

Nordea

Interim Report 2nd 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-Jun 2020	Jan-Jun 2019	Year 2019
Net interest income	333,161	538,904	1,042,782
Net commission income and other operating income	-39,043	-6,014	-38,024
Total income	294,118	532,890	1,004,758
Staff costs	52,524	80,618	160,043
Other expenses	92,253	155,027	298,198
Total operating expenses	144,777	235,645	458,241
Loan losses (negative figures are reversals)	149,707	113,229	228,074
Operating profit	-367	184,016	318,442
Income tax expense	-91	46,004	80,241
Net profit for the period	-276	138,012	238,202

Summary of balance sheet

NOKt	30 Jun 2020	30 Jun 2019	31 Dec 2019
Loans to the public (gross)	47,696,120	52,010,181	43,203,811
Allowance for loan losses	-509,695	-434,209	-385,807
Deposits and borrowings from the public	15,900,413	20,683,630	17,306,523
Total assets	54,377,041	58,590,435	49,062,417
Equity	4,113,545	4,912,641	3,572,127
Assets under management	319,416	31,926,218	957,893

Ratios and key figures

		Jan-Jun 2020	Jan-Jun 2019	Year 2019
Net interest margin, annualised	%	1.33	1.88	1.82
Loss rate	%	0.68	0.45	0.45
Non-performing loans in % of gross lending ¹	%	1.43	1.54	1.34
Return on equity, annualised	%	-0.44	6.30	5.33
Deposit-to-loan ratio at the end of the period	%	33.3	39.8	40.1
Capital adequacy ratio ²	%	19.5	17.8	19.9
Tier 1 capital ratio ²	%	18.6	16.8	18.3
Common equity Tier 1 capital ratio ²	%	17.3	15.2	16.0
Cost/income ratio	%	49.2	44.2	45.6
Liquidity Coverage Ratio	%	459	384	473
Average total assets	NOKt	50,332,232	57,920,604	57,428,906
Number of employees	Number	118	178	115
Total deposit above NOK 2 million	NOK billion	2.66	6.56	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

The profit before tax expense amounted to negative NOK 0.4m (NOK 184.0m). The decrease was driven by losses on financial instruments, as well as the transfer of car finance lending activities to Nordea Finans Norge AS. A collective loan loss allowance was built during the second quarter, related to the economic uncertainty created by the Covid-19 outbreak earlier this year.

Total income amounted to NOK 294.1m (NOK 532.9 m).

Net interest income amounted to NOK 333.2m (NOK 538.9m). The decrease was mainly driven by car finance transfer mentioned above. Adjusted for car finance, net interest income was at a similar level compared to same period last year. The improvement brought by portfolio growth was offset by decreased net interest margin.

Net commission income and other income amounted to negative NOK 39.0m (negative NOK 6.0m). The decrease was primarily driven by losses on financial instruments. 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 1.33% (1.88%). The decrease was driven by the change in portfolio composition and increase in financing cost.

Operating expenses were NOK 144.8m (NOK 235.6m). The decrease was mainly driven by car finance transfer to Nordea Finans Norge AS. Adjusted for car finance, expenses were 7% lower compared to same period last year. The decrease was driven by lower acquisition expenses.

The cost/income ratio increased to 49.2% (44.2%), driven by loss on financial instruments. Normalised cost/income ratio was at satisfactory level of 43%.

Total write-downs and losses amounted to NOK 149.7m (NOK 113.2m). 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 increased by NOK 66.8m. 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 bank's collective loan loss models. The bank will monitor the overall economic situation, which will guide their decision related to the level of the management 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 0.68% (0.45%) of average gross lending. The increase was mainly driven by consumer loans.

Gross lending in default over 90 days decreased to NOK 681.5m (NOK 799.9m). The decrease is driven by car finance transfer to Nordea Finans Norge AS. Gross loans in default over 90 days were 1.43% (1.54%) of total gross lending.

The weighted average loan-to-value ratio² was estimated to be 61.1% (60.6%) for the mortgage portfolio.

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

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.

Lending, deposits and investments growth

Gross lending decreased by 8.3% and amounted to NOK 47,696.1m (NOK 52,010.2m) as of 30 June 2020. Adjusted for car finance, gross lending increased by 14,5%. 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 23.1%, reaching NOK 15,900.4m (NOK 20,683.6 m).

Assets under management decreased to NOK 0.34b (NOK 31.9b) as of 30 June 2020. The decrease was driven by the termination of an institutional mandate and Gjensidige Pensjonsforsikring.

