

Nordea

Interim Report 3rd quarter 2020

Nordea Direct Bank



Nordea Direct Bank ASA 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-Sep 2020	Jan-Sep 2019	Year 2019
Net interest income	532,263	822,749	1,042,782
Net commission income and other operating income	-38,831	-23,992	-38,024
Total income	493,432	798,758	1,004,758
Staff costs	77,184	121,427	160,043
Other expenses	140,333	230,844	298,198
Total operating expenses	217,517	352,271	458,241
Loan losses (negative figures are reversals)	127,175	167,377	228,074
Operating profit	148,740	279,110	318,442
Income tax expense	37,185	69,778	80,241
Net profit for the period	111,554	209,333	238,202

Summary of balance sheet

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Loans to the public (gross)	50,447,984	53,533,898	43,203,811
Allowance for loan losses	-476,156	-480,278	-385,807
Deposits and borrowings from the public	15,180,007	19,219,551	17,306,523
Total assets	56,085,402	60,092,722	49,062,417
Equity	4,075,003	4,979,855	3,572,127
Assets under management	119,503	32,055,800	957,893

Ratios and key figures

		Jan-Sep 2020	Jan-Sep 2019	Year 2019
Net interest margin, annualised	%	1.36	1.89	1.82
Loss rate	%	0.37	0.43	0.45
Non-performing loans in % of gross lending ¹	%	1.41	1.62	1.34
Return on equity, annualised	%	3.69	6.16	5.33
Deposit-to-loan ratio at the end of the period	%	30.1	35.9	40.1
Capital adequacy ratio ²	%	18.5	18.1	19.9
Tier 1 capital ratio ²	%	17.6	17.1	18.3
Common equity Tier 1 capital ratio ²	%	16.9	15.6	16.0
Cost/income ratio	%	44.1	44.1	45.6
Liquidity Coverage Ratio	%	292	617	473
Average total assets	NOKt	52,106,607	58,290,257	57,428,906
Number of employees	Number	105	165	115
Total deposit above NOK 2 million	NOK billion	2.54	5.84	4.19

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

For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.

Nordea Direct Bank ASA

Introduction

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

Nordea Direct Bank ASA is a wholly owned subsidiary of Nordea Bank Abp. The bank was established in 2007 and has administrative offices in Oslo and Førde. During autumn 2019, the company's car finance lending activities were transferred to Nordea Finans Norge AS.

Income statement

Operating profit was NOK 148.7m (NOK 279.1m). The decrease was driven by losses on financial instruments, as well as the transfer of car finance lending activities to Nordea Finans Norge AS. During the second quarter of 2020, the bank built a collective loan loss allowance, related to the economic uncertainty created by the Covid-19 outbreak earlier this year. In the third quarter, the loan loss allowance was to a great extent released, driven by the improved expectations for the economic outlook (See Note 1 Accounting policies for changes in the outlook scenarios in the past two quarters).

Total income amounted to NOK 493.4m (NOK 798.8m).

Net interest income amounted to NOK 532.3m (NOK 822.7m). The decrease was mainly driven by the car finance transfer mentioned above. Adjusted for car finance, net interest income was NOK 14.6m higher compared to the same period last year. The improvement was driven by portfolio growth.

Net commission income and other income amounted to negative NOK 38.8m (negative NOK 24.0m). Adjusted for the car finance move, net commission income and other income decreased with NOK 62.2m as compared to the same period last year. The decrease was primarily driven by losses on financial instruments and decreased assets under management. The widening of credit spreads in the bond market resulted in mark to market losses from the liquidity

reserve. The reduced interest level resulted in mark to market losses from interest rate swaps hedging fixed interest customer loans.

Net interest margin¹ was 1.36% (1.89%). The decrease was driven by the change in portfolio composition.

Operating expenses were NOK 217.5m (NOK 352.3m). The decrease was mainly driven by car finance transfer to Nordea Finans Norge AS. Adjusted for car finance, expenses were 3.7% lower compared to the same period last year. The decrease was driven primarily by lower acquisition expenses.

The cost/income ratio was 44.1% (44.1%) Excluding car finance, the cost/income ratio was 40.6% year to date 2019. The increase of the ratio year to date in 2020 was driven by losses on financial instruments.

Total write-downs and losses amounted to NOK 127.2m (NOK 167.4m). The transfer of the car finance portfolio to Nordea Finans Norge AS had a positive effect year over year. Adjusted for car finance, total write-downs and losses were similar to prior year. During the second quarter of 2020, the bank built a collective loan loss allowance related to the uncertain economic outlook created by Covid-19. The allowance was a combination of worsening macroeconomic outlook built in the collective loan loss model and a management judgement allowance. In the third quarter of 2020, the macroeconomic outlook has improved, which lead to a release of the loan loss reserve (See Note 1 Accounting policies for changes in the outlook scenarios in the past two quarters). The management judgement allowance built in the second quarter covered a potential unfavourable impact from Covid-19 that was not captured by the bank's collective loan loss models. The bank decided to keep the management judgement unchanged in the third quarter, due to the uncertainty regarding the long term impact of Covid-19. The bank will monitor the overall economic situation, which will guide their decision related to the level of the management

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

judgement allowance. The bank has not seen a worsening of the underlying performance of the lending portfolio during the quarter.

Write-downs and losses were 0.37% (0.43%) of average gross lending. The decrease was driven by the change in portfolio composition.

Gross lending in default over 90 days decreased to NOK 712.5m (NOK 865.9m). The decrease is driven by car finance transfer to Nordea Finans Norge AS. Gross loans in default over 90 days were 1.41% (1.62%) of total gross lending.

The weighted average loan-to-value ratio² was estimated to be 61.4% (60.6%) for the mortgage portfolio.

Lending, deposits and investments growth

Gross lending decreased by 5.8% and amounted to NOK 50,448.0m (NOK 53,533.9m) as of 30 September 2020. Adjusted for car finance, gross lending increased by 17.8%. The growth is primarily driven by the bank entering an agreement with The Confederation of Unions for Professionals (UNIO), the second biggest labour union in Norway. Deposits decreased by 21.0%, reaching NOK 15,180.0m (NOK 19,219.6 m).

Assets under management decreased to NOK 0.12b (NOK 32.1b) as of 30 September 2020. The decrease was as expected and was driven by the termination of an institutional mandate and Gjensidige Pensjonsforsikring. The assets under management will completely move out of Nordea Direct before the legal merger mid-2021.

