Jan-Dec 2019 | |
|------------------------|------------------------|-----------------|------------------------|-----------------|------------------------|-----------------|
| | Nordea Direct Bank ASA | Nordea Bank Abp | Nordea Direct Bank ASA | Nordea Bank Abp | Nordea Direct Bank ASA | Nordea Bank Abp |
| Net interest income | 31,652 | 9,360 | 29,566 | 4,893 | 65,169 | 14,575 |
| Other operating income | 470 | | 459 | | 917 | |
| Andre driftskostnader | -5,309 | | -5,890 | | -11,510 | |

The list below shows assets / liabilities with / to related parties

| NOKt | 30 Jun 2020 | | 30 Jun 2019 | | 31 Dec 2019 | |
|------------------------------|------------------------|-----------------|------------------------|-----------------|------------------------|-----------------|
| | Nordea Direct Bank ASA | Nordea Bank Abp | Nordea Direct Bank ASA | Nordea Bank Abp | Nordea Direct Bank ASA | Nordea Bank Abp |
| Deposit | 658,948 | 740 | 545,620 | 363 | 513,246 | 601 |
| Loans to credit institutions | 1,789,285 | | 2,797,342 | | 1,736,594 | |
| Interest-bearing securities | 1,677,901 | 341,270 | 1,803,303 | 250,659 | 2,495,854 | 317,604 |

Note 7 Cover pool

| NOKt | 30 Jun 2020 | | 30 Jun 2019 | | 31 Dec 2019 | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Nominal value | Market value | Nominal value | Market value | Nominal value | Market value |
| Assets | | | | | | |
| Loans to the public | 18,886,827 | 18,886,827 | 22,846,676 | 22,846,676 | 21,864,705 | 21,864,705 |
| - whereof pool of eligible loans | 18,859,850 | 18,859,850 | 22,822,558 | 22,822,558 | 21,830,675 | 21,830,675 |
| Supplementary assets and derivatives: | 569,175 | 642,555 | 458,238 | 509,599 | 424,182 | 460,544 |
| - whereof CIRS | | | | | | |
| - whereof IRS | | 73,381 | | 51,362 | | 36,362 |
| Total cover pool | 19,429,025 | 19,502,406 | 23,280,795 | 23,332,157 | 22,254,857 | 22,291,219 |
| Debt securities in issue (net outstanding amount) | 15,950,000 | 16,134,995 | 18,800,000 | 19,035,613 | 18,800,000 | 18,980,351 |
| Over-collateralization calculated on net outstanding covered bonds | 21.8 % | 20.9 % | 23.8 % | 22.6 % | 18.4 % | 17.4 % |
| Debt securities in issue (issued amount) | 15,950,000 | 16,134,995 | 18,800,000 | 19,035,613 | 18,800,000 | 18,980,351 |
| Over-collateralization calculated on issued covered bonds ¹ | 21.8 % | 20.9 % | 23.8 % | 22.6 % | 18.4 % | 17.4 % |

¹ without deduction for holdings of own bonds

Note 8 Contingent liabilities and security

| NOKt | 30 Jun 2020 | 30 Jun 2019 | 31 Dec 2019 |
|-------------------------------------|------------------|------------------|------------------|
| Unutilised credit facility | 1,926,103 | 1,952,296 | 1,972,755 |
| Total contingent liabilities | 1,926,103 | 1,952,296 | 1,972,755 |

Note 9 Fair value of financial instruments

Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled for in an orderly transaction between market participants on the measurement date.

Different valuation techniques and methods are used to estimate fair value, depending on the type of financial instruments and the extent to which they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Prices quoted in active markets are considered to be the best estimate of an asset/liability's fair value. When quoted prices in active markets are not available, the fair value of financial assets/ liabilities will preferably be estimated on the basis of valuation techniques based on observable market data. When neither quoted prices in active markets nor observable market data are available, the fair value of financial assets/liabilities is estimated based on valuation techniques that are based on non-observable market data.

Quoted prices in active markets

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. A financial asset/liability is considered valued based on quoted prices in active markets if fair value is estimated based on easily and regularly available prices and these prices represent actual and regularly occurring transactions at arm's length principle. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

Valuation based on observable market data

When quoted prices in active markets are not available, the fair value of financial assets/ liabilities is preferably estimated on the basis of valuation techniques based on observable market data. A financial asset/liability is considered valued based on observable market data if fair value is estimated with reference to prices that are not quoted, but are observable either directly (as prices) or indirectly (derived from prices). Financial assets/liabilities valued based on observable market data are classified as level two in the valuation hierarchy.