Capital position

As of 30 June 2020, the Nordea Direct Bank Group had a capital adequacy ratio of 19.5% (17.8%). The total capital held by the bank was NOK 4,295.8m (NOK 5,044.0m), of which NOK 3,800.9m (NOK 4,299.0m) was common equity Tier 1 capital. The common equity Tier 1 capital ratio was 17.3% (15.2%).

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 22,948.1m (NOK 26,657.6m) as of 30 June 2020. The total face value of the securities issued by the bank was NOK 22,673.5m.

Repayments through ordinary maturity and buy back of bonds from investors were NOK 2,187.0m in the period.

Liquidity

As of 30 June 2020, the Nordea Direct Bank Group had net liquid assets of NOK 8,333.6m, divided between NOK 1,595.9m in bank deposits and NOK 6,737.6m in debt securities. Of the latter assets NOK 1,677.9m 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 21 months.

Key risk and uncertainty factors

The bank's financial risk mainly comprises credit, liquidity and interest rate risk. The risk is reported on a monthly basis and assessed in accordance with the principles, strategies and risk thresholds defined by the Board.

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

Liquidity risk is the risk that the bank will be unable to meet all its financial obligations when they fall due or be unable to fund its lending activities. The bank established a legal framework that allows it to attract liquidity from the external market. Moreover, in order to reduce the risk, liquidity forecasts are continuously updated and reviewed. The bank's current liquidity reserve gives it time to implement necessary measures in a situation 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, the bank 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. With regards to lending activities, the bank 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.

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, 17 July 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	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Year 2019
Interest income etc, amortised cost		301,909	469,797	684,394	920,995	1,851,371
Interest income etc, fair value		16,741	18,940	38,891	38,815	81,592
Interest costs etc.		168,853	215,551	390,124	420,906	890,181
Net interest income		149,797	273,186	333,161	538,904	1,042,782
Dividends from investments in shares and funds			1,053		1,053	1,053
Fee and commission income		8,272	38,536	17,806	79,842	125,819
Fee and commission expense		11,535	52,577	23,219	101,577	179,572
Net gains on financial instruments at fair value		21,268	3,610	-33,942	13,886	13,292
Other operating income		322	88	311	781	1,383
Net commission income and other operating income		18,327	-9,288	-39,043	-6,014	-38,024
Total income		168,124	263,898	294,118	532,890	1,004,758
Staff costs		19,384	35,675	52,524	80,618	160,043
Depreciation		3,992	7,187	8,197	14,059	26,147
Other operating expenses		43,057	62,019	84,056	140,968	272,052
Total operating expenses		66,432	104,881	144,777	235,645	458,241
Profit / (loss) before loan losses		101,692	159,017	149,340	297,245	546,517
Loan losses	4	107,243	54,282	149,707	113,229	228,074
Operating profit		-5,552	104,734	-367	184,016	318,442
Income tax expense		-6,393	26,184	-91	46,004	80,241
Net profit for the period		841	78,551	-276	138,012	238,202
Basic/diluted earnings per share, NOK		1.0	89.7	-0.3	157.5	271.9

Statement of comprehensive income

Nordea Direct Bank Group

NOKt	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Year 2019
Net profit for the period	841	78,551	-276	138,012	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	841	78,551	-276	138,012	234,083

Balance sheet

Nordea Direct Bank Group

NOKt	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
Assets				
Cash and balances with central banks		67,600	55,217	60,668
Loans to credit institutions	6	1,528,334	809,272	549,864
Loans to the public	2,4	47,186,425	51,575,972	42,818,003
Interest-bearing securities	8	5,059,737	5,638,937	5,313,708
Derivatives	8	273,319	66,416	50,547
Shares (and other securities with variable yield)		16,949	11,934	11,934
Intangible assets		19,589	33,592	25,714
Deferred tax assets		26,192	20,177	10,349
Fixed assets		1,814	3,385	2,289
Other assets		-417	274	28,844
Advance payments and accrued income		197,500	375,259	190,497
Total assets		54,377,041	58,590,435	49,062,417
Liabilities and equity				
Liabilities to credit institutions	6	10,806,000	5,750,000	2,956,000
Deposits and borrowings from the public	2	15,900,413	20,683,630	17,306,523
Debt securities in issue	3,6,8	22,748,134	26,357,799	24,565,210
Derivatives	8	44,235	26,538	55,976
Current tax liabilities		11,587	46,004	69,735
Other liabilities		270,960	143,188	18,354
Accrued expenses and prepaid income		254,423	347,838	190,792
Retirement benefit obligations		27,815	22,958	27,815
Subordinated loan capital	3	199,929	299,840	299,887
Total liabilities		50,263,496	53,677,794	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	294,919	445,097	445,441
Other paid-in equity		2,647	3,779	2,647
Retained earnings		1,334,368	1,745,107	1,342,153
Net profit for the period		-276	138,012	
Total equity		4,113,545	4,912,641	3,572,127
Total liabilities and equity		54,377,041	58,590,435	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			7,785		-8,061	-276
Other comprehensive income, net of tax						
Total comprehensive income			7,785		-8,061	-276
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity						
AT1 capital			-149,700			-149,700
Paid interest on AT 1 capital			-8,607			-8,607
Balance at 30 Jun 2020	667,512	1,814,374	294,919	2,647	1,334,092	4,113,545