Capital position

As of 30 September 2020, the Nordea Direct Bank Group had a capital adequacy ratio of 18.5% (18.1%). The total capital held by the bank was NOK 4,149.3m (NOK 5,250.2m), of which NOK 3,804.5m (NOK 4,505.1m) was common equity Tier 1 capital. The common equity Tier 1 capital ratio was 16.9% (15.6%).

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 over-collateralisation required to maintain the current rating for Nordea Direct Boligkreditt AS's covered bond program.

Debt securities issued

Net issues of debt securities, including subordinated loan capital, amounted to NOK 22,365.7 (NOK 25,957.9m) as of 30 September 2020. The total face value of the securities issued by the bank was NOK 22,104.5m.

Repayments through ordinary maturity and buy back of bonds from investors were NOK 2,756.0m in the period.

Liquidity

As of 30 September 2020, the Nordea Direct Bank Group had net liquid assets of NOK 7,039.0m, divided between NOK 673.5m in bank deposits and NOK 6,365.5m in debt securities. Of the latter assets NOK 1,393.9m were investments in covered bonds from Nordea Direct Boligkreditt AS (eliminated in the consolidated accounts). The net liquid assets were at an adequate level that covers the bond debt that is due in the next 19 months.

Covid-19 Measures

After the outbreak of Covid-19 during the first quarter of 2020, the bank has taken steps to ensure continuity of its operations. 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 order to meet the needs of the customers in these unusual times, the bank gran-

² The loan-to-value ratio estimate is calculated on the basis of the exposure on the reporting date and the property valuation, including any higher priority pledge(s), at the time the loan was approved.

ted 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.

Norges Bank offered extraordinary F-loans in order to provide liquidity to the banking system in the context of the Covid-19 situation. On April 16th, Nordea Direct Bank ASA was granted a F-loan amounting to NOK 500.0m and a maturity of 12 months.

In the coming period, the bank 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 Bank ASA

Oslo, 22 October 2020



Randi Marjamaa
Chairman



Sjur Loen
Board member



Marte Kopperstad
Board member



Mona Eek-Jensen
Board member



Per Kumle
Board member



Hans-Jacob Starheim
Employee representative



Krister G. Aanesen
Chief Executive Officer

Income statement

Nordea Direct Bank Group

NOKt	Note	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Year 2019
Interest income etc, amortised cost		287,234	501,409	971,628	1,422,404	1,851,371
Interest income etc, fair value		7,235	20,652	46,126	59,466	81,592
Interest costs etc.		95,366	238,215	485,490	659,121	890,181
Net interest income		199,102	283,845	532,263	822,749	1,042,782
Dividends from investments in shares and funds					1,053	1,053
Fee and commission income		8,927	30,865	26,733	110,707	125,819
Fee and commission expense		11,772	50,623	34,991	152,200	179,572
Net gains on financial instruments at fair value		3,047	1,252	-30,895	15,139	13,292
Other operating income		10	528	321	1,309	1,383
Net commission income and other operating income		212	-17,977	-38,831	-23,992	-38,024
Total income		199,315	265,868	493,432	798,758	1,004,758
Staff costs		24,660	40,808	77,184	121,427	160,043
Depreciation		3,866	6,917	12,063	20,976	26,147
Other operating expenses		44,214	68,900	128,270	209,868	272,052
Total operating expenses		72,740	116,625	217,517	352,271	458,241
Profit / (loss) before loan losses		126,574	149,242	275,915	446,487	546,517
Loan losses	4	-22,532	54,148	127,175	167,377	228,074
Operating profit		149,107	95,095	148,740	279,110	318,442
Income tax expense		37,277	23,774	37,185	69,778	80,241
Net profit for the period		111,830	71,321	111,554	209,333	238,202
Basic/diluted earnings per share, NOK		127.7	81.4	127.3	239.0	271.9

Statement of comprehensive income

Nordea Direct Bank Group

NOKt	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Year 2019
Net profit for the period	111,830	71,321	111,554	209,333	238,202
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Actuarial gains/ (loss) on pensions					-5,492
Tax on items that are not reclassified to profit or loss					1,373
Items that may be reclassified subsequently to profit or loss					
Tax on items that may be reclassified to profit or loss					
Total components of other comprehensive income					-4,119
Total comprehensive income for the period	111,830	71,321	111,554	209,333	234,083

Balance sheet

Nordea Direct Bank Group

NOKt	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
Assets				
Cash and balances with central banks		59,620	64,331	60,668
Loans to credit institutions	6	613,917	1,194,219	549,864
Loans to the public	2,4	49,971,827	53,053,619	42,818,003
Interest-bearing securities	8	4,971,570	5,300,077	5,313,708
Derivatives	8	257,447	61,740	50,547
Shares (and other securities with variable yield)		11,779	11,934	11,934
Intangible assets		16,081	32,920	25,714
Deferred tax assets		15,217	21,546	10,349
Fixed assets		1,594	2,734	2,289
Other assets		-1,718	-2,938	28,844
Advance payments and accrued income		168,068	352,539	190,497
Total assets		56,085,402	60,092,722	49,062,417
Liabilities and equity				
Liabilities to credit institutions	6	13,831,000	9,250,000	2,956,000
Deposits and borrowings from the public	2	15,180,007	19,219,551	17,306,523
Debt securities in issue	3,6,8	22,165,800	25,658,054	24,565,210
Derivatives	8	39,980	21,641	55,976
Current tax liabilities		37,185	69,778	69,735
Other liabilities		282,531	148,831	18,354
Accrued expenses and prepaid income		246,140	422,190	190,792
Retirement benefit obligations		27,815	22,958	27,815
Subordinated loan capital	3	199,942	299,863	299,887
Total liabilities		52,010,400	55,112,867	45,490,290
Equity				
Share capital		667,512	980,244	666,020
Share premium reserve		1,814,374	1,600,402	1,115,866
Perpetual Tier 1 capital	9	144,847	445,238	445,441
Other paid-in equity		2,647	3,779	2,647
Retained earnings		1,334,069	1,740,859	1,342,153
Net profit for the period		111,554	209,333	
Total equity		4,075,003	4,979,855	3,572,127
Total liabilities and equity		56,085,402	60,092,722	49,062,417

Statement of changes in equity

Nordea Direct Bank Group

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2020	666,020	1,115,866	445,441	2,647	1,342,153	3,572,127
Net profit for the period			8,323		103,231	111,554
Other comprehensive income, net of tax						
Total comprehensive income			8,323		103,231	111,554
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity					239	239
AT1 capital			-298,200			
Paid interest on AT 1 capital			-10,717			-10,717
Balance at 30 Sep 2020	667,512	1,814,374	144,847	2,647	1,445,623	4,075,003