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data. A financial asset/liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

Sensitivity financial assets level three

The sensitivity analysis for financial assets that are valued on the basis of non-observable market data shows the effect on profits of realistic and plausible market outcomes. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in value. A fall in value of 10% is deemed to be a realistic and plausible market outcome for shares and similar interests, as well as bonds and other securities with a fixed return that are included in level three of the valuation hierarchy.

Note 9 Fair value of financial instruments (cont.)

| NOKt | 30 Jun 2020 | | 30 Jun 2019 | | 31 Dec 2019 | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets | | | | | | |
| Loans to and receivables from credit institutions, amortised cost | 659,686 | 659,686 | 545,982 | 545,982 | 513,847 | 513,847 |
| Loans to and receivables from credit institutions | 659,686 | 659,686 | 545,982 | 545,982 | 513,847 | 513,847 |
| Loans to and receivables from customers, amortised cost | 18,886,827 | 18,886,827 | 22,846,676 | 22,846,676 | 21,864,705 | 21,864,705 |
| Total loans before individual and group write-downs | 18,886,827 | 18,886,827 | 22,846,676 | 22,846,676 | 21,864,705 | 21,864,705 |
| - Group write-downs | 2,451 | 2,451 | 844 | 844 | 1,589 | 1,589 |
| Total net loans to customers | 18,884,376 | 18,884,376 | 22,845,833 | 22,845,833 | 21,863,116 | 21,863,116 |
| Certificates and bonds, fair value | 190,094 | 190,094 | 164,677 | 164,677 | 164,376 | 164,376 |
| Total bonds and other fixed-income securities | 190,094 | 190,094 | 164,677 | 164,677 | 164,376 | 164,376 |
| Derivatives, fair value | 74,588 | 74,588 | 58,666 | 58,666 | 40,629 | 40,629 |
| Derivatives | 74,588 | 74,588 | 58,666 | 58,666 | 40,629 | 40,629 |
| Other financial assets, amortised cost | 36,689 | 36,689 | 42,895 | 42,895 | 41,198 | 41,198 |
| Total other financial assets | 36,689 | 36,689 | 42,895 | 42,895 | 41,198 | 41,198 |
| Total financial assets | 19,845,432 | 19,845,432 | 23,658,053 | 23,658,053 | 22,623,166 | 22,623,166 |
| Liabilities | | | | | | |
| Loans and deposits from credit institutions, amortised cost | 1,778,219 | 1,778,219 | 2,789,609 | 2,789,609 | 1,728,317 | 1,728,317 |
| Total liabilities to credit institutions | 1,778,219 | 1,778,219 | 2,789,609 | 2,789,609 | 1,728,317 | 1,728,317 |
| Commercial paper and bonds, amortised cost | 14,521,609 | 14,604,257 | 17,377,385 | 17,515,548 | 17,374,234 | 17,480,237 |
| Liability incurred through the issue of securities, fair value hedge | 1,521,006 | 1,530,738 | 1,503,892 | 1,520,065 | 1,486,623 | 1,500,114 |
| Total debt securities | 16,042,615 | 16,134,995 | 18,881,277 | 19,035,613 | 18,860,857 | 18,980,351 |
| Derivatives, fair value | 3,537 | 3,537 | 4,627 | 4,627 | 4,086 | 4,086 |
| Derivatives | 3,537 | 3,537 | 4,627 | 4,627 | 4,086 | 4,086 |
| Other financial liabilities, amortised cost | 42,074 | 42,074 | 68,225 | 68,225 | 71,663 | 71,663 |
| Total other financial liabilities | 42,074 | 42,074 | 68,225 | 68,225 | 71,663 | 71,663 |
| Total financial liabilities | 17,866,444 | 17,958,825 | 21,743,739 | 21,898,075 | 20,664,923 | 20,784,416 |

Note 9 Fair value of financial instruments (cont.)

| NOKt | 30 Jun 2020 | | | |
|--|----------------|-------------------|---------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Interest-bearing securities, designated at fair value | 111,961 | 78,132 | | 190,094 |
| Derivatives, fair value | | 74,588 | | 74,588 |
| Total financial assets measured at fair value | 111,961 | 152,720 | | 264,681 |
| Liabilities opened for the issue of securities, measured at fair value | | | | |
| Derivatives, fair value | | 3,537 | | 3,537 |
| Total financial liabilities measured at fair value | | 3,537 | | 3,537 |
| Liability incurred through the issue of securities, amortised cost | | 14,604,257 | | 14,604,257 |
| Total financial liabilities measured at amortised cost | | 14,604,257 | | 14,604,257 |
| Liability incurred through the issue of securities, fair value hedge | | 1,530,738 | | 1,530,738 |
| Total financial liabilities included in fair value hedge | | 1,530,738 | | 1,530,738 |

There were no major moves between levels 1 and 2 in 2020.