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			8,013		129,999	138,012
Other comprehensive income, net of tax						
Total comprehensive income			8,013		129,999	138,012
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			-7,764			-7,764
Balance at 30 Jun 2019	980,244	1,600,402	445,097	3,779	1,883,119	4,912,641

Number of shares at end of period 876,000

Cash flow statement

Nordea Direct Bank Group

NOKt	Jan-Jun 2020	Jan-Jun 2019	Year 2019
Operating activities			
Net payment of loans to customers	-4,509,278	-387,261	8,366,688
Net payment of deposits by customers	-1,406,110	-2,439,348	-5,816,454
Payment of interest from customers	674,811	850,323	1,816,783
Payment of interest to customers	-24,593	-52,718	-264,687
Net payment of interest from credit institutions etc.	-94,883	-43,794	-54,622
Taxes paid	-71,030	-108,419	-108,419
Net other commission income	-5,031	20,954	31,183
Payment to operations	-264,384	-334,921	-682,419
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	59,136	86,080	411,919
Net cash flow from operating activities	-5,641,362	-2,409,105	3,699,972
Investment activities			
Net purchase of intangible assets and fixed assets	-1,597	-12,801	-16,941
Net cash flow from investment activities	-1,597	-12,801	-1,441,758
Financing activities			
Net receipts/payments on deposits from credit institutions	7,850,000	5,750,000	2,956,000
Receipts of interest-bearing securities			
Payment of interest-bearing securities	-2,187,000	-3,261,000	-5,000,000
Interest payments on interest-bearing securities	378,922	186,709	-200,747
Receipts of subordinated debt	-99,957	-249,955	-249,908
Interest payments on subordinated debt	-4,998	-8,176	-13,537
Issued Additional Tier 1 capital			
Paid interest on Additional Tier 1 capital	-8,607	-7,764	-16,068
Capital increases	700,000	400,000	400,000
Cash flow from financing activities	6,628,360	2,809,815	-2,124,261
Cash flow for the period	985,401	387,909	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	1,595,934	864,489	610,533
Change	985,401	387,909	133,953
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	67,600	55,217	60,668
Loans to credit institutions	1,528,334	809,272	549,864
Total cash and cash equivalents	1,595,934	864,489	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 second quarter of 2020, concluded on 30 June 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 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.

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/Faktor-er-bak-banken-es-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 Q2 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 SSB macro forecast from December 2019 and was not updated since Q1 provisions.

	2020	2021	2022
Unemployment rate ¹			
Alternative A (best case)	6.8%	5.2%	4.4%
Base case	7.2%	6.1%	5.1%
Alternative B (worst case)	7.7%	7.7%	6.7%
Household Lending Rates ²			
Alternative A (best case)	3.7%	3.7%	3.9%
Base case	3.4%	3.4%	3.5%
Alternative B (worst case)	1.5%	1.5%	1.6%
Housing prices ¹			
Alternative A (best case)	-3.0%	2.0%	2.9%
Base case	-7.3%	3.6%	3.6%
Alternative B (worst case)	-8.2%	-7.7%	-2.0%
¹ Source: Enterprise Wide Risk Management in Nordea			
² Source: Norway Statistice December 2019			
Scenario weighting Q2 2020			
Alternative A (best case)	20%		
Base case	60%		
Alternative B (worst case)	20%		

Note 2 Segment information

NOKt	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Deposit by sector and industry								
Retail market	13,508,089	12,809,973	13,306,516	14,011,422	14,327,489	14,395,522	15,248,247	15,575,702
Other	2,392,324	3,013,411	4,000,008	5,208,129	6,356,140	7,362,448	7,874,731	7,982,470
Total deposits	15,900,413	15,823,384	17,306,523	19,219,551	20,683,630	21,757,970	23,122,977	23,558,173
Loans to customers divided by sector and industry								
Private individuals	47,696,120	43,168,208	43,203,811	51,300,415	49,667,800	48,350,696	49,458,634	47,187,441
Commercial business				2,233,483	2,342,381	2,240,090	2,123,833	1,981,615
Gross loans	47,696,120	43,168,208	43,203,811	53,533,898	52,010,181	50,590,786	51,582,467	49,169,056