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2019	979,368	1,201,278	444,848	3,779	1,755,142	4,384,415
Net profit for the period			16,661		221,540	238,202
Other comprehensive income, net of tax					-4,119	-4,119
Total comprehensive income			16,661		217,421	234,083
Capital expansion	876	399,124				400,000
Demerger car finance business	-314,224	-484,536		-1,132	-624,925	-1,424,817
Share-based payment transactions settled in equity					-2,022	-2,022
Tax payable and deferred tax relating to items recognised directly in equity					-3,463	-3,463
AT1 capital						
Paid interest on AT 1 capital			-16,068			-16,068
Balance at 31 Dec 2019	666,020	1,115,866	445,441	2,647	1,342,153	3,572,127

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2019	979,368	1,201,278	444,848	3,779	1,755,142	4,384,415
Net profit for the period			12,261		197,072	209,333
Other comprehensive income, net of tax						
Total comprehensive income			12,261		197,072	209,333
Capital expansion	876	399,124				400,000
Share-based payment transactions settled in equity					-2,022	-2,022
AT1 capital						
Paid interest on AT 1 capital			-11,871			-11,871
Balance at 30 Sep 2019	980,244	1,600,402	445,238	3,779	1,950,192	4,979,855

Number of shares at end of period 876,000

Cash flow statement

Nordea Direct Bank Group

NOKt	Jan-Sep 2020	Jan-Sep 2019	Year 2019
Operating activities			
Net payment of loans to customers	-7,263,408	-1,881,915	8,366,688
Net payment of deposits by customers	-2,126,517	-3,903,426	-5,816,454
Payment of interest from customers	953,264	1,331,757	1,816,783
Payment of interest to customers	-36,620	-70,385	-264,687
Net payment of interest from credit institutions etc.	-102,234	-54,332	-54,622
Taxes paid	-71,030	-108,419	-108,419
Net other commission income	-7,699	30,220	31,183
Payment to operations	-342,663	-463,397	-682,419
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	184,190	422,655	411,919
Net cash flow from operating activities	-8,812,715	-4,697,241	3,699,972
Investment activities			
Net purchase of intangible assets and fixed assets	-1,735	-18,395	-16,941
Net receipts/payments from sale/acquisition of intangible assets			-1,424,817
Net cash flow from investment activities	-1,735	-18,395	-1,441,758
Financing activities			
Net receipts/payments on deposits from credit institutions	10,875,000	9,250,000	2,956,000
Receipts of interest-bearing securities			
Payment of interest-bearing securities	-2,756,000	-3,956,000	-5,000,000
Interest payments on interest-bearing securities	175,213	76,197	-200,747
Receipts of subordinated debt	-99,944	-249,931	-249,908
Interest payments on subordinated debt	-6,097	-10,789	-13,537
Issued Additional Tier 1 capital			
Paid interest on Additional Tier 1 capital	-10,717	-11,871	-16,068
Capital increases	700,000	400,000	400,000
Cash flow from financing activities	8,877,455	5,497,607	-2,124,261
Cash flow for the period	63,004	781,971	133,953
Cash and cash equivalents			
Cash and cash equivalents at 1 January	610,533	476,580	476,580
Cash and cash equivalents at end of the period	673,537	1,258,551	610,533
Change	63,004	781,971	133,953
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	59,620	64,331	60,668
Loans to credit institutions	613,917	1,194,219	549,864
Total cash and cash equivalents	673,537	1,258,551	610,533

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

Nordea Direct Bank Group

Note 1 Accounting policies

The consolidated financial statements as of the third quarter of 2020, concluded on 30 September 2020, comprise Nordea Direct Bank ASA and its subsidiary 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 consolidated financial statements as of the third 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.

As of 1 November 2019 the car finance business was de-merged into Nordea Finans Norge AS. The accounting principle for the de-merger was continuity by transfer to another company in the same group. The reduction in share capital was determined by the terms of the trade.

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 Bank ASA 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 Bank ASAs 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 1 Accounting policies (cont.)

Covid 19 Macro scenarios

Nordea Direct uses Macro scenarios covering unemployment, house prices and household lending rates in the collective provision models. The macro variables are assumed to correlate to loan losses and changes to the macro forecast will impact Probability of Default (PD) and Loss Given Default (LGD) in the model through correlation factors. These correlation factors are based on studies by published by Norges Bank: <http://www.norges-bank.no/Publisert/Signerte-publikasjoner/Penger-og-Kreditt/Penger-og-Kreditt-12007/Faktorer-bak-bankenens-problemlan/>.

Two of the three macro variables (unemployment and house prices) are also used by Nordea for their collective provision model and Nordea Direct aligned the values in its model with Nordea's. The updated

scenarios reflect the economic impact from Covid 19. Scenarios are developed by Nordea Enterprise Wide Risk Management, but leverages government and other sources including a reference point to the ECB scenarios.

The table below summarises the Macro scenarios used in Nordea Direct collective provision model for Q3 2020. Macro scenarios used in Q1 2020 were the same as in the annual report for 2019. The change applies to all Nordea Direct collective provision models (Unsecured Loans, Mortgage Loans and Credit Cards).

The third macro variable (household lending rates) is based on Statistics Norway macro forecast from September 2020.

	2020	2021	2022
Unemployment rate ¹			
Alternative A (best case)	5.1%	5.1%	4.2%
Base case	5.4%	6.1%	5.1%
Alternative B (worst case)	5.8%	7.1%	6.7%
Household Lending Rates ²			
Alternative A (best case)	2.8%	2.1%	2.4%
Base case	2.5%	1.9%	2.2%
Alternative B (worst case)	1.1%	0.9%	1.0%
Housing prices ¹			
Alternative A (best case)	2.8%	-0.7%	-0.2%
Base case	2.5%	-2.9%	0.2%
Alternative B (worst case)	2.1%	-10.2%	-9.3%
¹ Source: Enterprise Wide Risk Management in Nordea			
² Source: Statistics Norway September 2020			
Scenario weighting Q3 2020			
Alternative A (best case)	20%		
Base case	60%		
Alternative B (worst case)	20%		