| NOKt | 30 Jun 2019 | | | |
|--|---------------|-------------------|---------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Interest-bearing securities, designated at fair value | 86,301 | 78,376 | | 164,677 |
| Derivatives, fair value | | 58,666 | | 58,666 |
| Total financial assets measured at fair value | 86,301 | 137,042 | | 223,343 |
| Liabilities opened for the issue of securities, measured at fair value | | | | |
| Derivatives, fair value | | 4,627 | | 4,627 |
| Total financial liabilities measured at fair value | | 4,627 | | 4,627 |
| Liability incurred through the issue of securities, amortised cost | | 17,515,548 | | 17,515,548 |
| Total financial liabilities measured at amortised cost | | 17,515,548 | | 17,515,548 |
| Liability incurred through the issue of securities, fair value hedge | | 1,520,065 | | 1,520,065 |
| Total financial liabilities included in fair value hedge | | 1,520,065 | | 1,520,065 |

| NOKt | 31 Dec 2019 | | | |
|--|---------------|-------------------|---------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Interest-bearing securities, designated at fair value | 86,200 | 78,177 | | 164,376 |
| Derivatives, fair value | | 40,629 | | 40,629 |
| Total financial assets measured at fair value | 86,200 | 118,805 | | 205,005 |
| Liabilities opened for the issue of securities, measured at fair value | | | | |
| Derivatives, fair value | | 4,086 | | 4,086 |
| Total financial liabilities measured at fair value | | 4,086 | | 4,086 |
| Liability incurred through the issue of securities, amortised cost | | 17,480,237 | | 17,480,237 |
| Total financial liabilities measured at amortised cost | | 17,480,237 | | 17,480,237 |
| Liability incurred through the issue of securities, fair value hedge | | 1,500,114 | | 1,500,114 |
| Total financial liabilities included in fair value hedge | | 1,500,114 | | 1,500,114 |

There were no major moves between levels 1 and 2 in 2019.

Declaration

Declaration from the Board and CEO

The Board and the CEO have today discussed and approved the interim report and financial statements for Nordea Direct Boligkreditt AS for the period 1 January to 30 June 2020.

We declare that, to the best of our knowledge, the interim financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IFRS as adopted by the EU, and in accordance with additional requirements set out in the

Accounting Act, and taking into account the limitations of accounting regulations for banks. The accounting data provide a true and fair picture of the company's assets, liabilities, financial position and results as a whole, and the report gives a true picture of important events in the accounting period and their impact on the financial statements, related material transactions and the most important risks and uncertainties faced by the bank in the next accounting period.

Nordea Direct Boligkreditt AS

Oslo, 16 July 2020



Børre Sten Gundersen
Chairman



Anders Frank-Læssøe
Board member



Elen Margrethe Stiksrud
Board member



Alex Madsen
Board member



Jan Kåre Raae
Chief Executive Officer

Quarterly earnings performance

| NOKt | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest income etc, amortised cost | 90,195 | 145,580 | 142,344 | 130,781 | 128,966 | 132,017 | 126,841 | 124,914 |
| Interest income etc, fair value | 544 | -1,920 | 572 | 546 | -1,039 | 375 | 311 | 894 |
| Interest costs etc. | 66,867 | 109,805 | 113,630 | 106,049 | 99,983 | 98,284 | 90,659 | 87,362 |
| Net interest income | 23,872 | 33,855 | 29,286 | 25,277 | 27,945 | 34,108 | 36,493 | 38,446 |
| Fee and commission income | 549 | 565 | 573 | 568 | 580 | 589 | 583 | 582 |
| Net gains on financial instruments at fair value | 1,311 | -2,567 | -242 | 67 | 62 | 108 | -131 | 246 |
| Other operating income | 240 | 229 | 229 | 229 | 229 | 229 | 229 | 229 |
| Total income | 25,972 | 32,083 | 29,845 | 26,142 | 28,816 | 35,034 | 37,174 | 39,503 |
| Staff costs | 2 | 597 | 558 | 580 | 489 | 672 | 1,110 | 551 |
| Other operating costs | 3,512 | 6,734 | 4,681 | 3,491 | 3,508 | 3,327 | 3,613 | 3,518 |
| Total operating expenses | 3,514 | 7,331 | 5,239 | 4,072 | 3,997 | 3,999 | 4,723 | 4,069 |
| Profit / (loss) before loan losses | 22,458 | 24,752 | 24,606 | 22,070 | 24,820 | 31,035 | 32,450 | 35,434 |
| Loan losses | 1,314 | -453 | 237 | 509 | -47 | -319 | 381 | -23 |
| Operating profit | 21,143 | 25,205 | 24,369 | 21,561 | 24,866 | 31,355 | 32,070 | 35,457 |

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