Note 3 Liabilities on the issue of securities

NOKt	Nominal value			Carrying amount		
	30 Jun 2020	30 Jun 2019	31 Dec 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Liabilities opened for the issue of securities						
Bond debt ¹	16,257,500	19,928,500	18,010,500	16,286,352	19,936,893	18,019,689
Subordinated loan capital	200,000	300,000	300,000	199,929	299,840	299,887
- Own non-amortised certificates/bonds	-303,000	-429,000	-250,000	-303,117	-429,000	-250,000
Total liabilities at amortised cost	16,154,500	19,799,500	18,060,500	16,183,164	19,807,733	18,069,576
Liabilities opened for the issue of securities						
Bond debt	6,519,000	6,800,000	6,800,000	6,764,899	6,849,905	6,795,521
Total liabilities included in fair value hedge	6,519,000	6,800,000	6,800,000	6,764,899	6,849,905	6,795,521
Total liabilities	22,673,500	26,599,500	24,860,500	22,948,063	26,657,638	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 1,670.0m (1,795.0m) as of 30 June 2020. The cover pool market value was NOK 2,037.1m (2,225.2m).

Maturity

Remaining maturity (nominal value)	30 Jun 2020	30 Jun 2019	31 Dec 2019
2019		798,000	
2020	1,716,000	3,455,000	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	22,673,500	26,599,500	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 2,187,000

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)	123,888	104,785	56,383
+ Write-off during the period	25,094	8,370	171,941
- Payments on previously written-off accounts	726	74	-250
Write-downs and losses for the period	149,707	113,229	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	123,888	104,785	56,383
Loss allowance at the end of the period	509,695	434,209	385,807
Defaulted loans			
Gross default over 90 days	681,476	799,897	580,281

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	42,567,581	1,676	14,675	42,583,932
Medium	1,288,615	447,844	7,027	1,743,486
High	411,204	814,293	67,930	1,293,427
Not classified	1,394	106	9	1,510
Impaired and written down			690,283	690,283
Adjustment ¹	1,383,484			1,383,484
Total	45,652,279	1,263,918	779,923	47,696,120
Loss allowance	81,971	69,659	358,065	509,695
Total net	45,570,309	1,194,259	421,858	47,186,425

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	44,582,370	147,685	53,863	44,783,918
Medium	4,682,076	584,234	17,504	5,283,815
High	542,337	364,460	31,541	938,338
Not classified	167,549	13,749	739	182,036
Impaired and written down	356		835,945	836,302
Adjustment ¹	-14,402		175	-14,227
Total	49,960,286	1,110,128	939,767	52,010,181
Loss allowance	51,310	47,422	335,476	434,209
Total net	49,908,975	1,062,705	604,291	51,575,972

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 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	46,843,952	126,697	50,756,016	81,380	42,467,867	70,486
30-59 days	120,182	30,645	325,532	27,058	109,557	18,161
60-89 days	50,510	16,560	128,735	18,251	46,106	13,902
90+ days	681,476	335,793	799,897	307,520	580,281	283,258
Total	47,696,120	509,695	52,010,181	434,209	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	5,057	-8,985	-1,241	-5,169
Transfer to stage 2	-2,589	31,898	-167	29,142
Transfer to stage 3	-1,705	-19,459	52,908	31,744
New Financial assets originated during the period	15,674	8,876	1,079	25,629
Financial assets that have been derecognised	-2,335	-3,750	-19,287	-25,372
Changes in balance with no transfer between stages	35,871	13,623	18,419	67,913
Loss allowance as at 30 Jun 2020	81,971	69,659	358,065	509,695

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	626	-9,429	-3,399	-12,201
Transfer to stage 2	-1,703	26,683	-572	24,408
Transfer to stage 3	-2,535	-17,637	83,026	62,855
New Financial assets originated during the period	15,453	10,686	5,862	32,001
Financial assets that have been derecognised	-5,408	-3,724	-11,083	-20,215
Changes in balance with no transfer between stages	-1,499	541	18,896	17,937
Loss allowance as at 30 Jun 2019	51,310	47,422	335,476	434,209