Note 2 Segment information

NOKt	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Deposit by sector and industry								
Retail market	12,954,894	13,508,089	12,809,973	13,306,516	14,011,422	14,327,489	14,395,522	15,248,247
Other	2,225,113	2,392,324	3,013,411	4,000,008	5,208,129	6,356,140	7,362,448	7,874,731
Total deposits	15,180,007	15,900,413	15,823,384	17,306,523	19,219,551	20,683,630	21,757,970	23,122,977
Loans to customers divided by sector and industry								
Private individuals	50,447,984	47,696,120	43,168,208	43,203,811	51,300,415	49,667,800	48,350,696	49,458,634
Commercial business					2,233,483	2,342,381	2,240,090	2,123,833
Gross loans	50,447,984	47,696,120	43,168,208	43,203,811	53,533,898	52,010,181	50,590,786	51,582,467

Note 3 Liabilities on the issue of securities

NOKt	Nominal value			Carrying amount		
	30 Sep 2020	30 Sep 2019	31 Dec 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Liabilities opened for the issue of securities						
Bond debt ¹	16,257,500	19,500,500	18,010,500	16,287,038	19,507,648	18,019,689
Subordinated loan capital	200,000	300,000	300,000	199,942	299,863	299,887
- Own non-amortised certificates/bonds	-303,000	-696,000	-250,000	-303,036	-696,000	-250,000
Total liabilities at amortised cost	16,154,500	19,104,500	18,060,500	16,183,945	19,111,511	18,069,576
Liabilities opened for the issue of securities						
Bond debt	5,950,000	6,800,000	6,800,000	6,181,797	6,846,407	6,795,521
Total liabilities included in fair value hedge	5,950,000	6,800,000	6,800,000	6,181,797	6,846,407	6,795,521
Total liabilities	22,104,500	25,904,500	24,860,500	22,365,742	25,957,917	24,865,097

¹ Minus covered bonds held by Nordea Direct Bank ASA issued by Nordea Direct Bank Boligkreditt AS with a nominal at NOK 1,389.0m (2,223.0m) as of 30 September 2020. The cover pool market value was NOK 1,681.0m (2,650.5m).

Maturity

Remaining maturity (nominal value)	30 Sep 2020	30 Sep 2019	31 Dec 2019
2019		531,000	
2020	1,147,000	3,027,000	2,514,000
2021	5,711,000	7,100,000	7,100,000
2022	7,446,500	7,446,500	7,446,500
2023	5,950,000	5,950,000	5,950,000
2025	1,350,000	1,350,000	1,350,000
2027	500,000	500,000	500,000
Total	22,104,500	25,904,500	24,860,500

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

New issues in 2020
Repayments in 2020

2,756,000

Note 4 Write-downs and losses on loans

Write-downs and losses on loans

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Write-downs and losses for the period			
+/- Change in group write-downs for the period (ECL)	90,349	150,854	56,383
+ Write-off during the period	35,626	16,621	171,941
- Payments on previously written-off accounts	1,200	-99	-250
Write-downs and losses for the period	127,175	167,377	228,074
Loss allowance			
Loss allowance at the start of the period	385,807	329,424	329,424
+/- Change in loss allowance for the period	90,349	150,854	56,383
Loss allowance at the end of the period	476,156	480,278	385,807
Defaulted loans			
Gross default over 90 days	712,539	865,863	580,281

Credit quality by risk group

30 Sep 2020 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	46,204,966	9,150	20,330	46,234,446
Medium	1,289,305	325,645	9,252	1,624,202
High	425,042	684,077	58,732	1,167,850
Not classified	1,555	98		1,653
Impaired and written down			720,360	720,360
Adjustment ¹	699,471			699,471
Total	48,620,340	1,018,970	808,674	50,447,983
Loss allowance	71,147	43,109	361,901	476,156
Total net	48,549,193	975,861	446,773	49,971,827

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

30 Sep 2019 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	45,865,739	103,893	34,868	46,004,500
Medium	4,791,797	567,067	22,621	5,381,485
High	536,024	484,542	38,352	1,058,918
Not classified	294		905,573	905,867
Impaired and written down	186,825	7,564	582	194,971
Adjustment ¹	-11,842			-11,842
Total	51,368,836	1,163,066	1,001,996	53,533,898
Loss allowance	57,739	47,366	375,173	480,278
Total net	51,311,096	1,115,700	626,823	53,053,619

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	39,433,026	342	17,965	39,451,332
Medium	1,141,656	426,291	8,531	1,576,478
High	521,011	981,161	58,839	1,561,011
Not classified	3,982	159	43	4,184
Impaired and written down	959	6	588,824	589,789
Adjustment ¹	21,016			21,016
Total	41,121,650	1,407,959	674,202	43,203,811
Loss allowance	31,998	47,456	306,354	385,807
Total net	41,089,652	1,360,503	367,848	42,818,003

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

Loans to and claims on customers by past due status

NOKt	30 Sep 2020		30 Sep 2019		31 Dec 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	49,589,572	103,093	52,270,839	85,136	42,467,867	70,486
30-59 days	121,516	24,143	270,663	27,484	109,557	18,161
60-89 days	24,356	7,381	126,532	18,647	46,106	13,902
90+ days	712,539	341,540	865,863	349,010	580,281	283,258
Total	50,447,983	476,156	53,533,898	480,278	43,203,811	385,807

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	31,998	47,456	306,354	385,807
Transfer to stage 1	3,560	-9,468	-1,942	-7,850
Transfer to stage 2	-2,028	19,604	-181	17,395
Transfer to stage 3	-2,549	-20,354	70,472	47,570
New Financial assets originated during the period	22,611	7,325	3,092	33,029
Financial assets that have been derecognised	-4,006	-5,892	-31,826	-41,724
Changes in balance with no transfer between stages	21,562	4,438	15,930	41,930
Loss allowance as at 30 Sep 2020	71,147	43,109	361,901	476,156

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2019	46,377	40,302	242,745	329,424
Transfer to stage 1	658	-9,231	-3,392	-11,965
Transfer to stage 2	-1,637	28,878	-631	26,611
Transfer to stage 3	-3,338	-17,391	107,503	86,775
New Financial assets originated during the period	20,573	9,999	17,548	48,120
Financial assets that have been derecognised	-7,608	-5,576	-20,627	-33,811
Changes in balance with no transfer between stages	2,715	384	32,026	35,125
Loss allowance as at 30 Sep 2019	57,740	47,366	375,173	480,279