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 Jun 2020	30 Jun 2019	31 Dec 2019
Stage 1	81,971	51,310	31,998
Stage 2	69,659	47,422	47,456
Stage 3	358,065	335,476	306,354
Total	509,695	434,209	385,807
Stage 1	16.1%	11.8%	8.3%
Stage 2	13.7%	10.9%	12.3%
Stage 3	70.3%	77.3%	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	508,925	-501,719	-7,205	
Transfer to stage 2	-471,518	473,377	-1,859	
Transfer to stage 3	-55,997	-105,067	161,064	
New financial assets originated	9,361,739	228,305	3,748	9,593,792
Financial assets that have been derecognised	-5,326,938	-194,474	-45,361	-5,566,774
Change in balances due to payments	-848,049	-44,461	-37,814	-930,325
Other Changes ¹	1,362,468		33,148	1,395,617
Gross carrying amount as at 30 Jun 2020	45,652,279	1,263,918	779,923	47,696,120
Loss allowance as at 30 Jun 2020	81,971	69,659	358,065	509,695

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	335,454	-303,614	-31,840	
Transfer to stage 2	-503,332	512,064	-8,732	
Transfer to stage 3	-218,402	-127,107	345,509	
New financial assets originated	10,234,581	182,412	29,657	10,446,650
Financial assets that have been derecognised	-8,009,402	-182,474	-44,330	-8,236,206
Change in balances due to payments	-1,704,971	-40,459	-44,121	-1,789,551
Other Changes ¹	-3,603		10,424	6,821
Gross carrying amount as at 30 Jun 2019	49,960,286	1,110,128	939,767	52,010,181
Loss allowance as at 30 Jun 2019	51,310	47,422	335,476	434,209

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 Jun 2020	30 Jun 2019	31 Dec 2019
Stage 1	45,652,279	49,960,286	41,121,650
Stage 2	1,263,918	1,110,128	1,407,959
Stage 3	779,923	939,767	674,202
Total	47,696,120	52,010,181	43,203,811
Stage 1	95.7%	96.1%	95.2%
Stage 2	2.6%	2.1%	3.3%
Stage 3	1.6%	1.8%	1.6%
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	2,481,886	2,580,646	1,781,886
Other equity	1,336,739	1,886,898	1,344,800
Total equity (exclusive perpetual Tier 1 capital)	3,818,625	4,467,544	3,126,686
Deduction			
Profit not included in the calculation of net primary capital		-138,012	
Goodwill and other intangible assets	-19,589	-33,592	-25,714
Value adjustments due to the requirement for prudent valuation	-5,394	-5,744	-5,432
Increase			
IFRS 9 transitional arrangements for credit loss provisioning	7,273	8,831	7,273
Common equity Tier 1 capital	3,800,915	4,299,028	3,102,813
Perpetual Tier 1 capital	294,919	445,097	445,441
Tier 1 capital	4,095,834	4,744,124	3,548,253
Supplementary capital			
Subordinated loan capital	199,929	299,840	299,887
Net primary capital	4,295,764	5,043,964	3,848,140
Credit risk:			
Of which:			
Central governments or central banks	5,238	4,035	2,070
Institutions	37,495	19,448	12,997
Enterprises		190,483	
Mass market positions	203,048	696,771	213,419
Positions secured by mortgage	1,296,420	1,067,242	1,112,847
Overdue positions	52,602	60,372	48,109
Covered bonds	27,926	32,444	30,268
Shares in securities fund			
Equity positions	1,356	955	955
Other positions	6,508	38,095	7,317
Total minimum requirement credit risk	1,630,594	2,109,844	1,427,981
Operational risk	118,677	145,619	118,677
CVA-risk	10,838	6,442	3,280
Minimum requirement for net primary capital	1,760,109	2,261,906	1,549,938
Basis of calculation of balance sheet items not included in trading portfolio	19,198,749	25,267,627	17,491,310
Basis of calculation of off-balance sheet items not included in trading portfolio	1,183,679	1,105,428	358,457
Risk-weighted assets (calculation basis for capital adequacy ratio)	22,001,368	28,273,819	19,374,227

Note 5 Capital adequacy (cont.)

NOKt	30 Jun 2020	30 Jun 2019	31 Dec 2019
Buffer requirements			
Systemic risk buffer	660,041	848,215	581,227
Conservation buffer	550,034	706,845	484,356
Countercyclical buffer	220,014	565,476	484,356
Total buffer requirement for common equity Tier 1 capital	1,430,089	2,120,536	1,549,938
Pillar 2 requirement 1.7% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway	374,023	424,107	329,362
Available common equity Tier 1 capital net min.requirement	1,006,741	482,062	351,673
Capital adequacy			
Capital adequacy ratio	19.5%	17.8%	19.9%
Tier 1 capital ratio	18.6%	16.8%	18.3%
Common equity Tier 1 capital ratio	17.3%	15.2%	16.0%
Leverage ratio	7.1%	7.9%	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 is 12.7% end of Q2 2020.

New standard IFRS 9 guidelines for credit loss provisioning were implemented 1.1.2018. The bank uses 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 loss and provision will be phased in over five years.

NOKt	30 Jun 2020	30 Jun 2019	31 Dec 2019
Numbers without use of transitional arrangements:			
Common equity Tier 1 capital	3,793,642	4,290,197	3,095,540
Tier 1 capital	4,088,562	4,735,293	3,540,981
Net primary capital	4,288,491	5,035,133	3,840,867
Common equity Tier 1 capital ratio	17.2 %	15.2 %	16.0 %
Tier 1 capital ratio	18.6 %	16.7 %	18.3 %
Capital adequacy ratio	19.5 %	17.8 %	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 1,000.0 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

Jan-Jun 2020

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Net interest income	31,652	7,965	
Other operating income	5,309		4,749
Other operating expenses	-470	-3,812	

Jan-Jun 2019

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Net interest income	29,566	7,077	
Other operating income	5,890		
Other operating expenses	-459		

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 Jun 2020

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	658,948	1,486,433	
Loans to credit institutions	1,789,285	1,352	
Interest-bearing securities	1,677,901	903,277	
Deposits by credit institutions		10,316,122	
Other liabilities			

30 Jun 2019

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	545,620	793,682	
Loans to credit institutions	2,797,342		
Interest-bearing securities	1,803,303	555,576	
Deposits by credit institutions		5,753,995	
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 Jun 2020	30 Jun 2019	31 Dec 2019
Guarantees		5,500	
Loan commitment	7,775,616	3,837,162	3,339,658
Unutilised credit facility	3,703,482	4,454,535	3,600,507
Total contingent liabilities	11,479,098	8,297,197	6,940,165
Securities provided as collateral for loans from/credit facility with Norges Bank	2,524,660	777,463	842,432
Total securities provided	2,524,660	777,463	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 Jun 2020		30 Jun 2019		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash to and receivables from central banks	67,600	67,600	55,217	55,217	60,668	60,668
Cash to and receivables from central banks	67,600	67,600	55,217	55,217	60,668	60,668
Loans to and receivables from credit institutions, amortised cost	1,528,334	1,528,334	809,272	809,272	549,864	549,864
Loans to and receivables from credit institutions	1,528,334	1,528,334	809,272	809,272	549,864	549,864
Loans to and receivables from customers, amortised cost	47,186,425	47,223,110	51,575,972	51,582,669	42,818,003	42,815,707
Loans to and receivables from customers	47,186,425	47,223,110	51,575,972	51,582,669	42,818,003	42,815,707
Interest-bearing securities, fair value	5,059,737	5,059,737	5,638,937	5,638,937	5,313,708	5,313,708
Interest-bearing securities	5,059,737	5,059,737	5,638,937	5,638,937	5,313,708	5,313,708
Derivatives, fair value	273,319	273,319	66,416	66,416	50,547	50,547
Derivatives	273,319	273,319	66,416	66,416	50,547	50,547
Shares available for sale	16,949	16,949	11,934	11,934	11,934	11,934
Shares	16,949	16,949	11,934	11,934	11,934	11,934
Other financial assets, amortised cost	119,703	119,703	123,572	123,572	105,457	105,457
Total other financial assets	119,703	119,703	123,572	123,572	105,457	105,457
Total financial assets	54,252,067	54,288,751	58,281,320	58,288,018	48,910,182	48,907,886
Liabilities						
Liability to credit institutions, amortised cost	10,806,000	10,806,000	5,750,000	5,750,000	2,956,000	2,956,000
Liability to credit institutions	10,806,000	10,806,000	5,750,000	5,750,000	2,956,000	2,956,000
Deposits and liabilities to customers, amortised cost	15,900,413	15,915,052	20,683,630	20,683,895	17,306,523	17,305,755
Deposits and liabilities to customers	15,900,413	15,915,052	20,683,630	20,683,895	17,306,523	17,305,755
Liability incurred through the issue of securities, amortised cost	15,983,235	16,074,473	19,507,893	19,664,947	17,769,689	17,894,405
Liability incurred through the issue of securities, fair value hedge	6,764,899	6,796,426	6,849,905	6,903,692	6,795,521	6,851,562
Liability incurred through the issue of securities	22,748,134	22,870,899	26,357,799	26,568,639	24,565,210	24,745,968
Derivatives, fair value	44,235	44,235	26,538	26,538	55,976	55,976
Derivatives	44,235	44,235	26,538	26,538	55,976	55,976
Subordinated loan capital, amortised cost	199,929	201,985	299,840	303,639	299,887	304,064
Subordinated loan capital	199,929	201,985	299,840	303,639	299,887	304,064
Other financial liabilities, amortised cost	206,144	206,144	258,697	258,697	143,361	143,361
Other financial liabilities	206,144	206,144	258,697	258,697	143,361	143,361
Total financial liabilities	49,904,855	50,044,317	53,376,503	53,591,408	45,326,956	45,511,123
Off-balance sheet obligations and guarantees						
Guarantees			5,500	5,500		
Mortgage assets ¹	2,524,660	2,524,660	785,331	785,331	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 Jun 2020			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	5,059,737			5,059,737
Shares			16,949	16,949
Derivatives, fair value		273,319		273,319
Total financial assets, fair value	5,059,737	273,319	16,949	5,350,005
Loans to and receivables from customers, amortised cost			47,223,110	47,223,110
Total financial assets, amortised cost			47,223,110	47,223,110
Derivatives, fair value		44,235		44,235
Total financial liabilities, fair value		44,235		44,235
Deposits and liabilities to customers, amortised cost			15,915,052	15,915,052
Liability incurred through the issue of securities, amortised cost		16,074,473		16,074,473
Subordinated loan capital, amortised cost		201,985		201,985
Total financial liabilities, amortised cost		16,276,458	15,915,052	32,191,511
Liability incurred through the issue of securities, fair value hedge		6,796,426		6,796,426
Total financial liabilities, fair value hedge		6,796,426		6,796,426