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2019	46,376	40,302	242,745	329,424
Transfer to stage 1	2,167	-7,126	-1,860	-6,819
Transfer to stage 2	-2,235	25,501	-140	23,126
Transfer to stage 3	-3,605	-14,751	122,530	104,175
New Financial assets originated during the period	5,724	19,050	25,844	50,618
Financial assets that have been derecognised	-22,534	-16,277	-41,900	-80,711
Changes in balance with no transfer between stages	6,103	756	-40,866	-34,006
Loss allowance as at 31 Dec 2019	31,998	47,456	306,354	385,807

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

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Stage 1	71,147	57,740	31,998
Stage 2	43,109	47,366	47,456
Stage 3	361,901	375,173	306,354
Total	476,156	480,279	385,807
Stage 1	14.9%	12.0%	8.3%
Stage 2	9.1%	9.9%	12.3%
Stage 3	76.0%	78.1%	79.4%
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	41,121,650	1,407,959	674,202	43,203,811
Transfer to stage 1	535,107	-519,857	-15,250	
Transfer to stage 2	-405,107	409,208	-4,101	
Transfer to stage 3	-107,827	-115,410	223,237	
New financial assets originated	16,780,956	182,797	9,812	16,973,566
Financial assets that have been derecognised	-8,726,895	-290,396	-76,446	-9,093,736
Change in balances due to payments	-1,256,000	-55,332	-35,929	-1,347,261
Other Changes ¹	678,455		33,148	711,604
Gross carrying amount as at 30 Sep 2020	48,620,340	1,018,970	808,674	50,447,983
Loss allowance as at 30 Sep 2020	71,147	43,109	361,901	476,156

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

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	49,829,961	1,069,305	683,200	51,582,467
Transfer to stage 1	327,932	-296,504	-31,428	
Transfer to stage 2	-616,948	626,106	-9,159	
Transfer to stage 3	-280,863	-124,987	405,850	
New financial assets originated	15,405,386	178,165	76,252	15,659,802
Financial assets that have been derecognised	-10,998,596	-235,491	-79,698	-11,313,785
Change in balances due to payments	-2,296,994	-53,528	-53,270	-2,403,792
Other Changes ¹	-1,043		10,248	9,206
Gross carrying amount as at 30 Sep 2019	51,368,836	1,163,066	1,001,996	53,533,898
Loss allowance as at 30 Sep 2019	57,739	47,366	375,173	480,278

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Jan 2019	49,829,961	1,069,305	683,200	51,582,467
Transfer to stage 1	283,980	-273,912	-10,068	
Transfer to stage 2	-617,146	618,299	-1,154	
Transfer to stage 3	-229,100	-73,490	302,590	
New financial assets originated	14,074,160	602,351	64,354	14,740,865
Financial assets that have been derecognised	-20,563,522	-510,449	-355,370	-21,429,341
Change in balances due to payments	-1,688,499	-24,145	-19,601	-1,732,245
Other Changes ¹	31,816		10,248	42,064
Gross carrying amount as at 31 Dec 2019	41,121,650	1,407,959	674,202	43,203,811
Loss allowance as at 31 Dec 2019	31,998	47,456	306,354	385,807

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

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Stage 1	48,620,340	51,368,836	41,121,650
Stage 2	1,018,970	1,163,066	1,407,959
Stage 3	808,674	1,001,996	674,202
Total	50,447,983	53,533,898	43,203,811
Stage 1	96.4%	96.0%	95.2%
Stage 2	2.0%	2.2%	3.3%
Stage 3	1.6%	1.9%	1.6%
Total	100.0%	100.0%	100.0%

Note 5 Capital adequacy

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Primary capital			
Share capital and share premium	2,481,886	2,580,646	1,781,886
Other equity	1,448,270	1,953,971	1,344,800
Total equity (exclusive perpetual Tier 1 capital)	3,930,156	4,534,617	3,126,686
Deduction			
Profit not included in the calculation of net primary capital	-111,554		
Goodwill and other intangible assets	-16,081	-32,920	-25,714
Value adjustments due to the requirement for prudent valuation	-5,281	-5,395	-5,432
Increase			
IFRS 9 transitional arrangements for credit loss provisioning	7,273	8,831	7,273
Common equity Tier 1 capital	3,804,513	4,505,133	3,102,813
Perpetual Tier 1 capital	144,847	445,238	445,441
Tier 1 capital	3,949,359	4,950,371	3,548,253
Supplementary capital			
Subordinated loan capital	199,942	299,863	299,887
Net primary capital	4,149,302	5,250,234	3,848,140
Credit risk:			
Of which:			
Central governments or central banks	3,043	4,309	2,070
Institutions	21,285	24,383	12,997
Enterprises		187,712	
Mass market positions	203,189	706,970	213,419
Positions secured by mortgage	1,352,746	1,101,453	1,112,847
Overdue positions	53,474	69,063	48,109
Covered bonds	27,217	30,564	30,268
Shares in securities fund			
Equity positions	942	955	955
Other positions	5,623	40,993	7,317
Total minimum requirement credit risk	1,667,519	2,166,403	1,427,981
Operational risk	118,677	145,619	118,677
CVA-risk	12,057	5,049	3,280
Minimum requirement for net primary capital	1,798,253	2,317,071	1,549,938
Basis of calculation of balance sheet items not included in trading portfolio	19,948,160	26,041,062	17,491,310
Basis of calculation of off-balance sheet items not included in trading portfolio	895,823	1,038,974	358,457
Risk-weighted assets (calculation basis for capital adequacy ratio)	22,478,159	28,963,385	19,374,227

Note 5 Capital adequacy (cont.)

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Buffer requirements			
Systemic risk buffer	674,345	868,902	581,227
Conservation buffer	561,954	724,085	484,356
Countercyclical buffer	224,782	579,268	484,356
Total buffer requirement for common equity Tier 1 capital	1,461,080	2,172,254	1,549,938
Pillar 2 requirement 1.7% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway	382,129	434,451	329,362
Available common equity Tier 1 capital net min.requirement	949,787	595,076	351,673
Capital adequacy			
Capital adequacy ratio	18.5%	18.1%	19.9%
Tier 1 capital ratio	17.6%	17.1%	18.3%
Common equity Tier 1 capital ratio	16.9%	15.6%	16.0%
Leverage ratio	6.7%	8.0%	7.1%

For credit risk the standard method is used, while basis method is used for operational risk. The Financial Supervisory Authority of Norway has 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 was 12.7% end of Q3 2020.

New standard IFRS 9 guidelines for credit loss provisioning were implemented 1.1.2018. The bank used transitional arrangements for IFRS 9. The new rules for loss provisions increased the bank's loss and provision with NOK 13.9m. Equity was reduced by NOK 10.4m adjusted for tax. In accordance with transitional arrangements, the effect of increased of loss and provision will be phased in over five years.

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Numbers without use of transitional arrangements:			
Common equity Tier 1 capital	3,797,240	4,496,302	3,095,540
Tier 1 capital	3,942,087	4,941,540	3,540,981
Net primary capital	4,142,029	5,241,403	3,840,867
Common equity Tier 1 capital ratio	16.9 %	15.5 %	16.0 %
Tier 1 capital ratio	17.5 %	17.1 %	18.3 %
Capital adequacy ratio	18.4 %	18.1 %	19.8 %

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 ensures 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 1,000.0m. Expiry date 31 December 2021.

b) short-term credit facility of up to NOK 6,000.0m. 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 September 2020, the credit limit of the agreement was NOK 5,000.0m.

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

Jan-Sep 2020

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Net interest income	37,881	31,637	
Other operating income	7,839		5,718
Other operating expenses	-710	-4,901	

Jan-Sep 2019

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Net interest income	46,919	40,016	
Other operating income	8,724		
Other operating expenses	-688	156	

Jan-Dec 2019

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Net interest income	65,169	77,161	
Other operating income	11,510		8,091
Other operating expenses	-917	-6,589	

Note 6 Transactions with related parties (cont.)

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

30 Sep 2020

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	485,574	599,062	
Loans to credit institutions	1,414,852	638	
Interest-bearing securities	1,393,903	833,015	
Deposits by credit institutions		13,341,284	
Other liabilities			

30 Sep 2019

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	665,788	1,109,503	
Loans to credit institutions	1,885,854	-156	
Interest-bearing securities	2,232,500	2,928,400	
Deposits by credit institutions		6,759,622	
Other liabilities			

31 Dec 2019

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	513,246	505,833	
Loans to credit institutions	1,736,594		7,109
Interest-bearing securities	2,495,854	660,107	
Deposits by credit institutions		2,964,484	
Other liabilities			

Note 7 Contingent liabilities and security

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Guarantees		5,500	
Loan commitment	8,181,394	3,782,956	3,339,658
Unutilised credit facility	3,684,818	4,446,604	3,600,507
Total contingent liabilities	11,866,212	8,229,559	6,940,165
Securities provided as collateral for loans from/credit facility with Norges Bank	2,091,841	777,824	842,432
Total securities provided	2,091,841	777,824	842,432

Note 8 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 8 Fair value of financial instruments (cont.)

NOKt	30 Sep 2020		30 Sep 2019		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash to and receivables from central banks	59,620	59,620	64,331	64,331	60,668	60,668
Cash to and receivables from central banks	59,620	59,620	64,331	64,331	60,668	60,668
Loans to and receivables from credit institutions, amortised cost	613,917	613,917	1,194,219	1,194,219	549,864	549,864
Loans to and receivables from credit institutions	613,917	613,917	1,194,219	1,194,219	549,864	549,864
Loans to and receivables from customers, amortised cost	49,971,827	50,006,032	53,053,619	53,055,928	42,818,003	42,815,707
Loans to and receivables from customers	49,971,827	50,006,032	53,053,619	53,055,928	42,818,003	42,815,707
Interest-bearing securities, fair value	4,971,570	4,971,570	5,300,077	5,300,077	5,313,708	5,313,708
Interest-bearing securities	4,971,570	4,971,570	5,300,077	5,300,077	5,313,708	5,313,708
Derivatives, fair value	257,447	257,447	61,740	61,740	50,547	50,547
Derivatives	257,447	257,447	61,740	61,740	50,547	50,547
Shares available for sale	11,779	11,779	11,934	11,934	11,934	11,934
Shares	11,779	11,779	11,934	11,934	11,934	11,934
Other financial assets, amortised cost	101,167	101,167	96,736	96,736	105,457	105,457
Total other financial assets	101,167	101,167	96,736	96,736	105,457	105,457
Total financial assets	55,987,328	56,021,533	59,782,658	59,784,966	48,910,182	48,907,886
Liabilities						
Liability to credit institutions, amortised cost	13,831,000	13,831,000	9,250,000	9,250,000	2,956,000	2,956,000
Liability to credit institutions	13,831,000	13,831,000	9,250,000	9,250,000	2,956,000	2,956,000
Deposits and liabilities to customers, amortised cost	15,180,007	15,183,091	19,219,551	19,219,368	17,306,523	17,305,755
Deposits and liabilities to customers	15,180,007	15,183,091	19,219,551	19,219,368	17,306,523	17,305,755
Liability incurred through the issue of securities, amortised cost	15,984,002	16,080,602	18,811,648	19,113,734	17,769,689	17,894,405
Liability incurred through the issue of securities, fair value hedge	6,181,797	6,225,359	6,846,407	6,905,979	6,795,521	6,851,562
Liability incurred through the issue of securities	22,165,800	22,305,961	25,658,054	26,019,713	24,565,210	24,745,968
Derivatives, fair value	39,980	39,980	21,641	21,641	55,976	55,976
Derivatives	39,980	39,980	21,641	21,641	55,976	55,976
Subordinated loan capital, amortised cost	199,942	202,274	299,863	304,053	299,887	304,064
Subordinated loan capital	199,942	202,274	299,863	304,053	299,887	304,064
Other financial liabilities, amortised cost	208,469	208,469	297,765	297,765	143,361	143,361
Other financial liabilities	208,469	208,469	297,765	297,765	143,361	143,361
Total financial liabilities	51,625,198	51,770,775	54,746,874	55,112,539	45,326,956	45,511,123
Off-balance sheet obligations and guarantees						
Guarantees			5,500	5,500		
Mortgage assets ¹	2,091,841	2,091,841	785,685	785,685	842,432	842,432

¹ Securities provided as collateral for loans from/credit facility with Norges Bank.

Note 8 Fair value of financial instruments (cont.)