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, fair value	5,638,937			5,638,937
Shares		4,547	7,387	11,934
Derivatives, fair value		66,416		66,416
Total financial assets, fair value	5,638,937	70,963	7,387	5,717,287
Loans to and receivables from customers, amortised cost			51,582,669	51,582,669
Total financial assets, amortised cost			51,582,669	51,582,669
Derivatives, fair value		26,538		26,538
Total financial liabilities, fair value		26,538		26,538
Deposits and liabilities to customers, amortised cost			20,683,895	20,683,895
Liability incurred through the issue of securities, amortised cost		19,664,947		19,664,947
Subordinated loan capital, amortised cost		303,639		303,639
Total financial liabilities, amortised cost		19,968,586	20,683,895	40,652,481
Liability incurred through the issue of securities, fair value hedge		6,903,692		6,903,692
Total financial liabilities, fair value hedge		6,903,692		6,903,692

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		Purchases	Transfer into/ out of level 3	As at 30 Jun 2020
	As at 1 Jan 2020	recognised in profit or loss			
NOKt					
Shares	11,934	5,015			16,949
Total financial assets measured at fair value	11,934	5,015			16,949

Level 3 shares represent a total of NOK 16.9m 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.

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 Jun 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 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.

Note 9 Perpetual Tier 1 capital

The bank has issued perpetual Tier 1 capital instruments with a total nominal value of NOK 295 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.

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 Bank ASA 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 Bank ASA

Oslo, 17 July 2020



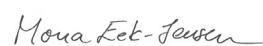
Randi Marjamaa
Chairman



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

Quarterly earnings performance

Nordea Direct Bank Group

NOKt	Q2 2020	Q1 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Interest income etc, amortised cost	301,909	382,484	382,484	428,967	501,409	469,797	451,198	438,808
Interest income etc, fair value	16,741	22,150	22,150	22,125	20,652	18,940	19,875	17,453
Interest costs etc.	168,853	221,271	221,271	231,060	238,215	215,551	205,355	195,125
Net interest income	149,797	183,364	183,364	220,032	283,845	273,186	265,718	261,137
Dividends from investments in shares and funds						1,053		
Fee and commission income	8,272	9,534	9,534	15,112	30,865	38,536	41,305	38,148
Fee and commission expense	11,535	11,683	11,683	27,372	50,623	52,577	49,000	49,382
Net gains on financial instruments at fair value	21,268	-55,210	-55,210	-1,847	1,252	3,610	10,276	-8,267
Other operating income	322	-11	-11	74	528	88	693	1,383
Total income	168,124	125,993	125,993	206,000	265,868	263,898	268,992	243,020
Staff costs	19,384	33,141	33,141	38,616	40,808	35,675	44,944	55,328
Depreciation	3,992	4,205	4,205	5,170	6,917	7,187	6,872	5,068
Other operating costs	43,057	40,999	40,999	62,184	68,900	62,019	78,948	88,418
Total operating expenses	66,432	78,345	78,345	105,971	116,625	104,881	130,764	148,813
Profit / (loss) before loan losses	101,692	47,649	47,649	100,030	149,242	159,017	138,228	94,207
Loan losses	107,243	42,464	42,464	60,698	54,148	54,282	58,946	79,381
Operating profit	-5,552	5,185	5,185	39,332	95,095	104,734	79,282	14,826