NOKt	30 Sep 2020			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	4,971,570			4,971,570
Shares			11,779	11,779
Derivatives, fair value		257,447		257,447
Total financial assets, fair value	4,971,570	257,447	11,779	5,240,797
Loans to and receivables from customers, amortised cost			50,006,032	50,006,032
Total financial assets, amortised cost			50,006,032	50,006,032
Derivatives, fair value		39,980		39,980
Total financial liabilities, fair value		39,980		39,980
Deposits and liabilities to customers, amortised cost			15,183,091	15,183,091
Liability incurred through the issue of securities, amortised cost		16,080,602		16,080,602
Subordinated loan capital, amortised cost		202,274		202,274
Total financial liabilities, amortised cost		16,282,876	15,183,091	31,465,966
Liability incurred through the issue of securities, fair value hedge		6,225,359		6,225,359
Total financial liabilities, fair value hedge		6,225,359		6,225,359

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

NOKt	30 Sep 2019			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	5,300,077			5,300,077
Shares		4,547	7,387	11,934
Derivatives, fair value		61,740		61,740
Total financial assets, fair value	5,300,077	66,287	7,387	5,373,751
Loans to and receivables from customers, amortised cost			53,055,928	53,055,928
Total financial assets, amortised cost			53,055,928	53,055,928
Derivatives, fair value		21,641		21,641
Total financial liabilities, fair value		21,641		21,641
Deposits and liabilities to customers, amortised cost			19,219,368	19,219,368
Liability incurred through the issue of securities, amortised cost		19,113,734		19,113,734
Subordinated loan capital, amortised cost		304,053		304,053
Total financial liabilities, amortised cost		19,417,786	19,219,368	38,637,154
Liability incurred through the issue of securities, fair value hedge		6,905,979		6,905,979
Total financial liabilities, fair value hedge		6,905,979		6,905,979

Interest-bearing securities in the bank portfolio are moved from level 2 to level 1 in 2019.

Note 8 Fair value of financial instruments (cont.)

NOKt	31 Dec 2019			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	5,313,708			5,313,708
Shares			11,934	11,934
Derivatives, fair value		50,547		50,547
Total financial assets, fair value	5,313,708	50,547	11,934	5,376,189
Loans to and receivables from customers, amortised cost			42,815,707	42,815,707
Total financial assets, amortised cost			42,815,707	42,815,707
Derivatives, fair value		55,976		55,976
Total financial liabilities, fair value		55,976		55,976
Deposits and liabilities to customers, amortised cost			17,305,755	17,305,755
Liability incurred through the issue of securities, amortised cost		17,894,405		17,894,405
Subordinated loan capital, amortised cost		304,064		304,064
Total financial liabilities, amortised cost		18,198,469	17,305,755	35,504,224
Liability incurred through the issue of securities, fair value hedge		6,851,562		6,851,562
Total financial liabilities, fair value hedge		6,851,562		6,851,562

Interest-bearing securities in the bank portfolio are moved from level 2 to level 1 in 2019.

Reconciliation of financial assets valued based on non-observable market data (level 3)	Net realised/ unrealised gains				As at 30 Sep 2020
	As at 1 Jan 2020	recognised in profit or loss	Purchases	Transfer into/ out of level 3	
NOKt					
Shares	11,934	5,015		-5,170	11,779
Total financial assets measured at fair value	11,934	5,015		-5,170	11,779

Level 3 shares represent a total of NOK 17.8m in unquoted shares in Visa Norge and Gjensidige Forsikring ASA. As these investments represent an immaterial value for the bank the purchase price is used as best estimate for fair value. A 10% change in valuations assumptions are assets to have limited effects on the banks' profits, and the sensitivity is presented as NOK 0.

Note 8 Fair value of financial instruments (cont.)

NOKt	Reconciliation of financial assets valued based on non-observable market data (level 3)					As at 30 Sep 2019
	As at 1 Jan 2019	Net realised/unrealised gains recognised in profit or loss	Purchases	Sales	Transfer into/out of level 3	
Shares	7,386					7,386
Total financial assets measured at fair value	7,386					7,386

Level 3 shares represent a total of NOK 7.4m in unquoted shares in Visa Norge and Vipps AS. As these investments represent an immaterial value for the bank the purchase price is used as best estimate for fair value. A 10% change in valuations assumptions are assets to have limited effects on the banks' profits, and the sensitivity is presented as NOK 0.

NOKt	Reconciliation of financial assets valued based on non-observable market data (level 3) 31 Dec 2018					As at 31 Dec 2019
	As at 1 Jan 2019	Net realised/unrealised gains recognised in profit or loss	Purchases	Sales	Transfer into/out of level 3	
Shares	7,386		4,548			11,934
Total financial assets measured at fair value	7,386		4,548			11,934

Level 3 shares represent a total of NOK 11.9m in unquoted shares in Visa Norge, Vipps AS and Gjensidige Forsikring ASA. As these investments represent an immaterial value for the bank the purchase price is used as best estimate for fair value. A 10% change in valuations assumptions are assets to have limited effects on the banks' profits, and the sensitivity is presented as NOK 0.

Note 9 Perpetual Tier 1 capital

The bank has issued perpetual Tier 1 capital instruments with a total nominal value of NOK 145 million. The instruments are perpetual but the bank can repay the capital on specific dates, for the first time five years after it was issued. The interest rate to be paid is floating 3-month NIBOR plus a fixed credit spread.

The agreed terms for the instruments meet the requirements in the EU's CRR regulations and it is included in the bank's Tier 1 capital for capital ade-

quacy purposes. This means that the bank has a unilateral right not to pay interest or repay the principal to the investors. As a consequence of these terms, the instruments does not meet the requirement for a liability in IAS 32 and are therefore presented on the line perpetual Tier 1 capital under equity. Further, it implies that the interest is not presented under Total interest expenses but as a reduction in Other equity. The tax consequences are recognized in the income statement.

Quarterly earnings performance

Nordea Direct Bank Group

NOKt	Q3 2020	Q2 2020	Q1 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Interest income etc, amortised cost	287,234	301,909	382,484	382,484	428,967	501,409	469,797	451,198
Interest income etc, fair value	7,235	16,741	22,150	22,150	22,125	20,652	18,940	19,875
Interest costs etc.	95,366	168,853	221,271	221,271	231,060	238,215	215,551	205,355
Net interest income	199,102	149,797	183,364	183,364	220,032	283,845	273,186	265,718
Dividends from investments in shares and funds							1,053	
Fee and commission income	8,927	8,272	9,534	9,534	15,112	30,865	38,536	41,305
Fee and commission expense	11,772	11,535	11,683	11,683	27,372	50,623	52,577	49,000
Net gains on financial instruments at fair value	3,047	21,268	-55,210	-55,210	-1,847	1,252	3,610	10,276
Other operating income	10	322	-11	-11	74	528	88	693
Total income	199,315	168,124	125,993	125,993	206,000	265,868	263,898	268,992
Staff costs	24,660	19,384	33,141	33,141	38,616	40,808	35,675	44,944
Depreciation	3,866	3,992	4,205	4,205	5,170	6,917	7,187	6,872
Other operating costs	44,214	43,057	40,999	40,999	62,184	68,900	62,019	78,948
Total operating expenses	72,740	66,432	78,345	78,345	105,971	116,625	104,881	130,764
Profit / (loss) before loan losses	126,574	101,692	47,649	47,649	100,030	149,242	159,017	138,228
Loan losses	-22,532	107,243	42,464	42,464	60,698	54,148	54,282	58,946
Operating profit	149,107	-5,552	5,185	5,185	39,332	95,095	104,734	79,282

Income statement

Nordea Direct Bank ASA

NOKt	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Year 2019
Interest income etc, amortised cost	217,468	383,496	690,294	1,077,394	1,376,207
Interest income etc, fair value	10,679	30,051	68,329	78,881	113,336
Interest costs etc.	70,451	154,979	325,493	420,855	563,376
Net interest income	157,696	258,568	433,130	735,420	926,167
Dividends from investments in shares and funds				1,053	1,053
Fee and commission income	8,394	30,297	25,086	108,969	123,509
Fee and commission expense	11,772	50,623	34,991	152,200	179,572
Net gains on financial instruments at fair value	3,964	1,185	-28,722	14,901	13,296
Other operating income	2,540	3,362	8,160	10,033	12,893
Net commission income and other operating income	3,125	-15,779	-30,467	-17,243	-28,820
Total income	160,821	242,789	402,663	718,177	897,347
Staff costs	24,099	40,228	76,024	119,686	157,744
Depreciation	3,866	6,917	12,063	20,976	26,147
Other operating expenses	43,823	68,472	123,410	208,953	269,472
Total operating expenses	71,787	115,617	211,498	349,615	453,362
Profit / (loss) before loan losses	89,034	127,172	191,165	368,561	443,985
Loan losses	-21,605	53,639	127,241	167,233	227,695
Operating profit	110,639	73,533	63,924	201,328	216,290
Income tax expense	27,660	18,383	15,981	50,332	54,703
Net profit for the period	82,979	55,150	47,942	150,996	161,588
Basic/diluted earnings per share, NOK	94.7	63.0	54.7	172.4	184.5

Statement of comprehensive income

Nordea Direct Bank ASA

NOKt	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Year 2019
Profit/ (loss) for the period	82,979	55,150	47,942	150,996	161,588
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Actuarial gains/ (loss) on pensions					-5,492
Tax on items that are not reclassified to profit or loss					1,373
Unrealised gain/(loss) on loans to customers, fair value over other comprehensive income					2,415
Items that may be reclassified subsequently to profit or loss					
Tax on items that may be reclassified to profit or loss					-604
Total components of other comprehensive income					-2,308
Total comprehensive income for the period	82,979	55,150	47,942	150,996	159,280

Balance sheet

Nordea Direct Bank ASA

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Assets			
Cash and balances with central banks	59,620	64,331	60,668
Loans to credit institutions	2,025,039	3,071,841	2,277,580
Loans to the public	32,094,244	31,218,426	20,954,888
Interest-bearing securities	6,175,325	7,367,789	7,645,186
Derivatives	189,921	7,390	9,918
Shares (and other securities with variable yield)	11,779	11,934	11,934
Ownership interest in group companies	1,220,030	1,220,030	1,220,030
Intangible assets	16,081	32,920	25,714
Deferred tax assets	14,974	19,288	10,106
Fixed assets	1,594	2,734	2,289
Other assets	-1,718	-2,938	28,844
Advance payments and accrued income	153,515	333,967	157,513
Total assets	41,960,403	43,347,711	32,404,670
Liabilities and equity			
Liabilities to credit institutions	14,316,574	9,915,788	3,469,246
Deposits and borrowings from the public	15,180,007	19,219,551	17,306,523
Debt securities in issue	8,375,045	9,014,990	8,200,207
Derivatives	36,698	17,283	51,890
Current tax liabilities	15,981	50,332	46,212
Other liabilities	282,439	148,787	18,226
Accrued expenses and prepaid income	224,472	369,987	122,498
Retirement benefit obligations	27,815	22,958	27,815
Subordinated loan capital	199,942	299,863	299,887
Total liabilities	38,658,973	39,059,539	29,542,503
Equity			
Share capital	667,512	980,244	666,020
Share premium reserve	1,814,374	1,600,402	1,115,866
Perpetual Tier 1 capital	144,847	445,238	445,441
Other paid-in equity	2,657	3,789	2,657
Retained earnings	624,099	1,107,503	632,183
Net profit for the period	47,942	150,996	
Total equity	3,301,431	4,288,172	2,862,167
Total liabilities and equity	41,960,403	43,347,711	32,404,670

Statement of changes in equity

Nordea Direct Bank ASA

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2020	666,020	1,115,866	445,441	2,657	632,183	2,862,167
Net profit for the period			8,323		39,619	47,942
Other comprehensive income, net of tax						
Total comprehensive income			8,323		39,619	47,942
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity					239	239
AT1 capital			-298,200			
Paid interest on AT 1 capital			-10,717			-10,717
Balance at 30 Sep 2020	667,512	1,814,374	144,847	2,657	672,041	3,301,431

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2019	979,368	1,201,278	444,848	3,789	1,121,848	3,751,131
Net profit for the period			16,661		144,926	161,588
Other comprehensive income, net of tax					-4,119	-4,119
Total comprehensive income			16,661		140,807	157,469
Capital expansion	876	399,124				400,000
Demerger car finance business	-314,224	-484,536		-1,132	-624,925	-1,424,817
Share-based payment transactions settled in equity					-2,085	-2,085
Tax payable and deferred tax relating to items recognised directly in equity					-3,463	-3,463
AT1 capital						
Paid interest on AT 1 capital			-16,068			-16,068
Balance at 31 Dec 2019	666,020	1,115,866	445,441	2,657	632,183	2,862,167

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2019	979,368	1,201,278	444,848	3,789	1,121,848	3,751,131
Net profit for the period			12,261		138,735	150,996
Other comprehensive income, net of tax						
Total comprehensive income			12,261		138,735	150,996
Capital expansion	876	399,124				400,000
Share-based payment transactions settled in equity					-2,085	-2,085
AT1 capital						
Paid interest on AT 1 capital			-11,871			-11,871
Balance at 30 Sep 2019	980,244	1,600,402	445,238	3,789	1,258,498	4,288,172

Number of shares at end of period 876,000

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