Income statement

Nordea Direct Bank ASA

NOKt	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Year 2019
Interest income etc, amortised cost	217,285	357,361	472,826	693,898	1,376,207
Interest income etc, fair value	23,153	25,832	57,650	48,830	113,336
Interest costs etc.	114,513	137,952	255,042	265,876	563,376
Net interest income	125,925	245,242	275,433	476,852	926,167
Dividends from investments in shares and funds		1,053		1,053	1,053
Fee and commission income	7,723	37,956	16,692	78,672	123,509
Fee and commission expense	11,535	52,577	23,219	101,577	179,572
Net gains on financial instruments at fair value	19,958	3,548	-32,686	13,716	13,296
Other operating income	2,929	2,999	5,620	6,671	12,893
Net commission income and other operating income	19,074	-7,021	-33,592	-1,464	-28,820
Total income	144,999	238,221	241,841	475,388	897,347
Staff costs	19,382	35,186	51,926	79,458	157,744
Depreciation	3,992	7,187	8,197	14,059	26,147
Other operating expenses	42,391	61,651	79,588	140,481	269,472
Total operating expenses	65,765	104,024	139,711	233,998	453,362
Profit / (loss) before loan losses	79,234	134,197	102,131	241,390	443,985
Loan losses	105,929	54,329	148,846	113,595	227,695
Operating profit	-26,695	79,868	-46,715	127,795	216,290
Income tax expense	-11,678	19,967	-11,678	31,949	54,703
Net profit for the period	-15,016	59,901	-35,037	95,846	161,588
Basic/diluted earnings per share, NOK	-17.1	68.4	-40.0	109.4	184.5

Statement of comprehensive income

Nordea Direct Bank ASA

NOKt	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Year 2019
Profit/ (loss) for the period	-15,016	59,901	-35,037	95,846	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	-15,016	59,901	-35,037	95,846	159,280

Balance sheet

Nordea Direct Bank ASA

NOKt	30 Jun 2020	30 Jun 2019	31 Dec 2019
Assets			
Cash and balances with central banks	67,600	55,217	60,668
Loans to credit institutions	3,305,815	3,598,520	2,277,580
Loans to the public	28,302,049	28,730,139	20,954,888
Interest-bearing securities	6,547,545	7,277,563	7,645,186
Derivatives	198,731	7,750	9,918
Shares (and other securities with variable yield)	16,949	11,934	11,934
Ownership interest in group companies	1,220,030	1,220,030	1,220,030
Intangible assets	19,589	33,592	25,714
Deferred tax assets	25,949	17,919	10,106
Fixed assets	1,814	3,385	2,289
Other assets	-417	274	28,844
Advance payments and accrued income	171,620	339,969	157,513
Total assets	39,877,272	41,296,292	32,404,670
Liabilities and equity			
Liabilities to credit institutions	11,464,948	6,295,621	3,469,246
Deposits and borrowings from the public	15,900,413	20,683,630	17,306,523
Debt securities in issue	8,383,421	9,279,825	8,200,207
Derivatives	40,699	21,911	51,890
Current tax liabilities		31,949	46,212
Other liabilities	270,894	143,142	18,226
Accrued expenses and prepaid income	220,331	280,289	122,498
Retirement benefit obligations	27,815	22,958	27,815
Subordinated loan capital	199,929	299,840	299,887
Total liabilities	36,508,449	37,059,163	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	294,919	445,097	445,441
Other paid-in equity	2,657	3,789	2,657
Retained earnings	624,398	1,111,751	632,183
Net profit for the period	-35,037	95,846	
Total equity	3,368,823	4,237,129	2,862,167
Total liabilities and equity	39,877,272	41,296,292	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			7,785		-42,822	-35,037
Other comprehensive income, net of tax						
Total comprehensive income			7,785		-42,822	-35,037
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity						
AT1 capital			-149,700			-149,700
Paid interest on AT 1 capital			-8,607			-8,607
Balance at 30 Jun 2020	667,512	1,814,374	294,919	2,657	589,361	3,368,823

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			8,013		87,833	95,846
Other comprehensive income, net of tax						
Total comprehensive income			8,013		87,833	95,846
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			-7,764			-7,764
Balance at 30 Jun 2019	980,244	1,600,402	445,097	3,789	1,207,597	4,237,129

Number of shares at end of period 876,000

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